

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Public Hearing and Action of Resolution No. 498 – Surplus Designation of the Excess Property Acquired by the 145th Corridor (Phase 1) Project located at 14509 3rd Avenue N
DEPARTMENT:	Public Works
PRESENTED BY:	Tricia Juhnke, Interim Public Works Director
ACTION:	<input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Motion <input type="checkbox"/> Discussion <input checked="" type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

The State Route 523 (N/NE 145th St), Aurora Avenue N to I-5, Phase 1 project (I-5 to Corliss Avenue), hereinafter referred to as to the 145th Corridor (Phase 1) project, is concluding the right-of-way (ROW) acquisition phase. At this time, one property, located at 14509 3rd Ave N, has been identified to have remnants that can be declared surplus. The City has been approached by the buyer of adjacent parcels to that property who has expressed interest in also purchasing 14509 3rd Ave N from the City. The project funding strategy includes the sale of excess property to fund subsequent phases of the project and/or serve as grant match for the subsequent phases.

Council discussed proposed Resolution No. 498 on November 21, 2022, and asked staff to come back with additional information on the following issues, which are discussed in the staff report:

- The opportunity to use the property as a pocket park;
- The opportunity to purchase the other adjacent parcels for a larger park/open space;
- The opportunity to use the property for affordable housing;
- The limitations on uses of the property and/or proceeds from a possible sale based on the source of funding for acquiring the parcel;
- The ability and feasibility of using other full acquisitions as Parks in the future;
- The opportunity to save trees and provide public open space in an area of density; and
- The timing of the property moving forward with the surplus process.

City-owned properties, which include the property at 14509 3rd Avenue N, are disposed of through the Surplus Property Declaration process defined in Shoreline Municipal Code Chapter 3.55. Tonight’s public hearing and action on proposed Resolution No. 498 initiates the next step in the disposition process. Proposed Resolution No. 498 would declare 14509 N 3rd Avenue N surplus and authorize its sale through a negotiated sale process.

RESOURCE/FINANCIAL IMPACT:

14509 3rd Avenue N was acquired by the 145th Corridor (Phase 1) Project with State Connecting Washington funding. No City funds were used for the acquisition. Per 23 CFR 710.403, the income from the disposal of real property interests obtained with Title 23 funds shall be used by subsequent Title 23 projects. Staff recommends the funds from the disposal be directed to the ROW acquisition for the 145th Corridor (Phase 2) Project, which extends from Corliss Avenue N to Wallingford Avenue.

The value of 14509 3rd Avenue N was professionally appraised in March 2022 at \$145 per square foot. The appraisal is available to Council by request. At this time, no further appraisal is recommended if a sales agreement can be approved by March 2023.

If Council decides not to surplus the property and instead use the site for a non-transportation related use, the appraised value of the surplus area will need to be reimbursed to the State.

There are some associated costs for notices and correspondence regarding proposed Resolution No. 498, including a notice of the public hearing, which was published in the Seattle Times on November 21, 2022, and notices sent via mail to property owners within 500 feet of the surplus properties no less than 14 days nor more than 25 days prior to the public hearing. These costs are included in the 145th Corridor Phase 1 budget.

RECOMMENDATION

Staff recommends that Council adopt proposed Resolution No. 498 for the surplus property designation of the excess property acquired by the 145th Corridor (Phase 1) Project located at 14509 3rd Avenue N.

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

BACKGROUND

In response to property remnants acquired as part of the Aurora Corridor Project, the City Council adopted [Ordinance No. 626](#) in January 2012, which established Shoreline Municipal Code (SMC) Chapter 3.55 to set forth the procedures for the disposition of surplus real property owned by the City. In December 2017, City Council adopted [Ordinance No. 809](#), which provided a code amendment allowing for the use of a licensed real estate broker for the disposition of surplus real property. When declaring property to be surplus, the City Council is required to determine by which method the property is to be sold: sealed bid, auction, negotiated sale (when aggregating abutting properties), or by licensed real estate broker. The first step in the disposal of City-owned properties is to declare the property as surplus via the Surplus Property Declaration process defined in Shoreline Municipal Code Chapter 3.55.

The property located at 14509 3rd Avenue N (Tax Parcel No. 288170-0373) was acquired by the City on August 15, 2022, for the 145th Corridor (Phase 1) Project. Only a portion of the property is needed to construct the 145th Corridor (Phase 1) Project, however, the entire property was acquired due to the structural impacts to the home during and after construction. The project requires 3,625 square feet (sf) of the property, leaving 11,460 sf available to surplus. The new legal description and exhibit can be found in proposed Resolution No. 498 (Attachment A, Exhibit A).

