



2012

PRELIMINARY REPORT AND RECOMMENDATION FOR THE DISPOSITION OF A PORTION OF PMA No. 3662 – THE NORTH TRANSFER STATION



Prepared for Seattle Public Utilities
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City of Seattle
1/10/2012

PRELIMINARY RECOMMENDATION REPORT
EVALUATION OF REUSE AND DISPOSAL OF EXCESS PROPERTY
Portion of PMA No. 3662, North Transfer Station

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PRELIMINARY RECOMMENDATION REPORT
EVALUATION OF REUSE AND DISPOSAL OF EXCESS PROPERTY
Portion of North Transfer Station, PMA No. 3662.

Resolution 29799 directs that the Executive is to make a recommendation to the City Council on the reuse or disposal of excess property on a case-by-case basis, using *the Procedures for Evaluation of the Reuse and Disposal of the City's Real Property* adopted by the resolution. Additionally, the resolution identifies guidelines, which are to be considered in making a recommendation. This report addresses each of those guidelines, as well as additional provisions of Resolution 30862, adopted May 1, 2006, which amended Resolution 29799.

Summary

This report has been prepared by the Department of Finance and Administrative Services (FAS) Facilities Operation Division on behalf of the Seattle Public Utilities (SPU) for the disposition of a small 1,200 square foot portion of property known as the North Transfer Station. This property was declared excess to the needs of SPU in September, 2011.

The property is located on the south western boundary of the North transfer station. SPU has determined that this property is not needed for the operation of North Transfer Station which is currently being redesigned to better serve the needs of the SPU and users. The property is currently leased to the adjacent property owner for parking. The recommendation of this report is to sell this small parcel at market rate to the adjacent property owner.

BACKGROUND INFORMATION

Legal Description: Beginning at the intersection of the north line of Ewing Street (now N. 34th St), and west line of Edgewater Addition; thence west along the north line of Ewing Street 10 feet; thence north 120 feet; thence east 10 feet to the west line of Edgewater Add; thence south 120 feet to the place of beginning. A map of the property is included in this report. This property was originally part of Government Lot 2, in the Southeast Quarter (SE ¼) of Section 18, Township 25 North, Range 4 East, W.M., in King County, Washington which was an unplatted area west and adjacent to Edgewater Addition.

Parcel number 1825049088

Physical Description and Related Factors:

For purposes of this report the portion of PMA 3662 declared as excess property will be referred to as "the property" or a "portion of PMA 3662 of the North Transfer Station (NTS)". The property is under the jurisdiction of Seattle Public Utilities (SPU). The Department of Finance and Administrative Services (FAS) will coordinate the disposition

process needed to obtain legislative authority for the sale of this property to the abutting property owner on behalf of SPU.

The property is a paved narrow strip of land located on the Fremont / Wallingford border near the corner of N 34th Street and Stone Way N. This distinct parcel is rectangular in shape, 10'x 120' totaling 1,200 square feet and oriented north and south, on the western boundary of a parcel which contains the North Transfer Station. The neighboring property owner to the west currently leases the property and wishes to purchase it.

As a portion of commercial property within a parking area, the property blends in seamlessly with the paved area largely used for parking and vehicular circulation by the adjacent property. Much of the property's topography is below the main grade of NTS property by as much as ten feet. There is a chain link fence and retaining wall which effectively separates this portion of the NTS from the main parcel.

GUIDELINE A: CONSISTENCY

The analysis should consider the purpose for which the property was originally acquired, funding sources used to acquire the property, terms and conditions of original acquisition, the title or deed conveying the property, or any other contract or instrument by which the City is bound or to which the property is subject, and City, state or federal ordinances, statues and regulations.

This portion of PMA 3662 was originally purchased in 1918 from S.P. Dixon and Sarah B. Dixon. The accepting Ordinance was 38600. The legal description for this small parcel reads "beginning at the intersection of the north line of Ewing Street¹, and west line of Edgewater Addition; thence west along the north line of Ewing Street Ten (10) feet; thence north One-hundred twenty (120) feet; thence east Ten (10) feet to the west line of Edgewater Addition; thence south One hundred twenty (120) feet to the place of beginning."

The majority of the western half of the NTS is contained within Block 5, Edgewater Addition. Lots 1 through 13 and 22 through 25 were purchased in 1909 and 1910 through several City ordinances. **For purchase dates and ordinance numbers refer to the map on page 10.** Most state that the acquisitions are for municipal purposes. The subject property was the last of these purchases and the reason for acquisition or fund used is not mentioned in the ordinance.

