

Attachment 2: Final Report On Reuse and Disposal of the Seattle Public Utilities Kenmore Reservoir Site PMA 724 dated July 9, 2014

***Final Report on Reuse and Disposal of the
Seattle Public Utilities Kenmore Reservoir Site
PMA 724
July 9, 2014***

Purpose of the Final Report

In response to Seattle Public Utilities (SPU), a City of Seattle Jurisdictional Department, identifying property as “Excess” to their needs, the Real Estate Services (RES) section of the Department of Finance and Administrative Services (FAS) initiates a process to review and evaluate various options for real property. RES prepared a report titled “Preliminary Recommendation Report on the Reuse and Disposal of Excess Property” (Preliminary Report), which documented the analysis and recommendations for the disposition of this property. The Preliminary Report was prepared in accordance with City of Seattle Council Resolution [29799](#), as modified by Resolution [30862](#). This Final Report is prepared as an update to the Preliminary Report that incorporates public comments and additional information received during the review process.

Executive Recommendation

As no current or future municipal use has been identified for the City of Seattle to continue ownership of PMA 724, and that the City of Lake Forest Park City Council has decided not to pursue the purchase of the property, RES recommends to the Executive that PMA 724 be sold at fair market value through an open and competitive process managed by RES.

Background Information

The property is located near the intersection of 40th PI NE and 45th PI NE. (See Appendix A for a detailed property description.) A portion of PMA 724 was originally acquired under the authority of Ordinance No. 98081 in 1969 for water reservoir site purposes as an asset of the Water Utility. The other portion of PMA 724 was originally acquired under the authority of Ordinance No. 101069 in 1972 for establishment of the Kenmore reservoir site, a municipal water service facility. There are no extraordinary ordinances, laws or regulations that apply to these properties.

Reuse or Disposal Options Evaluation Guidelines

City of Seattle Resolution 29799, Section 1, requires the Executive to make its recommendation for the reuse or disposal of any property that is not needed by a Department using the following guidelines;

Guideline A: Consistency

The analysis should consider the purpose for which the property was originally acquired, funding sources used to acquire the property, terms and conditions of original acquisition, the title or deed conveying the property, or any other contract or instrument by which the City is bound or to which the property is subject, and City, state or federal ordinances, statues and regulations.

Funding Sources: The property was purchased with City funds from the Water Fund.

Purpose for which property was acquired: The property was purchased as a site for a new reservoir.

Deed or contractual restrictions: The property is not bound by any other contracts or instruments and is not subject to any extraordinary laws or regulations. The property is not used by the City for other uses.

City, State or Federal Ordinance status and regulations including, Bond, grant or loan programs, State Accountancy Act, Payment of True and full value, Zoning and land use, Comprehensive Plan, and Other plans: State Law requires that utility funds receive fair market value for disposals of surplus real property. No City of Seattle plans or programs apply to this property. City of Lake Forest Park zoning and development regulations apply to any future development of this property.

Guideline B: Compatibility and Suitability

The recommendation should reflect an assessment of the potential for use of the property in support of adopted Neighborhood Plans; as or in support of low-income housing and/or affordable housing; in support of economic development; for park or open space; in support of Sound Transit Link Light Rail station area development; as or in support of child care facilities; and in support of other priorities reflected in adopted City policies.

Neighborhood Plan: The subject properties are located within the City of Lake Forest Park and are outside the corporate limits of the City of Seattle. Therefore, there are no priorities reflected in adopted Seattle policies that could be served by this particular property.

Housing and Economic Development: King County Housing Authority inquired in 2008 if the property could be used for housing, although the cost of development and zoning of the property may make the site unsuitable for low income housing. The sale of the property to the private owner will return the property to the active tax rolls, and the market will determine the best use of the property.

Nearby City owned property: The City of Seattle owns the Lake Forest Park reservoir, which is approximately 1,400 feet away. As part of the water infrastructure, the city of Seattle also owns several fee owned water supply line properties within this neighborhood.

Other City Uses: In 2008, RES received Excess Property Response Forms indicating no interest from the following departments or public agencies: King County Metro, Seattle Police Department, Seattle Public Library, Seattle Human Services Dept., Seattle Office of Housing and the Seattle Department of Parks and Recreation. In 2014, RES updated the excess property description and circulated to other City Departments for comment. No other City Departments expressed interest in the property.

