PROPERTY ACQUISITION FINANCIAL FEASIBILITY STUDY

PUGET SOUND REGIONAL COUNCIL

JULY 1997

Preface

The purpose of this *Property Acquisition Financial Feasibility Study* is to: (1) advance the regional discussion of mitigation, including the potential need for regional or statewide mitigation models, and (2) assess the feasibility of establishing a funding mechanism for acquiring and redeveloping properties that are adversely impacted by regionally significant essential public facilities.

On July 11, 1996, the General Assembly adopted *Resolution A-96-02* which, among several other tasks, called for the study presented in this report. Specifically, the Regional Council was directed to:

> Undertake a study which evaluates the use of a state-financed revolving fund, or other financing mechanisms (such as a public/private partnership) for the acquisition of incompatible uses within the 65 DNL to the 75 DNL contour, for conversion to noise compatible non-residential uses. Any such funding mechanism must demonstrate a balance between long-term costs and revenues.

The Regional Council sought consultant services to assist in assessing potential financing mechanisms to be used to acquire and redevelop land. As the methodology for the study developed, the study was broadened to include other transportation facilities in addition to Sea-Tac International Airport. Specifically, the Regional Council sought to examine the use of a state-financed revolving fund or other public and/or private financing mechanisms to acquire and redevelop land with incompatible uses adjacent to regional transportation facilities such as airports or rail yards.

A case study area was selected near each of the following regional transportation facilities:

- Auburn Rail Yard,
- Sea-Tac International Airport, and
- Proposed Everett 112th Street SE High Occupancy Vehicle (HOV) Lanes and Park-and-Ride Facility.

The study areas are relatively small, containing 117, 321, and 58 parcels respectively and occupying a total of about 100 acres of land.

The study is designed to provide Regional Council members with basic information concerning the financial feasibility of acquisition and redevelopment programs. It recognizes that a fundamental component of any program addressing the re-use of land is directly controlled by local governments exercising their land use planning and zoning authority. Therefore, local

jurisdictions play a key role in implementing any acquisition and redevelopment program. The purpose of the feasibility analysis was simply to examine the possibility for acquisition and redevelopment as a mitigation solution. The study attempts to answer questions such as: What funding sources could be available? How much seed money may be needed to begin a project? What are the variables that affect costs and revenues? What percentage of the costs could be expected to be recovered?

MOLYNEAUX ASSOCIATES, INC.

Puget Sound Regional Council

PROPERTY ACQUISITION FINANCIAL FEASIBILITY STUDY

IN ASSOCIATION WITH

LaBonde Land, Inc.

JULY 14, 1997

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Additional copies of this study may be obtained by contacting:

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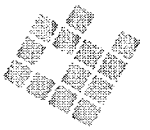

EXECUTIVE SUMMARY

Puget Sound Regional Council
PROPERTY ACQUISITION FINANCIAL FEASIBILITY STUDY

The population of central Puget Sound region is expected to grow by one million people by the year 2020. This growth will be accompanied by an increased need for essential public facilities. At the same time, the ability to site facilities will be constrained by competition from other uses and by the need to mitigate of impacts. The Puget Sound Regional Council is committed to helping mitigate impacts of regionally significant public facilities.

The Property Acquisition Financial Feasibility Study has two objectives. These are to (1) advance the regional discussion of mitigation, including the potential need for regional or statewide mitigation models; and (2) assess the feasibility of establishing a funding mechanism for acquiring and redeveloping properties that are adversely impacted by regionally significant essential public facilities.

This evaluation of the feasibility of acquiring and redeveloping properties to address land use incompatibility consists of a cost recovery analysis, an impact assessment, a review of funding mechanisms, and a discussion of agency roles and responsibilities. The assessment and analysis focus on three case study areas located in the Cities of Auburn, SeaTac, and Everett. The regionally significant facilities include the Auburn Rail Yard, Sea-Tac International Airport, and proposed 112th Street SE State HOV Lanes and CPSRTA Park-and-Ride Lot. These facilities and study areas represent a range of transportation modes with varying types and degrees of impacts. This assessment for resolving land use incompatibilities used a methodology that evaluated individual property site acquisition and redevelopment potential.

Within each case study, redevelopment areas were defined through the application of a series of factors, including the extent of the impact, emerging land use patterns, local policies, access, parcel size, and marketability. A redevelopment program was identified and evaluated for each area. The Auburn, SeaTac, and Everett acquisition areas consist of 17.4, 70.14, and 13.96 acres, respectively. The Port of Seattle 32 acre site was included in the redevelopment analysis for SeaTac. The Auburn, SeaTac, and Everett properties were determined to have redevelopment potential as retail/office, warehouse or business park, and multifamily housing, respectively.

The cost recovery analysis for acquisition and redevelopment determined that the cost of property purchase and site preparation exceed the potential for full recovery. A program of resolving incompatible land uses will require public participation to underwrite the difference between acquisition cost and the net proceeds from the land resale. The range of cost recovery for the Auburn, SeaTac, and Everett sites is 25.2 percent, 66.3 percent, and 47.5 percent, respectively.

Regional and statewide funding mechanisms are proposed to address the public policy and financing issues of a redevelopment program. Three alternative mechanisms are identified to support a solution, including a new state supported trust fund, expanded Transportation Improvement Board program, and creation of an Industrial Development Corporation. Any solution will need to involve the private sector in funding the redevelopment projects or as participants in the financing mechanisms. Finally, implementation will require the allocation of existing or new revenue resources to support the financing mechanisms.

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Puget Sound Regional Council
PROPERTY ACQUISITION FINANCIAL FEASIBILITY STUDY

Chapter One

INTRODUCTION AND PROJECT UNDERSTANDING

The population of Central Puget Sound Region is expected to grow by one million people by the year 2020. This growth will be accompanied by an increased need for essential public facilities (transportation facilities such as airports, rail yards, jails, landfills, etc.). At the same time, the ability to site facilities will be further constrained by competition from other uses and proximity to residential areas. Finding ways to mitigate the impacts of these facilities will become more important. If nothing is done, the potential for conflict and inequitable distribution of costs and benefits associated with siting decisions will increase.

The Puget Sound Regional Council (Regional Council) is committed to helping mitigate impacts of regionally significant essential public facilities. The Regional Council has stated this commitment on several occasions, including *Resolution No. EB-94-01,* which states that

> . . .the region will work with the state to enact legislation allowing for substantial and equitable incentives and compensation for communities impacted by the proximity of essential public facilities.

The commitment was also expressed in the *1995 Update to VISION 2020.* VISION 2020 policy RF-3.3 states that, "...the region should share the burden and provide mitigation to communities impacted by regional capital facilities..." and the regional capital facilities should be sited in a manner that, "...reduces adverse societal, environmental, and economic impacts on the host community."

On July 11, 1996, the General Assembly adopted *Resolution A-96-02* which, among several other tasks, called for the study presented in this report. Specifically, the Regional Council staff was directed to

> Undertake a study which evaluates the use of a state-financed revolving fund, or other financial mechanism (such as a public/private partnership) for the acquisition of incompatible uses within the 65 DNL to the 75 DNL contour, for conversion to noise compatible non-residential uses. Any such funding mechanism must demonstrate a balance between long-term costs and revenues.

As the methodology for the study developed, the study was broadened to include transportation facilities other than Sea-Tac International Airport.

The study has two objectives: (1) to advance the regional discussion of mitigation, including the potential need for regional or statewide mitigation models; and (2) to assess the feasibility of establishing a funding mechanism for acquiring and redeveloping properties that are adversely impacted by regionally significant essential public facilities.

REPORT ORGANIZATION

The report is organized into five chapters. Chapter One includes the introduction and study objectives. Chapter Two describes the analysis framework, case study selection process, study area definitions, and the evaluation of facility impacts and land use incompatibilities. Chapter Three provides the analysis of the case studies data, including redevelopment program assessment, cost recovery evaluation, estimation of resale value, and timeframe and present value analysis. This chapter also includes the development impact assessment. Chapter Four describes the potential implementation strategies, including roles and responsibilities of jurisdictions and organizations, potential implementing organizations, and potential funding sources. Chapter Five presents the study findings and conclusions. An appendix provides supplemental information related to each of the case study areas. The appendices relating to each case study are grouped together.

Chapter Two

ANALYSIS FRAMEWORK

Information resources were reviewed and evaluated to determine data availability and appropriateness to support the study effort. Potential data resource organizations were contacted for real estate market and trend information, as well as materials related to the potential acquisition and redevelopment areas. These organizations included Weyerhaeuser Real Estate, Armco Research, and CB Commercial Real Estate. The organizations confirmed that the markets for commercial and warehouse space is growing in Central Puget Sound, while demand for multifamily rental units within a planned development or mixed use format is also growing. In addition, the Council on State Legislatures was contacted to identify any statewide programs or regional approaches that matched the objectives of the Property Acquisition Financial Feasibility Study. The Council, a national legislative research center, was unable to identify a state or region that had undertaken a program to resolve the issues associated with regional transportation facilities and incompatible land uses.

This evaluation of the feasibility of acquiring and redeveloping properties to address land use incompatibility issues consists of a cost recovery analysis, an impact assessment, a review of potential funding mechanisms to support a redevelopment program, and a discussion of agency roles and responsibilities. The cost recovery assessment and impact analysis focus on three case study areas. The areas represent a range of transportation facilities with varying types and degrees of impacts. As part of the evaluation, the consultant team collected data from local commercial real estate sources, county assessor records, and local jurisdiction land use files. In addition, local jurisdictions and the Regional Council provided substantial assistance through their geographic information systems. The assessment of potential funding mechanisms reviews a wide range of sources and rates them for applicability, yield, and ease of implementation, among other factors. Finally, institutional roles are addressed and alternative structures for an acquisition and redevelopment program are identified.

The methodology provides a planning level assessment of the feasibility of acquiring and redeveloping properties where current land uses are incompatible with adjacent regional transportation facilities. The estimates of costs, revenues, and redevelopment impacts are made within the limits of the scope of work and are based upon the best available data at the time of the analysis. All project costs and revenues are stated in 1997 dollar values. The methodology cannot account for the full range of factors that influence future market values and development impacts. The models for financing alternatives are developed in this assessment so those key decisions involving land acquisition and redevelopment can be made. Prior to any final course of action, an in-depth, site-focused development analysis must be performed.

SELECTION OF CASE STUDIES

This assessment for resolving land use incompatibilities adjacent to regional transportation facilities established a methodology for evaluating sites for acquisition and redevelopment. A field reconnaissance was conducted to review regional transportation facilities and any associated impacts. For the purposes of this analysis, three regional facilities and adjacent land use areas were selected to serve only as case studies.

Several factors were used in selecting the case studies. First, a range of regionally significant transportation facilities was identified that included different modes and locations. Second, the facilities range in size and regional impact. Third, the facilities have a variety of operators, including the state, port districts, regional transit authority, and private industry. Fourth, as a group they offer geographic diversity and variation in local real estate market conditions. Fifth,

adjacent to each facility were areas identified as potentially incompatible land uses that were manageable in size given the scope, timeframe, data requirements, and budget of the analysis. Sixth, areas that would be considered for redevelopment also offered different redevelopment possibilities. Finally, local data were available to support the various components of the analysis.

Three regional transportation facilities were selected and confirmed with the Regional Council for evaluation. These include the:

- Auburn Rail Yard,
- Sea-Tac International Airport, and
- Proposed Everett 112th Street SE High Occupancy Vehicle (HOV) Lanes and Park-and-Ride Facility.

The study area locations are shown on Map 1 Case Study Locations.

STUDY AREA DEFINITION

Each regional facility was reviewed to identify adjacent areas that could be considered impacted by the transportation facility. In each case, discussions were held with the jurisdiction, port authority, and Regional Council to assess the area for inclusion into the study. Single family residential land uses represent the basic criteria for inclusion. Other conditions considered when selecting a study area included the potential for:

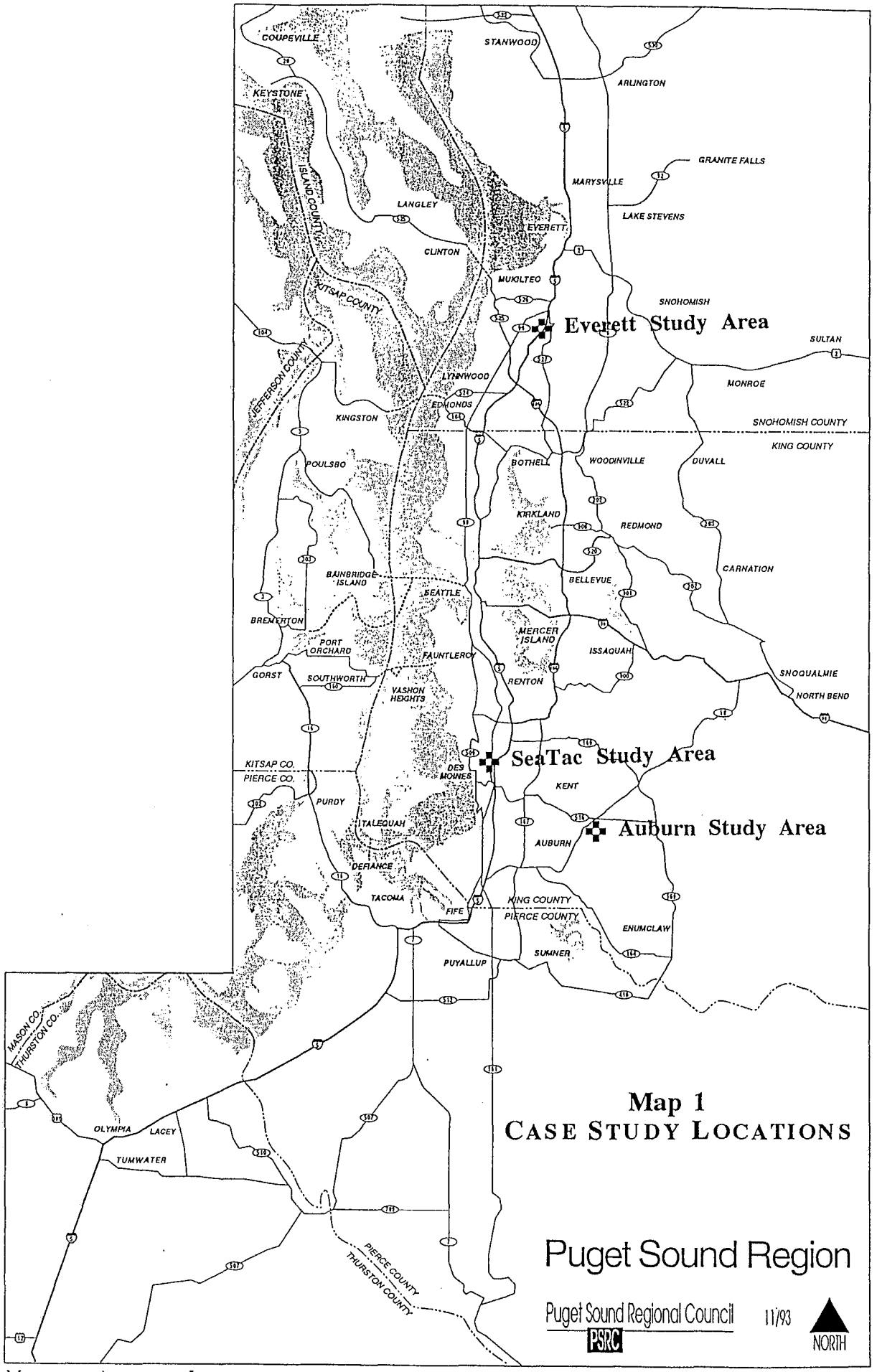
- increased noise,
- increased light,
- increased traffic and congestion, and
- visual encroachment.

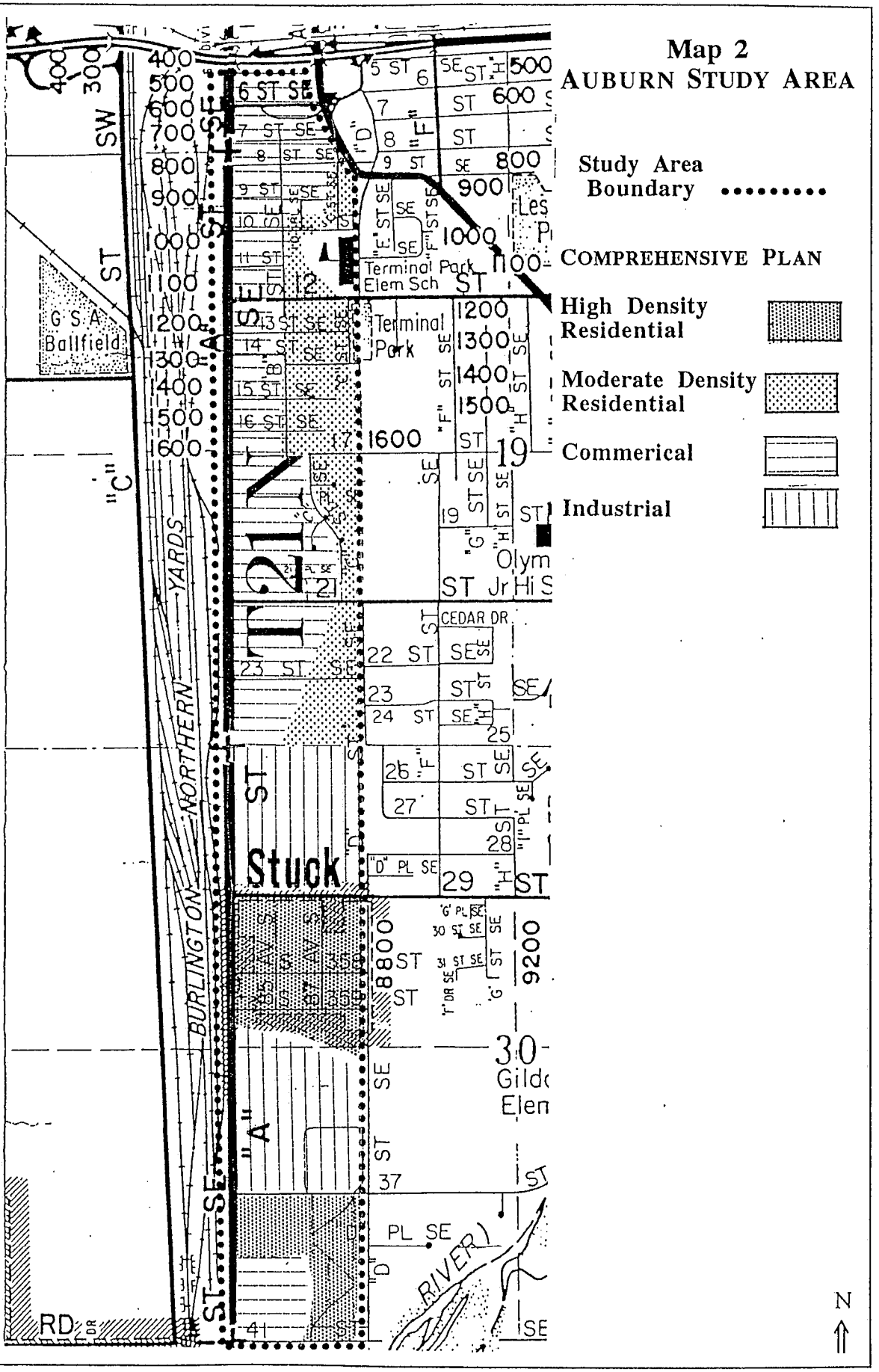
Planning impact distances of one-quarter to one-half mile from the regional transportation facility were applied to assist in determining the extent of the study areas. In each case, the individual facility's size, shape, and associated impacts were considered to refine the study area boundary. In addition, a study area's relationship to other transportation facilities was also considered in setting boundaries. Shorter term impacts associated with facility construction were not considered as part of this analysis.

