

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

**Item No.** 6a  
**Date of Meeting** December 10, 2013

**DATE:** November 22, 2013  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Mark C. Griffin, Director, Real Estate Development  
Linda Stewart, Director, AV Community Partnerships  
**SUBJECT:** Interlocal agreement with the City of Burien and related real estate actions

<b>Amount of This Request:</b>	\$1,945,000	<b>Source of Funds:</b>
<b>Est. Total Project Cost:</b>	\$1,945,000	Airport Development Fund

**ACTION REQUESTED**

Request authorization to execute an interlocal agreement with the City of Burien and all other documents needed to finalize several real-estate-related actions provided for in the agreement in an amount not to exceed \$1,945,000.

**SYNOPSIS**

The Port and the City of Burien (City) are working collaboratively to position the Northeast Redevelopment Area (NERA) for redevelopment. Through this collaboration, the Port and City have identified several real-estate-related items that are required to accelerate redevelopment of the NERA and that are described in an interlocal agreement (ILA) (**See Attachment B**). The ILA authorizes the Port to:

- Grant a permanent, non-exclusive easement for Stormwater Facility #3 to the City at 10% of the fair market value of the property;
- Grant a permanent, non-exclusive easement for Stormwater Facility #4 to the City at 13% of the fair market value of the property;
- Grant a permanent, exclusive easement for Stormwater Facility #6 to the City at no cost given the benefit to Port property;
- Contribute \$1.2 million to the City toward the City's construction of Stormwater Facilities #3 and #4. The \$1.2 million represents an estimated 40% cost savings compared to the estimated \$3 million the Port would incur to design and construct independent facilities;
- Grant a permanent easement to the City at full fair market value to allow for the construction of a shared-use path along Miller Creek that will provide access to the stormwater facilities

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for long-term operations and maintenance. The easement will also provide bicycle and pedestrian access through the NERA, as required by City code requirements for development in this area;

- Purchase 12<sup>th</sup> Place South from the City to consolidate the Port property at a cost, including expenses, of approximately \$245,000; and
- Prepare and submit an application under the Federal Aviation Administration's (FAA) "Pilot Program for Redevelopment of Airport Properties," including authorization of the local match required, in an amount not to exceed \$500,000, which is included in the 2014 budget, to secure FAA funding of up to \$5 million. The Pilot Program was created by the FAA, under the 2012 Reauthorization Act, to provide funding for airport sponsors to collaborate with local jurisdictions on compatible development of airport properties purchased for airport noise compatibility. The FAA requires that the airport sponsor and local jurisdiction have an enforceable agreement, such as an ILA, to undertake the assemblage and redevelopment of airport land.

Staff is also cooperating in the City's design of a new eastbound off-ramp from SR-518 at Des Moines Memorial Drive. After design of the new off-ramp is finalized, future Commission action will be necessary to surplus and convey the Port-owned land the City will need to construct the new off-ramp. Staff also expects to seek future Commission approval of design and construction funds for relocating the existing on-ramp to comply with the Port's obligations under an agreement with the Washington State Department of Transportation (WSDOT) regarding the use and relocation of the existing eastbound on-ramp after construction of the Third Runway.

## **BACKGROUND**

### *NERA Plan*

The City has designated an approximately 158-acre area located northwest of the Airport as its Northeast Redevelopment Area (**See Attachment A**). The NERA is a key focus area in the City's overall economic development strategy and includes about 55 acres of Port-owned property. Most of the Port's property is former homes, or "noise property," acquired under the FAA's Part 150 regulations. Non-residential properties that were acquired to ensure viable development comprise the balance of the Port's holdings in the NERA. FAA regulations require that the Port's noise property be converted to airport-compatible use and disposed of (leased or sold) in accordance with FAA guidelines.

The Port and City prepared a conceptual redevelopment plan for the NERA in April 2010 (NERA Plan). The NERA Plan reflects the common goal of transitioning the NERA into a mix of airport-compatible commercial, retail and/or light industrial uses consistent with FAA regulations. The City envisions development of an auto mall on the southern portion of the NERA. The Port intends to pursue development of light industrial facilities on the northern portion of the NERA that will support the Port's Century Agenda goal of tripling air cargo volume.

