Seattle City Light

Report to the City Council
Surplus Property Disposition Pilot Project

As Directed by City Resolution No. 31317

August 6, 2012

Resolution 31317 directs Seattle City Light to conduct a Surplus Property Disposition Pilot Project to test a simplified process for vetting and making recommendations for the disposition of six surplus City Light properties. The Resolution also requires City Light to produce two reports: (1) on the community outreach and public hearings required in the Resolution, along with recommendations for dispositions; and (2) a second report jointly with the Department of Finance and Administrative Services on the viability of the new procedures for the disposition of additional surplus City Light properties. This report is the first of these two. It describes the outreach process and includes the comments received and the recommendations for the disposition of these properties. The second report will be sent to the Council in 2013, following completion of the Pilot Project implementation.

Background

Seattle City Light holds over 40 surplus properties as assets of the City Light Fund. Thirty-six of these properties are former 4 kV substations. City Light has been converting its electrical distribution to a more efficient 26 kV system, resulting in smaller substations being surplus. The King County assessed value of all City Light's surplus properties is in excess of $40 million.

City of Seattle Surplus Property Disposition Procedures

The disposition of surplus City properties is currently governed by the process established by City Resolution Numbers 29799 and 30862. This process is intended to ensure adequate public notice and to maximize opportunities for citizens and community-based groups to review and comment on the disposition of such properties. Resolution 31317 sets out alternative procedures that are intended to both accomplish the internal circulation and community outreach goals of the earlier Resolutions while being more efficient to implement and providing citizens and community groups with better information on disposition issues.

The City's current disposition procedures treat all surplus City properties in the same way. However, surplus City Light properties are required by state statute to be treated differently from surplus General Fund properties. The State Accountancy Act, RCW 43.09.210, prohibits the assets of a municipal utility fund from benefiting another city fund without payment of true and full value. RCW 35.94.040 requires the payment of fair market value for the lease or sale of surplus utility lands, including transfers between City funds and departments. The various cases of *Okeson v. Seattle* have reaffirmed that utility assets cannot be used to serve the non-utility functions of general government.

Development of the City Light Surplus Property Disposition Pilot Project

The alternative surplus property disposition procedures in Resolution 31317, developed after five years experience with the current procedures, are intended to serve two objectives:

- To meet the City Council's long-term goals for notification, community outreach, and solicitation of citizens' and community groups' recommendations for the disposition of surplus properties

- To enable City Light to more efficiently address its large inventory of surplus properties while providing citizens and community groups with better information on disposition issues.

The City Light Surplus Property Pilot Project adopted by City Resolution 31317 carefully incorporated key notification and outreach procedures required by Resolution Numbers 29799 and 30862, while providing more effective opportunities for public involvement. The Pilot Project also attempts to better inform interested citizens on the limitations in disposing of surplus utility properties that have sometimes led to confusion in the past. Familiar elements include:

- Circulation to other City departments and selected public agencies.
- Attending District Council and community meetings to discuss the Pilot Project.
- Implementing a City website and soliciting written and email comments.
- Posting signs on the properties inviting citizens to attend meetings and soliciting comments.
- Mailing notices to nearby owners and tenants.

New procedures specific to the alternative procedures are:

- The Surplus Pilot Project addresses all of the City Light surplus properties in one geographic area of the City at the same time. This provides the community in each geographic area the opportunity to more effectively assess the surplus properties available in their neighborhood. It is also more efficient and convenient for each neighborhood.

- In community meetings, City Light carefully explains the internal vetting process and the constraints that the City must observe in the use or disposition of utility properties.

    - ❖ City of Seattle properties under the jurisdiction of City Light cannot be used for non-utility functions or activities such as parks, community gardens, or housing.

    - ❖ If another City department such as Parks (for a park) or the Department of Neighborhoods (for a community garden) wishes to acquire City Light property, City Light must be compensated for the true and full value of the property.

