

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6a

Date of Meeting October 13, 2009

DATE: September 18, 2009

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: 1) Resolution No. 3629, Second Reading and Final Passage, declaring the real property known as the 3 acre parcel (King County Parcel 3222304-9332) (Property) surplus and no longer needed for Port district purposes, Exhibit A and,

2) Request authorization for the Chief Executive Officer to execute all necessary documents for the sale of the real property interests to the Highline School District.

REQUESTED ACTION:

Request for authorization for the Chief Executive Officer to execute all necessary documents to sell the 3 acre parcel (King County Parcel 3222304-9332) to the Highline School District for a Fair Market Value, determined by appraisal, of \$870,000 (Purchase and Sale Agreement, Exhibit B).

SYNOPSIS:

The Property has not been considered for airport purposes since the development of State Route 509 (SR 509). Highline School District has desired to purchase the property for a number of years. They are now in a financial position to make the purchase for the expansion of their adjoining campus.

BACKGROUND

The Port of Seattle "Port" acquired the Property as part of the original acquisition that created the airport. The Property is located on 188th street just west of the SR 509 off-ramp to 188th street. The Property was severed from the contiguous airport property by the development of the SR 509 freeway. The Property has not been identified or contemplated for an airport use and has been released by the FAA.

The Highline School District has an adjoining facility and desires to purchase the Property for their expanded requirements. The property was appraised by the Port and the Highline School District. Several issues on the site were discovered after the appraisals were made, including a

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large amount of fill on the site; this precipitated a further review of the appraised value of the property that ultimately led to a disagreement between the Port appraiser and the Highline School District appraiser as to value. The Port and Highline School District agreed to retain a mutually agreed upon third appraiser to evaluate the conflicting appraisals. The result of that effort was the determination of Fair Market Value. This process is similar to the standard language in all airport ground leases for reconciling differences in opinion as to value or rents.

PROJECT DESCRIPTION AND JUSTIFICATION:

Project Statement:

Sell the 3 acre parcel (King County Parcel 3222304-9332) to the Highline School District.

Project Objectives:

- Put property not needed for airport use back into productive use in the community.
- Generate additional non-aeronautical revenue for the airport.

STRATEGIC OBJECTIVES:

This project supports the Port's strategy to **Develop New Economic Opportunities for the Region and the Port** by redeveloping land where appropriate.

BUSINESS PLAN OBJECTIVES:

This project supports the Aviation Division's Non-Aeronautical Business Plan Strategy. The requested action generates non-aeronautical revenue for airport operations.

FINANCIAL IMPLICATIONS

The property was part of the original airport land acquisition in 1942. All the land purchased prior to 1960 was rolled into one asset, # 60011964, in the Port asset data. The value of the property, based upon Net Book Value divided by size of the parcel is \$0.6219 per square foot or \$8,560.45. The Port will realize a gain in the sale of this Property of \$861,439.55.

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION

- **Do not sell the property.** This alternative would prohibit the expansion of the Highline School District campus and would not generate revenue for the Port. This is not a recommended alternative.

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- **Proceed with the Sale.** This will allow the expansion of the Highline School District campus, generate non-aeronautical revenue to the Port and put an under-utilized parcel of land into productive use. **This is the recommended alternative.**

ENVIRONMENTAL:

A Phase 1 Environmental Site Assessment was conducted 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 sale supports the long term economic vitality of the Airport by generating non-aeronautical revenue. It supports our local community by assisting Highline School District's effort to expand services to the community. In addition, it facilitates the responsible development of a parcel of land that has long been under-utilized.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On October 6, 2009, the Commission had the First Reading and Public Hearing for this action.