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The NERA Plan identifies a number of actions the Port and City could take to spur private sector investment in the redevelopment of the NERA. These actions include development of a comprehensive regional stormwater system to serve the entire NERA and construction of a new eastbound off-ramp from SR-518 at Des Moines Memorial Drive to improve access to the regional transportation network to and from the NERA.

### *Regional Stormwater System*

The City has secured approximately \$4.5 million in state grants to prepare a master drainage plan for the NERA, design a comprehensive regional stormwater management system based on the master drainage plan, and construct the first-phase facilities of the regional system. The City, however, needs a total of about \$5.7 million to construct the optimal package of first-phase improvements.

The preferred first-phase improvements include four of the seven required facilities (Facilities #3, #4, and #5/6). Facilities #3 and #4 primarily benefit Port property. Consequently, the City has requested a \$1.2 million contribution from the Port to complete the funding required to construct the first-phase improvements. The first-phase improvements will also include pre-treatment/water quality components, Miller Creek channel improvements, and an approximately 2,736 foot-long shared use path along Miller Creek for operations and maintenance of the stormwater facilities and bicycle and pedestrian access. The City will design, construct, own, operate and maintain all of the stormwater facilities and the shared use path, per easements to be granted by the Port.

The City's grant agreements with the state require that the proposed first-phase improvements be completed before the end of 2014. To meet this deadline, the project must be advertised in December 2013 and the work commenced during the first quarter of 2014.

### *SR-518 Off-Ramp*

The City has also obtained about \$2.15 million in funding to fully design a new eastbound off-ramp from SR-518 at Des Moines Memorial Drive. The City's design funding includes a combination of federal (\$1.6 million), state (\$250,000), and City (\$300,000) dollars. The City expects to complete design of the off-ramp in the fourth quarter of 2014, which will more competitively position the project for construction funding. Some Port property (currently estimated to be less than an acre) will be needed to construct the off-ramp. The exact "take" will be known upon final design, at which time staff will seek Commission approval to surplus and convey the needed property to the City or directly to WSDOT.

The City is actively pursuing construction funding for the eastbound off-ramp. The project was included in the State House and Senate proposed transportation packages throughout the 2013 session. While the Legislature did not adopt a transportation package in 2013, the City expects the project will be included in any transportation package proposed during the 2014 session. The City hopes to start construction of the off-ramp in 2015, once funding is secured and FAA regulatory consent is granted.

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The City's design of the eastbound off-ramp will also include attention to the existing eastbound on-ramp. The Port entered into Government Contracting Activity (GCA) 1998 with the Washington State Department of Transportation WSDOT, allowing the Port to use a temporary on-ramp onto eastbound SR-518 for runway reconstruction work. GCA 1998 requires the Port to restore the ramp upon completion of the temporary use. The final design of the eastbound SR-518 on-ramp needs to be aligned with the eastbound off-ramp. Since the restoration of the eastbound SR-518 on-ramp is most appropriately designed as part of the off-ramp project to ensure proper alignment and coordination of the two ramps, staff will seek future Commission approval to contribute design and construction funds to the City for the eastbound on-ramp to satisfy the Port's responsibilities under GCA 1998.

### *Air Cargo Facilities*

The Century Agenda calls for tripling air cargo volume at the Airport to 750,000 metric tons. The Port's air cargo strategy includes using the off-airfield land portfolio to help drive development of new air cargo facilities, particularly on those properties located north of the Airport near the on-airfield cargo operations. The NERA presents such an opportunity.

Staff has completed an initial feasibility assessment for the development of approximately 270,000 square feet of new air cargo development on the northern portion of the NERA. A request for proposals will be issued in December 2013 for developers capable of building such a development under a long-term ground lease. Assuming the market responds positively, a developer should be selected in the second quarter of 2014 and approval of the ground lease requested in the fourth quarter of 2014.

### *Auto Mall*

The City is actively working to facilitate development of an auto mall on the southern portion of the NERA, which includes the former Lora Lake apartments parcel south of SR-518 and the area immediately north of SR-518. The City has completed a preliminary feasibility analysis to establish the viability of an auto mall in the NERA. In addition, the City recently spent about \$2.5 million of its own funds to acquire the former mental health facility from the Highline School District and anticipates possible additional future property acquisition to help make the auto mall a reality. The auto mall will allow for the potential relocation of the auto dealers currently located along 1<sup>st</sup> Avenue South in Burien to the NERA, in order to free up the dealers' current locations for redevelopment, both of which should position the City to generate substantial additional retail sales tax revenue over the long term.