The buyer of adjacent parcels has expressed interest in also purchasing 14509 3rd Ave N from the City. The value of 14509 3rd Ave N was professionally appraised in March 2022 at \$145 per square foot. The buyer has suggested a potential price for the property of \$165 per square foot.

Council discussed proposed Resolution No. 498 at the November 21, 2022, City Council Meeting. The staff report is available here: [Discussion on Resolution No. 498 – Surplus Property Designation of the Excess Property Acquired by the 145th Corridor \(Phase 1\) Project located at 14509 3rd Avenue N.](#)

DISCUSSION

Council discussed proposed Resolution No. 498 on November 21, 2022, and asked staff to come back with additional information on the following issues, which are discussed below:

- The opportunity to use the property as a pocket park;
- The opportunity to purchase the other adjacent parcels for a larger park/open space;
- The opportunity to use the property for affordable housing;
- The limitations on uses of the property and/or proceeds from a possible sale based on the source of funding for acquiring the parcel;
- The ability and feasibility of using other full acquisitions as parks in the future;
- The opportunity to save trees and provide public open space in an area of density; and
- The timing of the property moving forward with the surplus property.

Is there an opportunity for a neighborhood or pocket park to be at the site?

Staff has reviewed and discussed the option for a park at the site and determined that this is not a desirable location for a pocket park for several reasons:

- *Location* – While this approximately 0.25-acre property is not a location that has been identified previously by Council for a park or as open space, staff did evaluate its potential for park purposes. The proximity to Interstate 5, as well as the busy arterial of 145th Street, limits the appeal for use as a park. Issues that contribute to this low appeal include noise from the freeway, noise and exhaust from vehicles on 145th Street, limited to no vehicular access, and proximity to a high volume of traffic on 145th Street.
- *Proximity to Twin Ponds Park* – While there is need for additional park space within the light rail subareas, this particular parcel is within an approximate six (6) minute walking distance to Twin Ponds Park, which has a wide variety of park amenities and will soon be easily accessible due to the installation of new sidewalks on 1st Ave NE. Staff analysis of Twin Ponds and other 148th St Station Area parks has shown these to be viable locations for improvements or expansion using developer paid Park Impact Fees or grants in a location less constrained by adjacent development and traffic impacts. Both strategies have been successfully used secure expansion parcels for Paramount Open Space Park within this subarea in the past two years.
- *Size* – the parcel is relatively small and would have limited use for park functions other than as open space.
- *Development provided open space*: Private development already occurring in this area is required to have open space as part of development approval, which reduces the need for small passive spaces.

Is there an opportunity for the City to acquire the adjacent parcels on 3rd Ave NE for a larger park/open space?

The City could acquire the other three parcels on 3rd Ave NE (to the north of the proposed surplus property), which would create a park or open space of approximately 53,000 square feet when combined with the parcels acquired by the City for the 145th Corridor project. A preliminary evaluation indicates it would cost the City approximately \$4 million to acquire the other three parcels. The combined size increases the viability as a park space, but it is still limited by location (proximity to I-5, noise, exhaust) and vehicular access.

Staff also discussed that from an economic development perspective, these combined lots (including proposed surplus property) are one of the few locations within the MUR-70' zone with a high potential for non-residential use. Non-residential uses are a key component in the subarea plans, whereas a larger park or open space could be placed elsewhere just as or more successfully.

What is the feasibility of using the property to offer affordable housing?

Staff has looked at the option for affordable housing at the site in two ways. The first was to lease the land to a housing provider/firm for affordable housing, similar to the permanent supportive housing project at 198th and Aurora. The parcel is located within the Washington Department of Transportation (WSDOT) Limited Access Area and therefore, there would be no vehicular access to the site. This designation makes it

unusable under the City's code as a stand-alone parcel. Should this be of interest, the City Council could amend the code to eliminate required parking and enter into agreements with adjacent properties for solid waste access, for example. The site is also relatively small for the MUR-70' zone, being about one-third the size of the City-owned site being redeveloped by partners as affordable housing with supportive services for 100 individuals at 198th and Aurora. Staff considers that the work on the part of the City would be at least equal to or not greater than that required for the 198th project despite the significantly smaller subject property on 145th Street.