GUIDELINE B: COMPATIBILITY AND SUITABILITY

The recommendation should reflect an assessment of the potential for use of the property in support of adopted Neighborhood Plans; as or in support of low-income housing and/or affordable housing; in support of economic development; for park or open space; in support of Sound Transit Link Light Rail station area development; as or in support of child care facilities, and in support of other priorities reflected in adopted City policies.

This portion of PMA 3662 is located in an area zoned manufacturing/industrial or IC-45. A portion of the NTS facility, excluding the portion to be sold is zoned industrial buffer.

¹ Ewing Street is now known as N. 34th Street

Context.

For zoning details in the area see page 11. The NTS is relatively close to a marina on Lake Union and former railroad lines, which historically ran down N 34th St and Stone Way. Much of the surrounding infrastructure and uses are geared towards storing, shipping or receiving goods and services and manufacturing. Many of the surrounding uses are related to industrial, retail and dock related commerce. Proximity to major thoroughfares and shipping has made this area an industrial hub. Directly north of the NTS across N. 35th St are pockets of residential use ranging from single family homes, duplexes and condominiums. The Burke Gilman Trail is just south of the NTS. This, along with the nearby marina, offers recreational opportunities to employees and residents in the area. The NTS is at the convergence of retail, residential and industrial activities. The current NTS facility has been in operation since 1967. This portion of PMA 3662 is not utilized by the transfer station. Sale of this property to the adjacent owner will not be incompatible with current use and will not impact the current makeup of the area.

The following City-owned properties are in the general area:

Current Use	Lot Size	Description	Location relative to PMA 3662
Site for temporary Fire Station # 9	24,904 sq ft	Former University Child Development	Across N 35 th St, directly northeast of subject
Park	750,153 sq ft	Gas Works Park	1,333 ft south east
Parking	6,840 sq ft	North Transfer Station parking	746 ft northeast of subject
Library	16,200 sq ft	Library	1,610 ft northwest of subject

Range of Options.

Excess property is defined as “real property that the Jurisdictional Department has formally determined it no longer needs for the Department’s current or future use.” The subject property, which is currently a portion of the NTS, was classified excess in 2011. Current use of this property is not a part of NTS operations. Guiding principles for the reuse and disposal of excess real property states that “it is the intent of the City to strategically utilize real property in order to further the City’s goals and to avoid holding properties without an adopted municipal purpose.”

Options for disposition of this property are limited due to its size and proximity between two parcels.

Retention by the City: Notice of availability of excess property was circulated to other City Departments and Governmental agencies for potential reuse in September 2011.

No City Departments or other Governmental agencies expressed an interest in acquiring the property.

Negotiated Sale: A negotiated sale is typically recommended when the selection of a particular purchaser has specific benefits to the City, or when the parcel is of such a limited size that it is of value only to the abutting owner. Seattle Public Utilities recommends this option to sell the parcel to the abutting owner to the west of NTS.

Sale by Competitive Process: Selling this property through a public bid offering or similar competitive process is not applicable because the dimensions and small size of the property eliminate development of the parcel on its own.

GUIDELINE C: OTHER FACTORS

The recommendation should consider the highest and best use of the property, compatibility of the proposed use with the physical characteristics of the property and with surrounding uses, timing and term of the proposed use, appropriateness of the consideration to be received, unique attributes that make the property hard to replace, potential for consolidation with adjacent public property to accomplish future goals and objectives, conditions in the real estate market, and known environmental factors that make affect the value of the property.

Highest and Best Use:

The concept of Highest and Best Use of a property is a key principle employed in real estate appraisal. The Highest and Best Use is generally defined as the reasonably probable and legal use that produces the highest property value. To be considered as the Highest and Best Use of a property, any potential use must pass a series of tests. The use must be:

• Legally permissible	• Physically possible
• Financially feasible	• Maximally productive

Typically in an analysis of *highest and best use*, two methods are used to determine a properties potential value. One bases the use as if the property is vacant, and assumes the site to be vacant and available for development. The other method is to analysis the property as improved, which takes into account improvements as they exist on the property.

Legally Permissible Use: What uses are permitted by zoning, deed or other similar restrictions? The property is zoned IC-45, or Industrial Commercial, promoting the development of businesses which incorporate a mix of industrial and commercial activities, including light manufacturing and research and development, while accommodating a wide range of other employment activities.² The maximum structure height for all uses as zoned is 45ft. Currently, there are no easements associated with this property, but SPU intends to establish one in order to maintain a drain line that approaches property at N 34th St.

² Source: http://www.seattle.gov/dpd/stellent/groups/pan/@pan/@publication/documents/web_informational/dpds_007437.pdf

Physically Possible Use: To what use is it physically possible to put the site in question?

