



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6d

BRIEFING ITEM

Date of Meeting March 13, 2018

DATE: February 23, 2018

TO: Stephen P. Metruck, Executive Director

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

SUBJECT: Northeast Redevelopment Area (NERA) Easements for Right of Way Use

ACTION REQUESTED

Request Commission authorization to grant easements to the City of Burien for right-of-way use. This action is required to facilitate right-of-way and frontage improvements required by the City of Burien in conjunction with the permitting of the Gateway 1 and Gateway 2 developments by the Port's ground lessee in the Northeast Redevelopment Area parcels.

EXECUTIVE SUMMARY

The Port and the City of Burien ("City") have been working collaboratively for a number of years preparing the NERA area for development. Previous work included zoning, master planning, development of regional storm water facilities, and approval of a grant from the Federal Aviation Administration for \$5 million to plan all necessary infrastructure improvements required for development.

The Port Commission approved two ground leases on November 22, 2016, with two Panattoni Development Company ("PDC") limited liability companies for airport-related uses: (i) Seattle Gateway 2, LLC, for development of the NERA 2 property (subsequently assigned to an affiliate, "Seattle Gateway Industrial 2 LLC"); and (ii) Seattle Gateway 1 LLC, for development of the NERA 3 property (subsequently assigned to an affiliate, "Seattle Gateway Industrial 1 LLC").

As a result of the design and permitting process for the NERA 2 and 3 properties, the City is requiring certain mitigation measures prior to issuing certificates of occupancy for the developments. The mitigation measures include roadway widening at Des Moines Memorial Drive, and frontage improvements at S. 140th and S. 146th Street that include road widening, road safety improvements for commercial vehicles and a safer path for pedestrians and cyclists entering the NERA properties. This type of mitigation is fairly standard for this type of development project

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JUSTIFICATION

The development of the two parcels by PDC will create approximately 425,000 square feet of manufacturing, office, and supporting warehouse functions across the NERA 2 and 3 sites. Construction at both sites is nearly complete.

Completion of the necessary roadway improvements requires the City’s use of Port property adjacent to the to South 140th Street, South 146th Street, and Des Moines Memorial Drive (see attached exhibits). By granting the right-of-way easements to the City, the various roadways can be brought into alignment with the City’s 2016 Burien Road Standards. PDC will design and construct the street improvements.

If authorized, the Port would grant the City right-of-way easements consisting of approximately 7,970 square feet of Port property. The property is unused, not necessary for the construction of Gateway 1 and 2 projects, and not developable due to its linear configuration and adjacency to existing roads. The easements have an estimated value of \$35,865.

The Port will offset the value of the easement property through its collection of rent under the ground leases. The total base rent for both sites payable to the Port by PDC during construction is \$85,596, and the total base rent during the first year of both ground leases after substantial completion will be \$1,004,319.

Schedule

On-site construction on Seattle Gateway 1 is nearly complete and ready to receive a Certificate of Occupancy. The construction on Seattle Gateway 2 should be completed soon.

Approval of the easements for right-of-way use will allow PDC to receive the necessary certificates of occupancy for each site.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not grant the easements.

Cost Implications: The Port will not receive compensation from the City for the easements. However, the easements will facilitate completion of the Gateway 1 and Gateway 2 projects. The Port will receive market rentals when the projects are completed and certified for occupancy.

Pros:

- (1) The property proposed for the easements could accrue some incremental increase in value over time.

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Cons:

- (1) Would prevent PDC from receiving the certificates of occupancy for the completed developments.
- (2) Lack of road alignment without the easements will prevent the City from developing the roads in accordance with City road standards for safe pedestrian and commercial access.

This is not the recommended alternative.

Alternative 2 – Grant the right-of-way easements.

Cost Implications: \$35,865

Pros:

- (1) This is consistent with the Port’s obligation under the NERA 2 and NERA 3 ground leases to cooperate with PDC in obtaining necessary permits for the developments.
- (3) Facilitate improved road alignment in the area of the developments that is consistent with City road standards.

Cons:

- (1) Loss of any incremental increase in value accrued by the property over time.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Port will not receive direct compensation for transferring the property. However, the property transfer will facilitate completion of the Gateway 1 and Gateway 2 projects. The Port will receive market rentals when the projects are completed.

ATTACHMENTS TO THIS BRIEFING

- (1) Proposed right-of-way easements NERA 2 (Gateway 2) and NERA 3 (Gateway 1)
- (2) NERA 3 - Seattle Gateway 1 Recorded Lot Line Adjustment
- (3) NERA 2 - Seattle Gateway 2 Recorded Lot Line Adjustment
- (4) NERA ROW Easement Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

November 22, 2016 - The Commission approved two long-term ground leases on the NERA 2 & NERA 3 sites.