Other Agencies Uses: An Excess Property Notice for this property was circulated in May 2008 to assess City of Seattle department and public entity interest in use of the property. As a result of the 2008 notice, King County was interested in the property for development of affordable housing, although no funds have been appropriated for acquisition of this specific property, the County has said it might be willing to trade lands located within the City. The City of Lake Forest Park proposed to acquire the property for a nature preserve or passive park with walking trails. The City of Lake Forest Park had identified some potential funding sources, but has not identified appropriated funds to purchase the property. In 2014, RES updated the Excess Property Notice sent to other agencies. No agencies responded with an interest to purchase the property. In January 2014 representatives from SPU and FAS met with the representatives from the City of Lake Forest Park to discuss a potential of a negotiated sale of the property at the fair market value. In June 2014 the City of Lake Forest Park decided not to buy the property.

Range of Options

The “Guiding Principles for the Reuse and Disposal of Real Property” state, “it is the intent of the City to strategically utilize Real Property in order to further the City’s goals and to avoid holding properties without an adopted municipal purpose.” The options for disposition of this property include retention by the City for a public purpose, negotiated sale with a motivated purchaser, market sale, or through a request for proposal process.

Transfer of Jurisdiction to other City Department: No other City Department expressed a need for the property.

Negotiated Sale: A negotiated sale is typically recommended when the selection of a particular purchaser has specific benefits to the City. A negotiated sale with the City of Lake Forest Park was considered, but the City of Lake Forest Park declined to pursue a negotiated sale.

Sale through an open competitive process: An offering of the property at the appraised fair market values is one option. A sale through a public competitive sale process will allow the market to determine the optimum price for this property.

Request for Proposal Process: This process is used when specific development goals are desired. SPU does not have a development plan for this property.

Guideline C: Other Factors

The recommendation should consider the highest and best use of the property, compatibility of the proposed use with the physical characteristics of the property and with surrounding uses, timing and term of the proposed use, appropriateness of the consideration to be received, unique attributes that make the property hard to replace, potential for consolidation with adjacent public property to accomplish future goals and objectives, conditions in the real estate market, and known environmental factors that may affect the value of the property.

Highest and Best Use: The Highest and Best Use is generally defined as the reasonably probable and legal use that produces the highest property value, which is determined by evaluating if the use is:

- ***Physically possible:*** The subject property is heavily treed and has sloped topography. The highest elevation is on the northern parcel near 40th Place NE and the property slopes generally to the west and south. There is an elevation difference of approximately 100 vertical feet across the length from NE to SW with an overall slope of approximately 17%. A small stream runs north to south across the western fourth of the subject property. Development of this property will be challenging due to these physical characteristics.
- ***Legally permissible:*** The subject property is zoned RS 9,600 Single Family Residential in the City of Lake Forest Park and is intended for single family development. The highest and best use of the subject property is single family residential or other uses allowed by the City of Lake Forest Park code and regulations.
- ***Financially feasible and maximally productive:*** A full feasibility study would be required to determine which of the permitted uses would be maximally productive for the subject property. It is possible and reasonable to assume that any permitted uses that are expected to produce a positive residual return to the land are regarded as financially feasible.

The highest and best use of this property is for single family residential development.

Compatibility with the physical characteristics and surrounding uses: The subject property is in an area of Lake Forest Park that was developed in the 1950s and 1960s. More recent development has occurred to the west of the subject property, but the development north, south and east appears to have been established for some time. The subject parcels are undeveloped as are some of the privately owned parcels in the vicinity. Parcels to the west range in size from 7,000 to 10,000 SF. Parcels north, south and east are generally larger, on the order of a ½ acre (21,000 SF or more). Single family residential is the exclusive land use in the vicinity.

Appropriateness of the consideration: SPU will seek authorization from the Seattle City Council to authorize the Director or designee to market the property through an open and competitive sales process, and to accept the highest competitive offer over a minimum threshold established by an appraisal of the property.

Unique Attributes: PMA 724 is unique in that it consists of two parcels that, combined, may constitute the largest undeveloped piece of land in the City of Lake Forest Park.

Potential for Consolidation with adjacent public property: There are no public properties that lie adjacent to PMA No. 724.

Conditions in the real estate market: The real estate market in the Lake Forest Park, Shoreline, and Kenmore area of King County remains fairly stable, and is recovering from the great recession. Although property values have stalled or depreciated slightly, the scarcity of undeveloped land in the Seattle area means that in the long term, property values will stay strong.

Known environmental factors: A review of property files and a drive-by inspection of the property have been conducted. There is no evidence to suggest that further environmental assessments or investigations are warranted at this time. As noted previously, a stream runs north to south across the subject property as well some steep slopes.