Given the small size and dimensions the parcel in question has become the de facto portion of a larger property between two larger properties. It is an individual parcel of approximately 1,200 sq ft, with dimensions of 10' x 120'. It is not developable on its own as currently configured. The addition of this parcel to the adjacent property will enable the proposed business to operate with greater efficiency and increase the footprint of the proposed development.

Financially Feasible Use: What possible and permissible uses will produce the required net rate of return on the investment and provide the requisite return on the land?

The parcel has no financially feasible use on its own. As a portion of a larger parcel the subject's net rate of return will be inseparable from the main parcel with which it is attached. The most financially feasible use will be as part of a commercial property. Adding the parcel to the adjacent owner's will increase the efficiency of vehicular flow and storage and increase the set back buffer for building expansion.

Maximally Productive Use: Among the financially feasible uses, what use produces the highest residual land value consistent with the rate of return by the market for that use, or, what use results in the highest value?

The maximally productive use of this property will be as part of a larger parcel. It is recommended that the site be sold to the abutting owner with the knowledge that this will allow greater utilization of the property. The current owner has plans to expand development of the site with a new construction project.

Compatibility with the physical characteristics:

The use of this small parcel as an addition to the abutting owner's parcel is compatible with its current use by the abutting owner for parking and circulation, and for future development by creating a larger parcel.

Compatibility with surrounding uses:

As an addition to a property which is already used for commercial purposes, the proposed use is compatible with the area as a whole, which is largely made up of industrial and commercial properties.

Timing and Term of Proposed Use:

The property was declared excess by SPU in September, 2011. FAS anticipates that the property will be sold to the adjacent property owner sometime in early 2012.

Appropriateness of the consideration:

The market value of the property will be established by an independent appraisal as the basis for a negotiated sale.

Unique Attributes:

The property is a very small parcel which is undevelopable as a separate property due to size, lack of street access and position between two larger parcels.

Conditions in the real estate market:

The real estate market has taken a significant downturn over the past four years on both the national and local markets. This can be attributed to a weakening economy, an increase in unemployment, the cost of fuel, and a glut of distressed properties on the market, all which contribute to a slump in the real estate market and property values. On a macro level the global economy is still unstable with economic problems in Europe fueling speculation of a further downturn. It cannot be expected that prices will return to the height of the market in the near future.

Recent trends in the Puget Sound Region indicate that the area has weathered the economic downturn well. The region experienced the most deleterious effects later than other parts of the country and appears to be rebounding earlier than many, thus narrowing the period of economic malaise. Unemployment in the region tends to be lower than the national average.

Properties in some areas of Puget Sound have begun to appreciate after recent property devaluation. Many areas within the city were resilient to the recent downturn in value. Location is the main determinant of property value with properties positioned near transportation nodes, commercial and job centers or other areas of vibrant economic activity retaining or increasing in value. New construction of multi-family properties has shifted from owner occupied condominiums to rental units due to a tightening of credit and employment uncertainty.

Undeveloped property with commercial zoning is rare in Seattle. The shortage is especially acute in those areas near commercial and industrial districts as many of these have been built out. Areas which near major hubs of transportation, or positioned in or near the downtown core are highly coveted. This is a reflection of development trends with anticipation that future growth will take place at the fringes of the downtown core where there is a greater inventory of developable sites. Many investors have retained vacant commercial sites as demand for those sites increase with the assumption of a higher net return in the future.

Known environmental factors:

None are known.

GUIDELINE D: SALE

The recommendation should evaluate the potential for selling the property to non-City public entities and to members of the general public.

To date, only the abutting owner to the west has expressed an interest in acquiring the site. Due to the small size of the property, it is unlikely that third parties would wish to acquire the site other than for speculative interest.

PUBLIC INVOLVEMENT

Excess Property notices were sent to 276 neighbors within a 1,000 foot radius of the subject property on October 28, 2011. As of December 31, 2011 a total of two comments were received. One commenter was concerned that the neighborhood notice misrepresented the recommendation to sell the property to the adjacent owner and emphasized that the City receive fair market value for the property. Another commenter supported the sale of this property to the adjacent owner. Due in part to limited public concerns, as well as the small size of the property, disposition of a portion of PMA 3662 will be a "simple process" as defined by the *Property Review Process Determination Form*, and no further public involvement plan is required.

However, the property is subject to the provisions of RCW 35.94.040 which require a public hearing for property originally acquired for public utility purposes and not required for providing continued public utility service. More information on RCW 35.94.040 can be found on page 8 under Next Steps.

Comments from the public will continue to be collected throughout the disposition process up to publishing of the Final Report.