Auburn Rail Yard Study Area Description

The Auburn Rail Yard was selected as a representative of private sector transportation facilities that can be identified as significant and regional in nature. This facility is on the recently re-opened Stampede Pass rail line linking eastern markets to the Ports of Seattle and Tacoma. The yard has been evaluated for expansion as a multimodal transportation center. The Auburn Rail Yard is located within the City of Auburn and runs north and south between "C" Street SW and "A" Street SE. Property to the west of the yard is primarily occupied by the General Services Administration (GSA) Compound and Boeing Company facilities. These warehouse and commercial land uses are compatible with the current and future rail yard activity.

To the east of the rail yard and "A" Street SE the land uses are a mixture of commercial, retail and residential properties. The study area begins just south of downtown Auburn and extends south toward the White River. The area is bounded by Highway 18 to the north, 41st Street to the south, "A" Street SE to the west, and approximately "C" Street SE to the east. It is approximately 1/4 of a mile wide by 2 and 1/2 miles long (Map 2 Auburn Study Area and Exhibit A1 Auburn Photos 1 and 2).


COUPEVILLE
STANWOOD
ARLINGTON
KEYSTONE
GRANITE FALLS
MARYSVILLE
LANGLEY
LAKE STEVENS
EVERETT
CLINTON
MUKILTEO
SNOHOMISH
Everett Study Area
SULTAN
LYNNWOOD
MONROE
EDMONDS
KINGSTON
SNOHOMISH COUNTY
KING COUNTY
POULSBO
BOTHELL
WOODINVILLE
DUVALL
KIRKLAND
REDMOND
CARNATION
BAINBRIDGE ISLAND
BELLEVUE
SEATTLE
BREMERTON
MERCER ISLAND
PORT ORCHARD
FAUNTLEROY
ISSAQUAH
GORST
SOUTHWORTH
RENTON
SNOQUALMIE
VASHON HEIGHTS
NORTH BEND
SeaTac Study Area
KITSAP CO.
PIERCE CO.
DES MOINES
KENT
PURDY
TALEQUAH
Auburn Study Area
AUBURN
DEFIANCE
TACOMA
FIFE
KING COUNTY
PIERCE COUNTY
ENUMCLAW
SUMNER
PUYALLUP
MASON CO.
THURSTON CO.
OLYMPIA
LACEY
TUMWATER
PIERCE COUNTY
THURSTON COUNTY
Map 1
CASE STUDY LOCATIONS
Puget Sound Region
Puget Sound Regional Council
PSRC
11/93
NORTH


Map 2
AUBURN STUDY AREA
Study Area Boundary
COMPREHENSIVE PLAN
High Density Residential
Moderate Density Residential
Commerical
Industrial
N
G S A Ballfield
Terminal Park Elem Sch
Terminal Park
Olym
Jr Hi S
Stuck
Gild
Elen
BURLINGTON NORTHERN YARDS
RIVER
CEDAR DR

The study area contains a wide variety of property types. Most of the properties fronting "A" Street SE and facing the proposed railroad switching yard are commercial or manufacturing establishments, with the exception of a few blocks of residential properties toward the north end of "A" Street SE. Beginning 1/2 to 1 block east of "A" Street SE, all the properties are composed of either single family, multifamily residential or mobile home parks. The areas to the east and south of the study area are comprised mostly of residential properties with the exception of the Auburn Way corridor, which is comprised of commercial establishments. Map 2 illustrates the comprehensive plan designations for the study area.

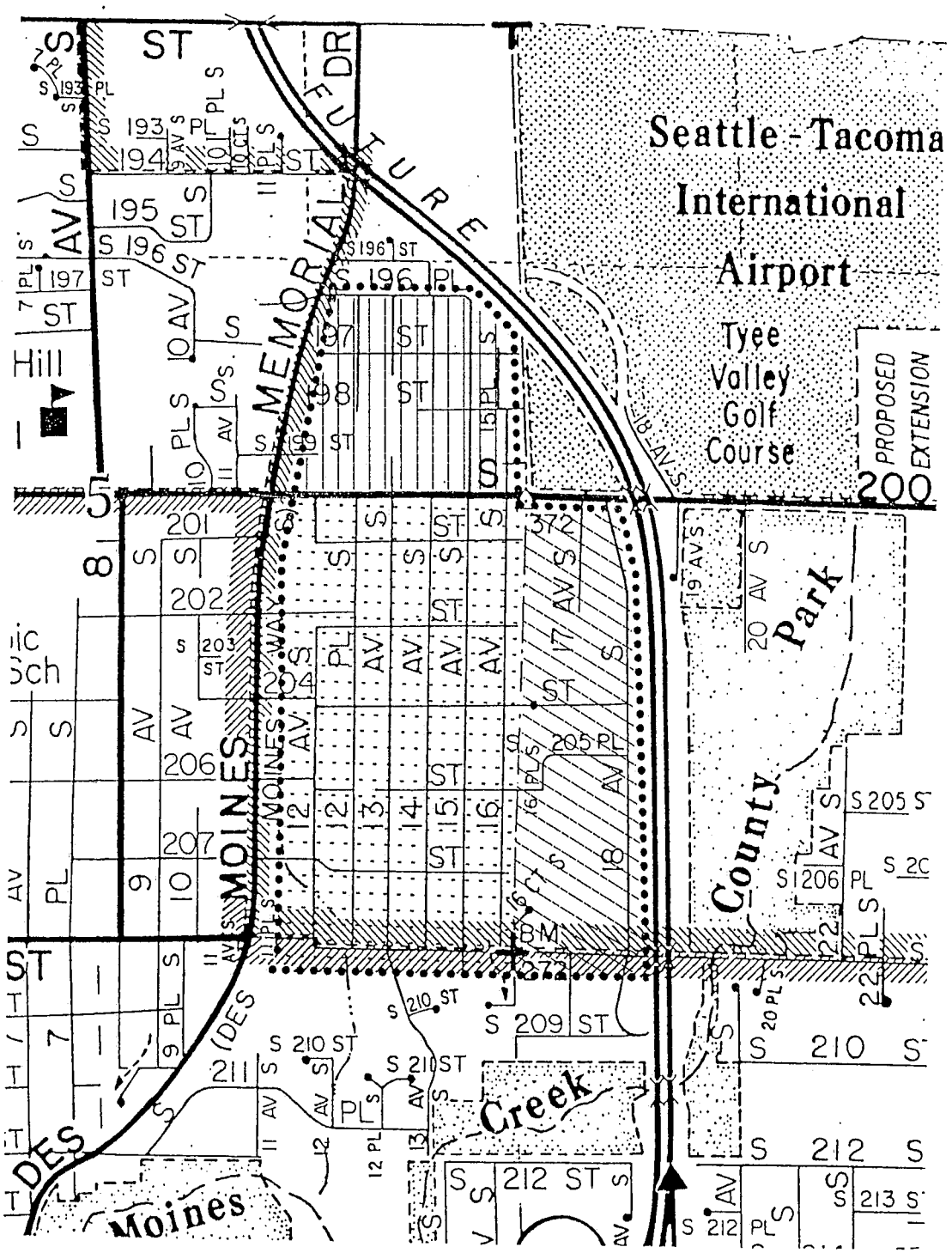
SeaTac Study Area Description

The study area was selected as representative of single family residential areas that are adjacent to the airport or impacted by airport related noise. Based upon the Sea-Tac International Airport Master Plan Update Environmental Impact Statement, the area is almost entirely within the 70 DNL noise contour for existing flight noise exposure. In addition, the site is near commercial uses and will also be impacted by the new SR 509 right-of-way. The study area is located approximately 1/4 mile south of Sea-Tac International Airport (Map 3 SeaTac Study Area). The relationship of the study area to the 2010 projected noise contour is shown in Map 4, Final Supplemental EIS for the Master Plan Update. The area is bounded by S. 196th Street on the north, S. 208th Street on the south, Des Moines Way on the west, and 18th Avenue on the east. The area immediately north of the study area is comprised of warehouses and an office building that contain numerous businesses related to airport activity. To the east of the study area are the Tyee Valley Golf Course, a proposed business park, vacant land, and the new Federal Correctional Institution west of SR 99. Much of this area is within the current airport flight path. The areas to the south and west of the study area contain mostly single family residences (Exhibit S1 SeaTac Photos 1 through 4).

The study area is comprised almost exclusively of single family residences and vacant land. An exception is the Maywood Center on S 200th Street, a computer laboratory facility operated by the Highline Public School District. The study area is planned for residential use, business park, and industrial uses (Map 3). The majority of vacant land is located on the north and east sides of the study area, while the single family homes are located in the southern portion of the study area. Most of the single family homes are located between 200th Street and 208th Street and between Des Moines Way and 18th Avenue. The homes appear to have been constructed in 1950's and 1960's. An average block within the area contains 10 to 12 single family residences. The entire study area contains 312 single family residences, two duplexes, six vacant residential lots and one public school. During the site inspection, it was noted that eight homes have "For Sale" signs. The listed prices range from $109,900 to $111,150. Additionally, the eastern portion of the study area is vacant right-of-way land for the SR 509 project.

Everett 112th Street SE Study Area Description

This facility was selected because it represents a significant new component of the regional HOV System. This proposed facility includes new HOV lanes on 112th Street, I-5 connecting ramps, and a park-and-ride lot. The proposed HOV facility would also provide connections to local transit service and the Phase I System of the Regional Transit Authority. The HOV facility bisects the study area linking Interstate 5 with the Paine Field employment center. The specific location of the park-and-ride lot has not been determined. Possible sites may include locations within the median of the I-5 right-of-way and the area north and west of 112th Street and adjacent to the PUD right-of-way.



Map 3
SEATAC STUDY AREA

Study Area Boundary

COMPREHENSIVE PLAN

Low Density Residential

Business Park

Industrial

N

Map 4

Aircraft Noise Exposure Pattern - 2010
Alternative 3 (Preferred Alternative)

Jurisdictional Boundary

Generalized Study Area

Noise Contours of 65 DNL and Above

60 DNL Noise Contour

SeaTac Study Area

Seattle-Tacoma International Airport
Supplemental Environmental Impact Statement
for the Master Plan Update

Scale 1" = 6,000'

0 6000 12000 18000

Scale of Feet

The study area is located adjacent to Interstate 5 and west along 112th Street SE, shown in Map 5 Everett Study Area. The study area is bounded by 109th Street, SE on the north, 116th Street, SE on the south, Everett City limits on the west, and Interstate 5 on the east. It is approximately 1/2 mile wide and 3/4 mile long. The areas immediately north, west and south of the study area are comprised primarily of residential properties.

The study area is comprised mostly of single family residences with the exception of the 112th Street SE corridor. Map 5 provides the comprehensive plan designations for the area. The eastern portion of 112th Street SE contains numerous new apartment complexes. There is a large manufactured home park located along the south side of 112th between 7th Avenue SE and Interstate 5. In addition, there is a small retail strip center located on the northwest corner of 112th Street and 7th Avenue SE. The western end of the study area along 112th Street contains a gas station, numerous churches and a condominium complex. The area between 2nd Avenue W and 3rd Avenue SE along 112th Street contains mostly single family residences. See and Exhibit E1 Photos 1 through 12.

EVALUATION OF FACILITY IMPACTS AND LAND USE INCOMPATIBILITY

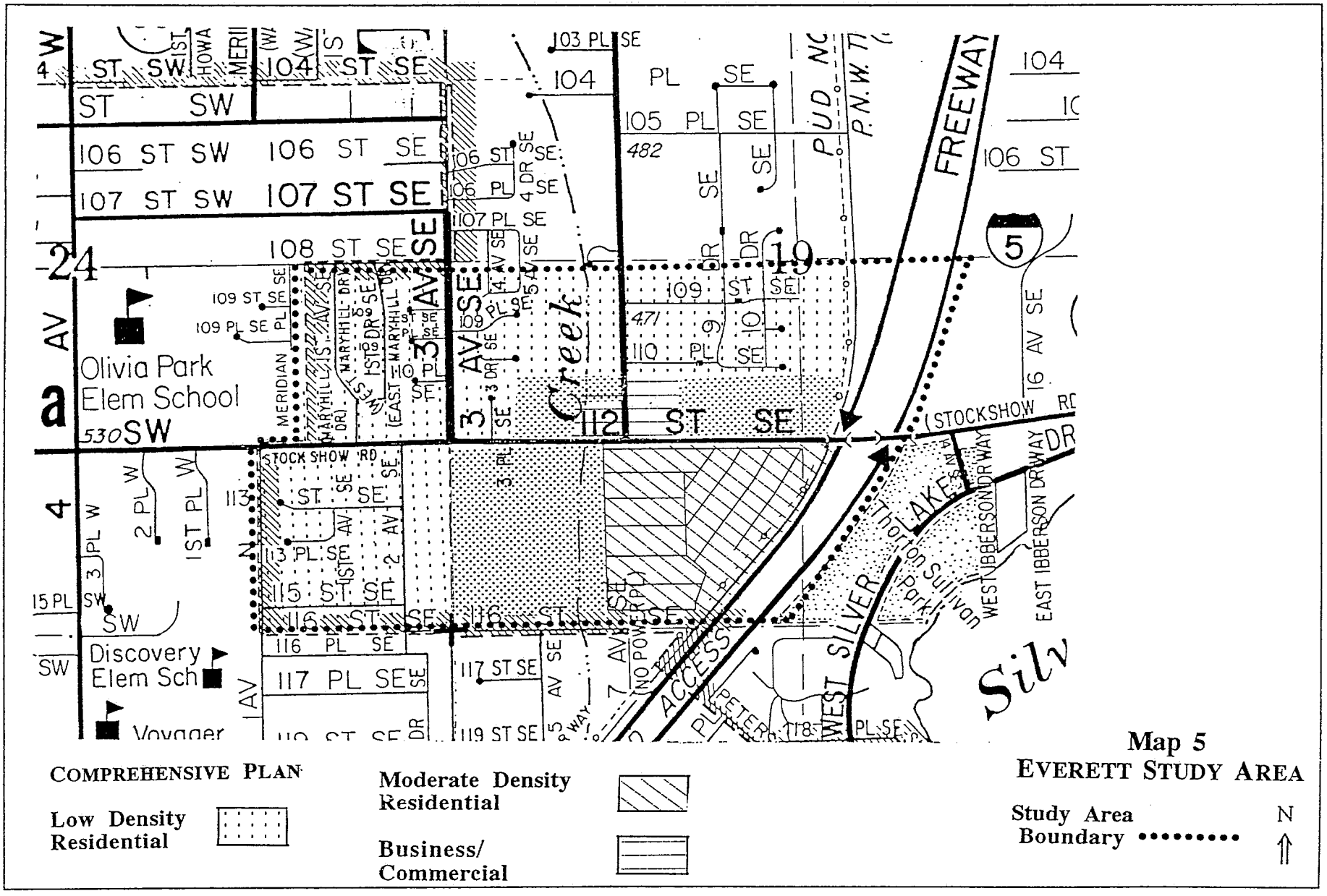
The study areas were examined and the nature and extent of the potential incompatible land uses described. The descriptions of potential incompatibilities are included in the study based on the identified selection criteria, field surveys, and data provided by local jurisdictions. The impacts of the facilities and resulting land use incompatibilities in each study area are reviewed below.

Auburn Rail Yard Land Use Impact Area

The Auburn study area is currently affected by the noise, light, and hours of operation of trains, automobiles and trucks along the western edge of the study area. The proposed increased activity at the Burlington Northern Santa Fe Railroad (BNSF) yard would create additional impacts associated with building train sets and switching activity. BNSF has indicated that they have suspended plans for the multimodal facility and are currently pursuing only the expansion of the facility as a switching yard.

The area impacted the most by the proposed switching yard would be the row of residential homes located on "A" Street SE between 11th and 16th Streets SE (see Exhibit A1 Auburn Photos 3 through 8). Also, there are some newly constructed apartment buildings, Glen Apartments shown in Exhibit A1 Auburn Photos 11 and 12, on "A" Street in the vicinity of 19th Street. These buildings are also impacted by the arterial street. These apartment buildings help provide a noise buffer to the single family residential properties that are located behind them, although the residents of the apartments may be affected by the increased noise, depending on the construction materials used.

Several potential buffer zones exist which can limit the noise and other impacts from the proposed switching yard. These are illustrated in Exhibit A1 Auburn Photos 2 through 6. First, most of the tracks are set back a distance from "A" Street SE, which is the western boundary of the study area. There are no structures between the railroad tracks and "A" Street SE. Second, "A" Street SE is a five-lane major arterial that creates a significant amount of traffic noise and congestion. Third, most of the east side of "A" Street SE contains commercial or manufacturing facilities that are compatible with the rail yard and provide shielding for the residential properties to the east. Examples of such businesses include a large retail complex with parking, junk car yard, commercial strip center, truck parking areas, state vehicle emissions test facility, utility vault manufacturer, and mini-storage facility (Exhibit A1 Auburn



COMPREHENSIVE PLAN

Low Density Residential

Moderate Density Residential

Business/ Commercial

Map 5
EVERETT STUDY AREA

Study Area Boundary .....

N

Photos 13, 14, and 15). The residential properties that are behind and to the east of these businesses are fairly well-shielded from switching yard activity by distance and the buffer created by the commercial buildings on "A" Street SE, although there may be other impacts associated with the commercial activity. Consequently, most of the residences in the southern portion of the study area would not be have the same level of impact by increased activity at the rail yard.

SeaTac Land Use Impact Area

The entire study area is impacted by aircraft activity at Seattle-Tacoma International Airport. The study area is almost entirely within the existing 70 DNL noise exposure contour identified in the Supplemental Environmental Impact Statement for the Sea-Tac International Airport Master Plan Update. During the site visit to the study area, numerous airplanes were visible approaching from the south. The area is also impact by the new SR 509 right-of-way on the eastern boundary (see Exhibit S1 SeaTac Photo 5 through 8). A number of residences in the study area are participating in the Port of Seattle's soundproofing program as was evidenced by signs (see Exhibit S1 SeaTac Photo 9). When the third runway is constructed to the west of the existing runways, the flight pattern will be directly over the residential properties and the Maywood Center, the Highline School District's computer lab (see Exhibit S1 SeaTac Photos 10 and 11).

Everett Land Use Impact Area

The study area will be impacted by the proposed HOV ramps from Interstate 5 to 112th Street SE, as well as a park-and-ride lot and HOV lanes along 112th Street SE. Increased automobile or bus traffic is expected to affect the area immediately adjacent to 112th Street and the Interstate 5 interchange. The single family homes along 112th Street SW between 3rd Avenue SE and 2nd Avenue SE are likely to experience the greatest impact due to the increased noise, traffic, and light associated with the HOV lanes.

