

## SUMMARY and FISCAL NOTE

| <b>Department:</b> | <b>Dept. Contact/Phone:</b> | <b>Executive Contact/Phone:</b> |
|--------------------|-----------------------------|---------------------------------|
| SDOT               | Sam Spencer 4-5150          | Lisa Mueller / 4-5339           |

### **1. BILL SUMMARY**

**a. Legislation Title:**

AN ORDINANCE relating to the sale and redevelopment of City-owned property located at 318 Fairview Avenue North; authorizing the execution of a Purchase and Sale Agreement and other documents necessary to implement the sale and redevelopment of such property; exempting the sale of such property from the requirements of Resolution 29799, as amended by Resolution 30862; and authorizing the Director of the Department of Transportation to acquire, accept, and record on behalf of The City of Seattle a bargain and sale deed for a condominium unit to be constructed on the property.

**b. Summary and background of the Legislation:**

This legislation authorizes the Director of Department of Transportation (SDOT) to dispose of the property located at 318 Fairview Avenue, aka the South Lake Union Streetcar Operations and Maintenance Facility (see Exhibit “A”), to SCD Acquisitions West LLC a subsidiary of Skanska (Skanska), or another subsidiary thereof. Skanska intends to create a two-unit condominium comprised of a Facility Unit and an Office Unit and convey the Facility Unit back to SDOT. SDOT received an unsolicited offer for the property in July 2017, and since that time SDOT and Skanska have been in negotiations over the deal terms of a sale. The property is currently fully utilized by the Facility. If it were not for the unsolicited offer from Skanska the City would continue to own and operate this entire facility.

Skanska is uniquely qualified to work with the City, as they will be able to develop their building in a timeframe that does not impact the Facility. Should this legislation be approved, Skanska will be able to buildout the below grade portion of their project and deliver to the City the necessary area for the construction of the City’s expansion of the Facility. Upon completion of the City’s expanded Facility, Skanska will complete their building, and not interfere with the operation of the Facility and the streetcar.

The purchase agreement with Skanska includes a variability clause which could fluctuate the final sale price 5% above or below the agreed upon purchase price. The final purchase price is dependent upon the height requirement for the Facility Unit. The height requirement of the Facility Unit is a product of its operations and maintenance needs relative to the Office Unit. This height requirement will be determined as design of the Office Unit and the Facility are refined. Due to this clause, the final purchase price noted below is subject to change.

The table below shows the agreed upon purchase price, outstanding streetcar loans, and the cost to purchase a streetcar:

| Sale Price | South Lake Union Streetcar Operating Loan (approximate) | First Hill Streetcar Capital Project Overage Due to Scope Change (approximate) | Additional Streetcar (approximate) | South Lake Union Streetcar Capital Loan (approximate) | Total Outstanding Loans and Streetcar purchase |
|------------|---|--|------------------------------------|---|--|
| \$12.9 MM  | \$3.6 MM  | \$4.9 MM   | \$4.5 MM                           | \$4.8 MM  | \$17.8 MM                                      |

The proceeds from the sale will be used in the following way:

|  |  |
|--|--|
| South Lake Union Streetcar Operating Loan Satisfaction           | Approximately \$3.6 million of the sale proceeds will go toward repaying the South Lake Union Streetcar Operating Loan (10810).  |
| First Hill Streetcar Capital Project Overage Due to Scope Change | Approximately \$1.4 million of the sale proceeds will go toward paying for the First Hill Streetcar Capital Project Overage Due to Scope Change (10310). The remaining overage will be repaid using funds from street vacations.   |
| Additional Streetcar   | Approximately \$4.5 million will support the acquisition of an additional streetcar (10310). An additional streetcar will help with overall streetcar system performance and reliability. As growth in South Lake Union and Capitol Hill has exploded so has traffic congestion. |
| South Lake Union Streetcar Capital Loan                          | Any remainder of the sale proceeds will go toward repaying the South Lake Union Streetcar Capital Loan (10310). The proceeds from future SDOT property sales will be applied to pay off the South Lake Union Streetcar Capital Loan.   |

