REVISED STAFF REPORT

Agenda Item:	5-7	**Name:**	Sam Porter April Sanders
Proposed No.:	2025-0249 2025-0250 2025-0251	**Date:**	September 10, 2025

COMMITTEE ACTION

Proposed Substitute Ordinance 2025-0250.2 make a supplemental appropriation of $41,568,000 to purchase the Broadway Facility, passed out of committee on September 10, 2025, without recommendation. The Proposed Ordinance was amended in committee with Amendment 1 to add a proviso of $100,000 to Broadway Facility Fund requiring a letter from the Executive to Council with a timeline and budget for how Seattle and King County will commit to collaboratively implement the four requirements outlined in Mayor Harrell's jurisdictional letter of support for the proposed central crisis response zone crisis care center.

SUBJECT

Three proposed ordinances related to the purchase of the Broadway Facility in Seattle intended to be used primarily as a crisis care center.

SUMMARY

This staff report covers three proposed ordinances related to the proposed purchase of property located at 1145 Broadway, Seattle, (referred to herein as "Broadway Facility") previously primarily used by the Polyclinic. The Executive intends to use this property primarily as a crisis care center; additional uses are described in this staff report.

Important Note: Pursuant to the requirements of the CCC Implementation Plan, the Executive transmitted the notification letter of the intent to purchase this property for use as a crisis care center, on August 14, 2025, as 2025-RPT0087. Under the CCC IP, the Council has until September 13, 2025, to reject the purchase by motion.

Proposed Ordinance 2025-0251 would create the Broadway Facility Fund for the purpose of collecting revenues and allocating costs for the proposed new Broadway Facility building.

Proposed Ordinance 2025-0250 would make a supplemental appropriation of $41,568,000 to purchase the Broadway Facility.

Proposed Ordinance 2025-0249 would further amend the adopted LTGO bond ordinance, Ordinance 19862, to add one additional capital project. Specifically, $17.5 million for the Broadway Facility Acquisition for the purpose of a Crisis Care Center, the appropriation authority for which is being requested in Proposed Ordinance 2025-0250.

BACKGROUND

Crisis Care Centers Levy. In 2023, Ordinance 19572 authorized the placement of a proposition on the April 25, 2023, special election ballot for voter approval to create a new nine-year levy (2024-2032) to support the creation of five new regional Crisis Care Center facilities distributed throughout the county, with one center focused on serving youth. The Levy also prioritizes the restoration of behavioral health residential treatment capacity and expansion of treatment availability and sustainability in King County as well as supporting behavioral health workforce needs. The initial Levy rate is $0.145 per $1,000 of assessed value in 2024 and is currently projected to generate a total of approximately $1.2 billion in revenues during the nine-year Levy period.

Harborview Bond Program. Harborview Medical Center (HMC), the region's Level 1 trauma center, is owned by King County, governed by a 13-member County-appointed Board of Trustees, and operated by the University of Washington. King County placed a proposition on the November 2020 ballot, that voters approved, authorizing the issuance of $1.74 billion in capital bonds to fund public health, safety, and seismic improvements for HMC. Harborview has limited parking capacity which is anticipated to become more restricted during Bond Program construction. In the 2025 supplemental budget, a proviso was added requesting the Executive transmit a letter with information regarding the implementation of changes to parking on the Harborview Campus. This letter expected to be transmitted by September 25, 2025.

Broadway Facility Notification Letter. Transmitted to Council along with the legislation described in this staff report, the Executive's Broadway Facility Notification Letter appears to fulfill the CCC Levy Implementation Plan's requirement of notification in "exceptional circumstances" when the County intends to purchase an existing facility. ***Note***: The levy's Implementation Plan allows the Executive to proceed to close on the purchase *if* the King County Council has not passed a motion rejecting the purchase within 30 days from the date the Executive transmits the notification letter. The Broadway Facility Notification letter was transmitted on August 14 and Council offices were notified by the Clerk by email at 10:35 a.m., therefore, the deadline for Council to reject the purchase by motion is September 13.

