

***Preliminary Recommendation Report
On Reuse and Disposal of the
Seattle Department of Transportation Mercer Corridor Excess Property
PMA 3330
February 24, 2014***

Purpose of Preliminary Report

In response to a City of Seattle Jurisdictional Department identifying a property as “Excess” to their needs, the Real Estate Services (RES) section of the Department of Finance and Administrative Services (FAS) initiates a process to review and evaluate various options for the property. RES prepares a report titled Preliminary Recommendation Report on the Reuse and Disposal of Excess Property, which documents the Departments’s analysis and recommendations. This report is prepared in accordance with City of Seattle Council Resolution [29799](#), as modified by Resolution [30862](#).

Executive Recommendation

The property, located at 1000 Mercer Street, is under the jurisdiction of the Seattle Department of Transportation (SDOT) and consists of two portions. A portion of the property has been fully developed for street uses; a second portion is excess to the City’s needs. Based upon comments from other City Departments and from the adjacent private property owner, the Department of Finance and Administrative Services Real Estate Services group (FAS) recommends that the excess portion of the property be sold at fair market value to the adjacent property owner through a negotiated sale that will allow the property to be developed as a full city block incorporating the provisions of the zoning and development code. The portion of the property used for transportation purposes is to be laid off and dedicated as street right of way.

Background Information

This property is located at the southwest corner of Mercer Street and Terry Avenue. (See Appendix A for a detailed property description) The property was acquired through a condemnation proceeding in 2007. The former business, West Marine, relocated and their former building was demolished. Street improvements including new travel lanes, utilities and curb gutter and sidewalks, have been installed in the area of the property to be dedicated as street right of way. Seattle Ordinance 123992 identified the excess portion of property to be sold to fund the Mercer Corridor Project West Phase.

Reuse or Disposal Options Evaluation Guidelines

City of Seattle Resolution 29799, Section 1, requires the Executive to make its recommendation for the reuse or disposal of any property that is not need by a Department using the following guidelines.

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.

Funding Sources: The property was purchased with monies from the Arterial Street Fund.

Purpose for which property was acquired: The property was purchased in order to expand the width of Terry Avenue and Mercer Street. A portion of the property which is developed to support transportation purposes will be laid off and dedicated as right of way.

Deed or contractual restrictions: The excess portion of the property is not bound by any other contracts or instruments and is not subject to any extraordinary laws or regulations.

City, State or Federal Ordinance status and regulations including, Bond, grant or loan programs, State Accountancy Act, Payment of True and full value, Zoning and land use, Comprehensive Plan, and Other plans: State Law requires government organizations to receive fair market value for the disposal of surplus real property. The excess portion of the property is located in the South Lake Union neighborhood and is subject to zoning incentives and restrictions. The property is currently zoned [SM 85/65-160](#).

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.

Neighborhood Plan: The property is located in the South Lake Union Urban Center zone. The Seattle City council adopted legislation in 2013 that increase the development capacity of the neighborhood.

Housing and Economic Development: The sale of the property to a private owner will return the property to the active tax rolls, and the subsequent development will add additional economic development to the City.

Nearby City owned property: The property is near the South Lake Union Park. The City also purchased other nearby parcels for the Mercer Corridor transportation project. It is near an excess Seattle City Light property at 8th and Roy. None of the City owned properties are contiguous with this parcel. These other City owned excess properties are subject to the City's disposition policies and will be addressed separately in other preliminary reports.

Other City Uses: In November 2013, an Excess Property Notice for this property was circulated to City of Seattle Departments to assess interest in City Departmental use of the property. FAS/RES received Excess Property Response Forms indicating no interest from the following departments or public agencies: Seattle Public Library, Seattle City Light, Seattle Department of Planning and Development, and the Seattle Dept. of Parks and Recreation. The Seattle Office of Housing responded with comments that encourage the property to be developed as follows:

- *Maximize development capacity*
- *Include residential uses*
- *Accelerate development*
- *Exceed housing affordability requirements*
- *Privately fund the project*

The Seattle Human Services Department responded with the following comment:

- *HSD has been looking for appropriate sites to locate a licensed child care facility in South Lake Union, and would welcome participation in developing child care facilities.*

Other Agencies Uses: An Excess Property Notice for this property was circulated in November 2013 to assess other agencies interest. No other non-city agency expressed interest in use of the property.

Range of Options

The “Guiding principles for the Reuse and Disposal of Real Property” state, “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.” The options for disposition of this property include retention by the City for a public purpose, negotiated sale with a motivated purchaser, or sale by public bid or request for proposal.

Transfer of Jurisdiction to other City Department: No other City Department expressed a need to purchase the property for a City use.

Negotiated Sale: A negotiated sale is typically recommended when the selection of a particular purchaser has specific benefits to the City.