**2. CAPITAL IMPROVEMENT PROGRAM**

a. Does this legislation create, fund, or amend a CIP Project? \_\_\_ Yes \_\_\_ x No

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

a. Does this legislation amend the Adopted Budget? \_\_\_ Yes \_\_\_ x No

| Budget program(s) affected: | General Fund \$ |      | Other \$ |      |
|-----------------------------|-----------------|------|----------|------|
|                             | 2017            | 2018 | 2017     | 2018 |
| Appropriation change (\$):  |                 |      |          |      |

| Estimated Revenue change (\$): | Revenue to General Fund |      | Revenue to Other Funds |              |
|--------------------------------|-------------------------|------|------------------------|--------------|
|                                | 2017                    | 2018 | 2017                   | 2018         |
|                                |                         |      |                        | \$12,900,000 |
| Positions affected:            | No. of Positions        |      | Total FTE Change       |              |
|                                | 2017                    | 2018 | 2017                   | 2018         |
|                                |                         |      |                        |              |

- b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?**  
 This is a one-time opportunity to dispose of the property to Skanska at the negotiated amount. Skanska is able to work around the City’s construction schedule to expand the Facility. Once the City has expanded the Facility, development below grade will be virtually impossible, and development above the Facility would be substantially more expensive, almost guaranteeing that the possibility of future development will not occur.
- c. Is there financial cost or other impacts of *not* implementing the legislation?**  
 This legislation will allow the department to repay the South Lake Union Streetcar operating loan, and project overages due to scope change for the First Hill Streetcar Project (10310). The legislation will also allow the department to partially repay the South Lake Union Streetcar capitol loan. If those loans and the project overage are not paid off the department will continue to incur additional interest expenses.

**3.d. Appropriations**

**3.e. Revenues/Reimbursements**

  **x**   This legislation adds, changes, or deletes revenues or reimbursements.  
**Anticipated Revenue/Reimbursement Resulting from this Legislation:**

| Fund Name and Number                  | Dept | Revenue Source    | 2017 Revenue | 2018 Estimated Revenue |
|---------------------------------------|------|-------------------|--------------|------------------------|
| Streetcar Operating Fund (10810)      | SDOT | Property Proceeds | \$0          | \$3,600,000            |
| Transportation Operating Fund (10310) | SDOT | Property Proceeds | \$0          | \$9,300,000            |
| <b>TOTAL</b>                          |      |                   |              | <b>12,900,000</b>      |

Is this change one-time or ongoing?  
 This is a one-time revenue change.

Revenue/Reimbursement Notes:  
 In addition to sale revenue, The City will receive an estimated \$3.9 million in fees for Mandatory Housing Affordability, to be deposited into the Low-Income Housing Fund (16400).

**3.f. Positions**

#### 4. OTHER IMPLICATIONS

- a. Does this legislation affect any departments besides the originating department?**  
Yes, Seattle City Light (SCL) is the current tenant of a building on the property. SDOT will ensure SCL has proper notice prior to the building's anticipated demolition in 2018.
- b. Is a public hearing required for this legislation?**  
No
- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**  
No, this property is not subject to RCW 64.06.080.
- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**  
Yes, this legislation will be published in the Daily Journal of Commerce.
- e. Does this legislation affect a piece of property?**  
Yes, this legislation affects City owned property located at 318 Fairview Avenue in Seattle, King County Assessor's Parcel numbers 2467400065, 2467400073 and 2467400085, see Exhibit A for more detail.
- f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**  
The disposition of this property will not affect the vulnerable or historically disadvantaged communities of Seattle.
- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**  
An additional streetcar will help with overall long-term streetcar system performance and reliability. An additional streetcar will improve reliability of the streetcar system and help mitigate delays due to increased traffic congestion. Thus, helping to achieve program goals.
- h. Other Issues:**

**List attachments/exhibits below:** Exhibit A: Map depicting the property.