

September 5, 2018

MEMORANDUM

To: Members, Finance and Neighborhoods Committee
From: Traci Ratzliff, Central Staff Analyst
Subject: Proposed Changes to Policy Guidelines and Procedures for Disposal of City-Owned Properties

On September 12, the Finance and Neighborhoods Committee will discuss proposed legislation related to Disposition Policy Guidelines and Procedures for City-owned properties. Council members Mosqueda and Bagshaw are sponsors of the proposed legislation. This legislation adopts revised policy guidelines and procedures guiding the Executive as it evaluates City-owned properties for potential use, reuse, or, if no municipal purpose is identified, disposition. The revised policies place a greater emphasis on production of affordable housing in both disposition procedures and policies governing use of proceeds.

These policies and procedures apply to all City-owned properties, except for City Light-owned properties, that are governed under separate policies and procedures. Finance and Administrative Services (FAS) staff in the Real Estate Services (RES) Division oversee the implementation of these disposition policies and procedures. The City Council approves all dispositions of City-owned properties.

This memo describes key changes to: (1) policy guidelines for reuse or disposal of City-owned real property and (2) procedural standards for evaluating whether a property should be considered for reuse or disposition.

1. Policy Guidelines for Reuse or Disposal of City Real Property.

The legislation would re-adopt virtually all of the policy guidelines established in [Resolution 29799](#), adopted in 1998, with some revisions to reflect changes to state law and update City priorities (noted below in italics and bold). These guidelines are used by the Executive when evaluating City properties for potential reuse or disposal.

- A. Consistency. Evaluate the proposed reuse or disposal for consistency with any restrictions or limitations resulting from any of the following:
1. The purpose for which the property was originally acquired;
 2. The funding sources used to acquire the property;
 3. The title or deed conveying the property, including terms and conditions of the original acquisition or any other contract or instrument by which the City is bound or to which the property is subject;

4. City, state or federal ordinances, statutes and regulations, including but not limited to:
 - Bond, grant or loan programs;
 - Applicability of State Accountancy Act and [Third Substitute House Bill 2382](#)¹ as it relates to the transfer of property for development of Affordable Housing and Housing ***that includes possible transfer at less than fair market value***;
 - Zoning and land use matters such as the Land Use Code, landmarks ordinance, historic preservation policies, and special review district limitations;
 - Other plans, policies, regulations adopted or approved by the City Council including the City of Seattle Comprehensive Plan.

B. Other Factors. The following additional factors will be considered:

1. Highest and best use of the property;
2. Compatibility of the proposed uses with the physical characteristics of the property and surrounding uses;
3. Unique attributes that make the property hard to replace (e.g. size, location);
4. Potential for consolidation with adjacent public property to accomplish future goals and objectives of the City;
5. Conditions in the real estate market from the perspective of a property seller;
6. Known environmental factors that may affect the value of the property.

C. City Priorities. Assess the potential use of City-owned property consistent with the following City priorities:

1. Affordable Housing
2. Park or Open Space
3. Child care facilities
4. Sound Transit Link Light Rail Station Area Development
5. **Community or** Economic Development
6. Other priorities reflected in adopted City policies.

The proposed legislation also adds specific language to prioritize the use of available City properties for affordable housing development, including mixed-use development. The legislation requires this priority to be reviewed in 2023.

Use of Proceeds from Disposition of City Real Property. The proposed legislation adds new language directing use of proceeds from the sale of properties not deemed suitable for Affordable Housing, as follows: Unless otherwise directed by ordinance, 80 percent of the net

¹ Now Laws of 2018, ch. 217.

proceeds from the disposition of every City surplus property will be deposited into the Low-Income Housing Fund (16400) to be used for the development of Affordable Housing, including mixed-use developments, and/or the Equitable Development Initiative Fund to be used for capacity building for non-profit organizations developing affordable housing. Under current policy, net proceeds from the sale of surplus City property generally goes into the General Fund, unless required to be deposited into another fund (i.e. in some cases, if specific funds were used to purchase the property initially, the proceeds may be required to go back into that fund – this has been the case with properties purchased with transportation-related funding).

Annual Report. The proposed legislation adds a requirement that the Office of Housing include in its annual “Investment Report” information on City surplus properties, if any, that were disposed of in the prior year for development as affordable housing. The following information, at a minimum, will be included in the report: The number of surplus properties disposed of for development of affordable housing; the number of planned or developed units for each property; other facilities planned or developed along with the affordable housing, such as child care or health care facilities, commercial spaces, etc., and information that supports the inclusion of such facilities to meet existing community need; the name of the organization selected to develop each property; and the population to be served by the proposed project.

2. Procedures for Evaluation of Reuse and Disposal of City Real Property.

The legislation adopts the procedures (found in Attachment A to the proposed resolution) as amended in September 2017, with the following key changes:

- Establishes development of affordable housing, including mixed-use development, as a priority for the use of City-owned properties.
- Expresses the City’s intent to look at new models for developing affordable housing that will increase the number of units developed for households from zero to 30 percent of Area Median Income. This could include models where the City maintains ownership and uses a long-term lease with an affordable housing developer, if affordable housing is guaranteed for a minimum of 50 years.
- Expresses the intent that if a property, deemed suitable for development of affordable housing, is located in a neighborhood at high risk for displacement, the Office of Housing will seek to partner with a local non-profit housing organization that is culturally relevant and historically rooted in that neighborhood.
- Authorizes property, deemed suitable for development of affordable housing, to be retained in City ownership until funding and/or a suitable development partner are identified. This allows the City time to select a developer and for the selected developer to secure funding needed to develop the affordable housing. These processes can take several years.

- Directs the Office of Housing to assist City departments in determining if underutilized or excess properties are suitable for development of affordable housing using the criteria described below.
- Establishes a list of criteria to determine if property is suitable for development of affordable housing, including: current use, zoning or re-zone opportunities, size and site configuration, topography, presence of contamination/hazardous materials, existing improvements and infrastructure, location, and alignment with City priorities.
- Directs FAS RES division to begin implementation of a public involvement plan (PIP) within 15 days of adoption of the PIP by the City Council.
- Directs RES to include a map of the location of excess City properties on its website and in the Excess Property Description form.
- Includes language regarding use of proceeds from sale of surplus City properties, included in the proposed resolution.
- Includes language regarding annual report by Office of Housing, included in the proposed resolution.

Please let me know if you have any questions about this information.

cc: Kirstan Arestad, Central Staff Director
Dan Eder, Deputy Director
Ketil Freeman, Supervising Analyst