### *FAA Pilot Program*

In February 2013, the FAA issued the requirements for obtaining funding under a new pilot program for the redevelopment of noise property. This program is the culmination of a multi-year lobbying effort by the City to have the FAA identify and allocate federal funding to support redevelopment of areas impacted by airport operations. Consequently, the City is eager to pursue this funding for redeveloping NERA.

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The Port will be the applicant (“airport sponsor”) for the pilot program and may apply for up to \$5 million in partnership with local jurisdictions. The program limits the federal share to 80% of eligible costs and requires a local match for the remaining 20% of costs. Pilot program funds may be used for planning, engineering, design, and environmental permitting, but not construction. Upon any sale of the noise property benefited by the program, the airport must “repay” the funds in full. In this context, “repay” means reinvesting in other eligible airport projects. A long-term lease of noise property does not trigger the repayment obligations. The Port and City expect to complete the program application and submit it for FAA approval in the first quarter of 2014.

### *FAA Approval*

The FAA must review and approve the use, lease, sale and/or payment of any Port funds related to the NERA noise property. Staff has obtained the FAA’s approval of the various actions described in the ILA.

## **PROPOSED ACTIONS AND JUSTIFICATION**

The ILA details the various actions undertaken by the Port and City that together are intended to induce private-sector investment in redevelopment of the NERA. The ILA authorizes Port action on the following items:

- **Permanent non-exclusive easements for Stormwater Facilities #3 and #4.** Three of the seven stormwater facilities that comprise the regional system are on Port property, including Facilities #3 and #4. The Facility #3 and #4 easements are non-exclusive, which means the Port will be able to use the area above the stormwater facilities for parking.

The Facility #3 and #4 easements would be conveyed to the City at substantial discounts to the appraised fair market value, because both facilities almost exclusively benefit redevelopment of Port property and because the City’s regional stormwater project frees the Port from having to construct separate stormwater management facilities that the Port would otherwise be required to build as a condition of the City granting permits for development of the property. Facility #3 drains Basin 3 in which the Port owns approximately 5.03 of the total 5.6 acres or about 90% of the basin’s total acreage. Similarly, Facility #4 drains Basin 4 in which the Port owns approximately 10.42 of the total 12 acres or about 87% of the basin’s total acreage.

Staff obtained a fair market value appraisal for each of the property interests included in the ILA. Based on the appraisal, the Port will convey the Facility #3 easement to the City for \$13,889. This amount represents approximately 10% of the property’s fair market value and reflects the Port’s ownership of 90% of the property benefited by Facility #3. The Port will convey the Facility #4 easement to the City for \$14,961, which represents approximately 13% of the property’s fair market value and reflects the Port’s ownership of 87% of the property benefited by Facility #4.

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- **Permanent exclusive easement for Stormwater Facility #6.** The Facility #6 easement would be conveyed to the City at no cost. Although physically separate, Facility #6 functions as a single facility with Facility #5. Facility #5 will be located on City property and is designed to infiltrate up through a 50-year storm event. Any water received beyond the infiltration capacity of Facility #5 will be bypassed to Facility #6. Facility #6 will be located on Port property, serve as an emergency overflow location for Facility #5, and receive water during severe storm events when Facility #5 is in bypass mode. Non-Port property comprises approximately 60% of the property in Basin 5/6 that will benefit from Facility #6's location on Port-owned land. The fair market value as determined by the appraisal of the benefit to non-Port property equals \$113,219 (60% of the \$188,698 appraised value of the Facility #6 easement). In contrast, Port-owned property comprises approximately 40% of the property that will benefit from Facility #5 being located on City-owned land. The fair market value as determined by the appraisal of the benefit to Port property equals \$208,440 (40% of the \$521,100 appraised value of the Facility #5 easement). Therefore, the Port receives a net benefit from conveying the Facility #6 easement to the City. In addition, the Facility #6 easement removes the need for the Port to construct separate and larger stormwater management facilities that the Port would otherwise be required to build solely on its property as a condition of the City granting permits for development of the property. The design of this facility precludes any other uses on the site, such as parking. Therefore, Facility #6 easement is "exclusive" instead of non-exclusive.
  
