

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b>	Action on the Purchase of Real Property Located at 18525 and 18537 10 <sup>th</sup> Avenue NE, Identified as King County Tax Parcel Nos. 323510-0295 and 323510-0305; and Authorize the City Manager to Take the Necessary Steps to Complete the Property Purchase		
<b>DEPARTMENT:</b>	City Manager's Office		
<b>PRESENTED BY:</b>	Nathan Daum, Economic Development Program Manager		
<b>ACTION:</b>	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input checked="" type="checkbox"/> Motion
	<input type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

**PROBLEM/ISSUE STATEMENT:**

On July 31, 2017, the City Council approved the update to the Parks, Recreation, and Open Space (PROS) Plan. The Plan identified parkland needs of 95 acres citywide to maintain a level of service of 7.38 acres per 1,000 population.

Council action recommended tonight is a motion to approve the purchase and sale contract for 18525 10<sup>th</sup> Avenue NE, an 13,384-square-foot parcel and 18537 10<sup>th</sup> Avenue NE, an 14,008-square-foot parcel identified for the expansion of Rotary Park. The proposed acquisition is of two parcels that, together with a third owned by another party, would allow for a wide range of parks and recreation uses in an underserved area of the city. In addition to the adjacent priority acquisition parcel also under consideration for acquisition tonight, the parcels are adjacent to public land owned by Seattle City Light. Rotary Park is included as one of the five parks identified for expansion in the Park Bond Measure discussed by Council in its October 11, 2021 meeting and was one of the top priorities of the PROS Plan and the Park Funding Advisory Committee.

As per Council Rules of Procedure 6.1.B, which states that for an Action Item that is before the City Council for the first time and is not part of the consent agenda, public comment for that item will follow the staff report but precede Council review. Council should therefore allow for Public Comment following the staff report, and the same rules for Public Comment provided as part of the Council's Regular Meeting Agenda shall apply.

**RESOURCE/FINANCIAL IMPACT:**

The negotiated purchase prices for the parcels are \$1,673,000 and \$1,751,000, a combined total of \$3,424,000. A bond measure, if approved by voters, would be used for the purchase of these and other properties. In 2020, the City issued Bond Anticipation Notes (BAN) to support Parks, Recreation, and Open Space (PROS) Plan property acquisitions. There is \$6,600,083 of the BAN available for park property purchases. This short-term funding source will need to be refunded or repaid in late

2022 using proceeds from the Parks Bond Measure or other revenue. If the Council does not take action to place the Bond Measure before Shoreline voters or the voters do not approve this Bond Measure, then the City would need to repay the BAN from other sources such as Park Impact Fees, reprogramming of General Capital Revenues, CFT Grant Funding, General Fund fund balance, or sale of the property. Relocation costs are an estimated additional \$84,000. Transaction and post-acquisition costs are an estimated additional \$420,000 which would include demolition and some limited initial planting.

### **RECOMMENDATION**

Staff recommends that the City Council approve the purchase of the properties located at 18525 and 18537 10<sup>th</sup> Avenue NE, identified as King County Tax Parcel Nos. 323510-0295 and 323510-0305; and authorize the City Manager to take the necessary steps to complete the property purchase.

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

## **BACKGROUND**

On July 31, 2017, the Council approved the update to the Parks, Recreation and Open Space (PROS) Plan after 18 months of Council and community engagement. A Citywide population forecast of more than 15,000 new residents by 2035 estimated 75% of that growth would occur in the light rail station subareas. To maintain the current level of service of park property acreage per 1,000 population, the PROS Plan estimated parkland needs of 95 acres citywide, including 43 acres in the light rail station subareas and identified priority acquisitions and park developments. PROS Plan Strategic Action Initiative #7 called for ensuring adequate park land for future generations and set a target of adding five acres on new park land by 2023. The PROS Plan's Tables 6.5 and 6.6 list priority park acquisitions and park developments including Rotary Park property acquisition. More information about this Council action can be found here: [Adoption of the 2017-2023 Parks, Recreation, and Open Space Plan](#).