The adjacent property owner has expressed interest in purchasing the property. A negotiated sale to the adjacent property owner, will allow this property to be developed to the maximum height, structured underground parking, offices, ground floor retail. If sold to the adjacent property owner, housing on the entire site would located with views of Lake Union, and the 20% open space requirement would be placed to benefit the entire block.

Sale through an open competitive process: A sale through a public competitive bid process may allow the market to determine the optimum price for the property in its current size and configuration. However, this strategy may result in a final price that is lower than a negotiated sale with the adjacent property owner, as the development potential as a stand-alone lot is less than if it was consolidated with a larger development.

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 may affect the value of the property.

Highest and Best Use: The Highest and Best Use is generally defined as the reasonably probable and legal use that produces the highest property value. The highest and best use is determined by evaluating potential uses as follows:

- **Physically possible:** The property is a vacant lot.
 - An analysis of the zoning and development regulations as applied to the excess parcel as a separate lot, shows that the site could not be developed to the maximum due to the small lot size. A developer would likely build a two or three story office building with 750 square foot of retail, seven parking spaces, and about 6000 square foot of office; vehicle access would be provided from Terry Street, the 20% open space requirement would also be met along Terry Street.
 - A review of the adjacent developer’s plan to incorporate the lot into the block could result in underground parking, a larger retail presence on the street, an open space that is consolidated along an open mid-block walk way.

- **Legally permissible:** The subject property is zoned [SM 85/65-160](#) which allows a wider range of mixed commercial spaces with incentives for residential uses if consolidated with the entire block
- **Financially feasible and maximally productive:** Consolidated with the adjacent property would allow the property to be developed to its maximum height and highest density that can be designed for the site, based upon the constraints.

Compatibility with the physical characteristics and surrounding uses: Construction of a mixed-use development project on this parcel would be compatible with the surrounding uses in South Lake Union.

Appropriateness of the consideration: Sale of the property at fair market value through a negotiated sale or competitive process will result in the City receiving in the fair market value of the property. Per Ordinance 123992, the City seeks to obtain revenue through surplus property sales to fund the Mercer Corridor West street improvement project.

Unique Attributes: The property does not have any significant attributes.

Potential for Consolidation with adjacent public property: There are no public properties that lie adjacent to this property.

Conditions in the real estate market: The real estate market in the City of Seattle remains fairly stable, and the South Lake Union area has a great demand for new development.

Known environmental factors: A review of property files indicates no evidence to suggest that further environmental assessments or investigations are warranted at this time.

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.

Potential for Use by Non-City Public Entities: No non-City public entities' use has been identified.

Public Involvement: In accordance with Resolution Nos. 29799 and 30862, in November 2013, a notice concerning disposition or other use of this property was sent to all business, residents and property owners within a 1,000 foot radius of the subject property. A total of 195 notices were mailed. Only one response was received, from the adjacent property owner requesting to purchase the property.

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.

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Public Involvement Plan:

For projects that have been determined to be a Complex transaction, RES develops a Public Involvement Plan (PIP) that is included with the Preliminary Report. The PIP is to be tailored to the characteristics of each specific excess property and those issues which have been raised during the circulation and notification phase. The Department of Finance and Administrative Services usually prepares the Preliminary Report and PIP, with input from SDOT, the department with jurisdictional control over the excess property. This PIP is completed before legislation for real estate disposition is approved by the City Council. A PIP has for this property has been attached as Appendix C.

Next Steps

FAS publish this preliminary recommendations report on the RES web site.

RES sends notice of its availability 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. FAS will post a notice sign visible to the public along the street frontage abutting the Excess Property. FAS will consider comments on the Preliminary Report for 30 days after the notice is sent.

After comments are received on Preliminary Report, FAS and prepares a Final Report and a report on the public involvement process. These reports are published on the RES website and sent to the mailing list. The REOC votes on the recommendation in the Final Report. The Final Report and the report on the public involvement process are included with the legislation necessary to implement the final recommendation for the excess property.

No Council briefings or hearings will be held for at least 30 days following a notice of legislation sent to the mailing list. FAS will continue to collect all comments. All interested parties are provided with at least two weeks' notice of the public hearing date so that interested parties can attend the public hearing before the City Council will make a decision concerning disposition of PMA 3330.

Appendix A
EXCESS PROPERTY DESCRIPTION Mercer Corridor Excess Property
PMA 3330

The Seattle Department of Transportation as the Jurisdictional Department of this City owned property has identified the following information about this excess property.