Other portions of the study area are expected to be less impacted by the proposed facilities. The single family residential neighborhoods north of 112th Street, SE are fairly well-shielded from the activities on 112th Street. The apartment and retail structures along the north side of 112th Street and the distance of the residential areas from the arterial provide an effective barrier. The residential areas adjacent to Interstate 5 and south of 112th Street are currently impacted by the noise from Interstate 5. The park-and-ride lot or ramps may not represent a significant increase in impacts for these areas. The portion of 112th Street between Interstate 5 on the east and 3rd Avenue SE on the west is currently five lanes wide and many impacts could be minimized through mitigation. The majority of the manufactured home park should not be impacted by the new facility if enhanced buffering is provided as part of the project.

Chapter Three

REDEVELOPMENT PROGRAMS FOR EVALUATION

Within each case study, areas were identified to evaluate for potential redevelopment. These redevelopment areas are smaller than the case study areas. The redevelopment areas were defined through the application of a series of factors, including the extent of the impact, degree of land use incompatibility, emerging land use patterns, need to provide buffers for sensitive uses, local land use policies, access, parcel size, and marketability of the land.

The process of identifying parcels for inclusion in the redevelopment area was facilitated by parcel level data and maps provided by the City of Auburn, City of Everett, City of SeaTac, and Puget Sound Regional Council's Forecasting and Growth Strategies Department. Table 1 summarizes the general characteristics of the selected redevelopment areas in each jurisdiction. The acquisition and redevelopment areas range in size from nearly fourteen acres to over 70 acres. The SeaTac study area is adjacent to and west of a 32 acre parcel currently in Port of Seattle ownership. The analysis includes evaluation of a redevelopment program in SeaTac both with and without this Port-owned property in the SeaTac redevelopment area. Each of the redevelopment areas has a significant number of parcels to be acquired. The process of land assembly would need to be coordinated and may require a substantial effort to be successful. Land assembly would be a primary responsibility of any redevelopment organization. The characteristics of the individual redevelopment areas are discussed below.

TABLE 1
PROFILE OF ACQUISITION AREAS BY CURRENT LAND USE

	Auburn		SeaTac		Everett	
	Parcels	Acres	Parcels	Acres	Parcels	Acres
Current Land Use						
Single Family	90	13.65	313	59.67	50	NA*
Duplex/Triplex	9	1.37	2	.56	1	NA
Multifamily	1	.13	0	0	0	NA
Mobile Home Park	0	0	0	0	0	NA
School/Church	1	.26	1	8.12	0	NA
Vacant	9	1.06	6	1.79	7	NA
Commercial	0	0	0	0	0	NA
Industrial	2	.3	0	0	0	NA
TOTAL	**117**	**17.4**	**321**	**70.14**	**58**	**13.96**

* Individual parcel sizes for Everett were not provide by the jurisdiction

Auburn Proposed Redevelopment Area

Since most of the study area is not directly impacted by the rail facility, only a small portion of it is considered for redevelopment. The impacted area fronting "A" Street SE between 6th and 16th Streets SE and between "A" and "B" Streets SE was selected to be evaluated for redevelopment (Map 6 Auburn Proposed Redevelopment Area). The majority of the area is comprised of single family residences, but the area also includes one church, three vacant (commercially zoned) lots, and ten commercial establishments. The redevelopment analysis includes all the residential property, the church, and the vacant lots. The redevelopment program evaluation does not include the commercial establishments. The area includes 117 parcels that together constitute approximately 17 acres of land.

The northern portion of the redevelopment area is zoned "C3" while the area south of 13th Street SE is zoned "R3." Map 6 illustrates the current zoning for the area. A zoning change would need to be initiated in conjunction with any redevelopment activities to change the "R3" zoning to "C3" to accommodate retail and office space. Market driven redevelopment is already occurring in adjacent areas zoned "C3" that are comprised mostly of single family residences. This is particularly true of the lots which front "A" Street (see Exhibit A1 Auburn Photos 7 through 10).

Redevelopment recommendations for the area must take into consideration applicable comprehensive plan policies, which include:

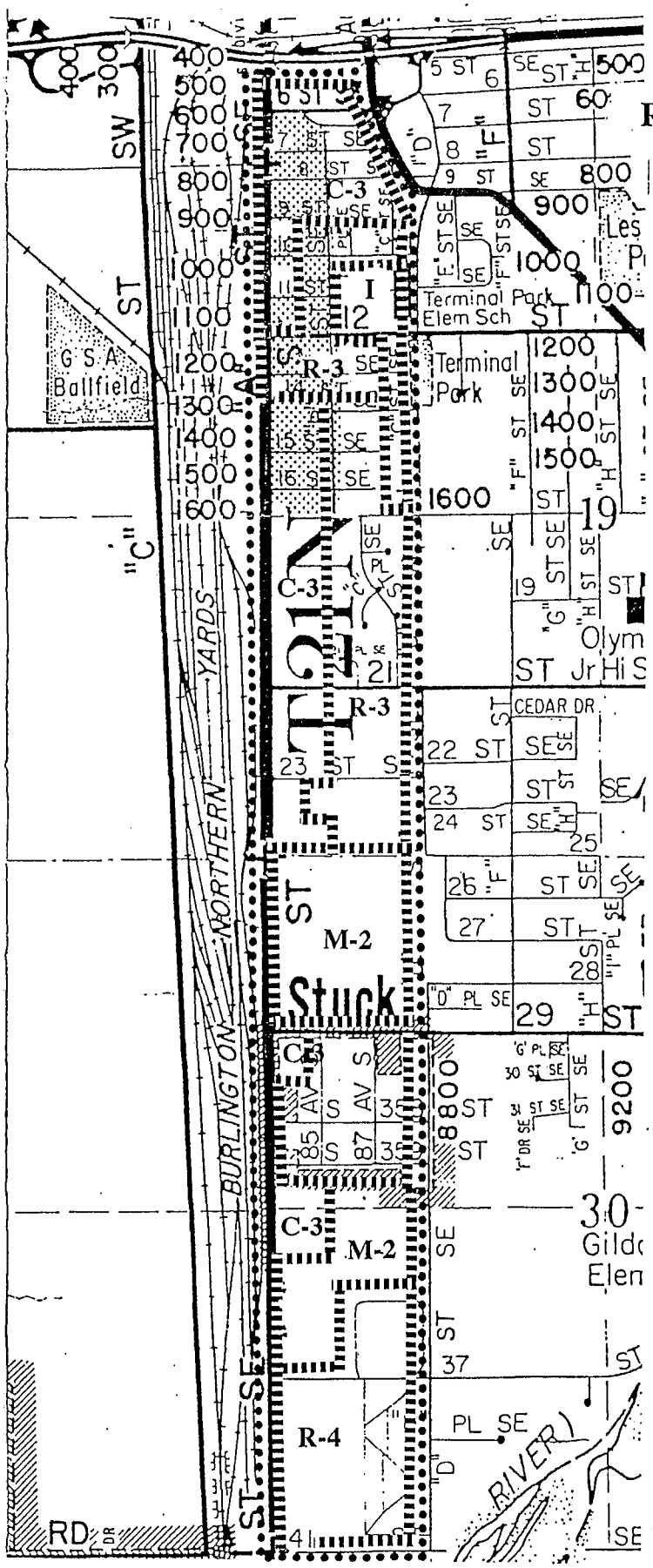
- LU-4 "Areas delineated on the urban form map as the Community Serving Area should be reserved for uses which are local in character or serve local markets. In the vicinity of the rail yard the area east of A Street SE is designated as part of the community serving area. "

- LU-112 "Highly visible areas (land visible from SR-167 or SR-18) which tend to establish the image of the City should not be used by heavy industrial uses."

Given that this area is in the Community Serving Area identified in Auburn's Comprehensive Plan, businesses that serve the local community should be targeted here. Additionally, the City may wish to consider the use of design standards that would allow the redevelopment process to further the plan objective of enhancing the appearance of areas visible from regional transportation corridors.

SeaTac Proposed Redevelopment Area

Since the study area is impacted by air operations, it was determined that the total area should be included in the evaluation of redevelopment potential (Map 7 SeaTac Proposed Redevelopment Area). The vast majority of the area consists of single family residences. Also included are one school and a number of vacant properties. The acquisition area under consideration includes 321 parcels that total approximately 70 acres, exclusive of street rights-of-way. The redevelopment analysis also addresses the potential inclusion of the adjacent 32 acres of Port of Seattle property to the east of the study area, resulting in a redevelopment area of 102 acres. The Port property was included because it is already in public ownership and would provide for a larger redevelopment opportunity. It also demonstrates how a public partnership may contribute to cost recovery. Currently, the area north of S 200th Street is zoned for industrial use. The portion of the study area south of S 200th Street is zoned primarily for low density residential use, with the area to the east zoned for business park use. Map 7 illustrates the current zoning for the redevelopment area.



Map 6
AUBURN
REDEVELOPMENT AREA

CURRENT ZONING

R-3 Residential

R-4 Residential

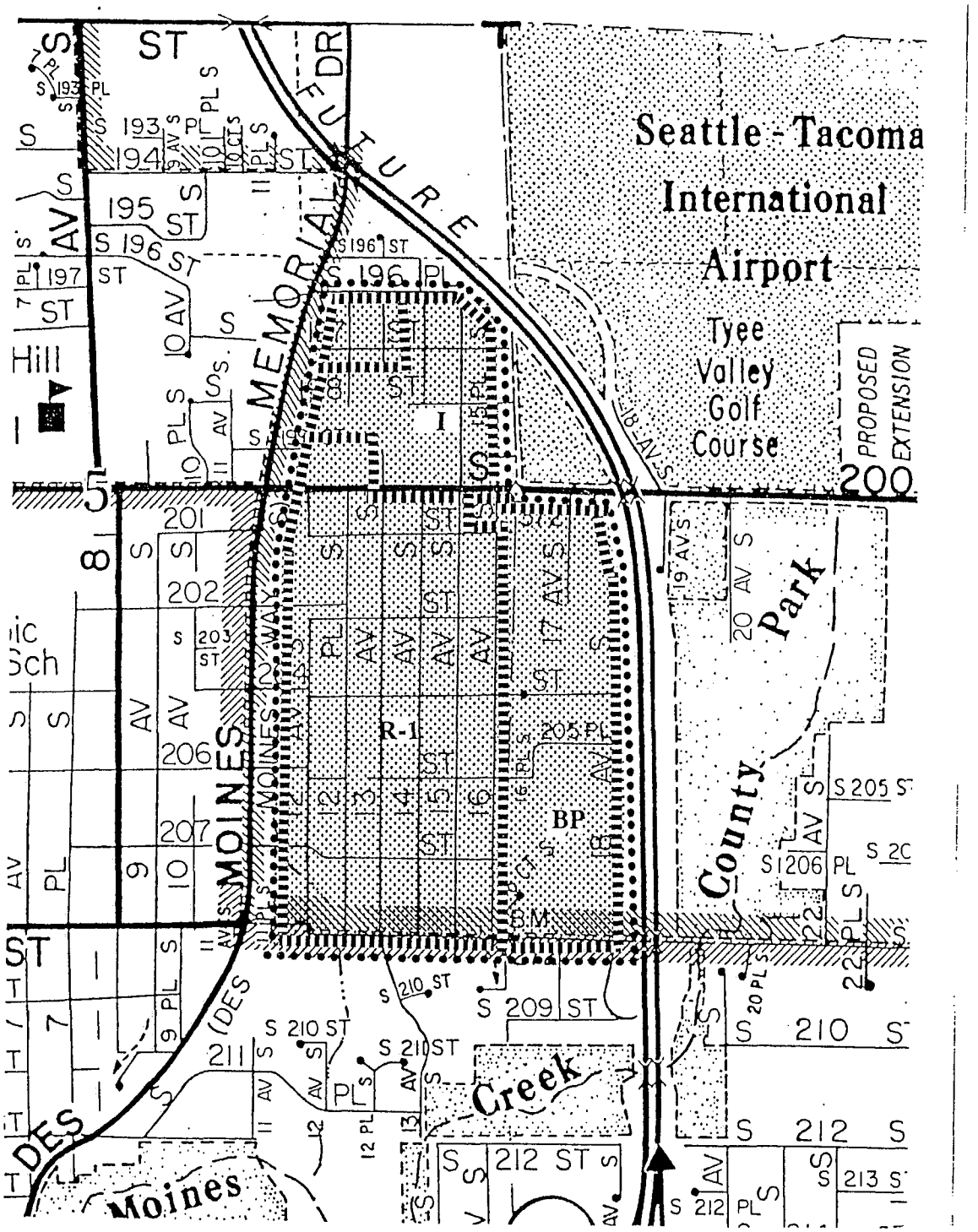
I- Institutional

C-3 Commerical

M2- Manufacturing

Redevelopment Area Boundary

N



Map 7
SEATAC
REDEVELOPMENT AREA

CURRENT ZONING

R-1 Low Density Residential

BP- Business Park

I- Industrail

Redevelopment Area Boundary

The assessment of redevelopment feasibility in SeaTac focuses on several options relating to the size of the redevelopment and the future use of the site. First, the SeaTac redevelopment area was analyzed with and without the inclusion of the Port of Seattle property. The resulting analysis provides an opportunity to better understand the potential of public and private partnerships in responding the issues of land use incompatibility, cost recovery, and public underwriting. Second, the area was evaluated based upon two potential redevelopment futures. The first potential use reflects existing market trends within South King County for warehouse space and the second is business park use. The two alternatives provide an opportunity to compare the different redevelopment project impacts. The issues related to land costs and site preparation remain essentially the same for the two land use alternatives. Differences between the future use options are reflected in the impacts after redevelopment occurs rather than in cost recovery.

Warehouse Redevelopment Option

The redevelopment evaluation for SeaTac considers the potential to redevelop the area as warehouse space, requiring rezoning portions of the area. The light industrial warehouse use immediately north of the study area is a compatible use with the airport. In performing recent market surveys for warehouse space, it was determined that there is a shortage of warehouse space in the City of SeaTac. There are several newly constructed warehouse projects in the vicinity of the study area (see Exhibit S1 SeaTac Photo 2) and there are new warehouses under construction on the SE corner of 192nd and 8th Avenue. The potential users of warehouse space in SeaTac would include airport related users, as well as distribution centers for national and regional firms. If the Port of Seattle property is included in the redevelopment area, it is estimated that the area could be configured to accommodate

- nine 10-acre sites,
- one 300,000 square foot site,
- one 150,000 square foot site; and
- potentially one small retail site.

Business Park Option

The secondary option for redevelopment in the SeaTac area is a business park. This redevelopment alternative reflects the emerging land use pattern of nearby property. The business park use should be distinguished from office park or campus development that has higher development costs and values. Business parks represent lower cost developments that may contain a large variety of tenants and uses. These developments may also contain wholesale and distribution facilities. The Port of Seattle property that could potentially be included in the redevelopment is already zoned for business park use. The remaining property would require rezoning.

Several policies and goals in the City of SeaTac Comprehensive Plan would need to be considered in relation to redevelopment. These include:

- Policy 1.1 D Provide for adequate buffers between different types of land uses, where needed. Implementation strategies include review of the City's zoning code for landscaping standards, and consideration of fencing, berming, and other screening types;

- Policy 1.2A Preserve the residential character of single family residential neighborhoods, wherever possible. Implementation strategies include maintaining the current boundaries of single family residential zones;

- Policy 1.3F Ensure that commercial land use is scaled in a manner that is compatible with surrounding single family neighborhoods. Implementation strategies include landscaping, height, and setback requirements; and

- Policy 1.6A Encourage land uses adjacent to the airport that are compatible with airport operations. Implementation strategies include prohibiting the development of new single family residential mobile home units in the 65+ DNL.

The redevelopment program would conflict with the City's current policy of preserving the boundaries of existing single family neighborhoods. Resolution of this issue to the satisfaction of the jurisdiction and surrounding community would need to be accomplished prior to any action. The other policies that apply to land use compatibility's would be furthered by the redevelopment.

Everett Proposed Redevelopment Area

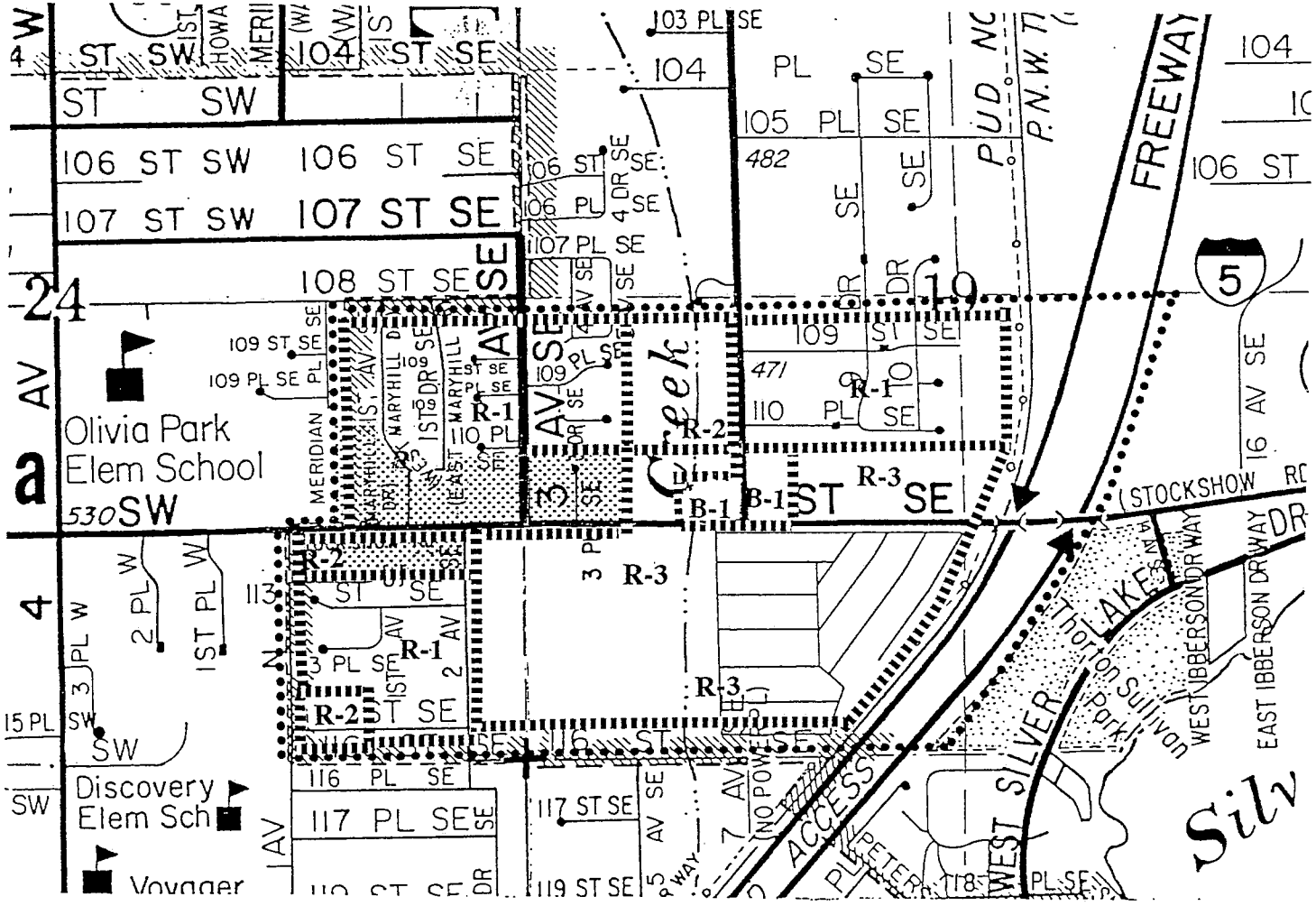
The evaluation of redevelopment potential in Everett focuses on the existing single family homes along 112th Street SE between 3rd Avenue SE and 2nd Avenue W, as well as the parcels directly to the north of the homes on the north side of 112th Street SE (Map 8 Everett Proposed Redevelopment Area). The potential acquisition area would include 58 parcels, totaling approximately 14 acres. Many of the lots on the south side of 112th Street SE are vacant. Currently, the properties are zoned R-1 and R-2 (Map 8). This area provides sufficient property for redevelopment as multifamily housing that could be adequately buffered from the new transportation facility.

