

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Use and Surplus of Real Property		
DEPARTMENT:	City Manager's Office		
PRESENTED BY:	Dan Eernisse, Economic Development/Real Estate Manager		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

The City owns three properties along Aurora Avenue North that are currently vacant. The three options staff considered for each property are to sell the property to a third party, to maintain ownership while leasing the property to a third party, or to designate the property as a park. In addition, this discussion will consider whether conditions should or should not be placed on the property offered for lease or sale.

The three sites are described as:

- **The 185th Property:** A 5,795 square foot (sf) rectangular parcel acquired during the Aurora Corridor Project (Tax Parcel #728590-0005) that borders the southern edge of N 185th Street just west of Aurora Avenue N.
- **The 195th Property:** An approximately 8,800sf triangular property composed of unused right-of-way and a small parcel acquired during the Aurora Corridor Project (Tax Parcel #223250-0005) between N 195th Street and the west edge of Aurora Avenue N.
- **The 198th Property:** Three adjacent rectangular parcels, totaling 34,360sf, acquired during the Aurora Corridor Project (Tax Parcels #222730-0025, 222730-0030, 222730-0036) east of Aurora Avenue N to the north of 198th St.

RESOURCE/FINANCIAL IMPACT:

The combined total area of all of the properties is 48,955sf. If each property were valued at a market price for Aurora frontage (\$40 - 80/sf), the combined value of all three properties would range between \$2 – 4 million. However, as has been previously discussed, the 185th and 195th Properties possess characteristics that negatively affect their market value.

RECOMMENDATION

Staff recommends that Council direct staff to designate the 185th and 195th Properties as “pocket” parks in the next updated Parks, Recreation, and Open Space (PROS) Plan and that the 198th Property be leased to a third party with a preference given to non-profit or governmental providers of affordable housing.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

During the construction of the Aurora Corridor Project, the City acquired property along Aurora Avenue North. Three properties are now vacant, and tonight's discussion seeks Council direction on what to do with these properties now that the Aurora Corridor Project is complete.

The three sites are described in this report as:

- **The 185th Property:** A 5,795sf rectangular parcel acquired during the Aurora Corridor Project (Tax Parcel #728590-0005) that borders the southern edge of N 185th Street just west of Aurora Avenue N (see Attachment A).
- **The 195th Property.** An approximately 8,800sf triangular property composed of unused right-of-way and a small parcel acquired during the Aurora Corridor Project (Tax Parcel #223250-0005) between N 195th Street and the west edge of Aurora Avenue N (see Attachment B).
- **The 198th Property.** Three adjacent rectangular parcels, totaling 34,360sf, acquired during the Aurora Corridor Project (Tax Parcels #222730-0025, 222730-0030, 222730-0036) east of Aurora Avenue N to the north of N 198th Street (see Attachment C).

The three options staff considered for each property are to sell the property to a third party, to maintain ownership while leasing the property to a third party, or to designate the property as a park. Any of the following options can be conditioned by Council with additional criteria to provide additional public benefit. More information of these proposed options is below:

- **Selling Property:** Should Council direct that one of the properties should be sold, prior to sale, the property will need to go through the surplus process set for in the Municipal Code ([SMC 3.55 Sale and Disposal of Real Property](#)). The first step in the process is a declaration that the property is surplus, and this is done by the City Council after a public hearing. Eleven items are required to be in the staff report for this step, including a description of the parcel itself, how the City obtained it, funded it, used it, established its value, and the need for appraisal. In addition, the rationale for how the property is to be sold—auction, sealed bid, or negotiation— would be presented to Council. The public hearing must be noticed appropriately and mailed to property owners within 500 feet of the parcel. The Council would make the surplus declaration by resolution.
- **Leasing Property:** Should Council direct that one of the properties should be leased, the Municipal Code ([SMC 2.60.090 Real Property Acquisition](#)) provides the City Manager authority to enter into lease agreements up to one year in length and \$50,000 per year; longer or larger leases require Council approval.
- **Using Property for a Park:** Should Council direct that one of the properties discussed tonight should be used as a City park, it will be contingent on the Parks, Recreation, and Cultural Services Department to include the property in the next update of the Parks, Recreation, and Open Space (PROS) Plan in 2017, which would be reviewed by the PRCS/Tree Board and adopted by the City Council.

