

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5d

Date of Meeting July 28, 2009

DATE: May 12, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: James R. Schone, Director, Aviation Business Development
W. Allan Royal, Manager, Port Real Estate Development

SUBJECT: Acquisition of the private roadway owned by Washington Memorial Park constituting a section of 28th Avenue in SeaTac, Washington for a required realignment of Host Road in support of the Seattle-Tacoma International Airport and the Rental Car Facility Project (RCF).

REQUESTED ACTION:

Request for authorization for the Chief Executive Officer to execute all necessary documents to acquire by purchase a portion of the private roadway (Property) owned by Washington Memorial Park and located off International Boulevard and South 160th Street in SeaTac, Washington (**Exhibit A**) for an additional \$300,000; which brings the total authorization to \$10,955,850.

SYNOPSIS:

The Property that is the subject of this memo is needed to achieve the realignment of Port-owned Host Road which currently runs parallel to Washington Memorial Park's private roadway. Host Road needs to be realigned to meet the design requirements of the Washington State Department of Transportation (WSDOT) limited access alignment onto the proposed new freeway on-ramp to State Route 518 from South 160th Street. The proposed new freeway on-ramp is necessary to the development of the RCF.

BACKGROUND

The Port of Seattle (Port) has been pursuing the development of the RCF in the vicinity of International Boulevard and South 160th Street due to constraints in public parking, terminal roadway, and the existing rental car lease areas. The development of the facility requires the acquisition of private property and the vacation of a public roadway. A total of five private properties have been acquired to date and ten commercial tenants have been successfully relocated.

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The Property is owned by Washington Memorial Park, a cemetery authority. The Property is required in order to comply with WSDOT design requirements for a limited access alignment onto the proposed new freeway on-ramp to SR 518. The new on-ramp is required for the RCF.

The proposed transaction would allow the Port to take title to Washington Memorial Park's Property. The consideration for Washington Memorial Park will include:

- A price of \$262,500.00 based on appraisal and review appraisal;
- Three temporary easements to allow access to the cemetery through the sequential phases of construction necessary for the Host Road realignment;
- A permanent easement for access to the realigned Host Road;
- Relocation of the existing Bonney-Watson sign or reimbursement for the sign's replacement;
- Reimbursement, in an amount not to exceed \$5,000 of attorney's fees and costs expended by Washington Memorial Park on legal action to remove the Property from cemetery dedication and legal advice related to the purchase and sale agreement. As part of its good faith cooperation with the Port, Washington Memorial Park obtained an Order and Decree from King County Superior Court demonstrating that the Property has been removed from cemetery dedication pursuant to Chapter 68.24 RCW and has delivered a copy of said Order to the Port. Absent the Order, the Port would not be able to buy the Property from Washington Memorial Park.

PROJECT DESCRIPTION AND JUSTIFICATION:

Project Statement:

Acquire property to support the development of the RCF at International Boulevard and South 160th Street.

Project Objectives:

- Provide sufficient property for the development of the RCF.
- Meet the commitments identified in the 1997 Inter-local Agreement between the Port and City of SeaTac (street vacation and zoning requirements).

Scope of Work:

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Acquire the Property from Washington Memorial Park to achieve compliance with WSDOT's design requirements for limited access alignment of roadway onto the proposed new freeway on-ramp to SR 518.

STRATEGIC OBJECTIVES:

This project supports the Port's strategy to **Ensure Airport and Seaport Vitality** by ensuring future road requirements.

BUSINESS PLAN OBJECTIVES:

This project supports the Aviation Division's Non-Aeronautical Business Plan Strategy. The requested action supports the RCF project which provides a long-term solution for rental car operations at the Airport. The rental car business is a significant contributor to the airport's non-aeronautical net income.

FINANCIAL IMPLICATIONS

The cost to the Port of acquiring Washington Memorial Park's Property includes a purchase price of \$262,500.00 as well as other consideration identified in the Purchase and Sale Agreement (**Exhibit B**) and summarized in the Background to this Memorandum. The purpose of such additional consideration is to make Washington Memorial Park whole for the loss of its private roadway access from South 160th Street. The cost for the temporary easement is included in the current budget request. The costs for the permanent easement and sign relocation will be part of the RCF program costs.

Capital Budget/Authorization Summary:

Original Budget	\$6,000,000
Budget Increase	\$10,540,000
Budget Transfer	<u>(\$64,000)</u>
Revised Budget	\$16,476,000
Previous Authorizations	\$10,655,850
Current request for Authorization	<u>\$300,000</u>
Total Authorizations, including this request	\$10,955,850
Remaining Budget to be authorized	\$5,520,150

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Project Cost Breakdown:

	<u>Current Request</u>
Construction Costs	\$0
Sales Tax	\$0
Outside Professional Services	\$37,500
Other	<u>\$262,500</u>
Total	\$300,000

Source of Funds:

This project is included in the 2009-2013 Capital Budget and Plan of Finance under Consolidated RCF Land Acquisition (CIP #C101110). The funding source for this project will be the Airport Development Fund.

