



Seattle City Council

Central Staff - Memorandum

Date: November 18, 2015

To: Councilmember Bagshaw
Councilmember Harrell
Councilmember Sawant

From: Peter Lindsay, Council Central Staff

Subject: **C.B. 118510 – Authorizing the Director of Seattle Public Utilities to lease or acquire by negotiation or condemnation land and all necessary property rights located at 4500 West Marginal Way Southwest.**

Introduction

C.B. 118510 authorizes the Director of Seattle Public Utilities (SPU) to lease or acquire, by negotiation or condemnation, property located at 4500 West Marginal Way Southwest (Horizon Coach Lines property) in the Duwamish Manufacturing and Industrial Center for the purposes of relocating SPU's Drainage and Wastewater (DWW) South Operations Complex. According to SPU the relocation is necessary to meet maintenance service goals and provide long-term capacity for maintenance functions. Relocation of the DWW South Operations Complex was contemplated as part of SPU's Strategic Business Plan that called for greater focus on facility master planning, facility capital improvements and facilities management throughout SPU's four lines of business: drinking water, wastewater, drainage and solid waste. The anticipated costs for acquiring property and completing tenant improvements for the relocated DWW South Operations Complex are about \$16.6 million.

This memo provides background behind SPU's decision to seek Council authorization to acquire the site and considers the decision in the context of SPU's Strategic Business Plan.

Background

SPU is responsible for operating and maintaining the City's municipal stormwater and sewer systems collectively known as the Drainage and Wastewater line of business. The DWW South Operations Complex located at 805 South Charles Street encompasses about 65% of the DWW maintenance functions. In addition to sewer and drainage maintenance functions, the DWW South Operations Complex includes administration personnel, equipment and materials, SPU's city-wide emergency response and grounds maintenance. The Charles Street property also contains a portion of SDOT's streetcar maintenance operation. In August 2013, SPU completed a space needs assessment documenting the existing and future program requirements for the DWW South Operations Complex. The needs assessment concluded that the Charles Street

property lacked sufficient capacity to accommodate the long-term space and facility requirements of the DWW maintenance operation. Consequently, SPU hired a consultant to conduct a siting study that analyzed and assessed properties throughout South Seattle meeting the program requirements developed in the space needs assessment.

Site Study and Selection Criteria

Working with a consultant, SPU conducted a two-year site selection process seeking to find suitable properties for the long-term programmatic requirements of the DWW South Operations Complex.

To assist with developing a short-list of viable sites, SPU established the following set of qualitative evaluation criteria to compare properties:

- benefits provided by a developed site
- square footage of exterior space and existing buildings
- access to major arterials
- adjacency of industrial neighbors
- lowest environmental clean-up risk
- location on the Duwamish River for SPU's source control staff and watercraft
- proximity to City-owned park property

After review of 12 separate properties in South Seattle, SPU narrowed the site options to two prospective locations: (1) a City-owned 8.7-acre parcel at 9501 Myers Way South and (2) a privately-owned 6-acre site at 4500 West Marginal Way Southwest ("Horizon Coach Lines" property). The City-owned Myers Way property is owned by the Finance and Administrative Services (FAS) Department. The property is currently unused and undeveloped. If acquired, SPU expects to pay the fair market value of the property to FAS. In addition to the criteria listed above, SPU hired professional appraisals to compare the relative acquisition costs for both the Meyers Way and Horizon Coach Lines properties.

SPU performed Phase I environmental site assessments on both prospective locations, and some amount of environmental clean-up risk is present at each site. According to SPU, since the utility is familiar with environmental contamination and clean-up along the Duwamish – including past participation in the clean-up of properties adjacent to the Horizon Coach Lines site – the prospective Horizon Coach Lines property was considered less risky than the Myers Way property.

SPU's comparative analysis between the two sites based on the qualitative criteria described above, appraised values and known environmental risks concluded that the Horizon Coach Lines site is preferred.

Strategic Business Plan Implications

SPU's six-year Strategic Business Plan (SBP) describes a set of action plans formulated to guide investments on specific policy or planning initiatives across all four lines of business. New capital spending to relocate the DWW South Operations Complex was contemplated as part of the SBP. Specifically, Action Plan A-17 addresses facilities master planning, facilities capital improvements, facilities management and decommissioning and identified \$87.2 million in funding for facilities capital improvements over the 6-year period from 2015 to 2020 across all of SPU's lines of business. Action Plan A-17 identified about \$18.9 million in spending for the DWW South Operations Complex. The estimated land acquisition and facility development costs associated with SPU's preferred alternative (Horizon Coach Lines site) are about \$16.6 million and seem favorable compared to the estimated cost described in the SBP.

Rate Impacts

Spending for land acquisition in support of the DWW South Operations Complex was included in the Proposed 2016-2021 Capital Improvement Program (CIP) Operations Facility – Construction – DWF project (C4106-DWF) and the 2016 to 2018 drainage and wastewater rate period. SPU currently anticipates land acquisition in 2016 and construction of tenant improvements in 2017 and 2018, a three-year development schedule. However, the Proposed 2016-2021 CIP assumed a 5-year development schedule. Consequently, SPU will need to seek Council approval to move appropriations from the outer years into 2016 and 2017 to meet a shorter schedule. Additional legislation, likely in the form of a quarterly supplemental budget request, would be required to change SPU appropriations for 2016. According to SPU, a rate adjustment is not required to accelerate spending on the project.

Options

Option A – Do pass. Recommend the Mayor's proposal to Full Council.

Option B – Do not pass. Do not recommend the Mayor's proposal to Full Council. Choosing this option would mean that SPU could not enter into negotiations or condemnation to acquire or lease the Horizon Coach Lines property. Council could choose this option if they believe the proposed legislation is incongruent with expenditures and rates anticipated in the Strategic Business Plan.