DISCUSSION

The 185th Property

This property is part of a prime intersection in Shoreline's Town Center. The following are significant facts about the property:

- The City property is the north half of the vacant lot north of Spiro's Pizza. The property is surrounded by property owned by Fred Meyer, and the building housing Spiro's Pizza is a Fred Meyer owned building. According to the Fred Meyer real estate department, Spiro's lease expires in 2020.
- The property is considered too small for development, especially development that achieves the vision of the Town Center.
- City Staff approached the Fred Meyer real estate department asking if it was interested in purchasing the 185th Property at fair market value. Staff was told that Fred Meyer would be willing to take the property at no cost to get it back on the property tax roll. Staff responded that since the 185th Property had value, it could not be gifted to a private party.
- The entire corner is subject to development requirements imposed by SMC 20.50.240.D-F. These requirements are in part designed to make strategic corners in the city – and especially in Town Center – better public spaces when redeveloped (this Code section is attached in Attachment D). These requirements will require a public plaza with 4sf for every 20sf of development, capped at 5,000sf. Therefore, if Fred Meyer redevelops their existing property with anything larger than a 25,000sf building, it will be required to build a 5,000sf plaza adjacent to the 185th Property. Alternatively, if Fred Meyer were to develop a "pad" property on the corner without redeveloping the existing Fred Meyer store, that public plaza would likely be smaller. For example, a 5,000sf retail/restaurant pad that took the place of the Spiro's would be required to provide a 1,000sf public plaza.
- City staff proposed to the Fred Meyer real estate department that a land-swap could configure the city-owned property better for park use and for future development (see Attachment E). Fred Meyer real estate staff indicated that they were not interested in reconfiguring their property and the City's property as shown in the attachment.

Given the above facts, staff concludes that selling the 185th Property will not realize significant value to the City since the only party that can realize its development value (Fred Meyer) has indicated that it has no interest in purchasing the property. Likewise, leasing the property does not seem viable, since any third party would have to work with Fred Meyer to access or improve the property. Therefore, the economic value of the 185th Property appears limited.

However, staff does consider the 185th Property to be capable of achieving significant public value as a public place given its strategic location as part of the gateway intersection leading from the improved Aurora Avenue and Town Center to neighborhoods to the west and east as well as to the future light rail station to the east on 185th Street. Eric Friedli, Parks, Recreation, and Cultural Services Director, and David Francis, the City's Public Arts Coordinator, believe that a series of small parks along Aurora frontage can further enhance and humanize the City's corridor

improvements. They envision a string of spaces utilized to strategically display public art as well as infuse landscaping along the highway, thereby allowing residents and visitors to experience park lands along Aurora whether from a vehicle or at ground level.

Additionally, since redevelopment of the Fred Meyer site in part or in whole will require designation of some property as public plaza adjacent to the 185th Property, maintaining ownership of the 185th Property and designating it as a park will enhance the size and character of that public plaza, regardless of the size required to be designated by redevelopment.

Given these findings, staff recommends that Council direct staff to include the 185th Property as a park in the 2017 update of the PROS Plan. Additionally, staff recommends that Council direct staff to work with and encourage redevelopment of the Fred Meyer property such that redevelopment will enhance and expand public use and character of the 185th Property corner.