The Broadway Facility Notification letter appears to include all required components outlined in the CCC Implementation Plan including a description of:

- The exceptional circumstances making the County uniquely situated to purchase the site or existing facility;
- How this purchase will accelerate starting crisis care center operations;
- The competitive procurement process to be used to select the site's operator;
- The County's plans to retain ownership or control of the property;
- Fund sources planned to be used for the purchase, development, and or conversion of the site and how much anticipated to be expended from each

source;
- The competitive process to be used to select the design and construction contractor to convert the facility, if known; and if not known, a description of the factors that need to be resolved to select a procurement process;
- How the proposed site satisfies the requirements in the Implementation Plan regarding the procurement and siting process; and
- The current land use, zoning, and permitting requirements of the site and if the crisis care center use is not allowed outright, the plan to obtain necessary local jurisdiction authorization to develop the site or convert the existing facility to be operated as a crisis care center.

Additional requirements outlined in the Implementation Plan for the notification letter are fulfilled through the following attachments:
- Purchase and Sale Agreement (PSA)
- First Amendment to the PSA
- Second Amendment to the PSA
- Third Amendment to the PSA
- Jurisdictional Letter of Support – Seattle Mayor
- Community Engagement Summary
- Property Summary

LTGO Bonds. In November 2024, the council adopted Ordinance 19862, which authorized the issuance of $604 million in limited tax general obligation (LTGO) bonds. The Council has amended Ordinance 19862 once in July 2025, through Ordinance 19954, which increased the aggregate principal amount by $85 million for a new total of $689 million.

CCC Revenue Projections. *The CCC Levy Fund financial plan dated August 21, 2025, includes $37,332,088 of appropriation authority under the Capital line item expense in the 2025 estimated column for, "$23,832,088 from CCC Capital and $13,500,000 from New Residential Treatment Capital in the Implementation Plan. Of this amount, $23.8M will be transferred to the Broadway Facility Fund to cover the CCC portion of the facility purchase cost." The ending fund balance for the CCC Fund is $106.29 million, with the balance allocated primarily in the Implementation Plan Expenditure Reserve.*

<u>ANALYSIS</u>

This section provides staff analysis on the three proposed ordinances related to this proposal as follows:

- Proposed Ordinance 2025-0251 – Fund Creation Ordinance
- Proposed Ordinance 2025-0250 – Supplemental Appropriation
- Proposed Ordinance 2025-0249 – LTGO Bond Amendment

Timing Consideration: To satisfy the Council Contingency in the Purchase and Sale Agreement, Council must approve this package of legislation no later than October 3, 2025. To avoid a special meeting, this means that Council must take final action no later than September 23, 2025.

PO 2025-0251 – Broadway Facility Fund Creation Ordinance. Proposed Ordinance 2025-0251 would establish a first-tier, internal service fund to be managed by the Director of the Department of Executive Services. This fund would account for revenue and expenditures for acquiring and operating the Broadway Facility building itself, and as such it does not include any reserves. Revenue sources for this Fund include CCC Levy Revenue for eligible expenditures, HMC Bond revenue to pay for HMC Bond Program staff offices, and revenue from leases and parking. Expenditures related to CCC and Residential Treatment Facility program operations would be paid through the CCC Levy Fund.

PO 2025-0250 – Broadway Facility Supplemental Ordinance. *Proposed Ordinance 2025-0250 would make a supplemental appropriation of $41,568,000 to the Broadway Facility Fund for the purchase of the former Polyclinic location in Seattle. This includes the purchase price of $38.75 million and estimated closing fees. The property was appraised as having a fair market value of $41.3 million in February 2025. The proposed appropriation would be revenue backed by $24 million of CCC Levy bond proceeds for the CCC Levy eligible spaces, and $17.5 million of LTGO bonds that are expected to be repaid with future lease and parking revenues. The LTGO bonds are summarized later in this staff report. The CCC Levy Fund 2025 budget includes $37.3 million of appropriation authority intended to used to cover capital costs at the Broadway Facility. Of this, $23.8 million is intended to be transferred to the Broadway Facility Fund to cover the CCC portion of the facility purchase cost.*

After the Polyclinic's merger with Optum, operations were mostly moved offsite and Optum is currently the only building tenant with two specialty medical clinics that would continue under a lease agreement included in the PSA. The property is zoned NC3 and has 114,660 rentable square feet, a 321-stall capacity parking garage, and a small parcel of undeveloped land on the south end of the site. The purchase price of the building is $38.75 million as amended by Amendment 3 to the PSA.

