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COMMISSION

AGENDA MEMORANDUM Item No. 8g

ACTION ITEM Date of Meeting November 8, 2022

DATE : October 26, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Daniel Alhadeff, Real Estate Development Manager

Kyra Lise, Director Real Estate Development

SUBJECT: Echo 4 South, Sale of Two Surplus Parcels

Amount of this request: \$0

Total estimated project cost: \$0

ACTION REQUESTED

Request Commission authorization for the Executive Director to take all necessary steps and execute all documents for the sale of approximately two acres of real property located in the City of SeaTac to Insite Property Group, LLC.

EXECUTIVE SUMMARY

The property in question is made up of two parcels totaling 2.02 acres, the ("Parcels"). The Parcels are located at the intersection of South 204th Street and 28th Avenue South, just west of International Boulevard in the City of SeaTac. The Parcels were originally purchased using FAA funds for noise mitigation in December 2007.

After an evaluation by Port staff, discussed below, it was determined that the Parcels could not be utilized for Port operations. The Parcels were made surplus on April 12, 2022 by Commission Resolution 3800.

Prospective buyer, Insite Property Group ("IPG"), has an adjacent property under contract and approached the Port with an offer to purchase the Parcels. The Parcels would be used for additional parking, drive and circulation aisles, and outdoor storage areas related to the self storage facility site plan for which Insite is currently seeking permit approvals through the city of SeaTac.

The Parcels are located directly adjacent to the future Sound Transit light rail guideway, south of the Angle Lake Station. This site is currently vacant.

Template revised January 10, 2019.

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The Parcels were appraised by Kidder Mathews, using a highest and best use standard. IPG agreed to the appraised value as purchase price for Parcels-- \$2,463,000. A sales agreement was negotiated between the parties based on this price. We are now requesting authorization from Commission to permit the Executive Director to execute the Purchase and Sale Agreement (PSA).

The PSA includes an avigation easement reserving the Port's rights to operate the airport without obstruction and complaint. Additionally, the PSA warrants that IPG has agreed to release any environmental claims against the Port upon closing and will ultimately develop the Parcels as a high quality, institutional grade, self-storage facility serving the storage needs of the City of SeaTac community.

The required FAA Part 163 Release of Interest was sought and received by the Port in June 2022. Development analyses show no financially viable scenarios for the Port to develop the Parcels in alignment with the Port's 2016 and 2020 Real Estate Strategic Plans. That evaluation noted the limited accessibility of the Parcels render them infeasible for light industrial development particularly because of site geometry, adjacent ROW constraints, and steep slopes.

IPG is a State of California LLC, founded in 2019, by real estate development veterans; Keith Wetzels, Zack Linford, Tony Park and Paul Brown. Insite is a vertically integrated self-storage developer, operator, and manager focused on leveraging technology to deliver best performing assets across institutional and emerging markets. Based in Torrance, CA and led by a diverse executive team, they have developed similar facilities all over the United States, including facilities in Tacoma, Seattle and Everett.

IPG is under contract with a private property owner of an adjacent non-Port parcel to the north.

The Parcels are planned for consolidation into IPG's development program.

IPG is currently in conversations with the City of SeaTac regarding rezoning the property to meet

development requirements. Zoning applications are prepared and awaiting final Port Commission approval so that Port staff may provide signatures on the rezone applications. A Conditional Use Permit hearing is set for November 17th for approval of IPG's planned construction on the adjacent lot, IPG expects to close on their purchase in early January 2023. Port staff is satisfied with IPG as a qualified buyer. This request is for approval of the conveyance of the Parcels to IPG. The conveyance will be executed upon Commission approval and after the execution of the prior approved conveyance in fee and conveyance of permanent easements to Sound Transit.

Template revised June 27, 2019 (Diversity in Contracting).

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#### JUSTIFICATION

The Parcels were acquired for noise mitigation and their disposal will include an avigation easement reserving the Port's rights to operate the airport without obstruction and complaint. The Port has procured and reviewed an appraisal and agrees that the valuation is consistent with fair market value.

The 2020 Real Estate Strategic Plan directed port staff to sell remnant port parcels if the property didn't adhere to criteria derived from the Century Agenda. The Port determined through this process that the parcels are not needed for development.

Insite will abide by the City of SeaTac's tree-replacement regulations in the commercial zone. If a significant tree was identified to be retained on approved plans, but removed during construction, then three trees must be planted in its place.

Diversity in Contracting

Not Applicable as this is a property sale.

#### DETAILS

Not Applicable

Scope of Work

Execute conveyance documents.

Schedule

Q4 2022

Activity

First Reading and Public Hearing of 2022 Quarter 1

Resolution No. 3800 to surplus two Port parcels near S 204th St and 28th Ave S and convey permanent easements

Adoption of Resolution No. 3800 to Convey 2022 Quarter 2

Property to Insite Property Group and

Permanent Easements to Sound Transit

Template revised June 27, 2019 (Diversity in Contracting).

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#### ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do Nothing – Retain ownership of the Parcels.

Cost Implications: none

Pros:

- (1) Provide temporary laydown area for local construction crews
- (2) Could provide some on-site open storage

Cons:

- (1) Missed opportunity to remove unneeded property
- (2) Missed opportunity for selling in a high demand market
- (3) Missed opportunity to engage with buyer that is ready to purchase a property that we don't need.
- (4) Missed opportunity to maximize highest and best use as developer is buying adjacent parcel.

This is not the recommended alternative.

Alternative 2 – Sell the Parcels to the adjacent property developer

Cost Implications: none

Pros:

- (1) Preserves highest and best use as it is sold to the adjacent property owner/developer which maximizes footprint value.
- (2) Provides revenue from sale of a property that is otherwise non usable for Port purposes

Cons:

- (1) Requires Port to sell existing property in industrial zone
- (2) Requires reduction of existing area available for on-site open storage
- (3) Requires reduction of existing land available for lay down area for various port projects in the vicinity

This is the recommended alternative.

Template revised June 27, 2019 (Diversity in Contracting).

[Link]

[https://portseattle.sharepoint.com/:w:/r/sites/CR/\\_layouts/15/Doc.aspx?sourcedoc=%7BB942D934-5F3D-4DCB-A788-AC5674B221B1%7D&file=Advice\\_Sheet\\_Previous\\_Actions.docx&action=default&mobileredirect=true](https://portseattle.sharepoint.com/:w:/r/sites/CR/_layouts/15/Doc.aspx?sourcedoc=%7BB942D934-5F3D-4DCB-A788-AC5674B221B1%7D&file=Advice_Sheet_Previous_Actions.docx&action=default&mobileredirect=true)  
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#### FINANCIAL IMPLICATIONS

The Port will receive market value for the property sold.

North Parcel South Parcel

As is value = \$1,480,000 = 1,310,000  
Less Fee Acquisition to Sound (\$74,000) (\$58,000)  
Transit  
Less Guideway Easement to (\$11,000) (\$2000)  
Sound Transit  
Less Sewer Easement (\$14,000) (\$36,000)  
Less Damage to Remainder (\$70,000) (\$62,000)

Adjusted Value = \$1,311,000 = \$1,152,000

Total Site Value = \$2,463,000

#### ATTACHMENTS TO THIS REQUEST

- (1) Resolution No. 3800 ...
- (2) Purchase and Sale Agreement
- (3) Presentation slides

#### PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

April 12, 2022 – Second Reading of “28th Ave South Parcels Surplus, Sale and Permanent Easements

March 22, 2022 – The Commission authorized Surplus Resolution 3800 “Notice to Property Surplus and Easements to Sound Transit”

Template revised June 27, 2019 (Diversity in Contracting).