The 195th Property

This property is made up of the small triangular parcel that was acquired during the Aurora Corridor Project from a billboard company and the adjacent unused right-of-way to the south. The following are significant facts about the property:

- The property owners to the west and north are separated from the property by the newly rebuilt N 195th Street.
- The property owner to the south has marketed his property for development. Staff contacted the owner to discern whether there was an interest in purchasing the 195th Property to add to his property. The owner indicated that a purchaser of his property might be interested in adding the 195th Property but he had no interest in purchasing the property himself.
- The 195th Property is approximately 8,800sf, the size of a small single-family lot. Its triangular shape reduces options for what can be built on the site, and therefore a discounted economic value as a development parcel is assumed.
- Directly to the east across Aurora from the 195th Property lies right-of-way that leads down to Echo Lake. The right-of-way is the only public access to Echo Lake on the west side of the lake, and has long been considered an opportunity for enhancement.
- The nearest pedestrian crossing is three blocks south at N 192nd Street.

Given the facts above, staff concludes that selling or leasing the 195th Property to a third party interested in developing or using it as a stand-alone property would be difficult and yield insignificant revenue. Waiting to sell the property to the yet-to-be-determined developer of the adjacent property to the south would, if successful, likely yield the most revenue, but it is uncertain both in amount and in timing. Staff's best estimate of maximum sales value in this scenario is \$30/sf, or under \$300,000.

Eric Friedli, the City's Parks, Recreation, and Cultural Services Director, believes that the 195th Property does represent significant value as a "pocket park," especially given its view corridor to the lake. The City does not have any improved park along Aurora Avenue north of N 185th Street, so Director Friedli believes that the 195th Property would serve as a welcome visual and physical green space.

Given these findings, staff recommends that Council direct staff to include the 195th Property as a park in the 2017 update of the PROS Plan.

The 198th Property

Three parcels combine to make up the 198th Property. Two parcels were acquired to widen Aurora Avenue during the corridor project, and one was recently acquired that lies adjacent to the east. The following are significant facts about the property:

- The two parcels along Aurora recently had environmental remediation completed as part of the Aurora Corridor Project. Staff expects that the only remaining structure that is on the third eastern parcel will be demolished within the next month.
- The property is at two topographic levels with the western one-third being a shelf along Aurora with a slope of approximately 20 feet leading down to the remaining two-thirds to the east. While the grade change limits the site's value for retail, it is a benefit for multifamily or office development as it allows for parking to tuck under the building.
- The front two parcels are zoned Mixed Business, the City's broadest zoning district, while the eastern parcel is zoned R-48, high-density residential. This split-zoning would most easily accommodate a multifamily development. Staff estimates that at least 40 multifamily units could be built on site.
- No appraisal has been completed of the 198th Property, but given assessed values in the area and past sales of similar properties, staff estimates that the 198th Property has a market value of approximately \$1.5–2.0 million.
- The two parcels along Aurora were purchased as part of the Aurora Corridor project's third mile for approximately \$1.5 million.
 - Part of the purchase was paid for using approximately \$300,000 of federal financing. If the 198th Property is sold, for federal reporting, the City will need to track the amount received for the two frontage parcels. Furthermore, the City will need to direct the \$300,000 to another federal aid eligible transportation project. Because the City is planning to devote resources of more than \$300,000 in such projects in the coming years, this will simply be an administrative transfer. In other words, the transaction will still represent net income to the city, but detailed record keeping will be required.
 - The remaining \$1.2 million was supplied by the Washington State Department of Transportation (WSDOT) Regional Mobility Grant (RMG) funds. RMG funds paid for 42% of the total cost of the third mile of the Aurora Corridor Project. Staff was informed by WSDOT staff that if the 198th Property is sold, WSDOT will expect that 42% of the proceeds from the two frontage parcels will be repaid by the City to WSDOT. No proceeds from a lease, however, are required to be paid to WSDOT. The front two parcels represent 78% of the overall property area of the 198th Property, and at least 78% of the value. Therefore, a 42% repayment of the proceeds from the two front parcels would reduce the overall sales proceeds of the 198th Property by at least 33%.
- King County Department of Community and Human Services (DCHS) staff met with City staff and expressed interest in facilitating the construction of affordable housing on the 198th Property. DCHS's Housing and Community Development

Division's vision is a healthy and vibrant community where everyone has a stable home, and staff believes that DCHS represents the type of affordable housing partner that might provide public benefit. DCHS staff expressed interest in a long-term (99 year) lease arrangement, as it would eliminate a large capital expense at the beginning of the project. DCHS would create and advertise a Request For Proposals (RFP) to seek development partners willing to provide housing conforming to the RFP. Council could therefore customize reasonable conditions on the property that fit the City's priorities. For example, Council could give preference to leases to non-profit or governmental groups that provide housing on the 198th Property offered to those earning in the range of 30 – 60% of the King County Adjusted Median Income.

