

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No.	<u>5c</u>
Date of Meeting	<u>1/25/2010</u>

DATE: January 18, 2011

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 King County Parcel 202304-9013 from Seattle City Light.

Amount of This Request: \$ 239,212 **Source of Funds: Airport Development Fund**

State and Local Taxes Paid: \$ N/A **Jobs Created: N/A**

Total Estimated Project Cost: \$3,000,000

ACTION REQUESTED:

Request authorization for the Chief Executive Officer to execute all necessary documents to acquire by purchase King County Parcel 202304-9013 (Property) owned by Seattle City Light located at 15002 8th Avenue South, Burien, WA. (**Exhibit A**) for \$178,212.00 with a total cost of \$239,212.00.

SYNOPSIS:

The acquisition of this Property will create a contiguous parcel of land on a site in the Northeast Redevelopment Area (NERA) which is under active consideration by the Airport for future development of Airport-related uses. The Property is located in the center of the Port-owned property known as the "Lora Lake/Red Apple" site and is a decommissioned electrical power substation owned by Seattle City Light. Failure to acquire this parcel would leave a "hole" in the middle of the site and make future development less viable because of the difficulty of developing non-contiguous property. Successful development of the site would create jobs, provide additional tax revenue for Burien and enhance the potential for non-aeronautical revenue.

The Port has assessed the environmental contamination on the site, and there is no evidence of residual soil or ground water contamination originating from on-site sources, but dioxins and furans were present in all soil samples. The likely source of the dioxin and furan contamination is from a source or sources on the Lora Lake property. The Port has accepted future liability for

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environmental clean-up of the property in exchange for a modest purchase prices adjustment of \$6,788. The Port is already obligated to clean up the Lora Lake site. Total cost of the acquisition of this Property is \$239,212. The sale of the Property also requires Seattle City Council approval.

BACKGROUND:

The Port acquired the Red Apple property in 2000 and the Lora Lake property in 1998 as part of the mitigation for the construction of the third runway. These two parcels consist of 13.3 acres. Port staff is working on developing the Lora Lake/Red Apple property for an airport compatible use. The acquisition of the Sunnydale property will create a contiguous parcel for development.

The Property is a decommissioned electrical substation.

The sale of the property also requires City of Seattle Council approval.

Fair Market Value, \$185,000 determined by independent MAI appraisal, was reduced to \$178,212 in consideration of potential additional costs due to testing and disposal of a small portion of the site described in the environmental section of this memo.

PROJECT JUSTIFICATION:

Project Objectives:

Acquire Property to complete assemblage of Lora Lake/Red Apple site.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

Acquire the Property from Seattle City Light to achieve complete assemblage of the Lora Lake/Red Apple site.

Schedule:

Complete the acquisition by end of first quarter 2011.

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FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

Original Budget	\$3,000,000
Previous Authorizations	2,308,200
Current request for Authorization	239,212
Total Authorizations, including this request	2,547,412
Remaining budget to be authorized	\$452,588

Project Cost Breakdown:

	<u>Current Request</u>
Purchase Price	\$178,212
Environmental Assessments Phase 1 & 2	46,000
Outside Professional Services	15,000
Total	\$239,212

Budget Status and Source of Funds:

This project is included in the 2011-2015 Capital Budget and Plan of Finance as a committed project under Burien Commercial Properties Acquisition (CIP #C800150). The funding source for this project will be the Airport Development Fund.

Financial Analysis and Summary:

CIP Category:	Revenue/Capacity Growth
Project Type:	Business Expansion
Risk adjusted Discount Rate:	N/A
Key Risk Factors:	N/A
Project Cost (for analysis):	\$239,212
Business Unit:	Non-aeronautical – Commercial Development
Effect on Business Performance:	Provides potential to increase non-aeronautical NOI.
IRR/NPV:	Depends on future development. Target market rate of return.
CPE Impact:	None

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ENVIRONMENT AND SUSTAINABILITY:

The Port's environmental consultants conducted Phase 1 and Phase 2 Environmental Site Assessments on the parcel. The assessments revealed no evidence of residual soil or ground water contamination on the Property originating from on-site sources.

There had been a confirmed release of transformer oil in 2001, but Seattle City Light remediated the contamination in 2003 to the satisfaction of the Department of Ecology. However, the level of cleanup required by the Department of Ecology is less stringent than the requirements at landfills. This precipitated the negotiation for a reduction in price to account for the potential additional cost of disposing of the contaminated soil at a landfill.

According to the Phase 2 environmental analysis, dioxins and furans were present in all soil samples analyzed. Based upon the evaluation of dioxin and furan test results from the Property and the Lora Lake property, it is likely that the source of the dioxin and furan contamination on the Property is from a source or sources on the Lora Lake property. Port staff has reviewed the site conditions. Property contamination associated with the seller's site use is minor, and was the subject of the purchase transaction negotiations. The Port accepts future liability in exchange for a modest purchase price adjustment. Property contamination associated with the contamination on the adjacent Lora Lake Apartments site is more significant, and is a liability already recognized by the Port in the context of its Lora Lake Apartments obligations.

STRATEGIC OBJECTIVES:

This project supports the Port's strategy to Ensure Airport and Seaport Vitality by assisting future commercial developments and non-aeronautical revenue.

BUSINESS PLAN OBJECTIVES:

This project supports the Aviation Division's Non-Aeronautical Business Plan Strategy. The request supports the envisioned development of the Northeast Redevelopment Area (NERA) and enhances the potential for non-aeronautical revenue.

TRIPLE BOTTOM LINE SUMMARY:

The assemblage of this site increases the potential for additional non-aeronautical revenue that will help ensure the vitality of airport operations. The region will benefit from the creation of jobs and added tax revenue from future environmentally compatible commercial or industrial development projects.

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ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

- **Take no action.** This alternative would leave a 'hole' in the middle of the Port property being considered for development. This would make the development less viable because of difficulty in developing non-contiguous property. This is not a recommended alternative.
- **Proceed with the Acquisition.** This will allow the Port to complete the assemblage of the property envisioned for development. **This is the recommended alternative.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- Purchase and Sale Agreement
- Phase 1 Environmental Report
- Phase 2 Environmental Report
- MAI Appraisal Report
- Commitment for Title

PREVIOUS COMMISSION ACTION:

- November 11, 2008 – Commission authorized the acquisition of the Seventh Day Adventist Church for \$1,553,500 as part of the NERA efforts.
- May 31, 2007 – Commission authorized the purchase of the Des Moines Way Dental Clinic for \$754,700 as part of the NERA efforts.