Purchase and Sale Agreement (PSA) and Attachments. *While the proposed ordinance would authorize the supplemental appropriation necessary to purchase the property, as previously noted, Council action is not required on the Purchase and Sale Agreement (PSA). However, to inform councilmember's decision making, the following section provides a summary of the PSA and amendments as they appear as Attachments A-D to the Executive's notification letter. The PSA and three amendments are summarized in Table 1 and 2.*

Table 1. Summary of Terms of PSA

Category	Terms

Council Approval Contingency	The Council Approval Contingency was amended twice by the first and second amendment to the PSA. This contingency would be satisfied if Council does not reject the purchase by motion within 30 days of the Executive's notification letter required by the CCC Implementation Plan, and if Council appropriates the funds necessary to purchase the property by October 3, 2025.
Effective Date	January 16, 2025
Easement	Yes, listed in the Title Commitment: • Grantee: City of Seattle. For: Sidewalk ramp • Grantee: City of Seattle. For: Two permanent streetcar cable support eyebolts.
Liens	Yes, the 2025 property taxes are listed as a lien on the property until they are paid in their entirety. According to the PAO, the Seller has been paying taxes as due and the title company confirms before closing that there are none delinquent. Taxes due show as liens until paid in full.
Purchase Price and Payment	$38,750,000 as amended by the Third Amendment to the PSA.
Deposit	Within three (3) business days after the Effective Date, Buyer shall deliver to Stewart Title Guaranty Company $1,000,000.00.
Inspection	At all times prior to Closing, subject to Sections 4 and 5 of the PSA, the County can: • (a) enter the Property; (b) perform any and all non-invasive tests, inspections, studies, • surveys or appraisals of the Property on any subject deemed appropriate by Buyer; (c) perform any • and all invasive tests, inspections and studies of the Property as deemed appropriate by Buyer, • subject to the approval requirements set forth herein; and (d) examine all Due Diligence Materials (defined below) related to the Property that Buyer may request from Seller. Buyer may terminate this Agreement by delivering written notice of termination to Seller by March 31, 2025. The County's inspections occurred February 18, 2025 and March 20, 2025.

Deed Type	Seller shall convey to Buyer the title to the Property by bargain and sale deed.
Closing Date	The Closing of the PSA shall take place on or before December 15, 2025, or such earlier date as mutually agreed between Seller and Optum.

Table 2. Amendments to the PSA

Amendment	Terms
1	Extends the due diligence and Council contingency period from June 30, 2025, to July 30, 2025.
2	Extends the due diligence and Council contingency period from July 30, 2025, to October 3, 2025.
3	Establishes the closing date as December 15, 2025. Amends the purchase price from $39.5M to $38.75M. Attaches a Clinic Lease Agreement executed May 22, 2025, between the Polyclinic and Guntower Capital, LLC that would transfer to King County and commence upon closing.

Proposed Uses of the Broadway Facility. *The Executive's primary intended purpose for the property is as the crisis care center for the central crisis response zone. According to the transmitted materials, the Executive also intends to open a residential treatment facility (RTF) at this site, and to lease unused portions of the Broadway Facility to Optum (the current tenant) and the Harborview Bond Program. Table 3 below outlines the estimated square feet to be used for each purpose, and estimated renovation cost and revenue.*

Table 3. Estimated Square Feet Per Use, Est. Revenue and Renovation Cost.

Proposed Use	Sq Ft Usage		Renovation Cost	Revenue Source	Est. Lease Revenue 26-27	Est. Lease Revenue 28-29
	Low	High				
Crisis Care Center	25,000	35,000	$16.1M to $17.1M	CCC Levy	-	-
Residential Treatment Facility	5,000	7,000	$3.5M	CCC Levy	-	-
Optum	15,823	28,404	-	-	$3.5M	$3.2M
HMC Bond Program	25,000	35,000	TBD	HMC Bond	$3M	$3.2M
Total	**70,823**	**105,404**				

<u>CCC Operations.</u> The CCC clinical model has three primary components:

- *24/7 behavioral health urgent care;*
- *a 23-hour observation unit; and*
- *a crisis stabilization unit.*

Individuals receiving care in any of these components can receive post-crisis follow-up care upon discharge. The Broadway Facility would include all three components of a CCC co-located within the same facility. Figure 4 below shows a visual depiction of the components of a CCC as indicated in the CCC Implementation Plan.

Figure 4. Crisis Care Clinical Model

The CCC Implementation Plan defines site requirements for crisis care centers. The site requirements and Broadway Facility features are summarized in Table 5.