- In past discussions, Council indicated that proceeds from the 198th Property would be directed to offset expenses for the North Maintenance Facility. The funding package for the North Maintenance Facility has yet to be determined, but it will likely include bond debt. If Council directs staff to sell the 198th Property, proceeds would reduce the amount of debt required, but the proceeds would be reduced by the obligation to repay at least one-third of the proceeds to WSDOT as referenced above. In contrast, lease income could all be applied to the project by paying future debt service. Furthermore, a series of lease payments can be evaluated as net present value by considering the amount of debt that is serviced. To illustrate, consider the following hypothetical scenario:
 - An appraisal determines that the fair market value of the 198th Property is \$1.75 million.
 - The City is able to increase its 30-year North Maintenance Facility bond by \$1.75 million bond by increasing payments by \$8,000.
 - Therefore, a lease that nets 30 years of \$8,000 monthly payments (after reductions for expenses, risk, and lost earnings) represents the \$1.75 million fair market value for the 198th Property.

Given the above facts about the 198th Property, staff considers selling the property to be undesirable, as a significant amount of the proceeds would need to be repaid to WSDOT. Lease payments, however, would not be required to be repaid, so a long-term lease arrangement would be attractive. The revenue could be used to repay debt for the North Maintenance Facility. Staff has not identified a significant City use for the 198th Property.

Given these findings, staff recommends that the Council direct staff to offer the 198th Property for lease to a third party with a preference given to non-profit or governmental providers of affordable housing and with lease payments at least able service a fair market value in bond financing.

RESOURCE/FINANCIAL IMPACT

The combined total area of the three properties is 48,955sf. If each property were valued at a market price for Aurora frontage (\$40 - 80/sf), the combined value of all three properties would range between \$2 – 4 million. However, as noted above, the 185th and 195th Properties possess characteristics that negatively affect their market value.

RECOMMENDATION

Staff recommends that Council direct staff to designate the 185th and 195th Properties as “pocket” parks in the next updated Parks, Recreation, and Open Space (PROS) Plan and that the 198th Property be leased to a third party with a preference given to non-profit or governmental providers of affordable housing.

ATTACHMENTS

Attachment A: Parcel map of 185th Property
Attachment B: Parcel map of 195th Property
Attachment C: Parcel map of 198th Property
Attachment D: SMC 20.50.240.D-F
Attachment E: Alternative configuration of 185th Property

King County iMap



King County, Property International Corp., King County

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Date: 7/20/2016

Notes:



King County iMap



King County, Esri, Microsoft, National Geographic, King County

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King County iMap



King County, from City of Seattle, King County

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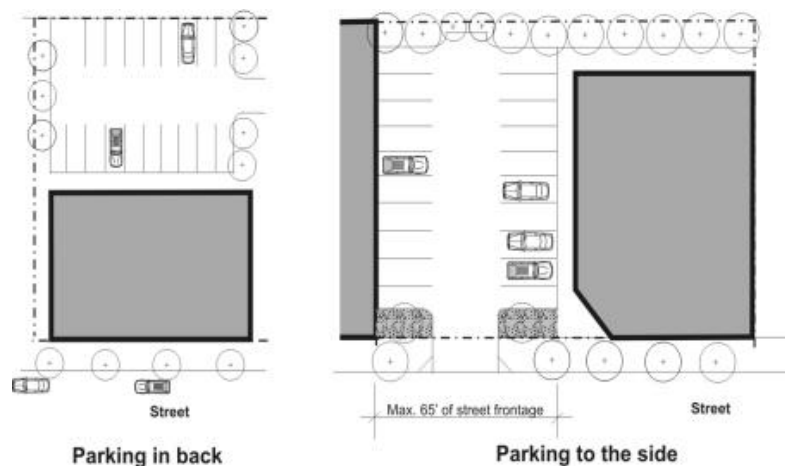
Date: 7/20/2016