- **Construction contribution for Facilities #3 and #4.** Because Facilities #3 and #4 primarily benefit Port property, the Port will contribute to the City a total of \$1.2 million toward the construction of these two facilities to complete the funding the City needs for the regional stormwater project.

Stormwater management is required for any redevelopment of Port property. By funding a portion of the costs for Facilities #3 and #4, the Port will save substantially compared to the Port planning, designing, permitting and constructing separate stormwater management facilities that solely service Port property. The Port will benefit from approximately \$1.8 million in improvements to Port property that will meet all of the City's stormwater requirements, which is 40% greater than the Port's \$1.2 million contribution. The estimated fully loaded cost if the Port was to plan, design, permit and construct a stand-alone facility for the Port's property is approximately \$3 million, based upon Port engineering staff estimates. The Port would significantly benefit from the City's planning, design and permitting work for these facilities.

- **Permanent easement for shared use path.** The City will design, construct, own, operate and maintain a shared use path along Miller Creek as part of the first phase of the regional stormwater project. The shared use path will provide access for both long-term operations and maintenance of the regional stormwater project and for pedestrian and bicycle use through the NERA. To enable the shared use path, the Port will convey an easement to the City. Consistent with pertinent FAA regulations, the Port will not otherwise contribute to the design, construction, operation or maintenance of the shared use path. Based on the

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appraisal, the Port will convey the easement to the City at a total fair market value of \$69,463. The fair market value of this easement is computed at the same level of impact per parcel as the stormwater easements.

- **Purchase 12<sup>th</sup> Place South.** Twelfth Place South is a cul-de-sac owned by the City that served homes previously purchased by the Port as part of the noise mitigation acquisition program. This is the last parcel necessary for the consolidation of the northern NERA into a viable industrial site suitable for the air cargo facilities envisioned by the Port. The City will initiate and complete a street vacation of 12<sup>th</sup> Place South. Based on the appraisal, the City agrees to sell 12<sup>th</sup> Place South to the Port for \$238,500. Staff requests a total of \$245,000 for this purchase, which includes closing expenses.
- **Local match for the FAA pilot program.** The FAA issued its Program Guidance Letter 13-04, Pilot Program for Redevelopment of Airport Properties (Acquired Noise Land) on February 14, 2013. An eligible pilot program project may consist of the joint planning, engineering, design and environmental permitting costs needed to support the assembly and compatible redevelopment of noise property in tandem with other publicly owned land. The FAA will award funds up to \$5 million, with a 20% match required from the airport sponsor. The City has agreed to provide half of the match requirement. This means the Port would be required to commit up to a maximum of \$500,000 to be eligible for the pilot program, which is included in the 2014 budget.

In addition to the actions currently proposed in the ILA, future Commission action will be required for two items related to the City's current design work on a new eastbound off-ramp from SR-518 at Des Moines Memorial Drive. Staff will seek Commission approval to surplus and convey the Port property needed by the City to construct the new off-ramp upon the City's completion of final design, which is expected in the fall of 2014. The needed property is currently estimated to be less than an acre. Additional Commission approval will be requested for design and construction funds to relocate the existing eastbound on-ramp to comply with the Port's obligations under our current agreement with WSDOT regarding use of the on-ramp. The proposed new off-ramp and relocation of the existing on-ramp will improve the NERA's access and connection to the regional transportation network.

## **SCHEDULE**

The following table summarizes the anticipated completion dates of the various actions proposed in the ILA and the related activities that will require future Commission action.