The second way staff looked at affordable housing was by inserting it as a term of a negotiated sale. This would reduce the price of the sale to a degree that is unknown and restricts the type of building to only residential at the site. As discussed above, the proximity to I-5 makes this parcel more attractive to non-residential uses such as business or hotel.

What are the limitations on uses of the property and/or proceeds from a possible sale based on the source of funding for acquiring the parcel?

The property was acquired with State Connecting Washington funding. No City funds were used for the acquisition. With respect to use of funds, in general, proceeds from surplus properties utilizing grant funds need to be used on other federally funded transportation projects. As mentioned above, proceeds were anticipated to be used for the next phase of the 145th Corridor project, including serving as match for grants, which meets this requirement.

It does appear that the federal regulations provide that surplus property can be retained by the City and used as an area for trees or open space that "restores, improves or preserves the scenic beauty and/or environmental quality adjacent to a transportation facility." Staff is still researching other limitations or uses of the property, particularly leasing the space.

What is the ability and feasibility of using other full acquisitions as Parks in the future?

Staff reviewed the remaining five parcels that were acquired as part of the Phase 1 Project on their feasibility for open space. Of the five, two are smaller than the currently proposed parcel and therefore are not desirable. The other three are contiguous and therefore provide more opportunity from a size perspective. However, the parcels are still immediately adjacent to the busy 145th Corridor, which reduces the desirability of the space for active recreation, such as a playground. Additionally, conversion of the property into parks requires approval of Federal Highway Administration and/or WSDOT. Staff is still investigating the limitations or requirements of converting the property for parks or open space.

As discussed above, while there is need for additional park land within the subareas, these other 145th Street parcels are also a similar proximity to Twin Ponds Park, where investments for improvements or expansion using developer paid Park Impact Fees could meet the needs of the subarea over time and in a location less constrained by adjacent development and traffic impacts.

Why is this property going through the surplus process now?

A developer who is currently in contract to purchase adjacent properties reached out to the City in August with interest in purchasing this parcel. After meeting with the developer, staff proceeded with the process for designating the property for surplus as a first step to potentially selling it. Because there is an interested buyer that is also acquiring adjacent parcels, timing is important if the City would like the best opportunity to maximize its return on the “excess” property. If the City waits to designate the property as surplus, there is a high risk that this opportunity to sell the property at a maximum value will disappear. The value of the excess property will likely decrease if not combined with adjacent parcels. The property also may not be marketable as a stand-alone property due to the constraints discussed above.

The timing is also important as part of the funding strategy for the 145th Corridor Phases 2 and 3 Projects, as Phases 2 and 3 are currently unfunded. The proceeds from sales of “excess” acquired surplus properties are intended to serve as match for future grants. Currently, staff is considering the prospects to apply for a RAISE grant in early 2023. The proceeds from the sale of this parcel have been identified as the match for this particular grant. The City will have a difficult time finishing the 145th Corridor without the proceeds from surplus properties since other revenue options are limited.

Next Steps

Tonight’s public hearing and action on proposed Resolution No. 498 initiates the next step in the surplus designation process. Resolution No. 498, if approved by Council, would declare 14509 N 3rd Avenue N as surplus and authorize its sale through a negotiated sale process. Alternatively, Council may choose not to adopt Resolution No. 498, in which case the City would not proceed with the surplus and sale of the property. Instead, the City would retain ownership of the property. Council could discuss at a future date how the property should be used.

COUNCIL GOAL(S) ADDRESSED

The proposed surplus of the property addresses the following City Council Goals:

- **Goal #1:** Strengthen Shoreline’s economic climate and opportunities.
 - *Strengthen Shoreline’s economic climate and opportunities Robust private investment and economic opportunities help achieve Council Goals by enhancing the local economy, providing jobs and housing choices, and supporting the public services and lifestyle amenities that the community desires and expects.*
- **Goal #2:** Continue to deliver highly-valued public services through management of the City’s infrastructure and stewardship of the natural environment.
 - *Action Step 13. Begin construction of the 145th and I-5 Interchange improvements and Phase 1 of the 145th Street Corridor improvements.*
 - *Action Step 14. Work with regional and federal partners to fund Right-of-Way acquisition for Phase 2 of the 145th Street Corridor improvements.*

- **Goal #3:** Continue preparation for regional mass transit in Shoreline.
 - *Action Step 4. Coordinate with developers and seek partnerships and funding to realize the vision of the Light Rail Station Areas.*

RESOURCE/FINANCIAL IMPACT

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RECOMMENDATION

Staff recommends that Council adopt proposed Resolution No. 498 for the surplus property designation of the excess property acquired by the 145th Corridor (Phase 1) Project located at 14509 3rd Avenue N.