Multifamily housing was determined to be the most appropriate redevelopment alternative because multifamily housing tends to create indoor living environments and are therefore less affected by noise and other impacts than single family housing. Other potential land uses along the corridor would be incompatible with the adjacent single family areas to the north and south. Furthermore, the redevelopment would include residential densities that are supportive of the planned transit improvements.

This evaluation assesses the potential of redeveloping the area north of 112th Street SE as multifamily housing, either rental apartment units or condominiums. Rezoning would be required before redevelopment. The properties that would acquired on the north side of 112th Street NE would yield a depth of approximately 400 feet, which is comparable to the other large commercial/multifamily projects along 112th Street NE. The redevelopment plan would create three separate building pads on the north side of 112th Street SE. The acquired property lots on the south side of 112th Street SE would be utilized as a greenbelt buffer zone to minimize the impact to the newer residential neighborhoods to the south.

The City of Everett's relevant Comprehensive Plan policies support the redevelopment scheme. 112th Street from Paine Field to 19th Avenue SE is designated as a medium intensity mixed use arterial. Such areas are expected to accommodate townhouses and medium density multifamily housing, as well as some mixed use buildings in which the majority of the floor areas are multifamily housing. The redevelopment program evaluated in this analysis would be compatible with this designation. Other relevant land use policies include the following:

- Policy 1.1.3 Strongly discourage the conversion of residential areas to non-residential uses. Discourage the encroachment of commercial uses into residential zones... and



Map 8
EVERETT
REDEVELOPMENT AREA

- Policy 1.1.7 Promote high density residential use in well designed, mixed commercial developments and activity centers such as downtown, near transportation facilities, and other appropriate locations where a mix of uses will promote a more efficient use of land and support of transportation facilities, and be made compatible near with surrounding neighborhoods.

The redevelopment evaluation would be supportive of both of the above policies, as well as transit service policies.

COST RECOVERY EVALUATION

The redevelopment program for each area was evaluated using a cost recovery potential model. For each property in the acquisition and redevelopment area costs were estimated for

- Property Acquisition,
- Resident Relocation,
- Demolition, and
- Site Preparation.

Estimated sale prices for the cleared land were based on the market conditions for the various types of property in each jurisdiction. Cost and revenue data were incorporated into the evaluation of the net present value of the projects under evaluation. The results of the cost recovery analysis are discussed below.

Property Acquisition Costs

The analysis of the cost recovery potential in the three study areas is based on the assumption that all privately owned property would be acquired at the fair market value. Acquisition costs were estimated by relating the sales prices of recently sold properties in the area with their assessed values. Past sales were identified in each study area for the period between January 1, 1995 through April 30, 1997. Data from the King and Snohomish County assessors offices were evaluated to determine the average variance between actual and assessed values. This evaluation is summarized in Table 2 for each of the three study areas.

TABLE 2
RELATIONSHIP BETWEEN RECENT SALES PRICES AND ASSESSED VALUES

	Auburn	SeaTac	Everett
Number of Recent Sales Evaluated	41	35	41
Total Sales Price	$4,447,350	$3,775,590	$10,760,960
Total Assessed Value	$3,835,625	$3,310,500	$10,376,800
Variance Between Sales Price and Assessed Value	116%	114%	104%

The ratio of actual sales prices to assessed values was used to estimate the market value of the parcels considered for redevelopment. A factor of 15 percent was added to the total estimated market value to estimate total acquisition costs. The 15 percent factor allows for negotiation costs, closing costs and other contingencies. These other costs usually range from 10 to 12 percent of the property's value. An additional 3 percent was included in this analysis to provide a conservative estimate of contingencies.

Table 3 summarizes the property acquisition costs for each area under evaluation for redevelopment. Based on this estimation approach the cost of acquiring single family homes averaged $89,115 per property in Auburn and $107,112 per single family home in SeaTac. These estimates are consistent with the asking prices for the homes currently on the market within the redevelopment areas. The cost of property acquisition in the City of SeaTac includes only those privately owned properties that must be purchased. The analysis assumes that if the Port of Seattle property to the east is included in the redevelopment, it would be contributed in partnership with the project. Thus, the inclusion of the Port's property in the redevelopment area would not affect property acquisition costs. Discussions with the Port of Seattle indicated that no determination has been made regarding the Port's interest in contributing the property. Additionally, acquisition costs in SeaTac would not be affected by the future land use intended for the redevelopment, warehouse or business park.

TABLE 3
ESTIMATED MARKET VALUES OF PROPERTIES FOR ACQUISITION

	Auburn	SeaTac	Everett
Assessed Value of Parcels	$8,988,400	$31,160,400	$6,113,500
Estimated Fair Market Value	$10,426,544	$35,522,856	$6,358,040
Closing Costs and Contingencies	$1,563,982	$5,328,428	$953,706
Total Cost	**$11,990,526**	**$40,851,284**	**$7,311,746**

Relocation Costs

The provision of relocation cost payments to displaced residents may or may not be legally required as part of a redevelopment program depending on whether or not federal funds are used. This analysis assumes that relocation payments would be made according to federal standards to all displaced residents. The federal standards for providing for relocation costs are defined in the Uniform Relocation Assistance Act (US DOT, 49 CFR, Part 24). This regulation governs the type and amount of relocation assistance that must be provided to residences and businesses. Port of Seattle staff indicated that it typically spends 10 percent of a property's value on relocation costs, plus an additional cost of 5 percent on administrative expenses associated with the process including title reports. Real estate staff with the federal General Services Administration indicated that relocation costs for a new residence cannot exceed $15,000 for the difference in price between the old residence and the replacement residence. In addition, the responsible agency must pay actual moving and administrative costs, which occasionally are as high as $10,000. For rental properties, the responsible agency must pay the tenant the monthly difference in rent for a period of 48 months, not to exceed $5,250. Relocation costs may be shifted to the private sector or eliminated from the relocation program, except where required by federal, state, or local regulations.

To approximate relocation costs for each of the areas being evaluated for redevelopment, this analysis used 18 percent of a property's market value. This is 3 percent higher than the Port of Seattle's approximation and offers a conservative approach to estimating redevelopment costs. The estimated relocation costs that would be associated with redevelopment in the three areas are summarized in Table 4. In SeaTac, the inclusion or exclusion of the Port of Seattle's 32 acres in the redevelopment area would not impact relocation costs since no residents would be displaced.

TABLE 4
ESTIMATED RELOCATION COSTS

	Auburn	SeaTac	Everett
Estimated Fair Market Value	$10,426,544	$35,522,856	$6,031,480
Estimated Relocation Costs	$1,876,778	$6,394,114	$1,085,666

Demolition Costs

Prior to reselling any property for redevelopment, the existing improvements would need to be cleared from the land in all three acquisition and redevelopment areas. Demolition costs vary widely depending on the scope of work for each structure and the total quantity of structures being demolished. Factors that affect the price of demolition for any given structure include square footage of the structure, existence of a foundation or basement to be removed, the amount of concrete surfaces to be removed, and the presence of asbestos, heating oil tanks, and septic systems. Demolition costs were discussed with Port of Seattle, local developers, and demolition contractors. Based on these discussions, the characteristics of the homes in the redevelopment area, a quantity discount, and a contingency factor for oil tank or asbestos removal, an estimated demolition cost of $5.00 per square foot of structure was calculated for use in this analysis.

Demolition costs associated with the redevelopment evaluation are summarized in Table 5. Total square footage includes all principal structures on the properties to be acquired. In SeaTac, demolition costs would not be affected by the inclusion or exclusion of the Port of Seattle's 32 acres.

TABLE 5
ESTIMATED DEMOLITION COSTS

	Auburn	SeaTac	Everett
Total Square Footage	162,000	511,900	76,500
Estimated Demolition Costs	$810,000	$2,559,500	$382,500

Site Preparation and Infrastructure Costs

Prior to marketing the property for resale it may be necessary to provide utility and infrastructure improvements to all locations to offer marketable sites for redevelopment. The required site conditions vary depending on the type of future use. Evaluation of the potential redevelopment areas determined that the relatively small sites in Auburn and Everett would not require any additional site improvements in order to become market ready. In Auburn, the potential redevelopment area fronts "A" and "B" Streets SE and is served by various side streets. The redevelopment area is also served by all utilities. Once the structures are demolished, the sites could be sold for commercial use with no additional site preparation or infrastructure costs. Similarly, in Everett, all potential redevelopment sites front 112th Street SE and utilities infrastructure are in place. Thus, the Auburn and Everett areas would be marketable once demolition is complete.

A limited amount of site preparation would be required before selling the relatively large sites in the City of SeaTac. The street network is adequate and no alternation of Des Moines Way or S 200th Street would be necessary. The purchaser/developer of each site would be responsible for their own utility and storm water hook-ups into Des Moines Way or 200th Street. However, to market the area for warehouse or business park use the sites would need to be scraped and graded to remove vegetation, sidewalks, and streets to create a level building site. It is very difficult to estimate the costs of this type of work without a thorough topographic survey and inventory of the site. The cost of site preparation would vary depending on whether or not the 32 acres owned by the Port of Seattle are included in the redevelopment area. Discussions with a site preparation contractor determined that the cost for grading the acquired property would be approximately $100,000 if the Port's property is included or $67,500 if it is not included. This estimate was used in the cost recovery analysis. It is important to emphasize, however, that this estimate could be substantially understated or overstated depending upon the site elevations and the amount of cut and fill required. The estimate does not included any substantial changes in elevation or preparation of the property currently owned by the Port.

ESTIMATION OF RESALE VALUE

When site preparation and necessary rezoning are complete the redevelopment areas would be listed and sold. Resale values for the potential redevelopment areas were estimated by evaluating recent sales for similarly zoned vacant land in each of the study areas. Data on recent sales were obtained from the King County Assessor's Office and Snohomish County Assessor's Office. Table 6 summarizes the results of the evaluation. Resale values per square foot varied considerably depending on local real estate markets for various types of uses. In SeaTac, total resale value would vary depending on whether or not the Port of Seattle's adjacent 32 acres are included in the redevelopment area. Additional information about the estimation of land values for each jurisdiction is provided below.

Auburn Potential Redevelopment Area

There have not been many recent sales of commercial land fronting "A" Street SE. One sale included four commercially zoned lots within the potential redevelopment area. The lots totaled 14,967 square feet and sold in March 1996 for $200,000, or $13.36 per square foot. Currently, there is a 7,800 square foot commercial lot for lease in the proposed redevelopment area for $6,600 annually, reflecting a value of approximately $8.46 per square foot. However, this is below market value because the land lease is limited to a five-year term that influences the use and value of the property under a ground lease. Discussions with commercial brokers revealed that commercial land values within the redevelopment area average $13.00 per square

TABLE 6
ESTIMATED NET PROCEEDS FOR RESALE OF LAND

	Auburn	SeaTac (Excluding Port Property)	SeaTac (Including Port Property)	Everett
Land Value per Square Foot for Comparable Uses	$13.00	$3.50	$3.50	$7.00
Estimated Land Value	$9,959,209	$10,322,868	$15,296,400	$4,257,750
Real Estate Fees	$995,920	$1,032,287	$1,529,640	$425,775
Estimated Net Sale Proceeds	$8,963,288	$9,290,581	$13,786,760	$3,831,975

foot for smaller commercial/retail pads. Based upon the sales data and brokers' comments, $13.00 per square foot was used in this analysis, or $9,959,209 for the potential redevelopment area. The net value would be $8,963,289 after deducting a 10 percent real estate sales commission, an industry standard for land.

SeaTac Potential Redevelopment Area

A search of the King County sales records revealed two recent comparable land sales just north of the redevelopment area. The first property sold in August 1996, for $1,834,000, or $3.86 per square foot. A second, smaller property sold in February 1997, for $425,000, or $4.14 per square foot. The second sales value is most likely higher than a 10-acre site in the redevelopment area under evaluation due to the smaller site size and its proximity to the airport. Other recently completed research on the warehouse market in Kent and Auburn revealed sales prices between $3.00 to $4.00 per square foot for large warehouse sites. Most developers and brokers contacted during this study indicated that, given today's rental market, it was difficult to make a new project succeed if the land acquisition cost greatly exceeded $3.50 per square foot. Therefore, $3.50 per square foot was used in the estimation of sale value for the redevelopment area in SeaTac. Applied to the land area of the acquired property, as well as the adjacent Port property that could be included in the redevelopment, the gross sale proceeds would yield $15,296,400. After subtracting a customary 10 percent real estate commission for land, the sales would net $13,766,760. If the Port's property is not included in the redevelopment area, gross sales proceeds would yield $10,322,868, with net proceeds of $9,290,581. Based upon the analysis, comparable sales data, and discussions with local developers, the resale value of the land would support a future use of the site for warehouse or business park activities. As the land market matures in SeaTac higher sales prices may be possible, although alternative regional sites become a competing factor.

Everett Potential Redevelopment Area

Currently a large site is for sale on the northeast corner of 112th Street SE and 7th Avenue SE for $683,000, or $7.26 per square foot for the 94,000 square foot site. This property is the most comparable site to the potential redevelopment sites and serves as a guide for establishing land values for the new use. The only sales comparable for large sites located along 112th Street SE were two years old and showed land values to be in the $3 to $4 per square foot range. Based on the current sales contract, it appears that land values for large pieces of land located along 112th Street SE have almost doubled within the last two years. For this analysis

the value of land in the potential redevelopment area is estimated to be approximately at $7.00 per square foot, or $4,257,750 for the area north of 112th Street SE. This does not include the strip of proposed greenbelt on the south side of 112th Street SE. After subtracting a customary 10 percent real estate fee for land, the sales would net $3,831,975.

TIMELINE AND PRESENT VALUE ANALYSIS

Present value analysis is a tool commonly used by investors to evaluate investments that have cash flows (inflows and outflows) occurring in the future. The analysis measures the future value of all cash flows in present dollars using a designated discount rate and an expected time frame. The discount rate normally represents the required rate of return given current interest rates and the risk of the investment. This net present value analysis uses an 8 percent discount rate.

A simplified timeline for the process of land acquisition and redevelopment was used for this assessment. Property acquisitions would take place in years one and two. One half of the properties would be acquired in each year. Demolition and site preparation would take place in year three. Rezoning the area for redevelopment would occur in year four, and properties would be listed and sold in year five. Some of these activities could be advanced or occur simultaneously; but, for the purpose of the assessment the tasks were conservatively spread over a five-year period. Under the redevelopment scenario, cash outlays would occur in years one and three, with a return from property sale in year six.

A longer redevelopment period could be established for the acquired properties. This longer timeframe would require increased public support to cover the carrying cost of the property. Potential public revenues from property taxes and other sources would also be delayed. A longer period may be necessary for any one phase of the project, including property acquisition and implementation. In addition, a longer development period could permit the market to mature for any of the proposed land uses. A shorter redevelopment period is possible if the properties were acquired in a single action, such as condemnation, and resold in the second or third years. This would reduce carrying costs and return property tax revenues to the local jurisdictions earlier.

Based on the analysis of costs and revenues associated with acquiring and redeveloping the three areas, it has been determined that redevelopment would yield a loss in all three study areas. The three fundamental reasons for these conclusions are:

- viable single family properties must be purchased at fair market value;
- significant funds are expended for demolition, relocation and site preparation; and
- the final sites do not command high enough land values per square foot to absorb the acquisition, demolition, relocation and site preparation costs.

Table 7 identifies the costs, revenues, and resulting net present value for each of the three redevelopment sites. The net present value listed for each area reflects the relationship of project costs to project revenues, discounted based upon the timeline identified for the project. All have negative net present values, with SeaTac experiencing the greatest loss. The cost recovery potential of SeaTac is not affected by the future use of the sites for warehouse versus business park use. Consequently, the potential for full cost recovery in any of the three study areas analyzed is limited, although redevelopment would increase property tax revenues. These additional resources could provide support for any redevelopment effort over the long term. Cost recovery potential could also be enhanced by a shift in current Port or other mitigation resources to property acquisition and redevelopment. Finally, if relocation costs were not incurred or shifted to the private developer, redevelopment costs could be reduced by 12 percent for Auburn and SeaTac and 8 percent for Everett.

TABLE 7
COST RECOVERY POTENTIAL FOR ACQUISITION AND REDEVELOPMENT

COSTS	Auburn	SeaTac (Excluding Port Property)	SeaTac (Including Port Property)	Everett
Property Cost	$11,990,000	$40,851,000	$40,851,000	$6,358,000
Relocation Cost	$1,877,000	$6,394,000	$6,394,000	$1,086,000
Demolition Cost	$810,000	$2,559,000	$2,559,000	$382,500
Site Preparation Costs	$0	$67,500	$100,000	$0
TOTAL COSTS	$14,677,000	$49,871,500	$49,904,000	$12,223,000
Net Sale Proceeds	$8,963,000	$9,290,581	$13,787,000	$3,832,000
Net Present Value	($6,907,000)	($37,833,941)	($34,848,000)	($4,333,000)

DEVELOPMENT IMPACT ASSESSMENT

The implementation of the acquisition and conversion program on local jurisdictions would include impacts on population, required services, transportation, and tax revenues. The analysis of the full range of direct and indirect impacts is beyond the scope of the study. This assessment presents information about selected indicators that illustrate the range and extent of conditions that could be expected.

To evaluate the impacts of the redevelopment on the local jurisdictions once the land is sold and built out, the characteristics of the redeveloped areas were estimated. Table 8 profiles the redevelopment areas once development is complete. Separate redevelopment profiles are presented for each of the various options for SeaTac, depending on whether or not the Port of Seattle's adjacent property is included in the redevelopment area, and whether the area is redeveloped as warehouses or business park. The building sizes, floor-area ratios, and values are estimated based upon industry practices, zoning requirements, and local real estate data.

Fiscal Impacts

The impact on local property tax revenues was estimated using data provided by the local jurisdictions, the Puget Sound Regional Council, King County Assessor's Office and Snohomish County Assessor's Office. Table 9 summarizes the change in property tax revenues that would occur as a result of redevelopment. The change was calculated by identifying the property taxes levied against the property given existing conditions and after redevelopment occurs, as well as the net effect of the redevelopment on tax revenues.