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Attachment D

- f. Minimum weather protection shall be provided at least five feet in depth, nine-foot height clearance, and along 80 percent of the facade where over pedestrian facilities. Awnings may project into public rights-of-way, subject to City approval;
- g. Streets with on-street parking shall have sidewalks to back of the curb and street trees in pits under grates or at least a two-foot-wide walkway between the back of curb and an amenity strip if space is available. Streets without on-street parking shall have landscaped amenity strips with street trees; and
- h. Surface parking along street frontages in commercial zones shall not occupy more than 65 lineal feet of the site frontage. Parking lots shall not be located at street corners. No parking or vehicle circulation is allowed between the rights-of-way and the building front facade. See SMC [20.50.470](#) for parking lot landscape standards.



Parking Lot Locations Along Streets

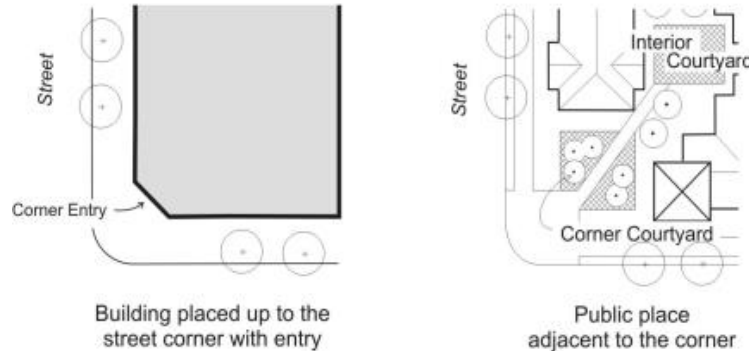
- i. New development on 185th Street shall provide all vehicular access from a side street or alley. If new development is unable to gain access from a side street or alley, an applicant may provide alternative access through the administrative design review process.
- j. Garages and/or parking areas for new development on 185th Street shall be rear-loaded.
- 2. Rights-of-Way Lighting.**
- a. Pedestrian lighting standards shall meet the standards for Aurora Avenue pedestrian lighting standards and must be positioned 15 feet above sidewalks.
- b. Street light standards shall be a maximum 25-foot height and spaced to meet City illumination requirements.

D. Corner Sites.

1. All building and parking structures located on street corners (except in MUR-35') shall include at least one of the following design treatments on both sides of the corner:

Attachment D

- a. Locate a building within 15 feet of the street corner. All such buildings shall comply with building corner standards in subsection (D)(2) of this section;
- b. Provide a public place at the corner leading directly to building entries;
- c. Install 20 feet of depth of Type II landscaping for the entire length of the required building frontage;
- d. Include a separate, pedestrian structure on the corner that provides weather protection or site entry. The structure may be used for signage.

**Street Corner Sites**

2. Corner buildings and parking structures using the option in subsection (D)(1)(a) of this section shall provide at least one of the elements listed below to 40 lineal feet of both sides from the corner:
 - a. Twenty-foot beveled building corner with entry and 60 percent of the first floor in non-reflective glass (included within the 80 lineal feet of corner treatment).
 - b. Distinctive facade (i.e., awnings, materials, offsets) and roofline designs beyond the minimum standards identified in SMC [20.50.250](#).
 - c. Balconies for residential units on all floors above the ground floor.