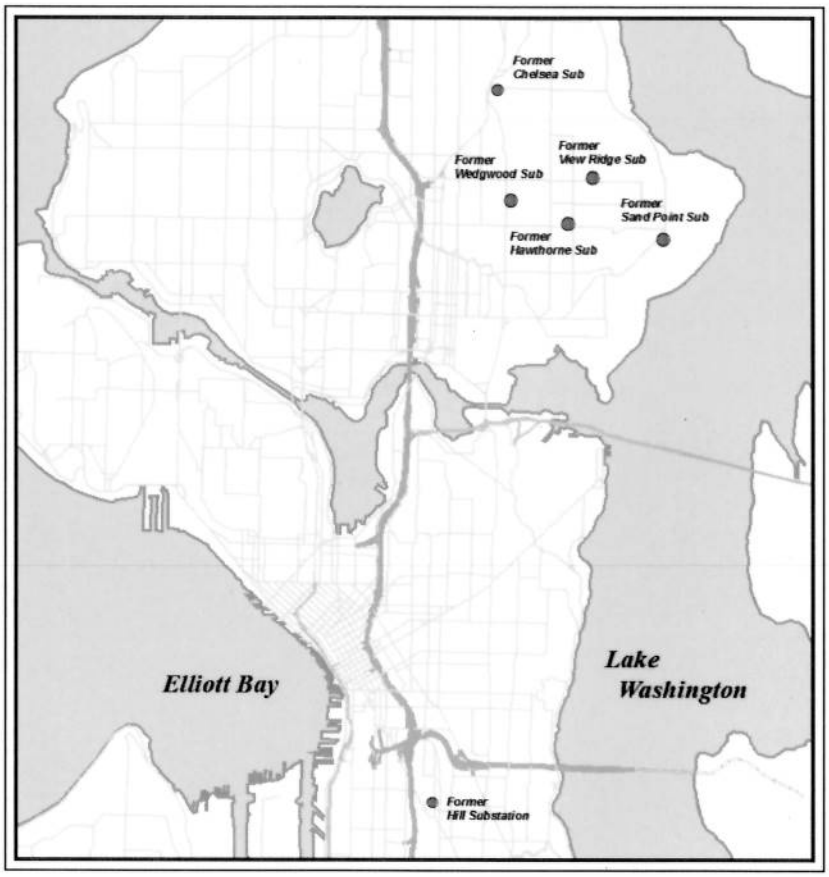
- Public hearings are held in each community during evening hours rather than just downtown during business hours. This is intended to encourage and provide more opportunities for community participation. The City Council is expected to hold a final public hearing in the Council Committee meeting when the legislation implementing the recommendations comes up for a vote.

Properties Included in the City Light Surplus Property Disposition Pilot Project

The Surplus Pilot Project addresses five surplus former substations in Northeast Seattle and one isolated former substation on North Beacon Hill. The six surplus properties being studied are:

- Former Chelsea Substation, 2321 NE 95th Street
- Former Hawthorne Substation, 3904 NE 65th Street
- Former Sand Point Substation, 5755 NE 63rd Street
- Former View Ridge Substation, 7502 – 44th Avenue NE
- Former Wedgwood Substation, 2507 NE 70th Street
- Former Hill Substation, 2107 - 14th Avenue S (on North Beacon Hill)

Maps and key data for each of the Pilot Project properties are provided as Attachment A to this report. Below is a Seattle map showing the location of the properties.



Map of Six Surplus Pilot Project Properties

Implementing the Alternative Process

Circulation to other City Departments and Public Agencies

The Pilot Project Properties were circulated to all City departments in October, 2011. Follow-up discussions were held with Parks and Recreation, the Department of Neighborhoods for P-Patch use, the City's Office for Housing, and Seattle Public Utilities, concerning their specific needs. No City department proposed a public use for any of the properties.

An outreach was made to the Seattle Public Schools concerning the former Sand Point Substation. This property is located immediately across 60th Avenue NE from the Sand Point Elementary School. A school parking lot abuts the City Light property on the south. The School District did not express any interest.

Coordination with Department of Neighborhoods – Community Meetings

City Light staff met with the Director and staff of the Department of Neighborhoods (DON) to discuss the Surplus Pilot Project. Resolution 31317 directed City Light to meet with the DON District Councils as a first step in community outreach. The purpose of meetings with the District Councils was for City Light to make itself available to attend meetings of the member community groups.