ATTACHMENTS

Attachment A: Proposed Resolution No. 498

Attachment A, Exhibit A: Legal Description and Exhibit of Proposed Surplus Properties

Attachment B: Mailed Notice of Public Hearing to Property Owners within 500' of Proposed Surplus Property and Published Notice in the Seattle Times

RESOLUTION NO. 498

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DECLARING CERTAIN CITY-OWNED REAL PROPERTY LOCATED AT 14509 THIRD AVENUE N, SHORELINE, WASHINGTON, TAX PARCEL 288170-0373, AS SURPLUS, AND AUTHORIZING SALE OF THE REAL PROPERTY AS PROVIDED IN SHORELINE MUNICIPAL CODE, CHAPTER 3.55.

WHEREAS, Shoreline Municipal Code (SMC) Chapter 3.55 authorizes the City to dispose of real property surplus to the current or future needs of the City and where the disposition would afford the City a reasonable return from the sale; and

WHEREAS, to facilitate City's 145th Street Corridor Improvements and 145th Street/Interstate 5 Interchange Improvements capital projects, the City acquired real property located at 14509 Third Avenue N, Shoreline, Washington, Tax Parcel 288170-0373 ("Property") in 2022; and

WHEREAS, the appraised value of the Property at the time of acquisition in August 2022 was \$145.00 per square foot (\$2,187,325.00); however, to avoid condemnation proceedings, the City paid 10% over that value (\$2,405,700) as authorized by the City Council; and

WHEREAS, City Staff has determined that approximately 11,460 square feet of the Property, as described in Exhibit A and depicted in Exhibit B, is surplus to the City's current and future needs ("Surplus Property") and, sale would provide the City with a reasonable return on its investment; and

WHEREAS, real property may be declared surplus by the City Council if all of the procedures in SMC 3.55.011(A) have been completed; and

WHEREAS, a staff report has been provided to the City Council with the information mandated by SMC 3.55.011(A)(1) and the public hearing required by SMC 3.55.011(A)(2) was held on December 5, 2022, after proper notice; and

WHEREAS, RCW 3.55.012(C) states that if property can only be put to its highest and best use when aggregated with an abutter's property because of its size, shape, topography, or other restriction, the property may be negotiated for sale to the abutting property owner if the abutter is willing to purchase the property for fair market value or, if more than one qualifying abutter expresses an interest, then the City may solicit sealed bids from all such abutters; and

WHEREAS, the Surplus Property is located within the 145th Street Station Subarea and is zoned MUR-70; the appraised value determined that the highest and best use of the Surplus Property is the removal of the existing structure to make way for redevelopment consistent with its highest and best use as if vacant; and

WHEREAS, while the Surplus Property is surplus to the City's needs, this surplus determination is contingent on reserving a ten (10) foot wide temporary construction easement

along the southern edge of the Surplus Property, as shown in Exhibit B, to facilitate the construction of the capital projects and any purchaser must take title to the Surplus Property subject to that reservation without a reduction in the fair market value; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. Declaration of Surplus Real Property. The City Council has determined that the portion of the real property located at 14509 Third Avenue N, Shoreline, Washington, Tax Parcel 288170-0373, described in Exhibit A and depicted in Exhibit B, is not currently needed by the City nor will it be needed in the future, and that the City will attain a reasonable return from its sale. Therefore, the City Council declares this real property surplus.

Section 2. Authorization to Sell and Dispose of Surplus Real Property. The City Manager is hereby authorized to sell and dispose of the surplus real property by negotiated sale to an abutting property owner as provided in SMC 3.55.012(C) and subject to the procedures and requirements set forth in SMC 3.55.012. If more than one qualifying abutting property owner expresses interest in purchasing the Property, the City Manager shall solicit sealed bids from all qualified owners and shall sell the bidder who is providing the City with a reasonable return equal to or more than the fair market value of the Property.

Section 3. Reservation of Temporary Construction Easement. Any sale of the Property pursuant to Section 2 shall reserve a temporary construction easement, as depicted on Exhibit B, for the City to facilitate the construction of the 145th Street Corridor Improvements and/or the 145th Street/I-5 Interchange Improvements. Given the temporary nature of the easement, said easement shall not reduce the fair market value of the Surplus Property by a qualifying buyer.