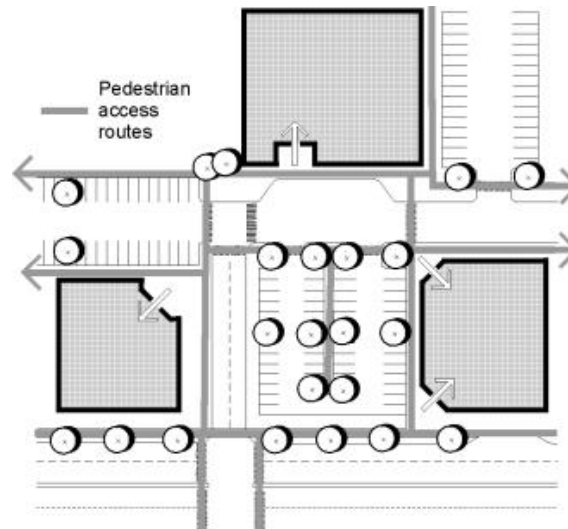
**Building Corners****E. Internal Site Walkways.**

1. Developments shall include internal walkways or pathways that connect building entries, public places, and parking areas with other nonmotorized facilities including

Attachment D

adjacent street sidewalks and Interurban Trail where adjacent (except in the MUR-35' zone).

- a. All development shall provide clear and illuminated pathways between the main building entrance and a public sidewalk. Pathways shall be separated from motor vehicles or raised six inches and be at least eight feet wide;
- b. Continuous pedestrian walkways shall be provided along the front of all businesses and the entries of multiple commercial buildings;



Well-connected Walkways

- c. Raised walkways at least eight feet wide shall be provided for every three, double-loaded aisles or every 200 feet of parking area width. Walkway crossings shall be raised a minimum three inches above drive surfaces;
- d. Walkways shall conform to the Americans with Disabilities Act (ADA);



Parking Lot Walkway

- e. Deciduous, street-rated trees, as required by the Shoreline Engineering Development Manual, shall be provided every 30 feet on average in grated tree pits if the walkway is eight feet wide or in planting beds if walkway is greater than eight feet wide. Pedestrian-scaled lighting shall be provided per subsection (H)(1)(b) of this section.

F. Public Places.

1. Public places are required for the commercial portions of development at a rate of four square feet of public place per 20 square feet of net commercial floor area up to a public place maximum of 5,000 square feet. This requirement may be divided into smaller public places with a minimum 400 square feet each.
2. Public places may be covered but not enclosed unless by subsection (F)(3) of this section.
3. Buildings shall border at least one side of the public place.
4. Eighty percent of the area shall provide surfaces for people to stand or sit.
5. No lineal dimension is less than six feet.
6. The following design elements are also required for public places:
 - a. Physically accessible and visible from the public sidewalks, walkways, or through-connections;
 - b. Pedestrian access to abutting buildings;
 - c. Pedestrian-scaled lighting (subsection H of this section);
 - d. Seating and landscaping with solar access at least a portion of the day;
 - e. Not located adjacent to dumpsters or loading areas; and
 - f. Amenities such as public art, planters, fountains, interactive public amenities, hanging baskets, irrigation, decorative light fixtures, decorative paving and walkway treatments, and other items that provide a pleasant pedestrian experience along arterial streets.

Attachment D**Public Places****G. Multifamily Open Space.**

1. All multifamily development shall provide open space.
 - a. Provide 800 square feet per development or 50 square feet of open space per dwelling unit, whichever is greater;
 - b. Other than private balconies or patios, open space shall be accessible to all residents and include a minimum lineal dimension of six feet. This standard applies to all open spaces including parks, playgrounds, rooftop decks and ground-floor courtyards; and may also be used to meet walkway standards as long as the function and minimum dimensions of the open space are met;
 - c. Required landscaping can be used for open space if it does not obstruct access or reduce the overall landscape standard. Open spaces shall not be placed adjacent to service areas without full screening; and
 - d. Open space shall provide seating that has solar access at least a portion of the day.

King County iMap



4,876.7 Square feet 275.7 Feet

18421

18411

18405

18405

18405

18407

18510

King County, Pictometry International Corp.

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