DON recommended that City Light duplicate its community information meetings and the formal public hearings in both Northeast Seattle, where five of the surplus Pilot Project properties are grouped, and also on North Beacon Hill, where the isolated former Hill Substation is located. The purpose was to ensure inclusiveness, and also to provide opportunities for local residents to attend meetings in each of the neighborhoods where the surplus properties are located.

North Beacon Hill is served by the Greater Duwamish District Council which, represents a wide swath of South Seattle. DON recommended that City Light meet with the North Beacon Hill Council instead of the Greater Duwamish group. All of the other North Beacon Hill community groups have representatives who attend the North Beacon Hill Council, which serves the function of a local District Council.

Meetings in Northeast Seattle

Northeast District Council – April 5th

City Light attended a meeting of the Northeast District Council in the Wedgwood Presbyterian Church on April 5th. City Light gave a PowerPoint presentation about the Surplus Pilot Project, answered questions, and offered to attend the meetings of any of the member community groups to discuss the Project. A representative of the Parks Department attended this meeting to discuss how the need for new parks is determined, park funding, and property transfers between City departments.

In addition to offering to meet with member groups at the meeting of the Northeast District Council, City Light made separate contact with each of the member groups having surplus properties in their represented areas. But none of the District Council member groups were able to schedule City Light into their regular meetings. City Light then scheduled a separate community informational meeting of its own for Northeast Seattle, on May 15th.

Community Informational Meeting – May 15th

The second meeting in Northeast Seattle, a community informational meeting, was held in the Wedgwood Presbyterian Church on May 15th. Invitations were sent to all of the member groups of the Northwest District Council, with a request to invite their general memberships. City Light again gave a presentation on the Surplus Pilot Project and answered questions. This meeting was sparsely attended, suggesting less interest on the part of organized community groups.

Meeting notes for all community meetings are included as Attachment B to this report

Meeting on North Beacon Hill

North Beacon Hill Council – May 1st

At City Light's request, Judith Edwards, President of the North Beacon Hill Council, invited us to attend their regular meeting in the Beacon Hill Library on May 1st. This community information meeting was intended to also serve the function of a District Council meeting for North Beacon Hill.

Five spokespersons for the Emmanuel Ethiopian Orthodox Tewahedo Church, which neighbors the former Hill Substation, spoke to the group and expressed their interest in buying the City Light property to expand their Church. Dozens of Church members filled the meeting room in a show of support for the Church's proposed purchase of this property.

Public Hearings

Purpose and Conduct of Public Hearings

RCW 35.94.040 requires a public hearing prior to the sale of any municipal-owned utility property. City Light held formal public hearings in the community during evening hours to encourage and provide more opportunities for community participation. The City Council is expected to hold a final public hearing in the Council Committee meeting when the legislation implementing the recommendations comes up for a vote.

These hearings were announced by mailings to nearby owners and residents, by signs on the properties, in City Light's Surplus Pilot Project website, and advertized in the City's official newspaper of record. Each hearing was conducted in two parts, a presentation by City Light staff on the Surplus Pilot Project, followed by the formal hearing. A City Light Hearing Officer conducted the hearings which were videotaped and then recorded in an official transcript.

Public Hearing on North Beacon Hill June 12, 2012

The first public hearing was held on June 12th at El Centro de la Raza on North Beacon Hill. The Ethiopian Church again filled the meeting room to overflowing. Ten Church members commented on the desire of the Church to purchase the neighboring former Hill Substation.

Four people commented on perceived adverse impacts of existing Church activities on the neighborhood (parking, traffic, litter, and noise), and stated that while they were not opposed to the sale to the Church, they were concerned that an expanded Church would result in greater adverse impacts.

A transcript of the Public hearing of June 12th is provided as Attachment C to this report.