RECOMMENDATION

The Department of Finance and Administrative Services concurs with Seattle Public Utilities recommendation that this property be sold to the adjacent property owner for full market value. Currently, there are no easements associated with this property, but SPU intends to establish one in order to maintain the present infrastructure. It is recommended that an easement for the drainage pipe and associated maintenance be retained and recorded. FAS will recommend that the purchaser merge this parcel with the main body of their existing property to create one tax parcel.

Selling this property to the adjacent property will promote economic development through enabling the adjacent business to expand, thus creating new jobs needed for construction of a new building and permanent positions needed for the expansion of a local business. The parcel will become a taxable property under private ownership which will provide revenue for municipal use.

Proceeds from the sale of this property will be returned to the Solid Waste Fund.

THRESHOLD DETERMINATION

The Disposition Procedures require FAS assess the complexity of the issues on each excess property following the initial round of public involvement. The purpose of this analysis is to structure the extent of additional public input that should be obtained prior to forwarding a recommendation to the City Council.

Based on the point system used to determine the complexity of proposed disposition, the sale of a portion of PMA 3662 to the adjacent private property owner will be a "simple" process. Total points awarded to this disposition based on threshold determination criteria are 40. This is below the threshold of 45 points at which a more

extensive public involvement process would be required. A full description of points awarded and points possible can be reviewed on the **Property Review Process Determination Form** on page 9 of this report.

NEXT STEPS

Following preparation of this Preliminary Report, FAS will provide a summary to the Real Estate Oversight Committee (REOC), to all City departments and Public Agencies that expressed an interest in the Excess Property, and to members of the public who responded to the Initial Public Notice or subsequent information. This summary will advise how to obtain a full copy of the report, and advise that FAS will consider comments on the Preliminary Report for 30 days after mailing. FAS will also post one sign visible to the public on street frontage abutting the Excess Property which provides the same information.

A copy of the Preliminary Report is forwarded to the City Council with any legislation necessary to implement the recommendation for the excess property. As required by RCW 35.94.040 (stating that "*Whenever a city shall determine, by resolution of its legislative authority, that any lands, property, or equipment originally acquired for public utility purposes is surplus to the city's needs and is not required for providing continued public utility service, then such legislative authority by resolution **and after a public hearing** may cause such lands, property, or equipment to be leased, sold, or conveyed. Such resolution shall state the fair market value or the rent or consideration to be paid and such other terms and conditions for such disposition as the legislative authority deems to be in the best public interest*"³), there will be a public hearing on the proposed sale of the property. All comment-makers and other interested parties are provided with at least a 14-day notice of the hearing.

FAS will continue to take public comment, and share that information with the City Council, until the Council holds the public hearing and votes on the legislation.

³ [http://apps.leg.wa.gov/RCW/ Title 35 Chapter 35.94 Section 35.94.040](http://apps.leg.wa.gov/RCW/Title%2035/Chapter%2035.94/Section%2035.94.040)

PROPERTY REVIEW PROCESS DETERMINATION FORM

Property Name:	Portion of North Transfer Station		
Address:	North side of N 34 th St east of Stone Way N		
PMA ID:	3662	Subject Parcel #	1825049088
Dept./Dept ID:	Seattle Public Utilities	Current Use:	Parking
Area (Sq. Ft.):	1,200 sq ft	Zoning:	IC-45 (Industrial Commercial)
Est. Value:	\$96,000.00	Assessed Value:	\$96,000.00 (2012 tax assessment)

PROPOSED USES AND RECOMMENDED USE

Department/Governmental Agencies: none Proposed Use :N/A

Other Parties wishing to acquire: Suzanne Burke Proposed Use: Expansion of business property

RES'S RECOMMENDED USE: Sell to the adjacent property owner. SPU has determined that this erty is not crucial to the current or future operation of the North Transfer Station.

PROPERTY REVIEW PROCESS DETERMINATION (circle appropriate response)

- | | | |
|---|---|----|
| 1.) Is more than one City dept/Public Agency wishing to acquire? | <input type="checkbox"/> No / <input type="checkbox"/> Yes | 15 |
| 2.) Are there any pending community proposals for Reuse/ Disposal? | <input type="checkbox"/> No / <input type="checkbox"/> Yes | 15 |
| 3.) Have citizens, community groups and/or other interested parties contacted the City regarding any of the proposed options? | No / <input checked="" type="checkbox"/> Yes | 15 |
| 4.) Will consideration be other than cash? | <input type="checkbox"/> No / <input type="checkbox"/> Yes | 10 |
| 5.) Is Sale or Trade to a private party being recommended? | No / <input checked="" type="checkbox"/> Yes | 25 |
| 6.) Will the proposed use require changes in zoning/other regulations? | <input type="checkbox"/> No / <input type="checkbox"/> Yes | 20 |
| 7.) Is the estimated Fair Market Value between \$250,000-\$1,000,000? | <input type="checkbox"/> No / <input type="checkbox"/> Yes | 10 |
| 8.) Is the estimated Fair Market Value over \$1,000,000? | <input type="checkbox"/> No / <input checked="" type="checkbox"/> Yes | 45 |

