



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6d

ACTION ITEM

Date of Meeting October 22, 2019

DATE: September 27, 2019

TO: Stephen P. Metruck, Executive Director

FROM: James Schone, Director, Aviation Commercial Management
James Jennings, Senior Manager, Aviation Properties
W. Allan Royal, Property Manager, Aviation Properties

SUBJECT: Second Reading of Resolution 3762 and final passage on sale of real property, portions of King County parcels #344500-0141 and #344500-0155, to the State of Washington Department of Transportation (WSDOT).

ACTION REQUESTED

Adoption of Resolution No. 3762: A Resolution of the Port Commission of the Port of Seattle declaring surplus and no longer needed for port district purposes approximately 417,963 square feet (9.6 acres) of Port-owned real property located in the City of SeaTac, King County; and further authorizing the Executive Director, or his designee, to finalize negotiation, prepare and execute all necessary documents to transfer said real property to WSDOT for use in construction of the State of Washington's future SR 509 and the proposed south access to Seattle-Tacoma International Airport (Airport).

EXECUTIVE SUMMARY

The sale of a portion of King County parcels #344500-0141 and #344500-0155, will allow WSDOT to develop an off-ramp from the south bound SR 509 to the Airport.

The Port will receive \$7,410,000 for the property, plus an additional amount of \$397,793.29 that WSDOT owes the Port from a historical 2009 land swap; for a total amount of \$7,807,793.20.

The addition of a freeway exit, will enable the potential future development of South Access to the Airport. Although no Port commitments have been made, South Access has been contemplated in the long-term planning for the Airport and memorialized as a subject of study in multiple resources, such as Amendment 1 to the 2005 Inter-Local agreement with the City of SeaTac, the 1999 memorandum from the South Access Executive Committee, and others. It is a vision that will create a connection between SR 509 and the Airport.

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The acquisition is under threat of condemnation. The WSDOT purchase offer has been reviewed and approved by a Port Member Appraisal Institute (MAI) appraiser. The value of the property is \$7,410,000.

In addition to the sale of the property, WSDOT and Port staff will resolve a credit that the Port has with WSDOT from the major land swap agreement between WSDOT and the Port, in 2009.

JUSTIFICATION

The completion of this transaction will bring the Airport one-step closer to developing freeway access from the south, which will significantly relieve traffic on the north freeway access to the Airport. The effort helps meet the Century Agenda Goal of “Meet the region’s air transportation needs at SeaTac airport for the next 25 years” by creating efficiencies in access to the Airport.

DETAILS

The properties were purchased under the Port’s Federal Aviation Administration (FAA) approved Part 150 Noise program. This subject property, now vacant, was the site of a mobile home park until 2010. In 2014, the Port agreed to sell a portion of the mobile home park to the City of SeaTac for the extension of 28th Avenue South to 24th Avenue South in Des Moines, thus connecting the Airport to the major developments in the Des Moines Creek Business Park.

WSDOT’s purchase is at fair market value based upon appraisal and review appraisal. WSDOT submitted a MAI appraisal supporting their opinion of the fair market value, rather than commissioning a separate full appraisal. The Port elected to have the WSDOT appraisal reviewed by another MAI appraiser who provided input to the Port as to the validity of the WSDOT appraisal.

This transaction also reconciles the credit the Port has with WSDOT related to the WSDOT/Port of Seattle land swap in 2009.

The historic 2009 land swap between the Port and WSDOT provided the Port with these key elements;

- The additional land required to enable the Rental Car Facility project.
- Three agreements to support additional Port objectives:
 - Soil Nail Wall lease that permitted anchoring points, under State Route 518 (SR 518), for the retention wall north of the Rental Car Facility.
 - A right for a future bridge, over SR 518, from property north of SR 518 to the Airport.
 - A lease for the approach lighting system for Runway 16R across SR 518.

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The land swap was designed as a non-cash transaction. However, in the \$16M transaction the Port ended up with a credit from WSDOT of \$758,020. The credit the Port has with WSDOT was utilized to pay for the lease payments for the Soil Nail Wall, the right for a future bridge and the approach lighting system with the understanding that the Port preferred long-term easements instead of leases. WSDOT agreed to pursue the long-term easements but did not want to hold up the land swap. It took numerous years, but the long-term easements are now in place for the Soil Nail Wall and Approach Lighting System. The right for a bridge over SR 518 was not included in the change from a lease to a long-term easement because it is not a lease. The right for a potential future bridge over SR 518 will continue to be a \$2,000 expense per year and is included in the 2020 budget requests.

The Port expended \$360,226.19 of the credit for the leases between 2009 and their conversion to long-term easements. However, there still remains a credit balance of \$397,793.29 that will be paid to the Port in connection with this transaction.

It is important to note, that the FAA has approved the sale of this property.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not sell the property to WSDOT.

Cost Implications: No cost implications

Pros:

- (1) The site could be available for a, yet undetermined, future use.

Cons:

- (1) The Port would not receive the \$7,410,000 for the property.
- (2) WSDOT could institute a condemnation action.
- (3) The Port would not have a key component for the development of south access.

This is not the recommended alternative.

Alternative 2 – Sell the property to WSDOT.

Cost Implications: No cost implications

Pros:

- (1) The Port would receive fair market value for the property, \$7,410,000.
- (2) The Port would accomplish a key step in the future development of south access.

Cons:

- (1) The property would not be available for an alternative use.

This is the recommended alternative.

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FINANCIAL IMPLICATIONS

The proceeds of the sale are partially restricted to reinvestment to AIP eligible projects.

The sale of this property will result in a book loss of \$11,788,897.59 on the sale.

ATTACHMENTS TO THIS REQUEST

- (1) Draft Resolution No. 3762
- (2) WSDOT Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

June 9, 2009 - Commission approved Resolution 3617; a land swap with WSDOT.

October 8, 2019 – Commission had first reading and public comment of Resolution 3762.