TABLE 8
PROFILE OF REDEVELOPED AREAS

ASSESSMENT FACTORS	Auburn	SeaTac (Excluding Port Property)	SeaTac (Excluding Port Property)	SeaTac (Including Port Property)	SeaTac (Including Port Property)	Everett
Total Land Area (square feet)	766,093	2,949,391	2,949,391	4,370,400	4,370,400	608,250
Anticipated Land Use	retail, office	warehouse	business park	warehouse	business park	multifamily housing
Land Value per Square Foot	$13.00	$3.50	$3.50	$3.50	$3.50	$7.00
Total Land Value	$9,959,209	$10,322,868	$10,322,868	$15,296,400	$15,296,400	$4,257,750
Floor to Area Ratio (FAR)	.7	.45	.5	.45	.5	.5
Total Building Area	536,265	1,327,225	1,474,696	1,966,680	2,185,200	304,125
Building Value per Square Foot of Building	$65	$42	$65	$42	$65	$65
Total Building Value	$34,857,225	$55,743,487	$95,855,207	$83,037,600	$142,038,000	$19,768,125
Total Value per Square Foot of Building	$84	$50	$72	$50	$72	$79
Estimated Future Assessed Value	$44,816,434	$66,066,355	$106,178,070	$98,334,000	$157,334,400	$24,025,875

TABLE 9
PROPERTY TAX IMPACT ON LOCAL JURISDICTIONS

ASSESSMENT FACTORS	Auburn	SeaTac (Excluding Port Property)	SeaTac (Excluding Port Property)	SeaTac (Including Port Property)	SeaTac (Including Port Property)	Everett
Redevelopment Scenario	Office/Retail	Warehouse	Business Park	Warehouse	Business Park	Multifamily
Tax rate per $1000	$3.01	$2.90	$2.90	$2.90	$2.90	$3.60
Existing Conditions						
Assessed Value	$8,988,400	$31,160,400	$31,160,400	$34,336,000	$34,336,000	$6,113,500
Less Non-Taxable Property	$220,600	$1,643,400	$1,643,400	$4,819,000	$4,819,000	$0
Assessed Value of Taxable Property	$8,767,800	$29,517,000	$29,517,000	$29,517,000	$29,517,000	$6,113,500
Estimated 1997 Tax Levy	$26,439	$85,599	$85,599	$85,599	$85,599	$22,006
After Redevelopment						
Estimated Future Assessed Value	$44,816,434	$68,438,720	$106,178,070	$98,334,000	$157,334,400	$24,025,875
Estimated Tax Levy	$135,141	$198,473	$307,916	$285,168	$456,269	$86,493
Net Difference	$108,702	$112,874	$222,317	$199,569	$370,670	$64,487

In evaluating property tax revenues under existing conditions, the assessed values of properties that are in public ownership were excluded. This amount is significant for the City of SeaTac, since under existing conditions $4.8 million dollars in assessed value is publicly owned when the Port of Seattle's property is included in the redevelopment. Most of this amount represents Port of Seattle owned property to the east of the acquisition area. The assessed values of the properties after redevelopment is completed are assumed to be 100 percent of the market value, based upon the projected sales price of the land and industry guidelines for estimating construction costs for the types of development that are anticipated. All values are based upon the best available data at the time of the analysis and are expressed in 1997 dollars.

In each of the jurisdictions, a rise in the property taxes levied would occur as a result of the redevelopment, ranging from $64,000 in Everett to $370,000 in SeaTac if the Port of Seattle property is included and if the area is redeveloped as a business park. If the Port of Seattle property is not included or if the area is redeveloped as warehouse space, increases in property tax revenues would be more limited. In all cases, increased property tax revenues would be the result of the substantial increase in assessed value that would be expected to occur after redevelopment.

It is important to note the effect of the redevelopment timeframe on the realization of tax revenue increases. Based upon the 5 year timeframe, the property would be acquired in years one and two, demolition and site preparation would occur in year three, rezoning would occur in year four, and the properties would be sold in year five. Table 10 illustrates the effect of this schedule on property tax revenues. The data reflect the net difference between the current levy and future levy given reassessment of the property based upon rezoning and redevelopment. For the first four years of the process, jurisdictions would lose property tax revenues since the redevelopment areas would be in public ownership and, therefore, would not be taxed. The land would become taxable property in year five when it is sold. The analysis assumes that construction would be competed in year six. After six years, the cumulative effect of the redevelopment would be a net loss in property tax revenues for most of the redevelopment scenarios, with the net effect becoming positive for all scenarios in year seven.

The process of acquisition and redevelopment would be expected to have other fiscal impacts resulting from increased retail sales, increased employment, and/or increased population. Estimation of these other revenue impacts would require further analysis.

Other Impacts of Acquisition and Redevelopment

Impacts on population, traffic, and utilities were evaluated using the Urban Land Institute's (ULI) Development Impact Assessment Model. The model incorporates factors reflecting national standards for housing, services, employment, environmental, and transportation impacts. The standards and impacts are based upon data from the Bureau of the Census, Institute of Transportation Engineers, National Association of Home Builders, Bureau of Labor Statistics, and Bureau of Economic Analysis. Inputs to the model include the type and size of property to be developed, the value of the development, site characteristics, and other local data. The ULI model was used to estimate the impact of both the acquisition of the existing residential property and the development of new facilities. The net impact of the redevelopment requires evaluation of both conditions.

Table 10
Net Impact on Local Property Tax Revenues
Based Upon a Simplified Redevelopment Schedule

Redevelopment Schedule	Auburn	SeaTac (Excluding Port Property)	SeaTac (Excluding Port Property)	SeaTac (Including Port Property)	SeaTac (Including Port Property)	Everett
	Office/Retail	Warehouse	Business Park	Warehouse	Business Park	Multifamily
Year 1: Begin Acquisition	($13,196)	($42,800)	($42,800)	($42,800)	($42,800)	($11,004)
Year 2: Complete Acquisition	($26,391)	($85,599)	($85,599)	($85,599)	($85,599)	($22,009)
Year 3: Site Preparation	($26,391)	($85,599)	($85,599)	($85,599)	($85,599)	($22,009)
Year 4: Rezoning	($26,391)	($85,599)	($85,599)	($85,599)	($85,599)	($22,009)
Year 5: Sale of Land	$3,586	($41,240)	($41,240)	($41,240)	($41,240)	($6,681)
Year 6: Complete Construction	$108,506	$112,873	$222,317	$199,569	$370,670	$64,485
Year 7: Operations	$108,506	$112,873	$222,317	$199,569	$370,670	$64,485
Year 8: Operations	$108,506	$112,873	$222,317	$199,569	$370,670	$64,485
Year 9: Operations	$108,506	$112,873	$222,317	$199,569	$370,670	$64,485
Year 10: Operations	$108,506	$112,873	$222,317	$199,569	$370,670	$64,485
Cumulative Effect after 6 Years	$19,724	($227,964)	($118,520)	($141,268)	$29,833	($19,226)
Cumulative Effect after 10 Years	$453,749	$223,528	$770,748	$657,009	$1,512,515	$238,712

Table 11 summarizes the model estimates for impacts of the acquisition on the jurisdictions for population, employment, and utilities. Note that all impacts in the table are expressed as negative values, since the focus is on removing the current use. Factors such as inclusion or exclusion of the Port of Seattle's property and the future use of the site (warehouse versus business park) do not affect the acquisition impacts described in Table 11. The most significant impact of the acquisition would be the displacement of the persons currently residing in the acquired properties. The population impact was estimated based upon average occupancies for various types of housing, and would need to be confirmed with local census data prior to any action. The displacement of population does not necessarily mean that those persons would relocate outside the jurisdiction. The relocation patterns of displaced residents were not evaluated as part of this analysis. Traffic impacts would include the removal of trips from the transportation system that are associated with the current residential use. Both traffic and utility impacts of acquisition would be balanced by the impacts of the redevelopment. Short term trip generation related to demolition and construction is not considered as part of this analysis.

TABLE 11
SELECTED IMPACTS OF PROPERTY ACQUISITION

IMPACT CATEGORIES	Auburn	SeaTac	Everett
Population Impacts			
Displaced Population	(336)	(974)	(159)
Displaced School Children	(68)	(209)	(34)
Traffic Impacts			
Trip Generation	(1,026)	(3,029)	(492)
Utilities Impacts			
Water Demand (gal./day)	(32,128)	(97,222)	(15,750)
Solid Waste (lbs./day)	(1,175)	(3,410)	(555)
Sewer demand (gal./day)	(21,828)	(63,334)	(10,308)

Based upon the development profiles identified in Table 8, the ULI model generated a database of impact characteristics. Population, employment, traffic, and utilities impacts for each redevelopment in their operating phases are presented in Table 12. In the City of Everett, the population of the new development would increase over that of the existing land use pattern. All three jurisdictions would experience job growth related to construction of the new development. In Auburn and SeaTac, the new development would increase employment. Construction jobs are annual, while operations jobs are ongoing. In addition, the three jurisdictions would experience increases in trip generation and in the demand for utilities from the new development. In SeaTac, the impacts are more substantial if the Port property is included in the redevelopment and if the area is redeveloped as a business park rather than warehouse space.

The data generated by the ULI model provide a planning level estimate of the impact types that would occur as a result of redevelopment in the three case study areas. The full range of direct and indirect impacts have not been evaluated and would need to be considered as part of a project specific impact study.

TABLE 12
SELECTED IMPACTS OF REDEVELOPMENT

IMPACT CATEGORIES	Auburn	SeaTac (Excluding Port Property)	SeaTac (Excluding Port Property)	SeaTac (Including Port Property)	SeaTac (Including Port Property)	Everett
	Office/Retail	Warehouse	Business Park	Warehouse	Business Park	Multifamily
Population Impacts						
Total Population	0	0	0	0	0	872
School Children	0	0	0	0	0	123
Employment Impacts						
Construction Phase Jobs	370	599	986	857	1,410	225
Operations Phase Jobs	1,475	2,750	4,583	3,933	6,556	6
Traffic Impacts						
Trip Generation	12,038	6,737	17,415	9,637	24,911	2,430
Utilities Impacts						
Water Demand (gal./day)	53,358	85,223	142,071	121,884	203,224	65,382
Solid Waste (lbs./day)	2,949	5,500	9,166	6,786	13,111	3,051
Sewer demand (gal./day)	45,888	73,287	122,181	104,814	174,772	56,665

Chapter Four

IMPLEMENTATION STRATEGIES

Over the past several decades, special efforts have been made to improve the delivery of transportation services and infrastructure in Washington State. The State Legislature has granted authority to state agencies and local jurisdictions to improve the coordination and implementation of regional transportation facilities through such legislation as the Regional Transportation Planning Act. Addressing areas impacted through the development of regional facilities generally remains the responsibility of the local jurisdiction comprehensive planning process. Local jurisdictions also include port districts which have special responsibilities associated with regional and hub airports, as well as intermodal facilities related to port, truck, or rail operations. Other types of regional facilities can be associated with private enterprise or transit agencies, such as rail yards and HOV infrastructure, respectively. Because of the nature of the transportation infrastructure development process a state, regional, and local partnership is required for implementation. This same type of partnership is required to address the incompatible land use issue.

ROLES AND RESPONSIBILITIES

The lead responsibility for developing transportation facilities is well defined through the state and regional transportation plans. Responsibilities of the implementing jurisdiction are less clear for mitigating any potential impacts upon the community. Some regional facilities, such as airports, must comply with well defined rules for identifying noise and other impacts. New facilities that are to be built in the region may not have such defined parameters. For example, light rail stations usually receive great attention for land use impacts, while the right-of-way or maintenance and storage facilities generally are not held to the same level of public scrutiny. The environmental impact statement process provides an accepted procedure for assessing these potential problems and identifying mitigation measures for new facilities. Many incompatible land use issues could be resolved or mitigated through the acquisition of larger facility development sites, as well as in the design and construction process.

Each unit of government has a role and responsibility regarding transportation planning, funding, and development. A partnership of interests is required in order to continue to site, construct, and operate regional transportation facilities of significance. Roles and responsibilities associated with the mitigation of impacts related to regional facilities on the local community are shared between the local jurisdiction, regional agencies, and state. The state, as port districts have done with airport facilities, needs to become a more active partner in mitigating the local impacts of significant transportation facility improvements. The Washington State Department of Transportation, working through the Regional Transportation Plan, takes a lead role for state facility siting, project property acquisition, construction, and funding. Depending upon the type and size of the project, the mitigation of impacts such as noise and light are part of the development process. The implementation of noise barriers and light shielding have been developed along such facilities as interstate highways. Regional transportation agencies, such as port districts, have also implemented mitigation programs generally associated with airport facilities where federal mandates require action. The local jurisdiction assumes a lead role in land use and zoning ordinance development, design regulations, and transportation plans. It is through these processes that mitigation procedures are generally implemented.

Through an improved development process, impacted land uses could be incorporated, by the developing agency, into larger project areas. This approach could permit some costs associated with mitigating incompatible land uses to be transferred to facility site acquisition and

development costs. Local jurisdictions using this approach may need to discuss regional transportation facilities in their comprehensive plans to distinguish between locally and regionally significant projects. In addition, the local jurisdiction would need to lead a collaborative effort for re-planning the area for compatible land uses. Private sector partnerships could be formed to share the costs of redevelopment by using the state economic initiatives program or through local and port district economic development programs.

POTENTIAL IMPLEMENTING ORGANIZATIONS

Potential financing organizations have been identified and reviewed for application to the property acquisition process. Table 13 lists the organizational structures that have the capability to support a process for property acquisition and redevelopment. An assessment of the organizations is made to determine their ability to meet the proposed program requirements. The organization assessment is based upon the following criteria:

- Coverage, Boundary, and Scope,
- Governance Authority,
- Appropriateness,
- Applicable Resources,
- Legislative or Ordinance Change, and
- Ease of Implementation.

The criteria were selected based upon a need to provide an organization that could operate on a regional or statewide basis and have the authority to provide the financing and development infrastructure. A governance structure should also be reflective of public accountability. An organization should be able to obtain the required resources to implement an acquisition and redevelopment program. Finally, an assessment was made of the need to change either legislative or local authorization and how difficult making the change would be for the region. The criteria are ranked high (3), neutral (2), or low (1) based on the organization's ability to acquire and redevelop incompatible land uses near significant regional transportation facilities into conforming uses.

Local Jurisdictions

Cities and counties have been provided substantial legislative authority that would permit them to develop or participate in a program of property acquisition and redevelopment. Many jurisdictions, such as the City of Seattle, have real estate departments that could take a lead role in developing or managing a program. Counties have significant local option revenue sources that could be applied to transportation issues, while recent State Supreme Court decisions have restricted cities' resources. Revenue resources will continue to be constrained in cities and urban counties due to increasing needs and the costs of other programs.

A regional approach to property acquisition and redevelopment could be achieved through the interlocal jurisdiction agreement process. This approach could also include the Washington State Department of Transportation or Department of Community, Trade, and Economic Development. However, issues related to facility identification, cost sharing, benefit sharing, and equity could make the negotiation of an interlocal agreement a difficult process. In addition, such issues as project management, environmental reviews, and identification of any proposed compatible land uses would also need to be part of any agreement. The interlocal agreement process would also need to clearly identify participant roles and responsibilities.

Port Districts

Public ports are special purpose districts organized to provide selected services in economic development, transportation, and trade. Washington statutes provide the 76 public ports with broad authority to fulfill their missions (RCW 53). Public ports are located in 33 Washington counties. The boundaries of port districts may be as small as a city or as large as a county. Port activities in support of Washington State's economy include the acquisition and development of facilities that support international and domestic trade, marine and river shipping, fishing, marinas, airports, and railroads. Ports have wide authority to engage in industrial development activity, public utilities, and building development and operation. Other activities may include marketing and trade assistance programs, as well as the operation of export trade companies.

Ports are specifically authorized to plan, construct, upgrade, or maintain any street, road, or highway to fulfill their mission. RCW 53.08.340 authorizes port districts to participate in any plan of improvements in association with the State of Washington, local jurisdictions, or adjoining states. The expenditure of public funds is expressly authorized for roadways located in or out of a port district. Additional authority is granted to port districts to build and operate toll bridges, tunnels, and highway approaches.

Ports also have a wide range of revenue sources available to support their programs. These include property tax levies, user fees, bond proceeds, property leases, and rental fees. In addition, ports receive income generated from trade companies and miscellaneous sources, and are eligible for federal assistance. Port commissions are given wide latitude and authority over the expenditure of funds for infrastructure development.

Port districts that operate significant regional facilities should take a lead in mitigating the impacts associated with those facilities. Port districts should not be expected to assume the entire burden of mitigation for facilities which have not only regional, but statewide significance. Port districts do have access to funding sources that other jurisdictions do not share. These include Federal Aviation Administration funds and resources from operations. In addition, ports have wide authority to participate in programs in and out of their district boundaries. This authority could be used to assist with regional impacts of projects that are directly associated with port growth and activity, but are located in other jurisdictions of the region or state.

Special Purpose Districts

Local Improvement Districts, Public Facility Districts, Public Development Authorities, Rural Improvements Districts, County Road Administration Board, Local Transportation Benefit Districts, and Housing Authorities represent local and subregional organizational structures that could play a role in the acquisition and redevelopment process. Improvement districts have the ability to raise funds from area assessments. The district's authority could be used for property purchase, site preparation, and infrastructure improvements. The district is limited in geographic scope and has limited resource capability. This approach would probably require a separate district for each regional facility.

Public Facility Districts and Public Development Authorities (RCW 36.100) would require legislative changes to expand their authority to participate in an acquisition and redevelopment program, unless the site met the criteria for sports or other public facilities. Rural and local benefit boards would require extensive legislative change to support a property acquisition program in Central Puget Sound. These special purpose organizations are also limited in

TABLE 13
ORGANIZATION/PROGRAM ASSESSMENT MATRIX

Organization or Program	Coverage		Governance Authority	Appropriate Organization	Applicable Resources		Leg/Ord Change	Ease of Implementation
	Boundary	Scope			Revenue			
Cities	yes	local	council	3	general revenues	3	no	3
Counties	yes	subregion	council or commission	3	general revenues	3	no	3
Public Ports	yes	subregion	commission	3	general revenues	3	no	3
Local Improvement District	yes	local	council or commission	1	authorized	2	clarify	3
Public Facility District	yes	subregion	board	1	authorized	1	yes	1
Housing Authorities	yes	subregion	board	2	authorized	3	no	1
Development Bank	no	statewide	board	2	investor equity	3	no	3
Development Corp.	no	statewide	board	3	investor equity	3	no	1
State Trust Fund	no	statewide	Legislature and board	3	appropriation	3	yes	2
State Agency-WSDOT	no	statewide	Legislature & Executive	3	appropriation	3	no	1

geographic scope, although a public facility district may encompass an entire county. Development authorities are generally limited to specific projects and locations and would not seem to be an appropriate structure for the region. These authorities are established by city and county action, but would require new legislative funding authorization.

Housing Authorities are special purpose agencies that have the required authority to purchase and redevelop property. These authorities are locally based within each community and are limited to housing programs, although some mixed use projects are permitted. These agencies have the authority to form redevelopment partnerships and participate with other jurisdictions in a property acquisition and redevelopment program. A partnership approach would have the advantage of spreading costs and responsibilities, while potentially fulfilling a variety of other public policy goals and objectives.