Public Hearing in Northeast Seattle on July 17, 2012

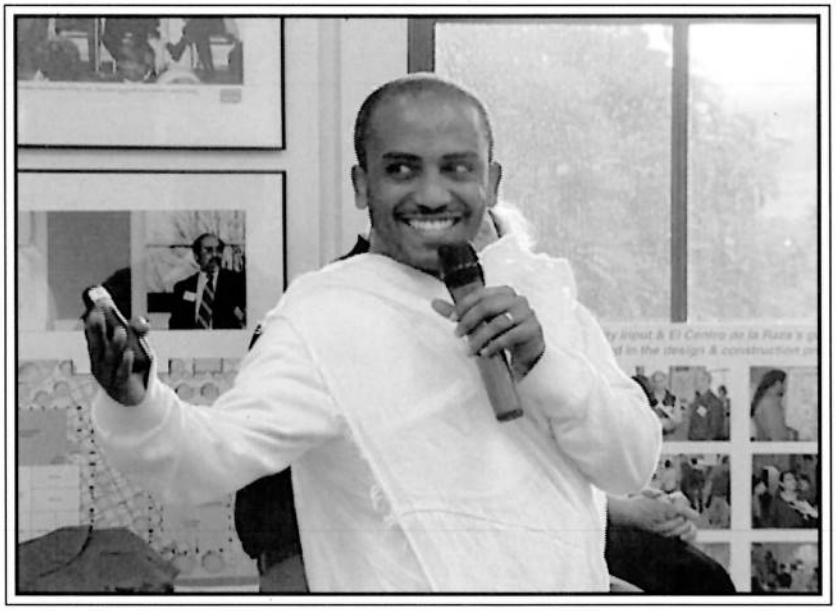
The second public hearing was held on July 17th at the Wedgwood Presbyterian Church in Northeast Seattle. A representative of the Parks Department again assisted in the presentation and question and answer session before the formal hearing.

City Light received several comments expressing appreciation for meeting with the community, for the explanation of constraints related to disposition of surplus utility properties, for discussion of the relationship between surplus properties and rates, for the care it had given to the properties, support for the sale, and for the Surplus Pilot Project generally.

A transcript of the public hearing of July 17th is provided as Attachment D to this report.

Additional Outreach Efforts

A web presence was set up in City Light's section of the City's Public Access Network (PAN). City Light's home page provided a brief description of the Surplus Pilot Project and provided links to a web section with more detailed information; descriptions, photos, and maps of each property; meeting and hearing schedules; an email comment capability; and additional instructions for offering written comments.



Speakers – Public Hearing of June 12, 2012
El Centro de la Raza

Signs were posted on each property indicating its surplus status, indicating the time and place for the formal public hearing about the property, directing people to City Light's Surplus Pilot Project website, and providing instructions for various means of submitting comments.

Prior to each public hearing, letters were mailed to all property owners, residents, and other tenants in a 700 ft radius from each property. These letters again indicated the property(ies) being studied, provided the schedule for the public hearing, directed people to City Light's Surplus Pilot Project website, and provided instructions for various means of submitting comments. The notices sent on North Beacon Hill included translations in six foreign languages indicated in the outreach area.

A copy of City Light's PAN home page, the PowerPoint presentation used in community meetings, a sample handout, and photos of signs and meetings are included as Attachment E to this report.

Citizen Comments – Discussion of Selected Issues

Highlights

The highlights of the Pilot Project community outreach were the five meetings held in the neighborhoods (the three informational meetings and two questions and answer sessions preceding the formal hearings). City Light estimates that between 250 and 300 people attended the five meetings. What made these meetings most valuable was the open and thoughtful discussion of not only the properties themselves, but also of the issues related to surplus utility properties, outlined in other sections of this report.

Of the people who participated in the meetings, the large majority expressed support for a sale of the properties. City Light received suggestions for other uses of the properties especially by email and letter. At the meetings, City Light also received a number of expressions of appreciation for meeting and discussing the surplus properties with the affected community, and also for the conduct of the Disposition Pilot Project generally.

Summary of Citizen Comments

City Light received 32 written comments through letters and emails. Seventeen preferences were indicated in community information meetings. Nineteen comments were taken in formal public hearings. It should be noted that the Hearing Officer specifically requested that if another speaker had covered the comment that a participant was planning to make that the comment not be repeated.

- In all, 35 comments were supportive of sales of one or all of the Surplus Pilot Project properties. Eight comments were supportive of or indicated interest in park use. Seven comments were supportive or indicated interest in P-patch use. Five comments supported other miscellaneous uses.

