

## CITY COUNCIL REGULAR SESSION

Resolution authorizing execution of three Option Agreements and all documents necessary for the sale of up to 286,500 square feet of Bonus Floor Area owned by the City.

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## EXECUTIVE SUMMARY

Staff have marketed and negotiated Option Agreements for the sale of Bonus Floor Area that the City has owned since 2005 as a result of the permitting for City Hall. The goals of the proposed sale are to maximize revenue and support development outcomes in the downtown core.

## RECOMMENDATION

Move to adopt Resolution No. 10055.

## BACKGROUND/ANALYSIS

The City's Land Use Code provides that Bonus Floor Area can be earned in conjunction with development of specific amenities defined in the Land Use Code (LUC). One of these amenities is the Major Public Open Space amenity described in LUC section 20.25A.070.F. The City Hall plaza fronting NE 6<sup>th</sup> Street and 110<sup>th</sup> Avenue NE meets the requirements of Major Public Open Space, and was approved as part of the permit for City Hall in 2005. As a result, the City earned approximately 465,000 square feet of Bonus Floor Area.

The Land Use Code allows for Bonus Floor Area earned through development of the Pedestrian Corridor or Major Public Open Space to be sold or transferred within a specific geographic area in Downtown, bounded by Bellevue Way to the west, 112<sup>th</sup> Avenue NE to the east, NE 8<sup>th</sup> Street to the north, and NE 4<sup>th</sup> Street to the south. The transferred Bonus Floor Area can be used to increase the size of the buildings constructed on the purchaser's property (within maximum limits set by the Land Use Code). Between 2007 and 2016, the City has transferred approximately 155,000 square feet of its Bonus Floor Area to other properties under these provisions.

In late 2020, staff issued a Request for Proposals seeking offers to purchase the City's remaining Bonus Floor Area (approximately 310,000 square feet) with the goals of maximizing revenue to the City and supporting development outcomes in the downtown core. Three of the proposals were selected to move forward and staff have negotiated terms for entering into option agreements with all three proposers. The prospective buyers are summarized below:

Buyer	Site Address	Bonus Floor Area included in option (sqft)
CLPF 400 108 <sup>th</sup> LLC	400 108 <sup>th</sup> Ave NE	32,000
Acorn Development LLC	600 108 <sup>th</sup> Ave NE	92,400
Bellevue Downtown Development LLC	10855 NE 8 <sup>th</sup> Street	162,100
<b>Total Bonus Floor Area (sqft)</b>		<b>286,500</b>

The negotiated Option Agreements contain the following provisions:

1. The City grants each buyer a five-year option to purchase Bonus Floor Area up to the maximum amount listed above at a price of \$75 per square foot. If the entirety of all three options were exercised, it would equate to a combined purchase price of \$21,487,500.
2. Each buyer will provide an option premium payment on top of the final purchase price. The structure of this premium varies somewhat between buyers and is intended to compensate the City for the time spent holding the Bonus Floor Area off the market during the option period.
3. During the option's term, the buyer is expected to advance the development of their project and closing will not occur until they have submitted a complete building permit application for their project and paid all applicable fees. If the project has not reached this point prior to the end of the five-year term, the option will terminate and the City will retain the Bonus Floor Area.
4. Each buyer will only be able to purchase the amount of Bonus Floor Area that has been approved for use (through the City's design review process) in their project. If the amount approved is less than the maximum included in the option, the remainder will be retained by the City.

If the option agreements are exercised, Council will have discretion on how to use the funds collected.

## POLICY & FISCAL IMPACTS

### Policy Impact

Under Bellevue City Code 4.32, City Council must approve the sale of real or personal property, originally acquired for public use, that is surplus to the City's needs.

### Fiscal Impact

The sale of Bonus Floor Area will generate approximately \$23M between the purchase price and premium payments if all three buyers close on the full amount covered by the Option Agreements.

If the option agreements are exercised, funds will be receipted in the Land Purchase Revolving Fund and will be discussed with Council in future budget processes.

## OPTIONS

1. Adopt the Resolution authorizing execution of three Option Agreements and all documents necessary for the sale of up to 286,500 square feet of Bonus Floor Area owned by the City.
2. Do not adopt the Resolution and provide alternative direction to staff.

## **ATTACHMENTS**

- A. Option agreement with CLPF 400 108<sup>th</sup> LLC
  - B. Option agreement with Acorn Development LLC
  - C. Option agreement with Bellevue Downtown Development LLC
- Proposed Resolution No. 10055

## **AVAILABLE IN COUNCIL LIBRARY**

N/A