Guideline D: Sale

The recommendation should evaluate the potential for selling the property to non-City public entities and to members of the general public.

Potential for Use by Non-City Public Entities: In 2008, the City of Lake Forest Park expressed interest in acquiring the property for a park and requested three years to secure funding. The City of Lake Forest Park has been unable to secure funding. In 2008 King County has expressed interest in acquiring the subject property for the construction of affordable housing.

In 2014 RES contacted King County and City of Lake Forest Park to see if either organization was interested in pursuing the acquisition of the property. King County did not respond. City of Lake Forest Park Council declined to pursue the purchase of the property.

Public Involvement: In accordance with Resolution Nos. 29799 and 30862, in May 2008, a notice concerning disposition or other use of this property was sent to all residences and owners within a 1,000 foot radius of the subject properties. A total of 343 notices were mailed. Twenty-three (23) responses were received from the public in response to the letter. Nineteen of the 23 want the space to remain green and open, possibly as a park. One responder suggests multiple uses of the property including an Olympic swimming pool and a day care. One person wants to acquire plants before they may be bulldozed. Another responder asks whether it is possible to purchase a portion of the property adjacent to their home, and lastly someone suggests that this property be exchanged with other property less suitable for development in the City of Lake Forest Park on which development has been proposed.

The City adopted policies require a re-notification is sent to the property owners and residents within 1000 feet of the property if a final report or a recommendation is not forwarded to council within 18 months of the date that the Initial Public Notice was sent. A revised notice was sent February 2014 that includes reference to the preliminary recommendation report.

Threshold Determination

The Disposition Procedures require RES assess the complexity of the issues on each excess property following the initial round of public involvement. The purpose of this analysis is to structure the extent of additional public input that should be obtained prior to forwarding a recommendation to the City Council.

The Disposition Procedures provide that RES assesses the complexity of the issues on each excess property following the initial round of public involvement. The purpose of this analysis is to structure the extent of additional public input that should be obtained prior to forwarding a recommendation to the City Council. The Property Review Process Determination Form prepared for PMA 724, Kenmore Reservoir Site is attached as Appendix B. Due to the nature of the property, the extent of public comment on the excess property, its estimated value, and the recommendation to sell, disposition of this property was initially determined to be a ‘Complex’ transaction. With the Final Report, the Property Review Process Determination Form has been updated. The City of Lake Forest Park and other agencies have not expressed interest in purchasing the property, thus the disposition of this property is now determined to be a ‘Simple’ transaction and a public involvement plan is not required.

Preliminary recommendation report

- FAS published the preliminary recommendations report on the RES web site.
- RES also sent notice of the report’s availability to the Real Estate Oversight Committee (REOC), and to all City Departments and Public Agencies that expressed an interest in the Excess Property, and to members of the public who have provided input.
- FAS posted a notice sign visible to the public along the street frontage abutting the Excess Property.
- FAS received comments on the Preliminary Report for at least 30 days after the notice was sent, and continued to document comments after the comment period.

Public comment on preliminary recommendation report and 2014 public notice

FAS received the following public comments as a result of the 2014 public comment opportunity:

Eleven total comments were received that included comments from 16 Lake Forest Park residents. One comment was in support of selling the land to a developer to building new homes, and the other comments supported the property remaining in a natural state or park and being acquired by the City of Lake Forest Park.

Next Steps

This Final Report is published on the RES website, and notices are sent to parties of record.

Seattle Public Utilities will include the Final Report with any legislation necessary to implement the recommendation for this excess property. As required by RCW 35.94.040 for utility property,

there will be a public hearing on the proposed sale of the property. A notice of the public hearing will be published 14 days in advance of the hearing.

FAS will continue to take public comment, and share that information with the City Council, until the Council holds the public hearing and votes on the legislation.

Appendix A
EXCESS PROPERTY DESCRIPTION
February 24, 2014
Updated 7/9/2014

Seattle Public Utilities, as the Jurisdictional Department of this City owned property has identified the following information about this excess property.

Property Name: Kenmore Reservoir Site

PMA	Size*	Parcel #	Address	2014 Value	Zoning	Short Legal Description
724	125,017 118,918	4022902270 4022902320	19031 40 th PI NE 19021 40 th PI NE	\$400,00- \$800,000	RS9600 RS9600	Lake Forest Park Add, block 8, lot 30-31 less W 80 of lot 31” Lake Forest Park Add, block 8, Lot 32-33

Property Location: City of Lake Forest Park. NE ¼ of SW ¼ of Section 03, Township 26 N, Range 04 E., W.M. Near intersection of 40th PI NE and 45th PI NE.