Table 5. CCC Implementation Plan Site Requirements

Sufficient Size	30,000 – 50,000 square feet of licensed clinical space.	114,660 rentable square feet; 25,000-35,000 of which is intended to be used for CCC-specific uses.
Meaningful Transportation Access	Accessible to transportation with preference given to sites with “meaningful access to public transportation, convenient access for ambulances and first responders, proximity to major transportation arterials, and free public access for any person.”	The site is located in First Hill and easily accessible by public transportation including streetcar, light rail, and bus. Easily accessible by pedestrians, bikes, and cars with close proximity to I-5. The site has dedicated parking and the Executive anticipates the site will accommodate an ambulance and first responder dedicated drop off location.
Accessibility Requirements	Compliance with the Americans with Disabilities Act. Preference given to “facility designs that incorporate the principles of universal design, meaning they are accessible to all people to the greatest extent possible without the need for adaption or specialized design.”	The facility was ADA compliant when it was originally permitted for healthcare services and Executive staff indicate that it is anticipated to become compliant again when renovated.

Zoning Requirements	Adherence to the relevant zoning and permitting laws and regulations of the jurisdiction within which a crisis care center facility is sited.	The site is zoned as neighborhood commercial 3. Crisis care centers are not listed in the Seattle Municipal Code. Additional detail regarding zoning requirements and issues is provided later in this staff report.
CCC Licensure Feasibility	Sites must be able to satisfy state licensure requirements that apply to the types of behavioral health facilities that will occupy the site.	The notification letter indicates that the initial due diligence analysis suggests the building will be able to attain the applicable licenses once renovation is complete. Washington State Department of Health Licensure may include any or all of the following: • Behavioral health agency license • 23-hour crisis relief center certificate • Crisis stabilization unit license • Residential treatment facility license • Withdrawal management certificate

<u>Crisis Care Center Operator.</u> The Executive's notification letter indicates that the operator of the Central Crisis Response Zone (CRZ) has not been selected but according to the Executive's visual timeline of the acquisition, the operator will be announced in September 2025. DCHS and the County's Facilities Management Division intend to work closely with the selected provider on site design and remodeling. The transmitted notification letter states that the operator's involvement will inform, "decisions about clinical spaces, safety and accessibility features, staff workflow, and integration of co-located services."

<u>Zoning Considerations.</u> The CCC Implementation Plan requires that CCC operators adhere to zoning and permitting laws and regulations. As the notification letter indicates, there is not a specific category in Seattle Municipal Code for crisis care centers, but Executive staff indicate that the closest use is likely a hospital use under Seattle's Code. The following statement is quoted from the transmitted notification letter on page 10:

> Hospitals are permitted outright in NC3 zoning. Even if the use is determined to be permitted outright, the County would likely seek to obtain a Type 1 Master Use Permit, which would formally vest the entitlement for a period of time and ensure predictability during design development.

The operations the Executive intends to operate at the Broadway Facility would include *a legal nonconforming use. Executive staff indicate that an official zoning determination would not be done before the end of 2025, and not until the County submits a complete application for the master use permit, and the City of Seattle approval timeline is unknown. Councilmembers may wish to consider requesting that the Executive receive a formal interpretation issued by the Seattle's Department of Construction and Inspection's director, in order to confirm what use the City would consider a CCC.*

<u>Proposed Onsite Residential Treatment Facility (RTF).</u> The Executive intends to open a residential treatment facilities (RTF) at this site funded by CCC levy revenue. RTFs are an eligible expense under the Levy's Supporting Purpose One to restore, expand and sustain residential treatment in King County. RTFs include many different types of 24-hour treatment to individuals with behavioral health conditions. RTFs are regulated by Washington State and can include such things as:

- *Voluntary or involuntary triage facilities*
- *Evaluation & Treatment Services (E&T) for involuntary treatment*
- *Crisis stabilization units (no more than 12 hours involuntary before moved to E&T)*
- *Mental Health outpatient services*
- *Withdrawn management*
- *Intensive inpatient services*
- *Recovery House*
- *Long-term residential treatment services*

Executive staff indicate that they plan to open a 16-bed mental health RTF on the second floor of the south building of the Broadway Facility above the crisis care center. Individuals would receive intensive treatment in this RTF within a structured setting with 24/7 support and provide co-occurring substance use disorder treatment. According to Executive staff, the length of stay for individuals at this RTF depends on individual client needs but is generally between one month and one year. Executive staff indicate that this RTF would provide, "services for individuals with severe and persistent mental illness, fostering stability, community engagement, and progression toward less restrictive housing options. These programs deliver residential stabilization and strengths-based case management services that emphasize recovery and resilience."