On December 7, 2020, Council discussed a potential \$38.5-million Parks Bond Measure, including Rotary Park property acquisition, for the April 2021 special election ballot. Property Acquisition, including "key acquisitions" such as Rotary Park, was one of the highest priority park investment opportunities identified in the Park Funding Advisory Committee (PFAC) recommendations from 2020. More information about this discussion can be found here: [Park Improvements and Property Acquisition Priorities and Funding](#).

On June 28, 2021, Council discussed the results of the April 2021 special election in which the Parks Bond Measure received 72% support but failed to meet voter-turnout validation requirements. At that time, Council adopted Ordinance No. 932 authorizing the placement of the same Parks Bond Measure on the November 2021 ballot, again including Rotary Park as one of the five parks identified for expansion. The Staff Report for this Council action can be found at the following link: [Property Tax Bond Measure for Park Improvements and Park Land Acquisition](#).

Now before the Council for action is the proposed authorization of the City Manager to purchase the properties located at 18525 and 18537 10th Ave NE, identified as King County Tax Parcel Nos. 323510-0295 and 323510-0305; and authorizing the City Manager to take the necessary steps to complete the property purchase.

## **DISCUSSION**

Rotary Park property consists of the existing right-of-way property that is designated Rotary Park and outfitted with picnic tables and artwork. Ultimately the expanded Rotary Park would consist of property owned by Seattle City Light and five parcels currently in private ownership (Attachment A).

The privately-owned properties are in the MUR-70 zone located adjacent to the Seattle City Light properties and on the block directly east of the Shoreline North/185<sup>th</sup> Link Light Rail Station. Staff has developed, in collaboration with Seattle City Light, draft terms of a proposed Interlocal Agreement (ILA) which would allow surface parks-and-recreation use of their properties as has been done in other parts of the City. Acquisition of the five parcels adjacent to Seattle City Light property at Rotary Park would provide

valuable buildable area outside the power line easements and access points into such a park.

The proposed acquisition is two parcels on 10<sup>th</sup> Avenue NE that, together with a third owned by another party, would allow for a wide range of parks and recreation needs in an underserved area of the city. The parcels are adjacent to another priority acquisition parcel which is also under consideration for acquisition tonight. All three parcels are surrounded by public land owned by Seattle City Light. This area of the city, with the 185<sup>th</sup> Street Link Light Rail station now under construction, is expected to host significant population growth as one of two station areas collectively zoned for up to 33,000 additional housing units. The City has the opportunity to acquire these properties from the owner willingly, adding 0.63 of an acre, that when combined with the other priority acquisition in between would total 0.9 acre. When factored into the potential joint use of Seattle City Light parcels (3.07 acres), and existing Rotary Park (+/-0.40 acre of ROW), the three 10<sup>th</sup> Avenue parcels under consideration for acquisition tonight together total 4.37 acres of parkland. That total, together with property acquired in the past year (1.3 acres), would surpass the PROS Plan goal of 5 new acres of parkland by 2023.

Starting in May of 2020, the City has made multiple offers to purchase these properties, but the seller's desired sale price was not supported by independent appraisals obtained by the City or analysis of the City's agent. In August 2021 the City learned of recent comparable sales well above the seller's desired price and confirmed the seller's interest continued to be in selling to the City at that price.

Based on the analysis of the City's agent documented in an Administrative Settlement per federal Uniform Relocation Act (URA) guidelines, prices for the two parcels totaling \$3,424,000, or \$125 per square foot is within the range of what a comparable properties would sell for on the market, and as such this price was found to be supportable, reasonable and in the public's best interest. The Administrative Settlement applied updated market information reflecting appreciation in property values since the independent, June 2021 review of the January 2020 appraisal of the property to determine just compensation.

The City then presented, and the seller accepted, an offer to purchase the properties, subject to City Council approval, at \$125 per square foot or \$3,424,000 which is the same price per square foot offered for the adjoining property in between.

While the Parks Bond Measure has yet to be taken up by voters, if sold to another party, these parcels will likely cease to be an opportunity to implement a PROS Plan goal of expanding Rotary Park as envisioned by the Parks Bond Measure, except in the unlikely event that such a buyer would be willing to sell to the City, or if the City were to opt for purchasing the property through use of eminent domain from an unwilling seller. Otherwise, the City would need to seek opportunities to pursue priority acquisitions in other areas of the city to achieve the PROS Plan goals for added parkland.