Total Number of Points Awarded for "Yes" Responses: 40

Property Classification for purposes of Disposal review: Simple / Complex (circle one) (a score of 45+ points results in a "Complex" classification)

Signature: Richard Gholaghong Department: Finance and Administrative Services Date: 1/10/12



City of Seattle

PMA 3662

Assemblage Map

Block 5,

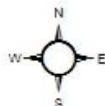
North Transfer Station

North side of N 34th St, east of Stone Way N

- Ordinance 22456, approved 1909, lot 8
- Ordinance 22468, approved 1909, lot 3
- Ordinance 22909, approved 1910, lots 1-2, 4-13 and 23-25
- Ordinance 23190, approved 1910, lot 22
- Ordinance 38600, approved 1918-Subject Property

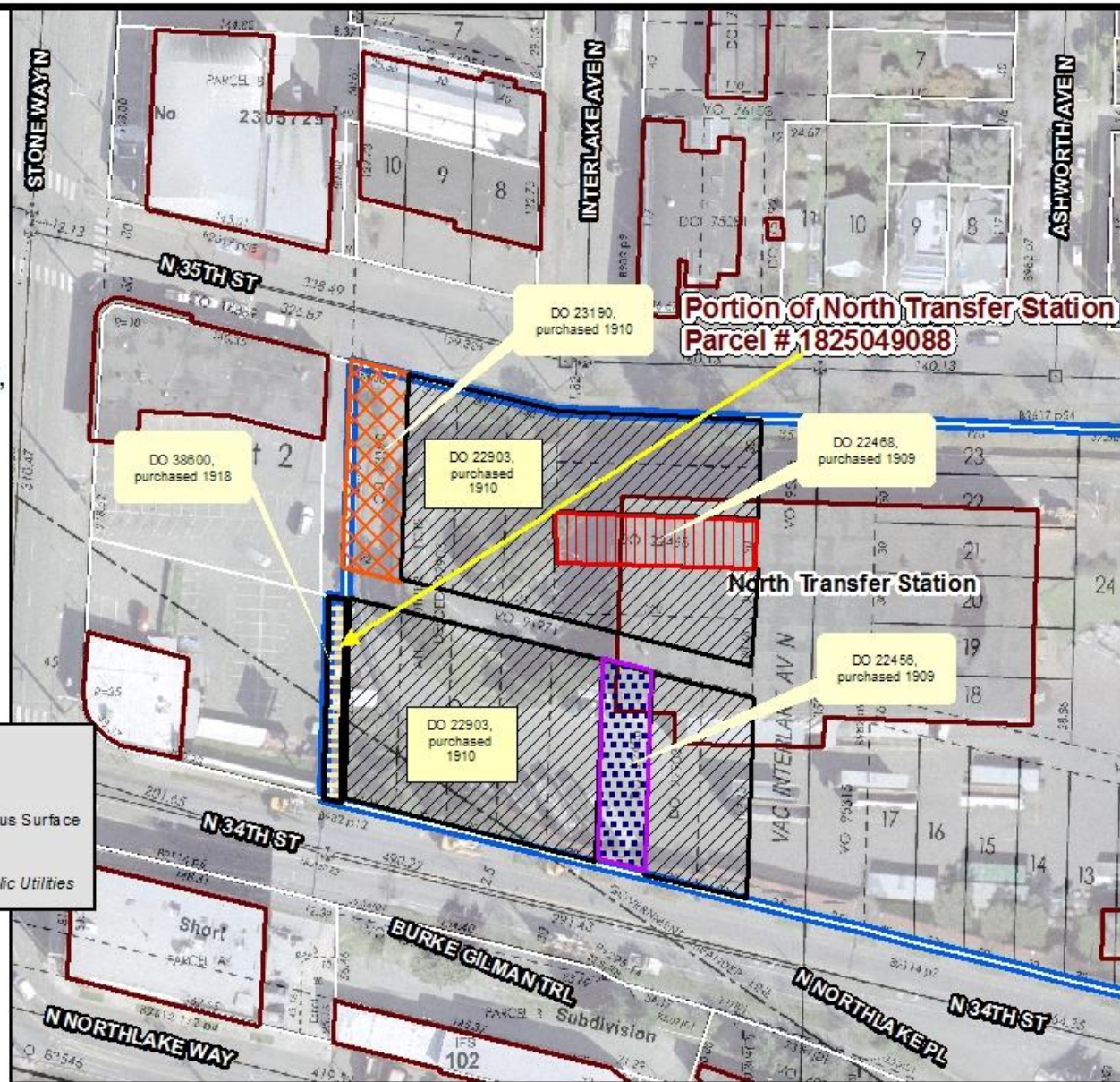
Legend

- Portion of North Transfer Station
- Building Outlines - 2005 Impervious Surface
- Tax Parcels
- Seattle Public Utilities Seattle Public Utilities