Legal Description: Lots 30,31, 32, and 33, Block 8, First Addition to Lake Forest Park, according to plat recorded in Volume 20 of Plats, page 82, in King County, Washington; EXCEPT the west 80 feet of said Lot 31.



Map

History: Lots 30 and 31 were purchased in 1969. Lots 32 and 33 were condemned in 1972. This parcel was to have a 5 million gallon capacity water reservoir constructed in 1972 to provide storage and fire protection for the service area of Lake Forest Park. A letter in 1979 states that "subsequent developments would change our storage requirements in the North End and cause us to conclude that this facility need not be constructed at this location".

The property was circulated in 2008. City of Lake Forest Park expressed interest in purchasing the property. SPU has received word that they have decided not to purchase the property.

6/9/1969 Condemnation Ordinance [97853](#), AN ORDINANCE providing for the acquisition by condemnation of land and other property in Block 8, First Addition to Lake Forest Park, for the establishment of the Kenmore Reservoir Site project.

6/23/1969 Acquisition Ordinance [97895](#) AN ORDINANCE relating to the Water Department, authorizing the acquisition of certain property for the site of a water tank to serve the Lake Forest Park area and making an appropriation from the Water Fund therefor.

8/25/1969 Acceptance Ordinance [98081](#) AN ORDINANCE accepting a deed from Gordon A. Randall to a portion of Lots 30 and 31, Block 8, First Addition to Lake Forest Park, for water reservoir site purposes.

5/19/1972 King County Superior Court Cause 728395, Condemnation for Kenmore Reservoir Site as provided in Ord. 97853.

6/5/1972 Condemnation Ordinance [101069](#) AN ORDINANCE relating to condemnation proceedings to acquire land and other property in Block 8, First Addition to Lake Forest Park, for establishment of the Kenmore Reservoir, a municipal water service facility, under Ordinance 97853, King County Cause No. 728395; accepting a condemnation award in connection therewith and providing payment therefor from moneys heretofore appropriated by Ordinance 99490.

11/30/1970 Budget Ordinance [99490](#), AN ORDINANCE adopting a budget for The City of Seattle for the year 1971.

Acquisition Deeds:

6/3/1969 GORDON & JO ANN RANDALL TO CITY. VOL 52 PG 335. Rec. 6519883

Acquisition Fund Source: Water Fund

Development Issues: Mapped streams and steep slopes on property. Distance from public sewer system may be a cost issue.

Current easements, covenants and restrictions: none known

Recommended easements, covenants and restrictions upon Transfer: none

Current King County assessed value:

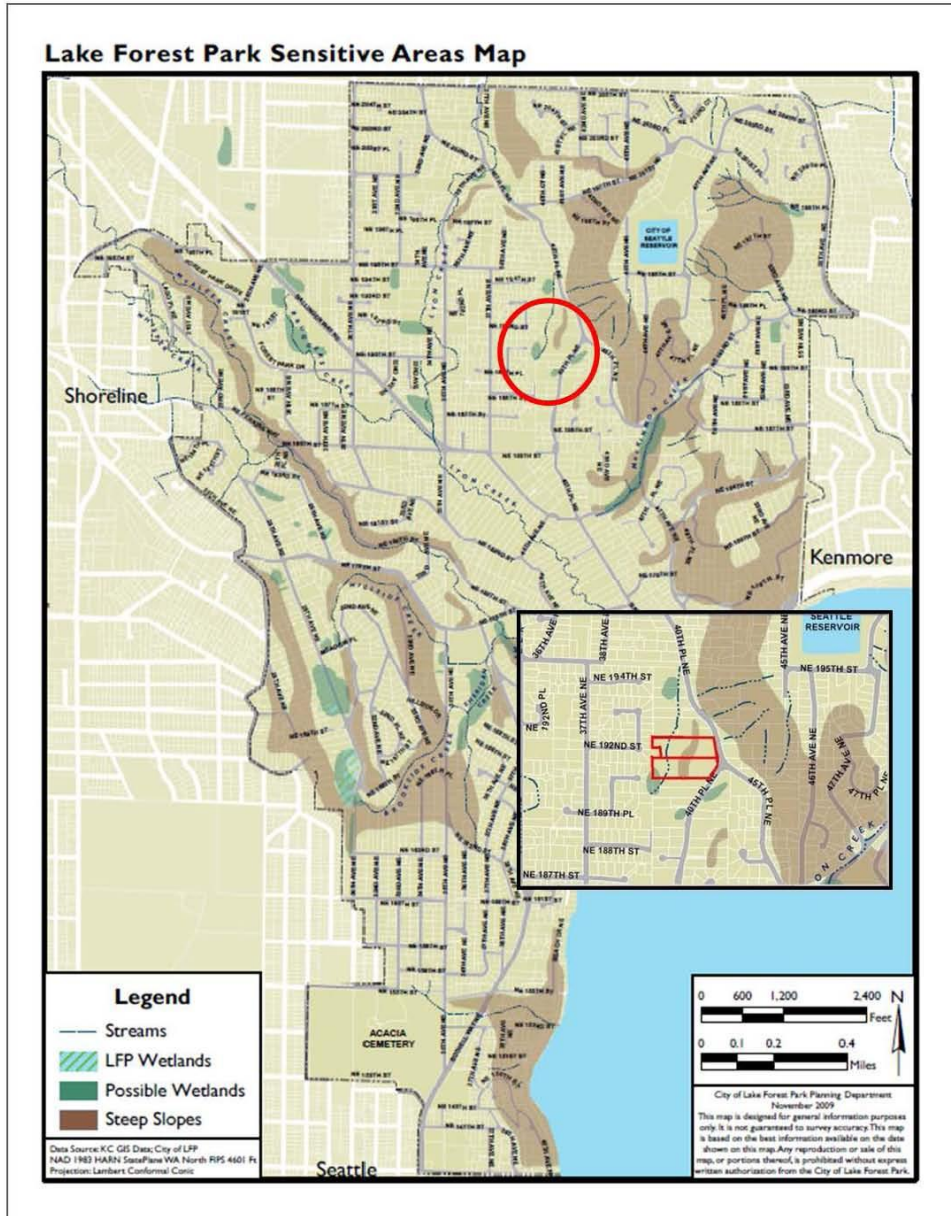
The value of the land is based upon the value of similar property in the neighborhood, which currently ranges from between \$5 and \$7 per square foot. **Change to state law (RCW 84.40.045 and 84.40.175) by the 2013 Legislature eliminated revaluation of government owned parcels. The value of the land may be adjusted due to critical area constraints.

Other Maps



RS-9,600 SINGLE FAMILY RESIDENTIAL/
MIN. LOT SIZE 9,600 SQ. FT.





Appendix B

PROPERTY REVIEW PROCESS DETERMINATION FORM			
Property Name:	Kenmore Reservoir Site		
Address:	Intersection of 40 th Place NE and 45 th Place NE., Lake Forest Park, WA		
PMA ID:	PMA. 724	King County Parcels Nos.	4022902270 and 4022902320
Dept./Dept ID:	SPU	Current Use:	Vacant: Excess
Area (Sq. Ft.):	243,935 sq. ft.	Zoning:	RS-9600
Est. Value:	\$ 400,000-\$800,000	Assessed Value:	\$ NA
PROPOSED USES AND RECOMMENDED USE			
<i>Department/Governmental Agencies: None</i>		<i>Proposed Use: N/A</i>	
<i>Other Parties wishing to acquire: Adjacent property owners/residents.</i>		<i>Proposed Use: Yard additions; development</i>	
RES'S RECOMMENDED USE:			
Sell at fair market value in an open and competitive process.			
PROPERTY REVIEW PROCESS DETERMINATION (circle appropriate response)			
1.) Is more than one City dept/Public Agency wishing to acquire?	<input checked="" type="radio"/> No	Yes	15
2.) Are there any pending community proposals for Reuse/ Disposal?	<input checked="" type="radio"/> No	Yes	15
3.) Have citizens, community groups and/or other interested parties contacted the City regarding any of the proposed options?	<input checked="" type="radio"/> No	Yes	15
4.) Will consideration be other than cash?	<input checked="" type="radio"/> No	Yes	10
5.) Is Sale or Trade to a private party being recommended?	No	<input checked="" type="radio"/> Yes	25
6.) Will the proposed use require changes in zoning/other regulations?	<input checked="" type="radio"/> No	Yes	20
7.) Is the estimated Fair Market Value between \$250,000-\$1,000,000?	No	<input checked="" type="radio"/> Yes	10
8.) Is the estimated Fair Market Value over \$1,000,000?	<input checked="" type="radio"/> No	Yes	45
Total Number of Points Awarded for "Yes" Responses:			35
Property Classification for purposes of Disposal review: <input checked="" type="radio"/> Simple <input type="radio"/> Complex (circle one) (a score of 45+ points result results in a "Complex" classification)			
Signature: Daniel Bretzke, AICP		Department: FAS	Date: June 26, 2014