<u>Leases.</u>

There are two leases contemplated as part of the proposed purchase of the Broadway Facility. Executive staff state that, "Given the scale of the building, the Executive intends to continue to have other tenants in the building throughout the life of its use. The building costs would still be feasible within the CCC budget if additional tenants were no longer possible." Policy staff note that the CCC budget may only be used for CCC eligible expenditures.

<u>Lease to Optum.</u> A lease agreement was added to the PSA by Amendment 3 for Optum to continue tenancy for 36 months with two one-year options to extend. The lease is contingent upon the purchase of the property by King County. The lease contemplates two distinct premises ("short term" and "long term") that total 28,404 square feet of the property. Estimated value of this lease appears in Table 6 below.

Table 6. Calculation of Lease Agreement Value for 28,404 Square Feet

Period	Annual Base Rent	Monthly Base Rent for Short Term Premises	Monthly Base Rent for Long Term Premises	Value
Year 1	$30.00/sf	$31,452.50	$39,557.50	$852,120.00
Year 2	$30.75/sf	$32,238.81	$40,546.44	$873,423.00
Year 3	$31.52/sf	$33,046.09	$41,561.75	$895,294.08

Analysis is ongoing regarding the lease with Optum.

Lease to Harborview Bond Program. The Executive intends to lease the remaining office and healthcare space to the Harborview Medical Center (HMC) bond program, as well as a fluctuating number of parking spaces. While terms of the lease would be developed after the property is purchased, PSB estimates approximately $3 million in revenue from the HMC Bond Program from this lease in the 2026-2027 biennium, and $3.2 million in 2028-2029. This revenue is proposed to pay the debt service for LTGO bonds used to purchase the property. The LTGO Bond ordinance is discussed after the next section of this staff report.

According to Executive staff, the HMC bond program would use the Broadway Facility either as an "empty chair" for the HMC campus to relocate some existing services or staff temporarily, or as a mock-up space for design review by clinicians and administrators. Executive staff indicate that if the Broadway Facility is purchased, the HMC bond program is expected to move into the space in the middle of 2026 and Harborview is expected to begin leasing parking spaces starting in January 2026.

Community outreach. Attachment F to the Executive's Notification Letter lists 47 events held from May 2025 through August 2025. This includes 12 community conversations (in person and virtual), 32 presentations, and three tours. The full list of participants appears Attachment F to the Notification Letter. A sample of participants included:

- *Seattle University*
- *Seattle Central College*
- *Kroger*
- *First Hill Good Neighbor Group*
- *Washington Lived Experience Coalition*
- *Sound Alliance*
- *LGBTQ Commission*
- *Washington Peer Network*
- *Capitol Hill Community Council*
- *Mockingbird Society*
- *Seattle Public Libraries*
- *Seattle Metropolitan Chamber of Commerce Policy Group*
- *Greater Seattle Business Association*

PO 2025-0249 – LTGO Bond Ordinance.

Proposed Ordinance 2025-0249 would further amend the LTGO bond ordinance, adding an additional $17.5 million in bond authority, which would bring the total authorized debt issuance to $706.5 million.

The project proposed to be added to the bond ordinance is identified in Table 7 below. Table 7 also shows the debt service anticipated in the Executive's transmitted fiscal note; the project newly proposed for bond financing is anticipated to be financed for 7 years at 4.5%. Bond financing is expected in Quarter 4 of 2025 and no debt service payments are expected in 2025.

Table 7. Projects Proposed to be Added to Bond Ordinance in Proposed Ordinance 2025-0158 and Anticipated Debt Service

		PO 2025-0249 (Proposed)		**Anticipated Biennial Debt Service**	**Anticipated Terms**	**Funding Source**
Broadway Facility Acquisition		$17,500,000		$5,940,000	7 years at 4.5%	Parking and leasing revenue, backed by the CCC Levy

The LTGO bond ordinance would allow the Executive to bond for the capital expenses identified above. The $17.5 million in financing is expected to be paid for by a combination of parking revenues, the current private lease revenue, and expected lease revenue for the HMC Bond program. The financing will be tied to the CCC Levy since those funds provide a financial backstop for the overall facility. Note that the General Fund is the financial guarantee for the bonds.

<u>Legal Analysis.</u> Council's legal counsel is reviewing the three proposed ordinances and legal analysis is ongoing.