Development Corporation

The state authorizes the formation of an Industrial Development Corporation to "...develop and advance the business property and economic welfare of Washington." The corporation is given broad authority "...to stimulate and assist in expansion of all kinds of business activity..." (RCW 31.24). These corporations require the participation of 10 financial institutions and other private or public investors. The corporation can acquire and develop properties, as well as make loans to jurisdictions and private organizations or individuals. The financing is done in partnership with the participation of financial institutions. The corporation is managed by a board of directors selected from the investors and may also have outside directors. A development corporation could provide a vehicle for local jurisdictions and institutions to work together to identify property for redevelopment. This approach may require interlocal agreements between jurisdictions. It may also require changes in statutes and should be reviewed by each community's legal counsel for conformity to state and federal lending institution requirements.

State Trust Fund

The Public Works Board and Public Works Assistance Account (RCW 43.155) were established to provide a financing mechanism for critical projects. The funds may be used for planning, acquisition, replacement, rehabilitation or improvements of streets and roads, bridges, water systems, and storm and sanitary sewage systems. This program, known as the "Public Works Trust Fund," presents a model of state support and involvement in helping communities meet the growing need for infrastructure. The Trust Fund is governed by a board of directors appointed by the Governor. A similar program could be proposed to the Legislature and financed in a state and local partnership to address the impacts associated with regional transportation facilities on local land uses. The new fund could be used to implement growth management goals and objectives, as well as directly assist the state and region in developing much needed new infrastructure.

Washington State Department of Transportation (WSDOT)

The Department of Transportation is the primary agency responsible for developing and implementing the Washington Transportation Plan. The department, working through the Transportation Commission and Legislature, develops the Transportation Policy Plan, proposes the transportation budget, and administers transportation programs (RCW 47.05.010). The following WSDOT programs and budgetary components have the most direct application in resolving the issues associated with incompatible land uses.

Highway Improvement Program (Program I) and Economic Initiatives (Subprogram 13)

The Highway Improvement Program is the largest WSDOT program focused on system mobility improvement, safety, environmental retrofit, and economic initiatives. This program's primary objective is to support reliable movements on state highways. The program budget is structured to permit a variety uses including development of non-transportation facilities. Finally, the WSDOT has established supporting programs for transportation related economic development activities, such as the Economic Initiatives Program.

WSDOT's planning and project prioritization program is completed in association with local jurisdictions and regional transportation planning organizations. Local jurisdictions have the opportunity to present project issues that could include increasing the size of the land area acquired for state projects. The state projects could encompass the potentially impacted adjacent land uses. The acquisition process could be completed as a partnership between the local jurisdictions and state to jointly support the project's additional costs.

Category C, Highway Improvement Program

The Category C Program was implemented in 1990 to fund interstate and major non-interstate transportation construction and reconstruction projects. In 1993, the Legislature amended the program to remove the project selection criteria and the categories of projects to be funded. Category C projects are now selected by the Legislature and funded with state and federal moneys. Today the program is supported through state general obligation bonds and legislative appropriation, as well as local jurisdiction project contributions. Local jurisdictions could use their funds to leverage the acquisition of potentially impacted areas. Potentially any funds from redevelopment could be used as a contribution for overall project recovery costs.

Transportation Improvement Board (TIB)

The TIB program (RCW 47.66.030) was established to further the transportation partnership between local jurisdictions and state government, while improving the general mobility. TIB projects also support economic development and environmentally responsive solutions to transportation needs. TIB programs are supported through the following accounts: the Transportation Improvement Account, the Urban Arterial Trust Account, City Hardship Assistance, Road Jurisdiction Transfers, the Small City Account, the Pedestrian Facility Program, the Public Transportation Systems Account, and the Central Puget Sound Public Transportation Account.

The TIB program accounts and weighted criteria are listed in Table 14. The project selection criteria for each program and the relative weight of those criteria vary. The Transportation Improvement Board uses the project selection criteria identified in legislation, Washington Administrative Code, or their own authority to evaluate and fund projects. A key selection element is the size of the local jurisdiction contribution to the project. Adjacent land use impacts and redevelopment potential could be added to the selection criteria. The general nature of the selection criteria, number of accounts, and local participation criteria suggest that most acquisition and redevelopment projects would be eligible. This suggests that local funds and other resources could be used to support an impacted lands redevelopment process.

FUNDING SOURCE EVALUATION

Table 15 ranks funding sources from low to high on a three point scale for each of the four criteria. General requirements for the revenue sources can be found in the legislative

TABLE 14
TIB PROGRAM ACCOUNTS AND WEIGHT OF PROJECT SELECTION CRITERIA

Project Selection Criteria	TIA[1]	UATA	CHAAP	RJT	SCA	PFP	PTSA	CPSPTA
Match Funds	25%[2]						12%	14%
Multi/Intermodal	20%	10%				35%	15%	25%
Economic Develop	15%			X[4]			15%	12%
Multi-agency	15%							
Mobility	10%	20%		X			25%	20%
Safety[3]	10%	25%	30%		20%	40%	20%	15%
Structural		15%	40%		35%			
Cost		5%				5%		
Roadway Widths					30%			
Connections to Ports				X				
Other Factors	5%	10%	30%	X	15%	20%	13%	14%

1. Transportation Improvement Account, Urban Arterial Trust Account, City Hardship Assistance, Road Jurisdiction Transfers, Small City Account, Pedestrian Facility Program, Public Transportation Systems Account, and Central Puget Sound Public Transportation Account
2. Account factor weighting points established in legislation or by program administration
3. Safety includes accident reduction and physical improvements such as sight distance, guardrails, or other mitigation measures
4. An "X" indicates that no weighting factor is established for the account project selection criteria

TABLE 15
FUNDING OPTIONS EVALUATION MATRIX*

	Availability	Appropriateness	Yield	Ease of Implementation
Federal Sources				
USDOT Funds	1	1	2	1
ISTEA	1	2	1	1
State Sources				
TIB	3	3	2	2
Appropriation	2	2	2	2
Local Sources				
Property tax	3	3	3	3
Local Option Sales and Use tax,	2	3	3	2
Local Option Employee tax,	2	3	2	2
General Revenues	1	2	1	3

* A score of 1 reflects a lower potential, while a score of 3 reflects a higher potential for a given criterion

authorization. Ranking factors include such requirements as voter approval, percentage of voter approval required, use limitations, or yield size. A low ranking indicates that the source is difficult to implement, may have restricted use, require an authorizing change, or may not provide sufficient revenue. A high ranking indicates easier implementation, targeted or unrestricted use, and sufficient yield for project support. A high ranking on the "Ease of Implementation" criterion implies that a funding decision can be made by an action of a program governing board or local legislative authority. A high ranking does not suggest that the political decision to increase a funding source would necessarily represent an easy process.

The ability to support the proposed program with federal resources would be difficult. Federal funds are essentially tied to the reauthorization of ISTEA. The ISTEA process has not considered this type of program and any introduction at this stage of the process would be very difficult. U.S. Department of Transportation demonstration projects require special legislative appropriation or authorization. These projects are difficult to achieve and require substantial political ability.

State participation in a statewide or regional program is possible. The state has established such programs as the Transportation Improvement Board and funded the agency with an initial appropriation of $240 million. Regional transportation funds such as the Central Puget Sound Public Transportation Account were authorized using motor vehicle excise taxes that were not used by public transit agencies.

The local option sales and use and employees taxes are HCT taxes that can be used for any transportation purpose. These taxes require voter approval prior to implementation. Local property taxes and general revenues may be used as the local jurisdiction determines appropriate. Currently, many jurisdictions levy less property tax than they are authorized to collect. It is possible that in some jurisdictions increased property taxes could be applied to an acquisition and redevelopment program.

A Regional Financing Process

A regional financing fund could be structured to function like a development corporation. Jurisdictions could fund the organization using local resources. Some of those most readily available, although requiring voter approval, are the local transportation resources provided in the High Capacity Transportation Act of 1990 for county governments. The state should share a responsibility in the development of such an organization since they control many of the regionally significant facilities. This responsibility could be implemented through changes in the TIB criteria, direct appropriation to the fund, or by designating funds from the Transportation Account. The regional fund would need to operate as a grant organization due to the economics of the projects, as well as the need to fulfill public policy mandates. The experience of the Essential Rail Assistance Account in supporting projects that have limited financial ability suggests that a grant program would most appropriate.

Reviewing the results of the cost recovery analysis suggests that support of a redevelopment program would require substantial public underwriting. Table 16 summarizes the net difference between acquisition cost and the net proceeds from the resale of the land.

The evaluation of the three study areas indicates that the range of public underwriting required is between between 25 to 66 percent. If such costs as relocation assistance were not legally required or shifted to the private developer, redevelopment costs could be reduced by 12 percent for Auburn and SeaTac and 8 percent for Everett. The conversion of single family residential property to conforming uses represents difficult changes. The number of parcels, relocation costs, and site preparation costs combine to make this type of conversion costly. If

higher value redevelopment land uses were identified for the study areas the public underwriting cost could decline. Other private uses may include office, retail, or hotel facilities. Public uses could include a variety of activities such as postal, agency, or prison facilities. It should be noted that many higher value land uses may not be compatible with adjacent residential areas or would require special construction to buffer the new use from the transportation facility. Holding the property for a longer period of time may permit the market for higher value uses to mature, but it would also increase carrying costs. This extended period would also have the potential of reducing the gain in local revenues during the sixth year of program operations. A shorter redevelopment period could be established returning revenues back to the cities earlier than year six.

TABLE 16
ACQUISITION COSTS VS. NET PROCEEDS FROM LAND RESALE

Market Values	Auburn	SeaTac	Everett	Totals
Acquisition Costs	($11,990,526)	($40,851,284)	($7,311,746)	($60,153,556)
Net Proceeds from Resale of Land	$8,963,288	$13,766,760	$3,831,975	$26,562,023
Net Difference	($3,027,238)	($27,084,524)	($3,479,771)	($33,591,533)
Percent Cost Recovery	74.8%	33.7%	52.5%	44.2%
Public Underwriting	25.2%	66.3%	47.5%	55.8%

Chapter Five

FINDINGS AND CONCLUSIONS

The central Puget Sound region is expected to continue to grow. With growth comes an increased need for essential public facilities. The region's ability to site future facilities will be even more constrained than today due to competition from other uses and proximity to residential areas. The Regional Council initiated this study to investigate the feasibility of establishing a state-financed revolving fund, or other financing mechanism for the purpose of mitigating the impact of essential public facilities. If feasible, the revolving fund would be used to acquire properties containing land uses incompatible with the existing or planned essential public facilities, and redevelop the properties with compatible uses.

Cost Recovery and Impact Evaluation

Case studies in Auburn, SeaTac, and Everett were selected for evaluating the cost recovery potential and development impacts of a property acquisition and redevelopment program. The cost recovery analysis considered property acquisition, relocation assistance to displaced residents, demolition costs, site preparation costs, and resale proceeds. It was determined that there is a partial net cost recovery potential for the case studies considered, with project net present values ranging from a negative $4.3 million in Everett to a negative $37.8 million in SeaTac. In SeaTac, the project's net present value would be less negative if the Port of Seattle's property was contributed to the redevelopment project. In addition, if redevelopment cost factors, such as relocation assistance, if not required, or site preparation were reduced or eliminated the cost recovery potential would increase. In each of the cases evaluated, significant public underwriting would be required for program implementation.

The resale value assigned to the land in each case study area plays a critical role in estimating the cost recovery potential. Land values are affected by real estate demand, market trends, location, existing development, adjacent uses, site access, regional access, and infrastructure, among other factors. The resale values used in this assessment are based upon recent sales of comparable properties in each vicinity, ranging from $13.00 per square foot in Auburn to $3.50 per square foot in SeaTac. The value of the various sites is not dependent on their intended future uses, although the feasibility of future uses does depend on the price a developer pays for the land. This is important for the SeaTac case study, where the two development alternatives have similar land cost and development requirements.

For each case study area, development impacts were evaluated including displaced population, added population, construction generated employment, operations phase employment, utilities impacts, traffic impacts, and local revenue impacts. In each of the case study areas population would be displaced by the redevelopment, with the largest impact in SeaTac. In SeaTac, the impacts of redevelopment vary for the different development scenarios, depending on whether or not the Port property is included and whether the property is eventually developed as warehouse or business park space. All case study areas would experience some job growth in terms of both construction and operations phase jobs, as well as growth in traffic and utilities demand. The various impacts would be larger for SeaTac than for the other case study areas, given the size of the redevelopment area. Of the different redevelopment scenarios considered for SeaTac, generally the business park use resulted in greater impacts than the warehouse use, with the exception of utilities demand.

In terms of property tax impacts, each jurisdiction would experience an increase in assessed value of the affected properties and after approximately seven years would realize a net gain in property tax revenues. In SeaTac the increase in property tax revenues would be significantly

higher for the business park use than for the warehouse use. If acquisition and redevelopment were to be implemented in SeaTac, the City would need to carefully consider the costs and benefits of the full range of impacts to determine the most appropriate use for the sites. In all cases, a shorter redevelopment period would accelerate the return of property tax revenues. Finally, the cost recovery potential for the project could be positively impacted by a shift in costs associated with the provision of airport mitigation measures to property acquisition and redevelopment.

Roles and Responsibilities

The agency responsible for a regional transportation facility should take the lead in mitigating incompatible land use issues. The local jurisdiction will continue to control the land use process, but should assist the redevelopment effort through the comprehensive plan, zoning, and development regulation process. Wherever possible, state, regional, and local transportation project sites should be enlarged to accommodate the impacted areas as part of the planning process for regional facilities. The state shares a major responsibility in being an active partner with the local and regional jurisdictions in resolving these land use issues. It should be well understood that new revenue resources are required at every level to support full range of transportation projects. In addition state projects, with certain exceptions such as airports, are large and have the potential to significantly impact local communities. The Regional Council can play a significant role through the identification of regionally significant facilities and impact areas. In addition, the Regional Council could assist in establishing a development corporation or in administering a new fund account.

Potential Financing Organizations

A regional or statewide strategy may be necessary to address the various types and locations of transportation facilities that can be classified as regionally significant. The selected strategy must include the potential to involve cities, counties, ports, and other special purpose districts. In addition, such local agencies as housing authorities and economic development councils could be engaged in any land use redevelopment solution. Federal participation should be sought as either demonstration projects, program funds, or direct appropriations to help support these projects. Finally, the private sector must be included as a partner in any process.

Three alternative strategies have been identified that have the potential of supporting a solution. The strategies provide for a statewide and regional approach and include:

- State Trust Fund,
- Transportation Improvement Board, and
- Industrial Development Corporation.

A new trust fund and account could be authorized by the Legislature to operate within the same guidelines as the Public Works Trust Fund. The Fund would be governed by a board of trustees representing jurisdictions that contain significant regional transportation facilities. The Fund would be initially supported by the Legislature, including contributions from the local jurisdictions. The Fund would provide a grant account using public bonding authority.

The Transportation Improvement Board's authorization provides a broadly defined purpose of supporting transportation projects. The issues of regional facilities and associated land uses may be accommodated within existing authority. If this is not the case, Central Puget Sound jurisdictions could seek the necessary legislative changes for the TIB accounts, as well as providing additional funding for the increased needs of the program.

Jurisdictions could form an Industrial Development Corporation for the purpose of purchasing incompatible land use properties for redevelopment. The corporation could be formed through an interlocal agreements process and with the participation of private financial institutions. The investment equity would come from local jurisdictions, including cities, counties, and port districts, as well as the private sector. Other agencies such as housing authorities or park districts could participate in the process. The state should also share a major role in the resolution of these issues through annual contributions or on a project basis.

Public Underwriting and Capitalization Fund

The analysis indicates that a redevelopment program for incompatible land uses near or adjacent to significant regional transportation facilities would require public underwriting to be successful. It is understood that new revenue resources are required at every level to support transportation projects. The state shares a major responsibility in being an active partner with the local jurisdictions and region in resolving these land use issues due to the size and number of projects they implement. The state also has the ability to develop the largest revenue resources to resolve incompatible land use problems.

A redevelopment fund would need to be capitalized at a level sufficient to support the multiple phases of an acquisition and development program. The three study areas would need a supporting fund estimated at over $33,500,000. This fund would need to be structured to support the two year acquisition period and three year development period. The analysis suggests that a project could require underwriting at average levels greater than 55 percent, although this level may vary significantly depending on individual project characteristics. Based upon this assessment a fund large enough to support 10 projects of varying types and sizes may require a total capitalization between $150,000,000 and $250,000,000. This total could possibly be reduced if the generated property tax, mitigation funds, or other revenues are dedicated to supporting the project. In addition, if site preparation or relocation costs could be reduced or transferred to the developer, this capitalization level could possibly be further decreased.

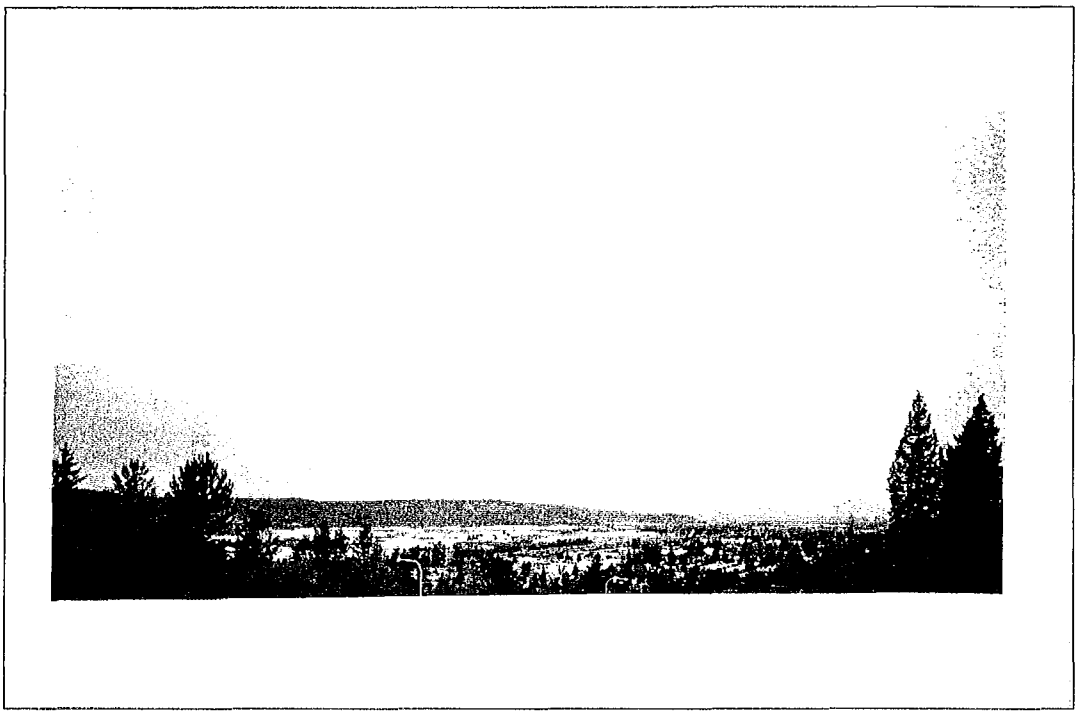
A Final Option

One final option has been identified. This option is a common approach to land use issues where conflict arises. The impacted area can be identified, comprehensive plan amendments prepared, and new zoning codes applied to bring the area into conformity with the regional transportation facility. The area would be allowed to change over time dependent upon market trends and forces. Local jurisdictions could use their local authority and programs to assist redevelopment or relocation of existing uses.