Department of Finance and Administrative Services -
Real Estate Services, RJGholaghong - September 2011

No guarantee of any sort is implied, including accuracy,
completeness, or fitness for use.





City of Seattle
PMA 3662

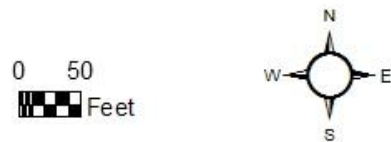
Portion of
North Transfer Station
North side of N 34th St,
east of Stone Way N



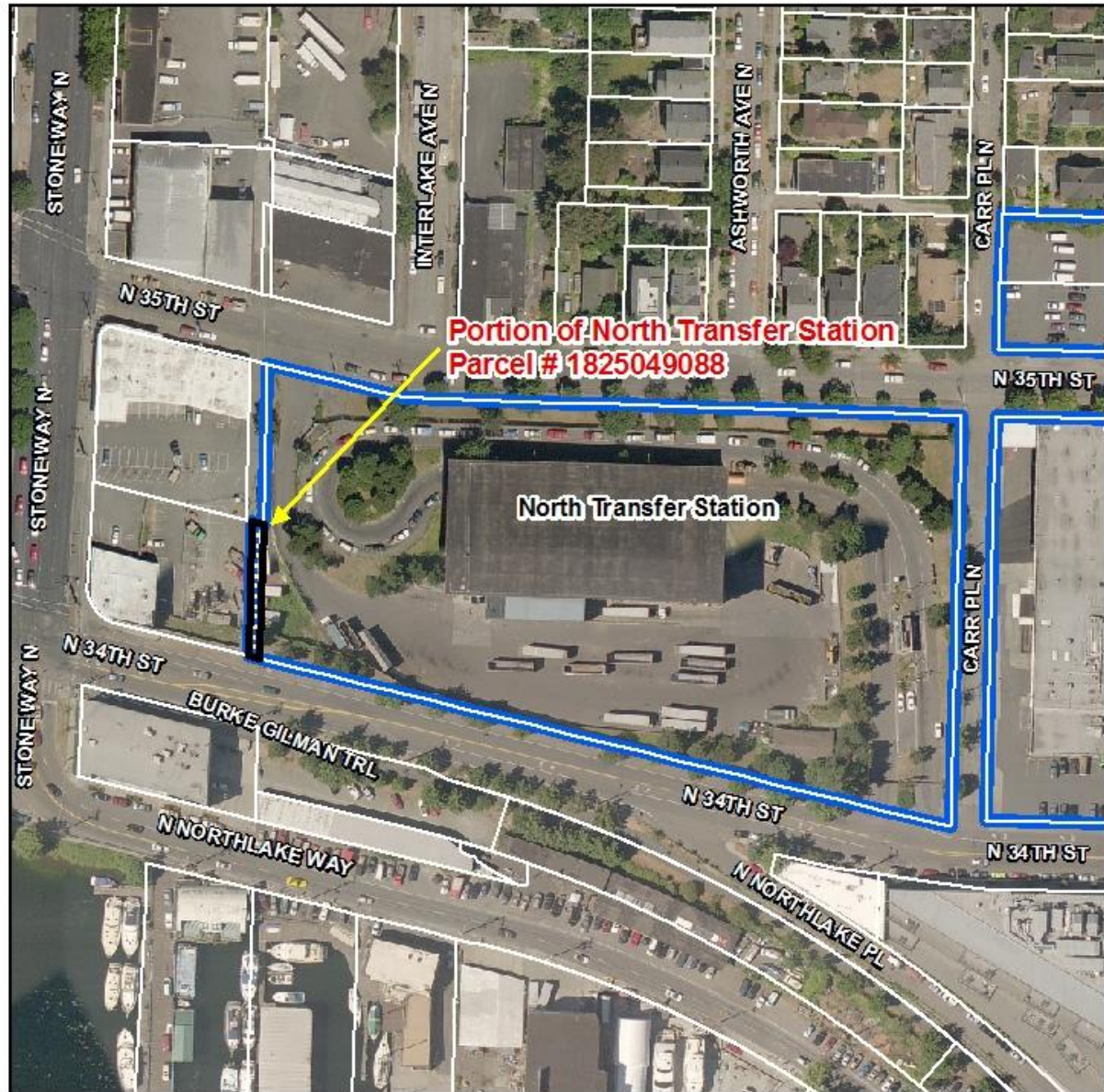
Vicinity Map NT 5

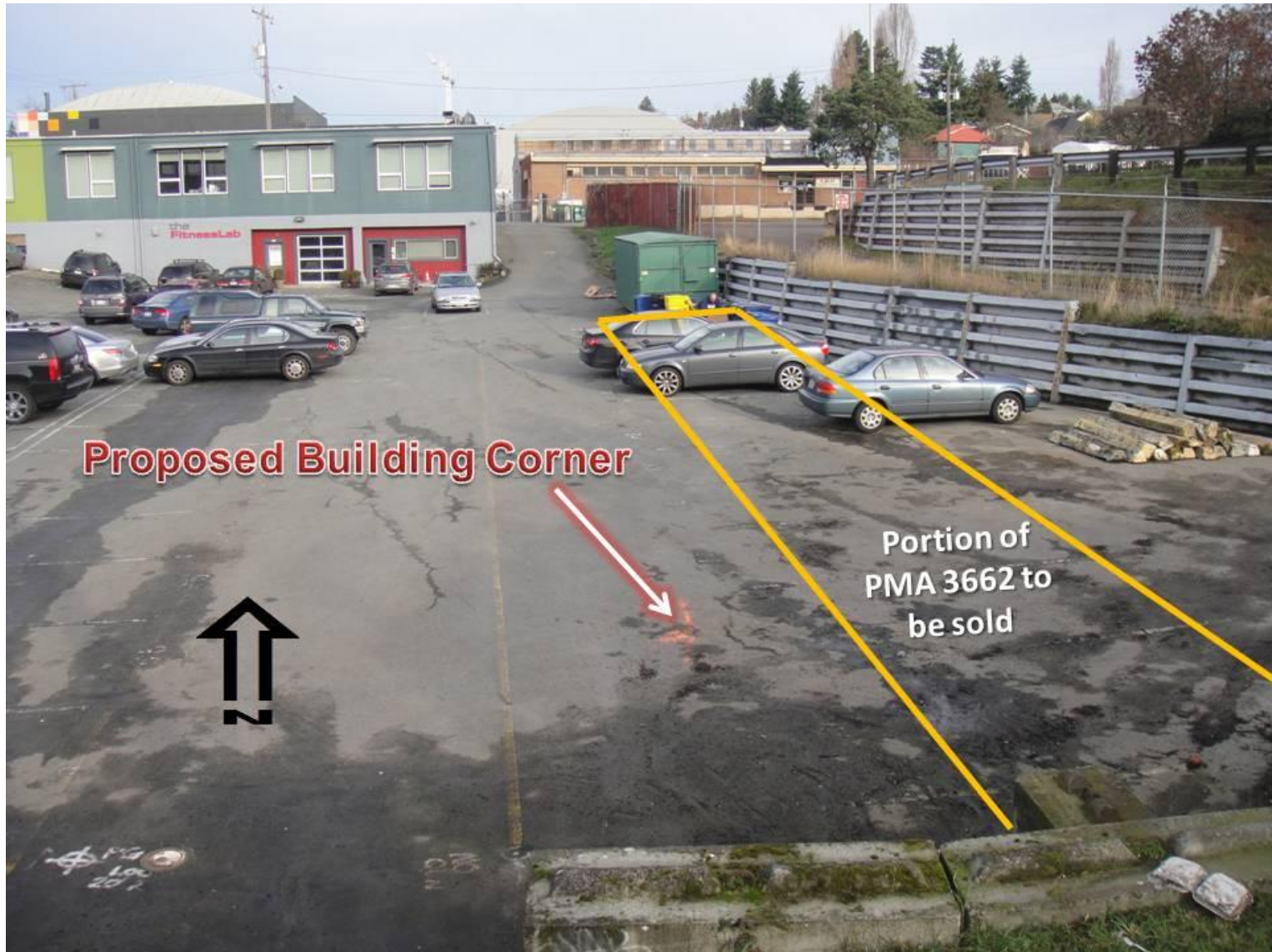
Legend

- Portion of North Transfer Station
- Tax Parcels
- SPU - Seattle Public Utilities



Department of Finance and Administrative Services -
Real Estate Services, RJGholaghong - September 2011
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This depicts the approximate location of the portion of PMA 3662 to be sold from the ground level. It is not to scale and does not constitute a survey or accurate representation of legal parcel lines and location. No guarantee of any sort is implied, including completeness, or fitness for use.