Former Hill Substation

By far the most comments were about the former Hill Substation on North Beacon Hill. Fifteen members of the neighboring Ethiopian Orthodox Church spoke at the community information meeting and the formal public hearing indicating the Church's desire to purchase the City Light property to expand their Church. One non-Church member also commented in favor of selling the property to the Church. Dozens of additional Church members attended both these meetings in a show of support for the Church acquisition of

the property. Two written comments (including a letter from the Church) supported the Church's proposed purchase of this property.

Seven written comments, all from nearby neighbors, expressed concerns about perceived adverse impacts of existing Church activities (parking, traffic, litter, and noise), and expressed concern that if the Church expanded on the former Hill Substation, that would result in greater adverse impacts. Four people expressed these concerns at the public hearing although they also stated that they were not opposed to the sale but rather wanted the City to address these concerns, particularly parking.

Five written comments expressed support for a sale of the former Hill Substation for residential development. Five comments expressed support for use as a P-Patch. One comment each expressed support for an off-leash dog walk area, a parking and electric car charging facility, and retail development. Three comments opposed residential development and proposed other uses. Two comments opposed Church acquisition and proposed other uses.

Comments on Northeast Properties

Three written comments were received concerning the former Sand Point Substation. These comments largely reflected concerns about existing traffic and parking related to the Sand Point Elementary School (east across 60th Avenue NE). The Windermere North Owners' Association (37 units, north across NE 63rd Street) indicated that ideally, they would like to see the property retained as green space. If the property is sold, however, the Owners' Association would want any new development to minimally contribute to neighborhood traffic, to provide adequate on-site parking for both residents and guests, and to include a green buffer similar to the existing landscaping. One written comment proposed that the former Sand Point Substation be used for a park.

One written comment proposed that the former Hawthorne Substation be used for a park. One written comment proposed that the former View Ridge Substation be used for a park or P-Patch. Three comments in community meetings indicated an interest in using some or all of the properties for parks. One comment indicated an interest in using some or all of the properties for P-Patches.

Copies of all letters are provided as Attachment E to this Report. Copies of all emails are provided as Attachment F to this Report.

Post Sale Issues

Several comments were received concerning potential impacts of post sale development. In Northeast Seattle several citizens expressed concerns that properties in single family zones would be rezoned to multifamily or subdivided to provide a greater density of development. Citizens expressed concerns about potential development of the Hill property including possible parking impacts. Because these surplus properties in SF zones are isolated parcels, rezoning them would seem unlikely. Decisions concerning subdivision and addressing developmental impacts such as parking are discretionary land use decisions made by the Department of Planning and Development (DPD), and would only be made on application by a new owner after purchasing the property. City Light explained that DPD's permitting procedures have specific requirements for notifying the public; opportunities are provided to comment on the proposed actions and to appeal decisions.

Proposals for Park Use

In the past, the City Council has been very receptive to community initiatives to convert former City Light substations to park use. This requires legislative action to transfer jurisdiction from City Light to Parks

and payment of the true and full value for the property to the City Light Fund. Over a period of years, seven former substations have been transferred to Parks (Admiral, Alki, California, Ft Lawton, Gatewood, Whittier, and York).

At the outset of the Surplus Property Disposition Pilot Project, all of the properties were circulated to all other City Departments for review and determination of whether any of the properties were suited or needed for their department programs. For the 2000 Pro-Parks and the 2008 Parks and Open Space Levies, Parks used a citywide gap analysis to show areas of the city not having sufficient access to parks or open space. None of the Surplus Pilot Project properties were indicated as a Parks' need in this analysis.

Resolution 31317 requires that if any of the Pilot Project properties are proposed for other City use, City Light must submit that property to the department providing that service or function for re-consideration. City Light received 4 written proposals that various Pilot Project properties be used as parks (2 proposals for Sand Point, 1 for Hawthorn, and 1for all the properties). Four questions in community information meetings indicated an interest in using some of these properties as parks. In response these comments, Parks has again reviewed the Surplus Pilot Project properties and confirmed its earlier analysis.

Former Morningside Substation

Concurrently with Surplus Pilot Project, City Light has been working to transfer the surplus former Morningside Substation in Northeast Seattle to Parks for use as a future park. In the preparing for the 2008 Parks and Open Space Levy, a citywide gap analysis showed a need for new park space in the Wedgwood Neighborhood. Working with the Wedgwood Community Council, Parks conducted a year-long process in which members of the community identified several potential sites and eventually chose the former Morningside Substation as the best available property.