<b>ACTIVITY</b>	<b>PROJECTED COMPLETION DATE</b>
Stormwater and Shared Use Path Easements	• Q1 2014: Closing, including the \$1.2 million stormwater contribution
Street Vacation	• Q2 2014: Closing

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SR-518 Off-Ramp	<ul style="list-style-type: none"><li>• Q2 2014: Commission authorization of design and construction funds for replacing existing on-ramp</li><li>• Q4 2014: City completes design of new off-ramp</li><li>• Q4 2014: Commission authorization to convey right-of-way needed for new off-ramp</li></ul>
FAA Pilot Program Application	<ul style="list-style-type: none"><li>• Q1 2014: Submit completed application</li><li>• Q2 2014: FAA approval</li><li>• Q3 2014: Begin scope of work</li></ul>
Developer RFP	<ul style="list-style-type: none"><li>• Q4 2013: Issue RFP</li><li>• Q2 2014: Select developer</li><li>• Q4 2014: Commission authorization of proposed ground lease</li></ul>

## **FINANCIAL IMPLICATIONS**

### ***ILA Financial Summary***

The following table summarizes the total financial obligations of the Port and City based on the ILA.

<b>ILA ITEM</b>	<b>PORT</b>	<b>CITY</b>
SW Facility #3 Easement	--	\$13,889
SW Facility #4 Easement	--	\$14,961
SW Facility #6 Easement	--	--
Temporary Construction Easement	--	\$8,724
Construction contribution for SW Facilities #3 & #4	\$1,200,000 (Public Expense)	--
Shared Use Path Easement	--	\$69,463
12 <sup>th</sup> Place South Street Vacation	\$245,000 (Capital)	--
FAA Pilot Program Local Match	\$500,000 (Expense)	\$500,000
<b>TOTAL</b>	<b>\$1,945,000</b>	<b>\$607,037</b>

### ***Budget Status and Source of Funds***

The \$1.2 million contribution for Stormwater Facilities #3 and #4 was included in the 2014-2018 capital budget as CIP C800579, NERA 3 Parcel Infrastructure but will now be accounted for as public expense. The 12<sup>th</sup> Place South street vacation is included in the 2014-2018 capital budget in CIP C800150. The cost for the FAA pilot program is included in the Airport Business Development 2014 operating budget. The funding source for all of these items will be the Airport Development Fund.



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### **STRATEGIES AND OBJECTIVES**

Staff's efforts to pursue development of air cargo support facilities in the northern NERA supports the Century Agenda strategy to "position the Puget Sound region as a premier international logistics hub" by, in part, "tripling air cargo volume to 750,000 metric tons." This work also supports the Airport's goal to increase non-aeronautical revenue.

### **TRIPLE BOTTOM LINE**

#### ***Economic Development***

As mentioned, the NERA work supports growth in air cargo volumes and the broader economic benefits associated with such growth. In addition, the City expects that a new auto mall will increase revenue for its budget.

#### ***Environmental Responsibility***

A regional stormwater system allows for a more cost-effective and holistic approach to stormwater management in the NERA. Each landowner working independently would be unable to realize the efficiencies and benefits associated with a regional system. The proposed improvements are expected to be a significant improvement over current conditions by removing potential standing water and the wildlife attractant hazards presented by standing water. In addition, the proposed improvements reflect an innovative, low-impact design to managing stormwater.

#### ***Community Benefits***

The proposed stormwater improvements include a shared-use path that will provide bicycle and pedestrian access through the NERA while also providing access for operations and maintenance of the stormwater facilities. The community also benefits from Port and City collaboration to return this vacant land into productive use and remove potential blight and crime from the surrounding neighborhood.

### **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1)** – Do not enter into the ILA. This approach would not achieve the efficiencies and benefits of a regional stormwater system. It would force the Port to develop its own stormwater facilities at higher costs or, alternatively, the developer would have to complete this work as part of site development. Ultimately, this approach would not increase the value of the property that would come with constructing the stormwater facilities now. This is not the recommended alternative.

**Alternative 2)** – Delay finalizing the ILA. Starting construction of the stormwater facilities is time sensitive. The City's grant funding from the state requires the facilities to be completed by the end of 2014. The FAA pilot program is also time sensitive and a delay could mean missing the application deadline to apply for funds available under this program. This is not the recommended alternative.

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**Alternative 3)** – Execute the ILA. This approach allows the first-phase improvements of the regional stormwater system to proceed. In addition, it would allow completion and submission of the FAA pilot program application. **This is the recommended alternative.**

### **ATTACHMENTS TO THIS REQUEST**

- “A” NERA Map
- “B” Draft ILA with the City of Burien

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- Burien ILA briefing on December 3, 2013.