



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8c

ACTION ITEM

Date of Meeting March 26, 2019

DATE: March 19, 2019

TO: Stephen P. Metruck, Executive Director

FROM: Dave McFadden, Managing Director Economic Development
Daniel Alhadeff, Real Estate Development Manager

SUBJECT: Introduction of Surplus Resolution 3757 and Purchase and Sale Authorization for Harbor Avenue Property (Parcel No. 798740-0020)

ACTION REQUESTED

Request introduction and public hearing of Resolution No. 3757: A Resolution of the Port of Seattle Commission amending Unit 20 of the Comprehensive Scheme of Harbor Improvements of the Port of Seattle (Lower Duwamish Industrial Development District) by: (i) declaring certain real property surplus and no longer needed for Port district purposes; (ii) deleting said property from Unit 20 of the Comprehensive Scheme; and (iii) authorizing the Executive Director to take all necessary steps and execute all documents for the sale of such real property to West Coast Self-Storage Group, LLC.; amending Resolutions No. 17, 2769, and 2805 of the Port of Seattle Commission.

EXECUTIVE SUMMARY

Staff is requesting that the Commission sell a small parcel of Port owned property on Harbor Avenue Southwest across the railroad track from Terminal 5. The Port purchased 3330 Harbor Avenue Southwest in 1996 from the Salmon Bay Steel Corporation. It was part of a larger acquisition and exchange of properties needed to support earlier development of Terminal 5.

Since the Port purchased this property it has been unable to use the site beneficially. The site has not turned out to be a strategic accessory space as the purchase originally intended. Active rail spurs prohibit direct access from the site to T-5. The site is also too distant from the Port's CEM and Pier 2 properties to tangibly support development of these sites.

Port staff has attempted to lease this property on several occasions for parking and other potential developments, however, it has not generated any interest. The site's small size and uneven topography make it difficult to market. For these reasons, the site has not produced any income to the Port since its purchase.

JUSTIFICATION

On December 13, 1994, the Port of Seattle Commission authorized staff to enter into a

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purchase and sale agreement with Birmingham Steel Corporation (DBA Salmon Bay Steel Corporation). The Port properties involved in the exchange were portions of Terminal 105 and portions of property located on Harbor Avenue Southwest- both within the City of Seattle. This exchange provided the Port with property required for Burlington Northern rail operations associated with the expansion and future development of Terminal 5 and the completion of the Southwest Harbor Project.

This parcel, in particular, was part of a street vacation negotiation between the seller (Salmon Bay Steel Corporation) and the Port. The transaction exchanging these properties closed on August 28, 1995 and the Port took possession of the parcel a year later. The purchase price of this particular parcel was \$101,177.

The site was purchased as part of an assemblage of a larger group of industrial properties in the Cities of Seattle and Kent. The site was more of a “throw in” parcel with an original goal of providing parking, open storage and construction laydown areas for the Port or businesses along Harbor Avenue.

The site has not turned out to be a strategic accessory space as the purchase originally intended. The property does not provide any access to T-5. It is too distant from other Port properties to be of strategic value.

Efforts to lease the property have been unsuccessful. The site’s uneven slope and small size limit its development potential. For these reasons the site has not produced any income to the Port since its purchase.

Given the property’s limited development options, it cannot tangibly support the Port of Seattle Century Agenda goals. The property is too small for any development that match our future aspirations of creating jobs, adding value to our tourism destination, or international business logistics. The site was found to have no commercial value supporting small business growth, nor workforce development and it cannot strategically support our maritime or cargo related uses.

West Coast Self-Storage (WCSS), has agreed to all purchase and sale terms and conditions of an 11,579 square-foot parcel in West Seattle at a final agreed purchase price of \$699,140. The buyer, which owns the adjacent property immediately to the north, will ultimately develop the site as a self-storage facility serving the storage needs of the West Seattle Community.

DETAILS

The Port has obtained an appraisal of the property, which is fully described in the attached Fair Market Value appraisal report, prepared by Kidder Mathews, dated February 13, 2019. The subject property also contains an 823 square-foot encroachment area along its southern edge. The sales price is based on the following:

- 1.) As-unencumbered for the entire subject site

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2.) The unencumbered portion only

3.) The 823 square-foot portion encumbered by the encroachment

As a result of The Port’s investigation and analysis, the market value of the fee simple interest in the subject is:

Total Subject as of February 13, 2019	\$750,000
Total Subject Less Encumbered Area as of February 13, 2019	\$700,000
Encumbered Area as of February 13, 2019	\$50,000

The property contains a narrow 823 square-foot encroachment area along its southern edge which has been occupied by asphalt and parking improvements since its construction in 2004 by the neighboring (ActivSpace) property to the south.

Pursuant to the purchase and sale agreement, the buyer agrees to release the Port from any claims relating to the environmental condition of the property. Upon closing, the buyer agrees to further indemnify the Port for any claims, including third-party claims, relating to environmental conditions on the property attributable to pollutants that emanate from buyer’s adjacent parcel.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do Nothing – Retain ownership of Harbor Ave Property

Pros:

- (1) Retains property for other small development projects
- (2) Provides temporary laydown area for local construction crews
- (3) Could provide some on-site open storage

Cons:

- (1) Missed opportunity to remove unneeded property
- (2) Missed opportunity for selling in a hot market
- (3) Missed opportunity to engage with buyer that is ready to purchase a property that we don’t need.

This is not the recommended alternative

Alternative 2 – Develop Harbor Ave Property

Pros:

- (1) Develop a small building that will provide additional leasing and revenue opportunities

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- (2) During construction, environmental impacts and contamination can be mitigated.

Cons:

- (1) Requires major Port investment of funds
- (2) Requires an increase in costs due to increased number of consultant procurements and construction mobilizations
- (3) Requires additional staff time and costs to manage individual design and construction effort for a small property

This is not the recommended alternative.

Alternative 3 – Sell Harbor Avenue Southwest property

Pros:

- (1) Achieves Port objectives by declaring certain real property surplus that is no longer needed for Port district purposes
- (2) Provides revenue from sale of a property that is otherwise non usable for Port purposes

Cons:

- (1) Requires Port to sell existing property in industrial zone
- (2) Requires reduction of existing area available for on-site open storage
- (3) Requires reduction of existing land available for lay down area for various port projects in the vicinity

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- (1) Slide Presentation
- (2) Draft Resolution No. 3757
- (3) Draft Purchase and Sale Agreement
- (4) Neighborhood map graphic and site survey

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

December 13, 1994 – The Commission authorized staff to enter into a Purchase and Sale Agreement with Birmingham Steel Corporation for the exchange of four separate properties.