Property Name: 1000 Mercer Street

Property Management Number: (PMA): 3330

Property Location: South West Corner of Mercer and Terry Ave

Tax parcel I. D. Number: 198320-0416

Tax Parcel Legal Description: West half of lots 5-6, Block 104 David T. Denny's First Addition to North Seattle, according to the plat thereof recorded in Volume 1 of Plats, page 79, in King County, Except West 5 feet thereof heretofore condemned in King County Superior Court Cause number 162246 for widening of Terry Avenue North, as provided by Ordinance number [43560](#) of the City of Seattle

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King County assessed value: NA

Size: Approximately 6,274 square feet portion after street dedication

Zoning: SM85/65-160

History: Property was condemned via King County Superior Court: 08-2-27604-0 SEA, King County Superior Court Stipulation to Just Compensation, appropriation and order of dismissal. Albert and Helene Heglund, and Wets Marine Inc. were paid just compensation in the amount of \$8,450,000 as result of the stipulated agreement.

Acquisition Ordinances:

Ord. [122505](#), 10/3/2007: An ordinance relating to the Mercer Corridor Project; authorizing the Director of Transportation to acquire all of the property rights necessary for reconstructing the existing Mercer Street/Valley Street couplet with a widened two-way Mercer Street.

Acquisition Fund Source: Arterial Street Fund

Jurisdictional Departments range of estimated of market value: \$3-5 million

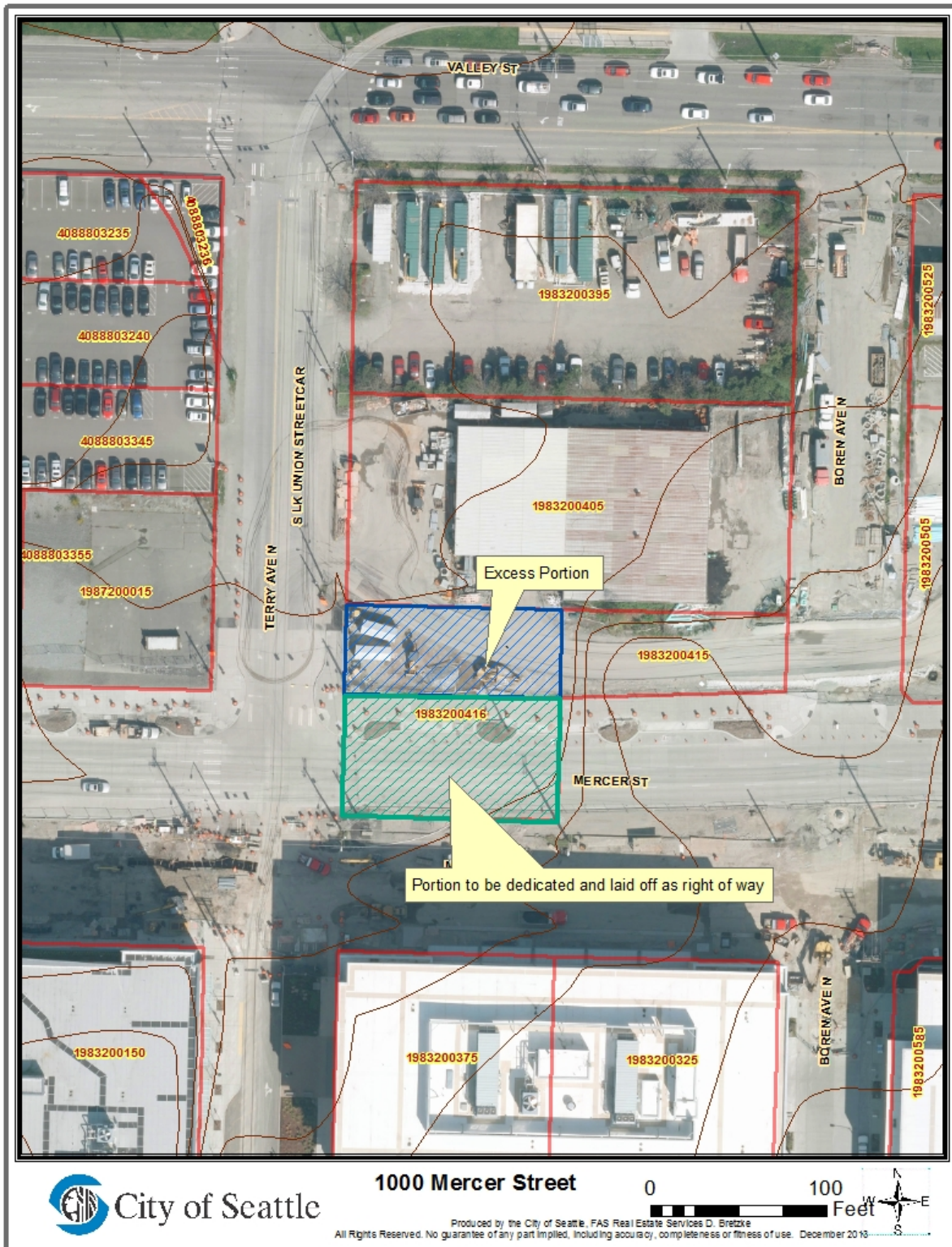
Destination of funds upon sale: Mercer Corridor West Capital Improvement Program

Current easements, covenants and restrictions: None known

Recommended easements, covenants and restrictions upon Transfer: The southern 69 feet of the tax parcel to be dedicated and laid off for street purposes.