The period of time required to see change can be immediate, but redevelopment usually takes a substantial period. Incentives can be offered and may include easing permit requirements, local participation in the project, and special design and density allowances. Local jurisdictions may need to restrict development proposals for longer periods of time to ensure that the desired type of development coincides market forces. This approach can also result in a disjointed and disconnected redevelopment effort. The result of such redevelopment could be an urban environment that does not meet stated community goals, lacks adequate protection for adjacent areas, or is developed to meet the existing market trends that do not meet long term development potential. This market driven approach also may not provide for an adequate process to accommodate either the larger or small project areas.

APPENDIX

EXHIBIT A1 AUBURN

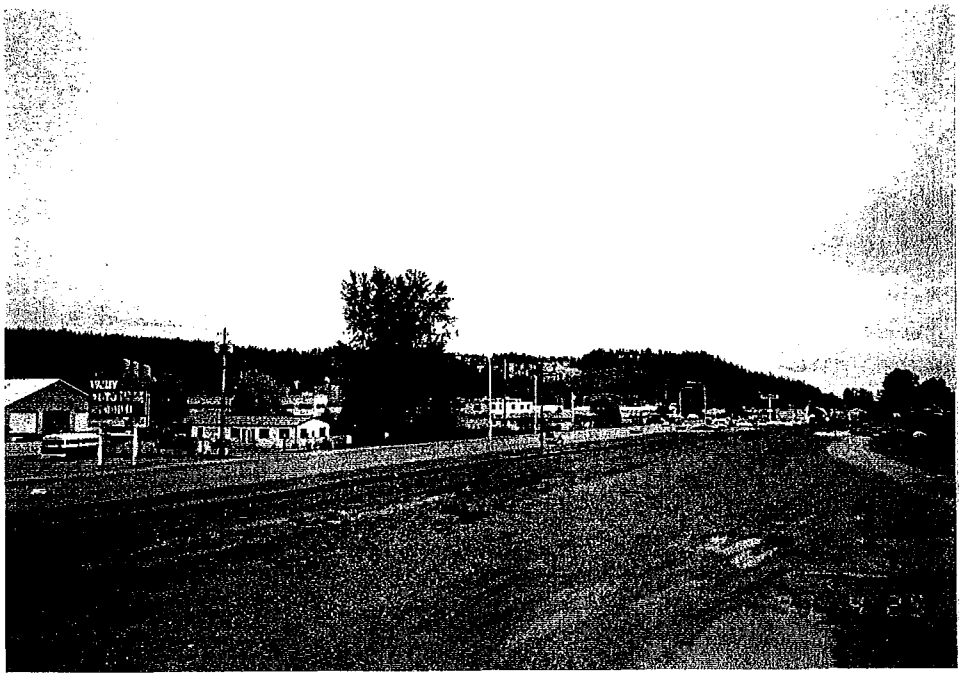


Auburn – Photo #1

Overview of the Auburn Valley and Study Area

Auburn – Photo #2

View of current railyard and "C" Street



Auburn – Photo #3

Looking toward the South end of the study area along railyard

Auburn – Photo #4

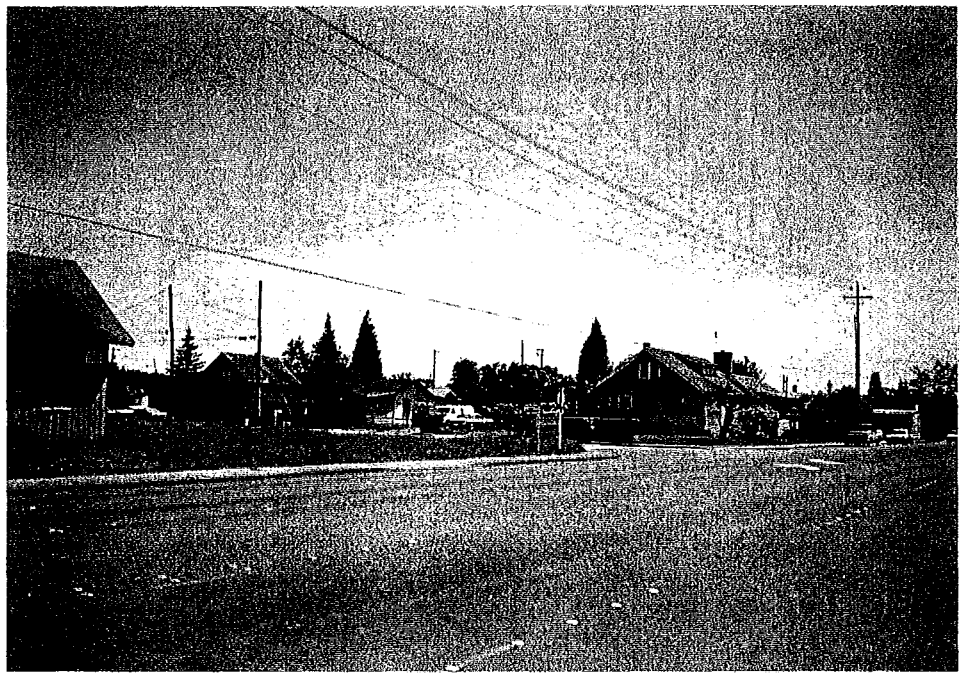
View from Northern end of study area. Note the large natural area.

Auburn – Photo #5

North end of "C" Street. Note distance between residences and railyard.

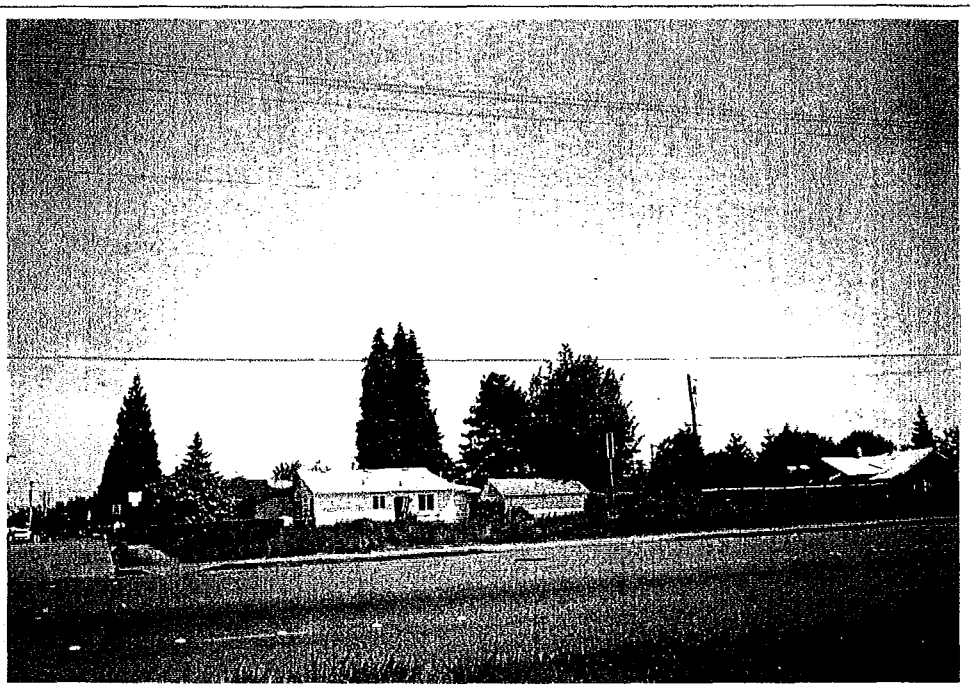
Auburn – Photo #6

Northern portion of railyard looking South



Auburn – Photo #7

"C" and 7th Streets SE. Area of Proposed Redevelopment.

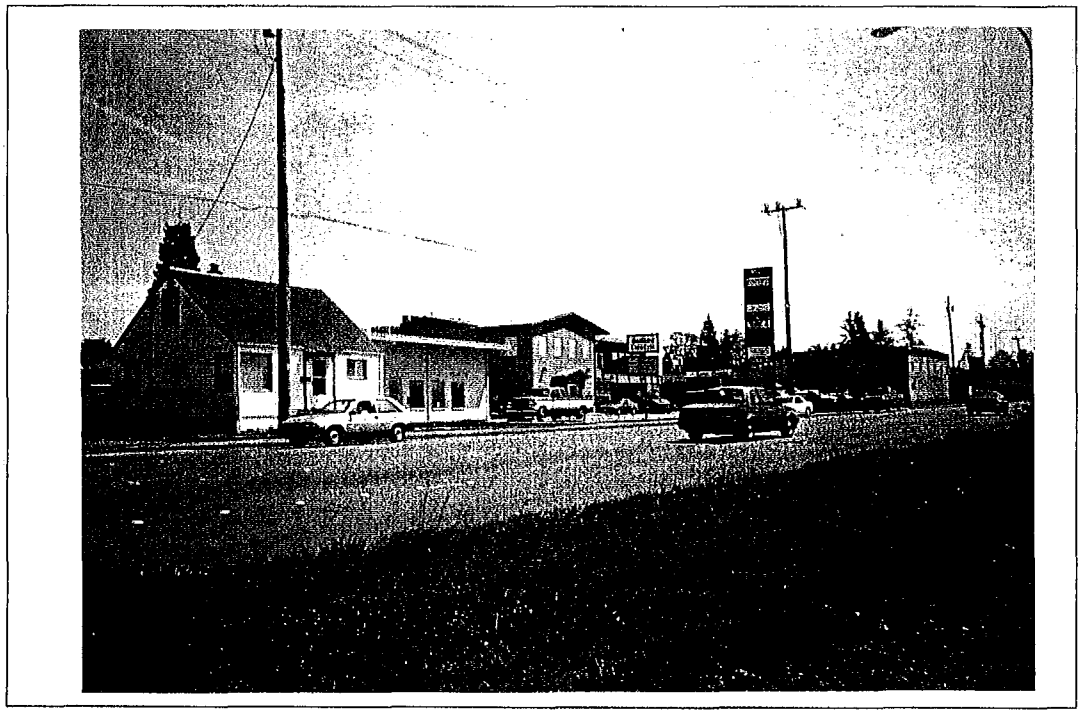


Auburn – Photo #8

"C" and 8th Streets SE. Area of Proposed Redevelopment.

Auburn – Photo #9

Office Building on "C" and 9th Streets SE. Area of Proposed Redevelopment.

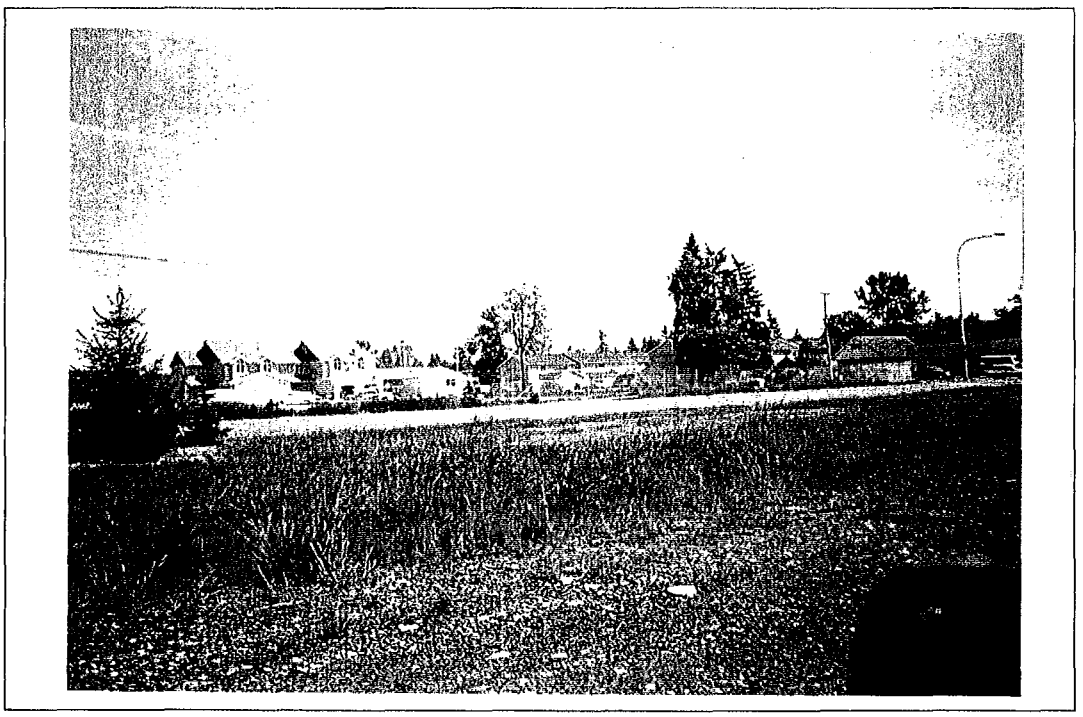


Auburn – Photo #10

"C" and 10th Streets SE. Note Natural Redevelopment Occuring.

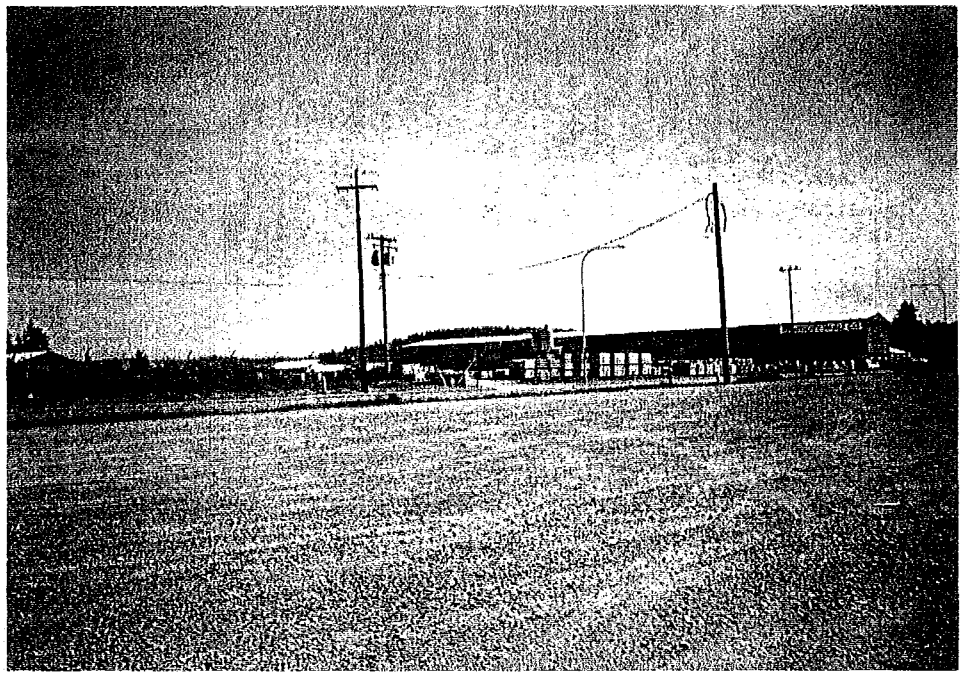
Auburn – Photo #11

Auburn Glen Apartments at "C" and 19th Streets SE



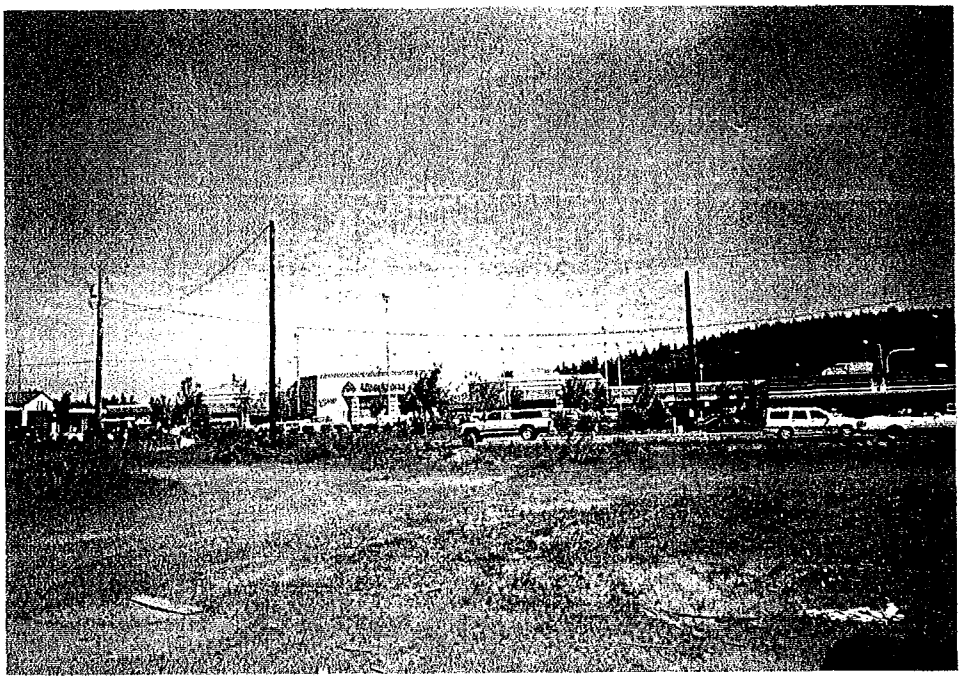
Auburn – Photo #12

New Townhouse Construction at Corner of "C" and 21st Streets SE

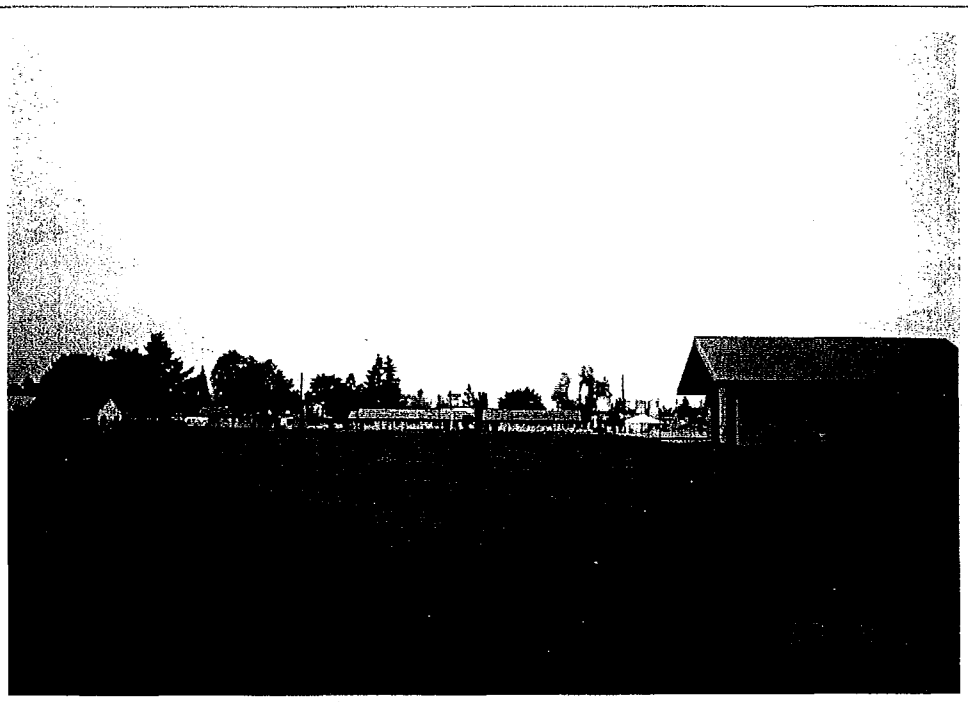


Auburn – Photo #13
Large Utility Vault Manufacturing Facility on "C" Between 25th and 29th Streets SE