The selection of the former Morningside Substation provided an excellent example in discussions with the community of the Surplus Pilot Project on how the need for a park is identified, the necessity for payment of true and full value, and the need for a fund source. The former Morningside Substation is in process of cleanup, prior to transfer to Parks.

Proposals for P-Patch Use

A number of proposals were received requesting that various properties be used for P-Patches. City Light currently hosts six P-Patches in its transmission line right-of-way under interdepartmental agreements with DON (Evanston, Ferdinand, New Holly, South Mrytle, Snoqualmie, and Thistle).

The Pilot Project procedures for considering P-Patch use were the same as for parks. All of the Pilot Project properties were circulated to DON to consider for its department needs. DON advised that it could not use the properties. After comments for P-Patch use were received, the list of properties was resubmitted to DON for their reconsideration. DON again advised that it could not use the properties.

The basis for DON's position is somewhat different from Parks. DON believes that some smaller parcels in residential neighborhoods could be used for P-Patches. But DON is using its limited funds from the 2008 Parks and Open Space Levy for development, and not for acquisition of new sites.

Proposal for Solar Power Generation

City Light received one proposal suggesting that all the properties be used as photovoltaic (PV) solar generation sites. This proposal has been heard from solar advocates for other City Light properties, and is worth consideration for future reference.

The State of Washington requires City Light to prepare an integrated resource plan (IRP) for future energy resources that evaluates conservation and "commercially-available" generating technologies, including solar PV. The City Light 2012 IRP found that conservation, landfill gas, wood waste biomass, hydro efficiency, wind, and geothermal were lower cost than solar PV or solar thermal. To maintain affordable rates to customers while providing environmentally-sensitive power, the plan emphasizes conservation for the next decade, then begins adding renewable resources in order of cost-effectiveness. Solar PV did not make it into the plan until the year 2031.

Despite cost concerns, City Light recognizes that some customers have a preference for solar energy. City Light's current mechanism for installing solar photovoltaic projects is through the Community Solar Program. This Program solicits City Light customers to purchase "solar units;" the proceeds of these sales are then used to pay for group-funded solar projects. Solar unit purchasers then receive credit for the electricity generated by their share of the project and Washington State annual production credits. In July, as part of the Community Solar Program, City Light opened a new picnic shelter with a solar canopy in Jefferson Park.

If City Light surplus property were used for a Community Solar Project, the project participants would need to reimburse the utility for the use of the property as well as the cost of project installation, greatly reducing the net benefits to the project participants. In comparison, the use of other local government owned property for these projects, such as the project in Jefferson Park, is much less costly.

Recommendations

The Alternative Procedures of the Surplus Property Disposition Pilot Project resulted in five community meetings and public hearings held in neighborhoods in which the surplus properties were located. These meetings provided an opportunity for thoughtful and productive conversations about issues related to the disposition of the properties, including those that had resulted in misunderstandings in the past. The great majority of people who attended these meetings and engaged in these conversations were supportive of a sale of the properties. Key topics included:

- Limitations on the use City Light properties for non-utility purposes such as parks or community gardens.
- The requirement that City Light receive true and full value for its properties, including when these properties are transferred to other City departments for other public uses such as parks or community gardens.
- How the City determines the need for new parks and community gardens, park funding, and the 2000 Pro-Parks and 2008 Parks and Opens Space levies.
- The economic value of City Light properties.

City Light recommends and is submitting proposed legislation which would authorize the sale of all the Pilot Project properties by negotiated sale or an open and competitive bidding process. If authorized by the City Council, the Department of Finance and Administrative Services (FAS) has agreed to contract with an on-call real estate broker, or a real estate broker on the consultant roster, to sell the properties for City Light.

Resolution 31317 requires City Light and FAS to submit a second report to the City Council on the viability of the new procedures, together with a recommendation on whether or not these procedures should be used for the disposition of additional surplus City Light properties in the future. City Light and FAS plan to complete this report and recommendations in 2013 following the completion of the sales in the Pilot Project.