Financial Analysis:

CIP Category:	Revenue/Capacity Growth
Project Type:	Business Expansion
Risk adjusted Discount Rate:	N/A
Key Risk Factors:	N/A
Project Cost (for analysis):	\$16,476,000
Business Unit:	Operations, Rental Cars
Effect on Business Performance:	Non-aeronautical NOI will increase
IRR/NPV:	Approximately 8.5% IRR
CPE Impact:	None

The acquisitions to support the development of the RCF have been categorized as Revenue/Capacity Growth – Business Expansion. For this project, we anticipate earning a fair market rate of return through land rent (approximately 8.5%).

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ALTERNATIVES CONSIDERED/RECOMMENDED ACTION

- **Take no action.** This alternative would cause WSDOT to not approve the off-site street design required to obtain the on-ramp to SR 518. This is not a recommended alternative.
- **Proceed with the Acquisition.** This will allow the Port to proceed with the approval process for off-site street design. **This is the recommended alternative.**

ENVIRONMENTAL:

The Port's environmental consultant conducted a Phase 1 Environmental Site Assessment on the parcel. The assessment did not reveal any recognized environmental condition as defined by the American Society of Testing and Materials.

TRIPLE BOTTOM LINE:

This project continues to support the long term economic vitality of the Airport by increasing available public parking and supporting rental car operations. The relocation of rental car operations from the Main Garage will provide an additional 3,200 public parking spaces for airport parking customers. In addition, the RCF will provide sufficient capacity to support rental car operations for the long-term and help alleviate traffic on the airport expressway.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- On September 12, 2000, the Commission authorized \$300,000 for the completion of the due diligence process for property acquisition to support the consolidated RCF.
- On September 13, 2001, the Commission authorized \$267,600 for the acquisition of certain real property (Victor DiPietro – 15601 Pacific Highway South, SeaTac, WA and Gurmit and Mohinder Gill – 15845-15847 International Boulevard, SeaTac, WA) to support the consolidated RCF.
- On January 22, 2002, the Commission authorized \$80,000 for relocation assistance for the owners and tenants of real properties recently acquired by the Port (Victor DiPietro – 15601 Pacific Highway South, SeaTac, WA and Gurmit and Mohinder Gill – 15845-15847 International Boulevard, SeaTac, WA) in support of the consolidated RCF.
- On February 4, 2004, the Commission authorized \$200,000 for the due diligence process for property acquisition to support the consolidated RCF.

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- On October 12, 2004, the Commission authorized \$450,000 for the acquisition of certain real property (Jack E. Nichols – 3061 South 158th Street, SeaTac, WA) to support the consolidated RCF.
- On December 9, 2004, the Commission authorized \$4,516,000 for the acquisition of certain real property (S. Michael Rodgers – 15636 and 15653 International Boulevard South, SeaTac, WA) to support the consolidated RCF.
- On June 28, 2005, the Commission authorized \$1,060,000 for relocation assistance for the owners and tenants of real properties recently acquired by the Port (Jack E. Nichols – 3061 South 158th Street, SeaTac, WA and S. Michael Rodgers – 15636 and 15653 International Boulevard South, SeaTac, WA) in support of the consolidated RCF.
- On February 14, 2006, the Commission authorized \$2,600,000 for the acquisition, legal, administrative and business relocation costs of certain real property (James Cassan - 15823, 15833, and 15835 International Boulevard South, SeaTac, WA) in support of the consolidated RCF.
- On February 28, 2006, the Commission approved Resolution No. 3561 providing for the condemnation of certain real property known as the James and Doris Cassan Property located at 15823, 15833, and 15835 International Boulevard South, SeaTac, Washington (King County Tax ID Numbers 222304-9042, 222304-9055, 222304-9064 and 222304-9075).
- On May 31, 2007, the Commission authorized the relocation of tenants, and legal and administrative costs associated with the acquisition of certain real property known as the James and Doris Cassan Property (15823, 15833, and 15835 International Boulevard South, SeaTac, Washington) for an additional cost of \$355,000, for a total project authorization of \$9,828,600.
- On April 22, 2008, the Commission authorized the acquisition of the City of SeaTac vacated street (158th Street South) for an additional cost of \$677,000.
- On June 24, 2008, the Commission authorized the acquisition of POS Parcel 905/Desimone, King County Tax ID Number 222304-9031 for an additional cost of \$150,000 for a total project authorization to date of \$10,655,850.