Section 4. Minimum Acceptable Price. As provided in SMC 3.55.011(B)(3), the real property shall be sold for at least 100% of the market value as established by written independent appraisal for the property or for such other reasonable and lawful terms and conditions the City Manager determines to be in the best interests of the City. Provided, that if the sale price is below the market value, the City Manager shall receive City Council approval prior to completion of the sale.

ADOPTED BY THE CITY COUNCIL ON _____, 2022.

Mayor Keith Scully

ATTEST:

Jessica Simulcik Smith, City Clerk

EXHIBIT A

SURPLUS DESCRIPTION

SE ¼, SW ¼ SEC. 17, T. 26 N., R. 4 E., W.M.

KING COUNTY, WASHINGTON

TPN 288170-0373

THAT PORTION OF LOT 1 OF KING COUNTY SHORT PLAT NO. 778047, RECORDED UNDER RECORDING NUMBER 7812121103, RECORDS OF KING COUNTY, WASHINGTON, TOGETHER WITH AN UNDIVIDED 1/4TH INTEREST IN PRIVATE ROAD WITHIN SAID SHORT PLAT, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT 1, ALSO BEING THE NORTHERLY RIGHT OF WAY OF NORTH 145TH STREET;
THENCE NORTH 00°02'43" WEST ALONG THE WEST LINE OF SAID LOT 1, 24.51 FEET TO THE **TRUE POINT OF BEGINNING**;
THENCE CONTINUING NORTH 00°02'43" WEST ALONG SAID WEST LINE, 87.96 FEET TO THE NORTH LINE OF SAID LOT 1;
THENCE NORTH 85°57'15" EAST ALONG SAID NORTH LINE, 128.31 FEET TO THE EAST LINE OF SAID LOT 1, ALSO BEING THE WESTERLY RIGHT OF WAY OF 3RD AVENUE NORTHEAST (PRIVATE DRIVE);
THENCE SOUTH 00°02'43" EAST ALONG SAID EAST LINE, 86.12 FEET TO THE BEGINNING OF A NON-TANGENT CURVE TO THE RIGHT, HAVING A RADIUS OF 555.50 FEET, THE CENTER OF WHICH BEARS NORTH 11°30'06" WEST;
THENCE CONTINUING ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 13°16'44", FOR AN ARC LENGTH OF 128.74 FEET TO THE **TRUE POINT OF BEGINNING**;

SAID PORTION CONTAINING 11,460 SQUARE FEET, MORE OR LESS.



11/9/2022



CITY OF SHORELINE PUBLIC HEARING NOTICE: Declaration of Surplus Property

The City Council of the City of Shoreline will hold a Public Hearing during a regular meeting of the City Council on **Monday, December 5, 2022**, at 7:00 p.m. in the Council Chamber at Shoreline City Hall, 17500 Midvale Avenue N., Shoreline, WA 98133 to consider the following: City of Shoreline's intent to surplus one (1) property located along N 145th Street as those portions are not required for the City's 145th Corridor (Phase 1) Project. The property is located at:

Site Address	Tax Parcel No.	Proposed Surplus (square feet)
14509 3rd Avenue N	288170-0373	11,460 sf

This hearing is being held pursuant to SMC 3.55 and RCW 39.33.020.

This meeting is being conducted in a hybrid format and you may attend the meeting in person or join via Zoom webinar or over the telephone. For those wishing to attend remotely through Zoom, you may join through this link: <https://zoom.us/j/95015006341>, or by phone at 253-215-8782 and enter the webinar ID#: 950 1500 6341.

Public testimony is being accepted in person, remotely, or by submitting written comment. In person public commenters must sign up in person at the meeting, and remote public commenters must sign-up online by 6:30 p.m. the night of the meeting using the following form: <http://www.shorelinewa.gov/government/council-meetings/city-council-remote-speaker-sign-in>. A request to sign-up can also be made directly to the City Clerk at (206) 801-2230. Written comments should be submitted to Cory Nau, PE, Project Manager, at cnau@shorelinewa.gov by no later than 4:00 p.m. local time on the date of the hearing.

Any person requiring a disability accommodation should also contact the City Clerk at 206-801-2230 in advance for more information. For TTY telephone services call 206-546-0457. Each request will be considered individually according to the type of request, the availability of resources, and the financial ability of the City to provide the requested services or equipment.