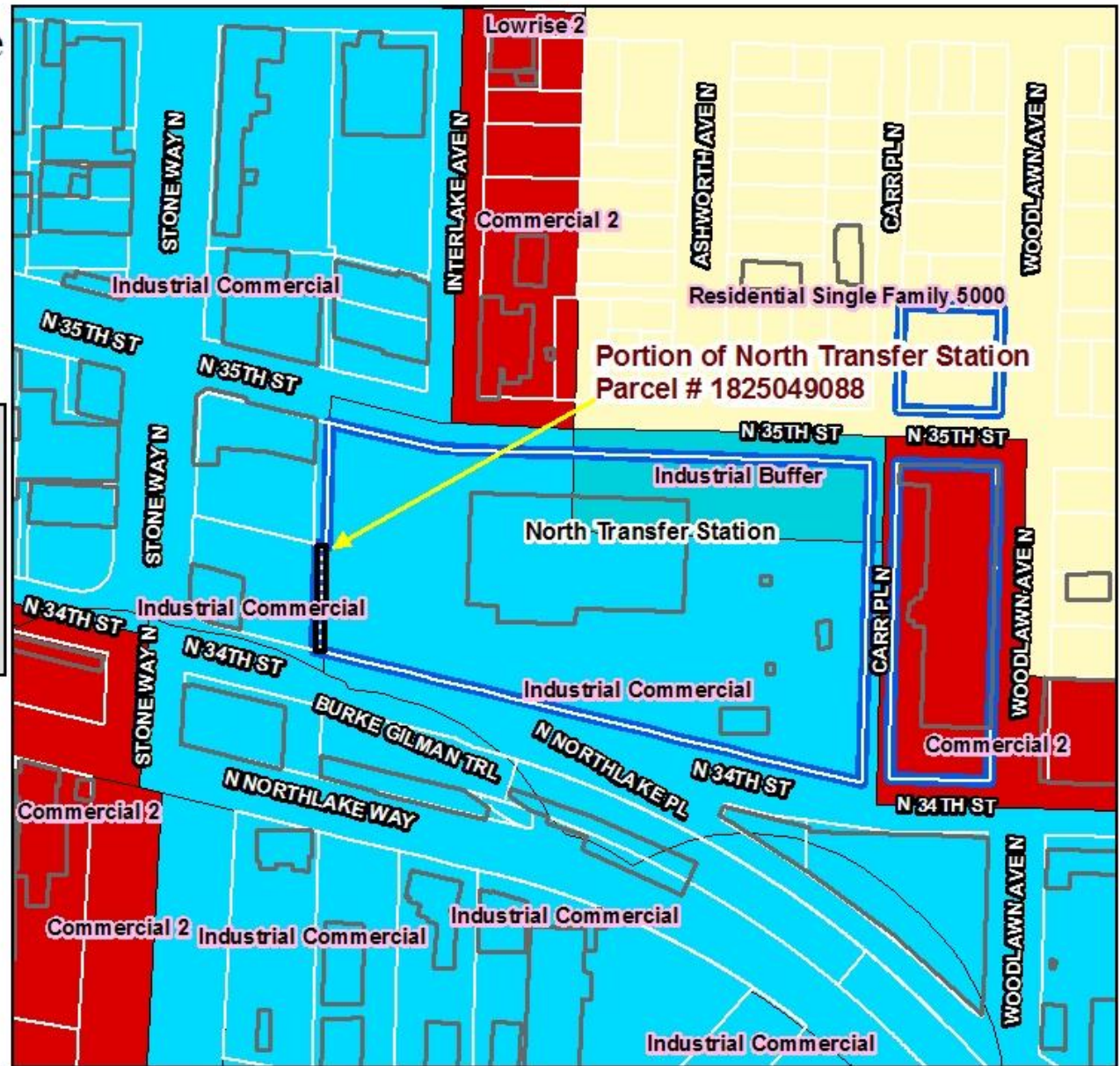
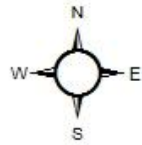
City of Seattle

PMA 3662

Zoning Map North Transfer Station North side of N 34th St, east of Stone Way N

Legend

- Portion of North Transfer Station
- Building Outlines - 2005 Impervious Surface
- Tax Parcels
- Seattle Public Utilities - Seattle Public Utilities
- Commercial
- Industrial Buffer
- Industrial Commercial
- Residential



Department of Finance and Administrative Services -
Real Estate Services, RJG/holaghong - September 2011

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