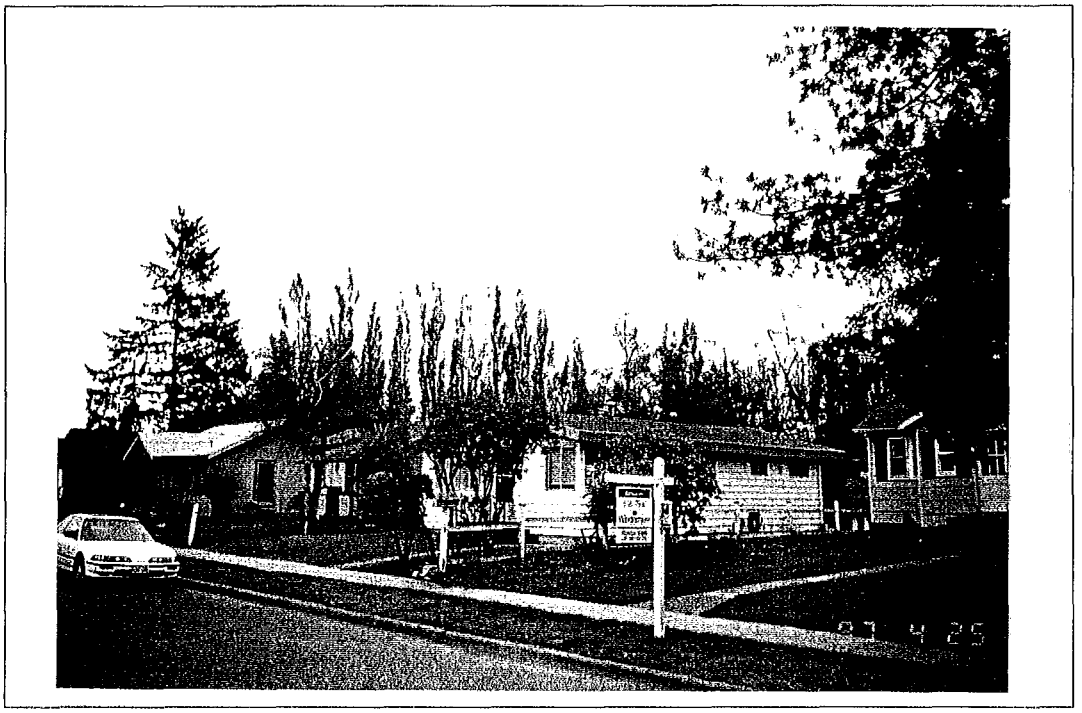
Auburn – Photo #14
Storage Yard and Commercial Space on "C" and 31st Streets SE



Auburn – Photo #15
Albertson's Shopping Center on Corner of "C" and 41st Streets SE



Auburn – Photo #16
Terminal Park Elementary School Between "B" and "D" on 11th Streets SE



Auburn – Photo #17
Typical Residential Neighborhood East of "B" Street

Auburn – Photo #18
Typical Mobile Home Park Set Back From "C" Street

EXHIBIT S1 SEATAC

SeaTac – Photo #1

SeaTac Industrial Park located on Des Moines Way and 190th

SeaTac – Photo #2

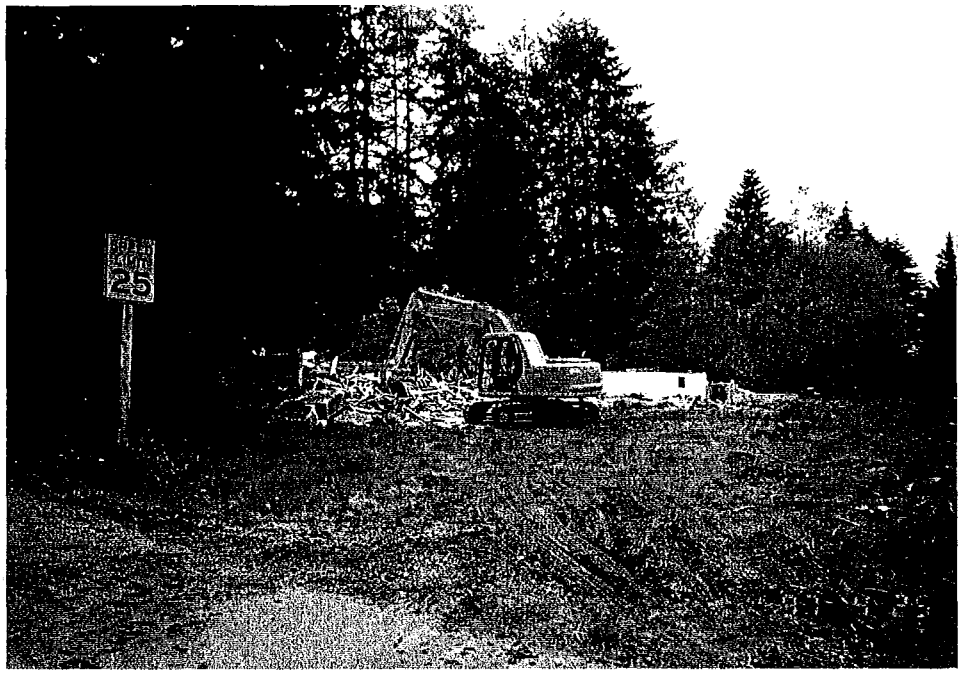
Newer Industrial Warehouse Complex (north of study area) on Des Moines Way

SeaTac – Photo #3

Looking south to greenbelt from S. 196th Place and 15th Avenue

SeaTac – Photo #4

Demolition of single–family homes on both sides of 15th Ave (north of 196th)



SeaTac – Photo #5

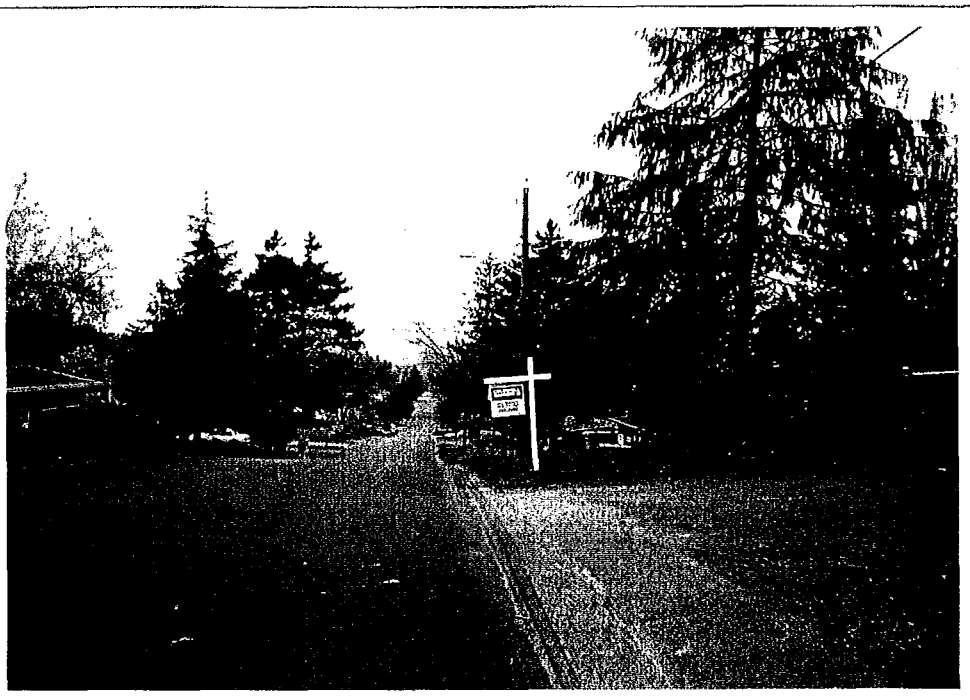
Demolition of single–family homes on both sides of 15th Ave (north of 196th)

SeaTac – Photo #6

Looking NW across State of Washington DOT property from 196 Ave S.

SeaTac – Photo #7

Northerly view from 196th over golf course and toward airport

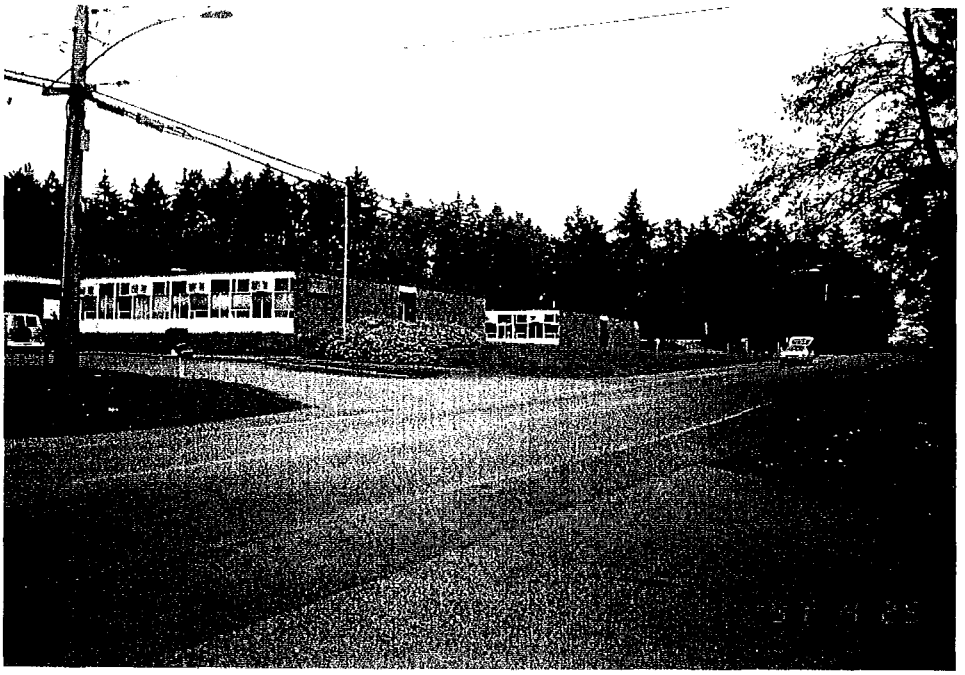


SeaTac – Photo #8

View to the South on 15th Avenue from 201st

SeaTac – Photo #9

Typical of Sound Insulation Signs in Front of Many Homes



SeaTac – Photo #10

School

SeaTac – Photo #11

Typical Home

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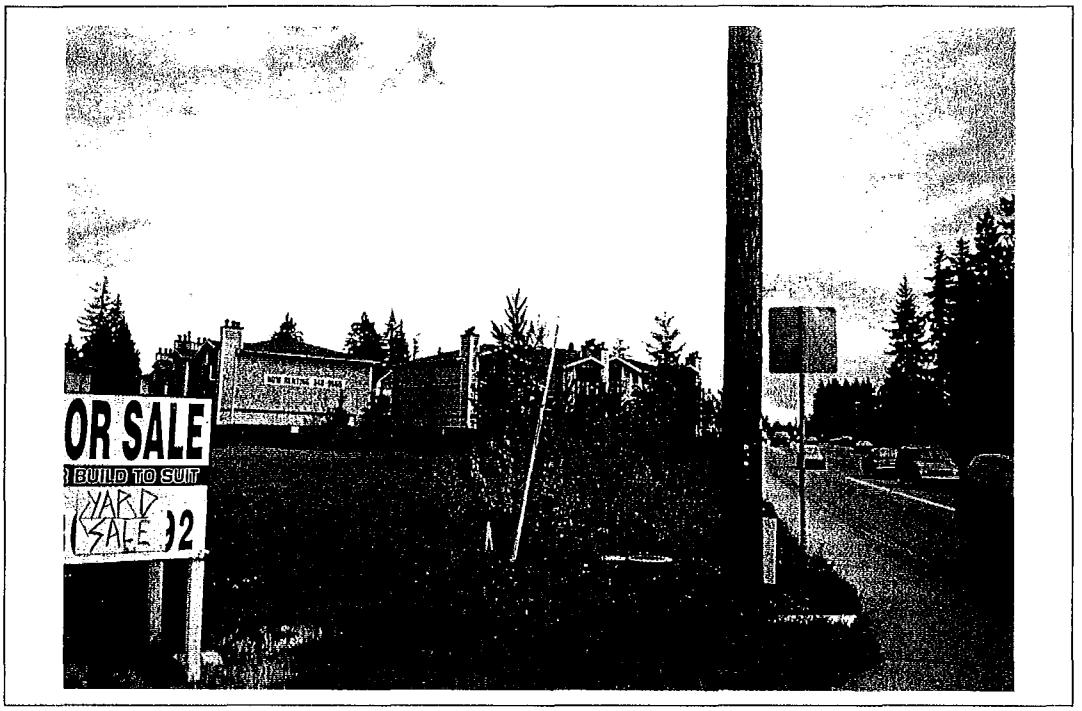
EXHIBIT E1 EVERETT

Everett – Photo #1

Westerly View on 112th and 1st West

Everett – Photo #2

Easterly View on 112th and 1st West

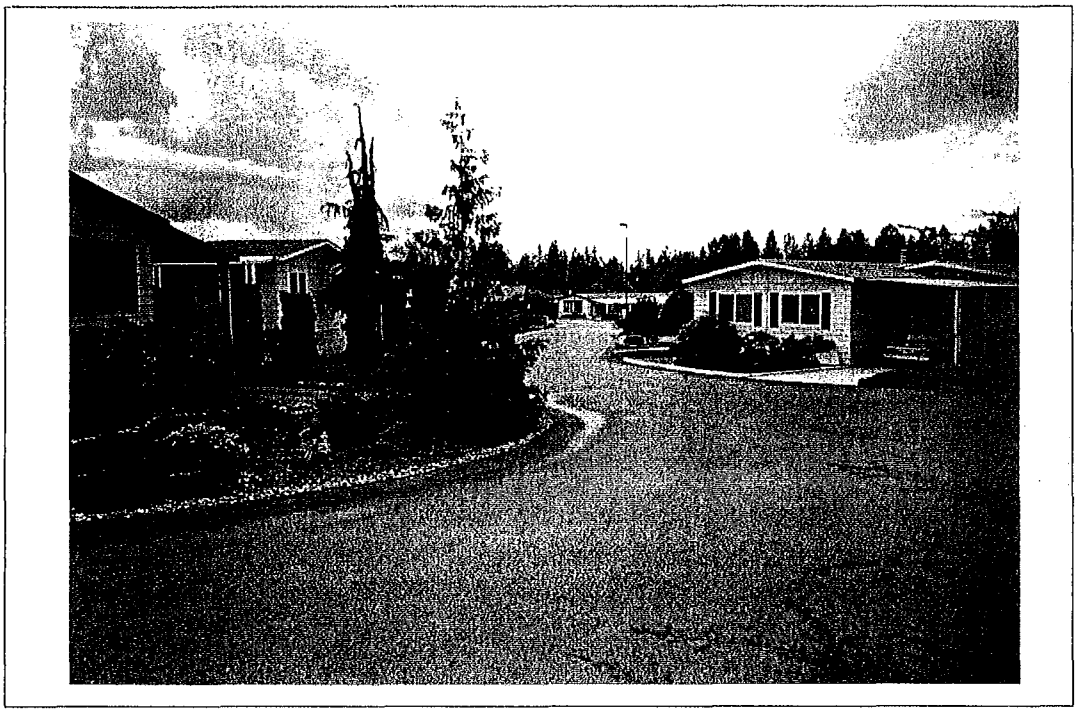


Everett – Photo #3

Easterly View on 112th and 7th Ave SE. Under Contract For $7.26 per sq. ft.

Everett – Photo #4

Westerly View on 112th and 7th Ave SE



Everett – Photo #5

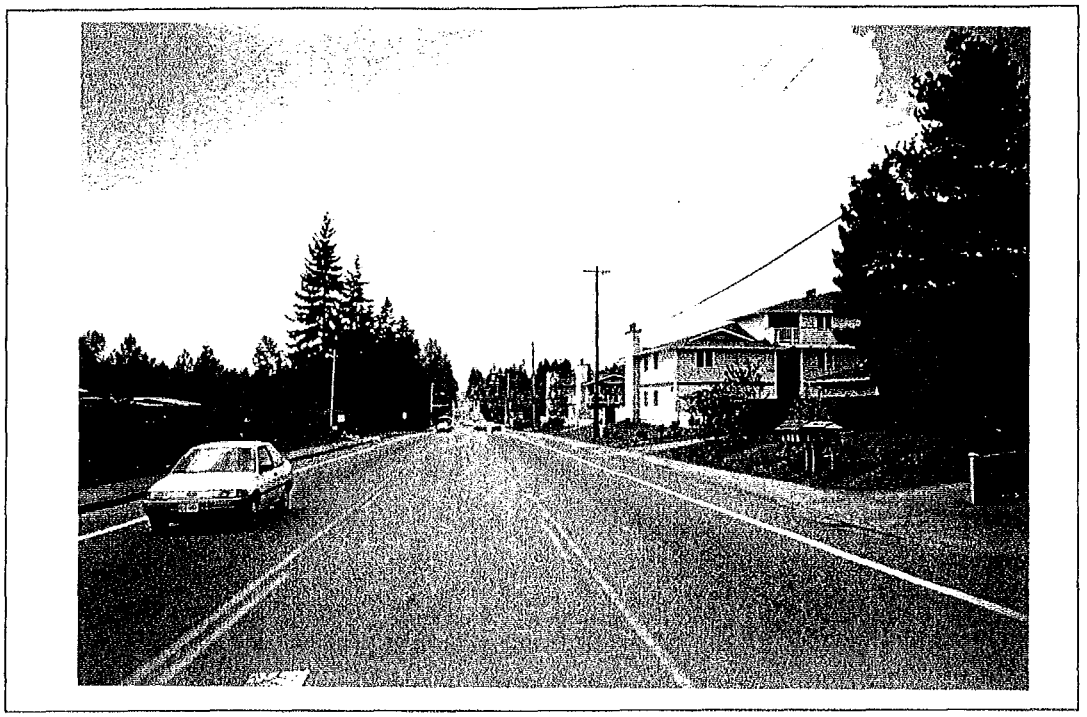
Lago De Plata – A Senior 55+ Community

Everett – Photo #6

Lago De Plata – East End and Interstate 5

Everett – Photo #7
Lago De Plata – East End (Westerly View Along 112th)

Everett – Photo #8
Easterly View Toward Interstate 5 (Point Where 3rd Turning Lane Ends)



Everett – Photo #9

Westerly View Along 112th (Brentwood Apts. on Right/Lago De Plata on Left)

Everett – Photo #10

Strip Mall on NW Corner of 7th Avenue SE and 112th

Everett – Photo #11

Southerly View Toward 112th at 109th Street and 10th Drive. Note Apartment Buffer.

Everett – Photo #12

Easterly View from 3rd Avenue on 112th

Everett – Photo #13

Westerly View From 3rd Avenue on 112th

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