#### **Preliminary Acquisition-Related Cost Analysis**

Additional costs would include the City's real property agent fees for brokering the transaction, post-acquisition costs of clearing the site, and relocation of the personal

property of the seller as required under the URA. The City would most likely move forward with demolishing one small structure with preliminary indications that it is nonconforming as soon as possible for life-safety and code compliance reasons. Costs to survey the property and demolish all structures are estimated at \$210,000 per parcel, \$420,000 in total, but would largely be deferred until funding for park improvement design and construction is secured. Relocation costs for the tenants are estimated to be an additional \$100,100. Similar costs can be anticipated for the other parcel under consideration for acquisition tonight for a total of approximately \$800,000 in acquisition-related and post-closing site-clearing costs. Park Impact Fees could be a source of funding for these costs.

### **Interim Leasing**

A small offset of monthly lease revenues to the City may be expected from the houses until such time that the City is prepared to move forward with full demolition and other preconstruction activities. In the interim, it is anticipated the existing tenants will continue to reside in the two existing houses until the City were to move forward with predevelopment site work. The houses are currently managed by a third-party property management service. The leases would not transfer to the City until the close of the sale but total potential rental income is estimated to range from \$2,000 to \$4,000 per month.

### **Funding Options – Bond Anticipation Notes (BAN)**

In 2020, the City issued \$25M in Bond Anticipation Notes (BAN) to support PROS Plan Property Acquisition. The cost of a future Community and Aquatic Center site was \$17,251,265, and the cost of a future Brugger's Bog expansion was \$1,148,652 leaving \$6,600,083 of the BAN that could be used to purchase park properties. If Council would like to move forward with the purchases of properties now, the City can choose to utilize the BAN to fund the purchases. The annual interest rate on the BAN is 1.92%. Ultimately though, a permanent revenue source would be required to pay for the properties. The BAN should only be considered a short-term bridge loan. These short-term notes will need to be refunded or repaid in late 2022 using a Future Parks Improvement Bond Levy or other revenue.

### **Funding Options – Park Impact Fees (PIF)**

The City has approximately \$1.79 million in Park Impact Fees available. An estimated \$3,992,000 was identified in the PIF rate study for "Rotary Park Expansion Acquisition." While five parcels were identified for Rotary Park Expansion in the past, the staff recommendation is to move forward at this time with the acquisition of three parcels, including this one, that together total \$4,898,375, nearly one million more than the amount identified in the PIF rate study, and far more than is available through Park Impact Fees.

### **Funding Options – King County Conservation Futures Tax (CFT) Grant Funding**

CFT typically funds up to 50% of a project, however, some projects may be considered for 100% reimbursement in areas that have been underserved in the past. CFT Grant Funding is available for projects with a primary function of conservation or restoration of natural areas. Active uses are limited to recreational trails and other uses that do not overly impact the primary function of natural ecological services and open space. Hardscape and other active use amenities are limited to no more than 15% of the

overall park area when CFT funding is utilized. The City's development plans for an expanded Rotary Park are not finalized, however, staff has determined the need for more active park facilities in this area reduces the likelihood that King County Conservation Futures Tax (CFT) grant funding would support this acquisition.

### **Tonight's Council Action and Public Comment**

As is noted above, tonight, staff is seeking Council authorization for the City Manager to purchase the properties located at 18525 and 18537 10th Ave NE, identified as King County Tax Parcel Nos. 323510-0295 and 323510-0305.

As per Council Rule of Procedure 6.1.B, which states that for an Action Item that is before the City Council for the first time and is not part of the consent agenda, public comment for that item will follow the staff report but precede Council review. Council should therefore allow for public comment following the staff report, and the same rules for public comment provided as part of the Council's Regular Meeting Agenda shall apply.

### **COUNCIL GOALS ADDRESSED**

This item addresses the 2021-2023 City Council Goal 2, Action Step 2, which states:

- *Continue to Implement the Parks, Recreation, and Open Space Plan, including implementation of the 2021 Park Bond if approved by voters.*

### **RESOURCE/FINANCIAL IMPACT:**

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**ATTACHMENTS**

Attachment A – Rotary Park Property Area Map

Attachment A: Rotary Park

