



**COMMISSION
AGENDA MEMORANDUM**

Item No. 4c

ACTION ITEM

Date of Meeting March 28, 2017

DATE: March 21, 2017

TO: Dave Soike, Interim Chief Executive Officer

FROM: Dave McFadden, Managing Director Economic Development
Jeffrey Utterback, Director Real Estate & Economic Development

SUBJECT: Vacation of streets within the Northeast Economic Development Area 2 (“NERA 2”) within the City of Burien

Amount of this request: **\$751,100**

Total estimated project cost: **\$751,100**

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute all documents necessary to complete the vacation of streets within the Northeast Redevelopment Area 2 (“NERA 2”) within the City of Burien for a total request of \$751,100.

EXECUTIVE SUMMARY

For a number of years the Port has worked collaboratively with the City of Burien preparing property in Northeast Redevelopment Area for airport-related industrial development. The property within the area called NERA 2 is owned by the Port and included in this effort. The property was originally residential and acquired in compliance with the Federal Aviation Administration’s approved Part 150 Noise Program. Vacation of the former residential streets within this area will allow the final assemblage of approximately 7.1 acres for industrial development. The agreed value of the streets is \$763,173 as determined by appraisal.

As a condition of granting the street vacations, the City of Burien requires construction of emergency turn-arounds on Port property outside the NERA 2 ground leased area. The City will retain easements over the emergency turn-around areas. The City will deduct the easement value from the street vacation value, resulting in a reduction of \$12,074 from the final amount to be paid to the City, or a total of \$751,100.

JUSTIFICATION

The Port is pursuing development of light industrial facilities on Port-owned property in NERA to support the Port’s Century Agenda goals. This project is a large step forward in pursuing the Century Agenda Strategy of “Positioning the Puget Sound region as a premier international

Meeting Date: March 28, 2017

logistics hub.” In addition, it furthers the Airport’s strategic goal of maximizing non-aeronautical income.

Vacation of the streets creates a contiguous parcel of sufficient size to accommodate industrial development. At its November 22, 2016, meeting, the Commission approved a long-term ground lease with Seattle Gateway 2, LLC, for the NERA 2 property. The street vacations are requisite to the Port’s obligations under the NERA 2 ground lease.

DETAILS

The Port and City of Burien have been working collaboratively for many years with a common vision of developing approximately 158 acres of property in Burien, of which the Port owns a portion. The results of this joint work have been many including:

- An inter-local agreement that defined steps for development.
- Building of the first phase of a storm water treatment facility that now serves Port property in NERA.
- Successfully master planning and zoning of the entire area.
- Collaborating on a new State Route 518 off-ramp serving the area, now fully funded and in design.
- Successfully obtaining a \$5,000,000 FAA grant for study and design of infrastructure required to develop NERA.

The proposed development of the two properties (NERA 2 & NERA 3) by Panattoni Development Company, each ground leased to Panattoni limited liability companies, Seattle Gateway 2 LLC, and Seattle Gateway 1 LLC, respectively, will create approximately 432,000 square feet of manufacturing, office, and supporting warehouse functions across the NERA 2 & 3 sites. Tenants will include food processors, manufacturers, and logistics and cold-storage providers. It is estimated that the future tenants will provide up to 500-600 family-wage jobs.

Construction of the site will be completed subject to the State of Washington prevailing wage and there will be an outreach for apprentice and small business participation.

Scope of Work

Execute all documents necessary to complete vacation of the streets from the City of Burien.

Schedule

The City of Burien intends to complete vacation of the streets in 2Q2017.

Meeting Date: March 28, 2017

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not complete vacation of the streets from the City of Burien.

Cost Implications: Savings of \$751,100.

Pros:

- (1) The Port would not have to pay \$751,100 to the City of Burien.
- (2) The property would be available for some other potential smaller use that could fit on the property with the existing streets in place.

Cons:

- (1) The Port would not receive \$272,163 in annual rent equal to almost \$15 million over the initial lease term (55 years) without considering escalations (minimum of 10% increase per each 5 year period).
- (2) There would not be a leasehold excise tax paid of almost \$35,000 per year.
- (3) New construction jobs and permanent family wage jobs would not be created.

This is not the recommended alternative.

Alternative 2 – Execute all documents necessary to complete vacation of the streets from the City of Burien.

Cost Implications: \$751,100

Pros:

- (1) The Port would receive \$272,163 in annual rent equal to almost \$15 million over the initial lease term (55 years) without considering escalations (minimum of 10% increase per each 5-year period).
- (2) There will be a leasehold excise tax paid of almost \$35,000 per year.
- (3) New construction jobs and permanent family-wage jobs would be created.

Cons:

- (1) The Port would have to pay \$751,100 to the City of Burien.
- (2) The property would not be available for some other potential smaller use that could fit on the property with the existing streets in place.

This is the recommended alternative.

Meeting Date: March 28, 2017

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$751,100	\$0	\$751,100
AUTHORIZATION			
Previous authorizations	0	0	0
Current request for authorization	\$751,100	0	\$751,100
Total authorizations, including this request	\$751,100	0	\$751,100
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

The funds will be from Airport Development Funds.

Future Revenues and Expenses (Total cost of ownership)

If the streets are vacated and included within the total area ground leased to Seattle Gateway 2 LLC, the income to the Port for the initial term would be in excess of nearly \$15 million without considering the periodic increases.

ATTACHMENTS TO THIS REQUEST

- (1) City Council Ordinance
- (2) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

November 22, 2016 – NERA 2 Ground Lease approved by Commission