Potential problems with property and possible measures to mitigate their recurrence:

Previous structures removed.



Appendix B

PROPERTY REVIEW PROCESS DETERMINATION FORM			
Property Name:	Parcel at 1000 Mercer Street		
Address:	1000 Mercer Street		
PMA ID:	PMA. 3330	Subject Parcels Nos.	198320-0416
Dept./Dept ID:	SDOT	Current Use:	Vacant land/
Area (Sq. Ft.):	6,274 sq.ft. est.	Zoning:	SM85/65-160
Est. Value:	\$ 3- 5 Million	Assessed Value:	\$ NA
PROPOSED USES AND RECOMMENDED USE			
<i>Department/Governmental Agencies: None</i>		<i>Proposed Use: N/A</i>	
<i>Other Parties wishing to acquire:</i> Adjacent property owner		<i>Proposed Use:</i> Mixed Use Development	
RES'S RECOMMENDED USE: Sell to adjacent property owner in negotiated sale with conditions, or sell in an open and competitive process.			
PROPERTY REVIEW PROCESS DETERMINATION (circle appropriate response)			
1.) Is more than one City Dept. /Public Agency wishing to acquire?	<input checked="" type="radio"/> No / Yes	15	
2.) Are there any pending community proposals for Reuse/ Disposal?	<input checked="" type="radio"/> No / Yes	15	
3.) Have citizens, community groups and/or other interested parties contacted the City regarding any of the proposed options?	<input checked="" type="radio"/> No / Yes	15	
4.) Will consideration be other than cash?	<input checked="" type="radio"/> No / Yes	10	
5.) Is Sale or Trade to a private party being recommended?	No / <input checked="" type="radio"/> Yes	25	
6.) Will the proposed use require changes in zoning/other regulations?	<input checked="" type="radio"/> No / Yes	20	
7.) Is the estimated Fair Market Value between \$250,000-\$1,000,000?	<input checked="" type="radio"/> No / Yes	10	
8.) Is the estimated Fair Market Value over \$1,000,000?	No / <input checked="" type="radio"/> Yes	45	
Total Number of Points Awarded for "Yes" Responses:			70
Property Classification for purposes of Disposal review: Simple <input checked="" type="radio"/> Complex (circle one) (a score of 45+ points result results in a "Complex" classification)			
Signature: Daniel Bretzke, AICP		Department: FAS	Date: February 18, 2014

Appendix C
Proposed Public Involvement Plan

Proposed Public Involvement Plan (PIP) for Parcel at 1000 Mercer Street

City procedures require a proposed Public Involvement Plan for complex properties to facilitate an adequate amount of public involvement on significant real estate transactions. To date, there has been low public interest in this property and no substantive issues have been identified. For this reason, and because the City Council has, through the 2013 budget process provided strategic direction for the sale of excess SDOT property in South Lake Union to fund the Mercer Corridor West project, FAS is recommending a PIP that focuses on the public comments received to date, and collection and presentation of any additional comments received through posting and publication of this plan. The remainder of the process will provide the following sequential opportunities for input:

- Previous public involvement to date include public hearings, council review, planning commission review and design commission review of the Mercer Corridor Improvement plans and zoning and development changes in the South Lake Union planning area.
- The Preliminary Report will be sent to parties of record and will be available on the City website.
- A public notice sign will be placed onsite indicating the recommendation to sell the property, and advising how to contact FAS for information and/or make comments.
- The Real Estate Oversight Committee (REOC) will review and approve the Preliminary Report and the Public Involvement Plan, providing comments as necessary.
- FAS will publish a Final Report, incorporating the REOC's comments as necessary, and notify the mailing list of the availability of the Final Report.
- FAS will forward legislation authorizing sale of the property and the dedication of the street right of way, including the Final Report and Public Involvement Report, to the City Council. No Council briefings or hearings will be held for at least 30 days following a notice of legislation sent to the mailing list.
- FAS will continue to collect all comments and or proposal At the Council committee meeting to take action on the legislation, FAS will provide an updated summary of all comments received to date.
- If the Council determines to hold a public hearing, FAS will provide 14 days' notice of the public hearing to the mailing list so that interested parties can attend the public hearing and present their ideas and interests to the City Council.