## STAFF REPORT

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| **Agenda Item:** |  8 | **Name:** | Rachelle Celebrezze |
| **Proposed No**.: | 2016-0009 | **Date:** | February 24, 2016 |

**SUBJECT**

Proposed Ordinance 2016-0009 would authorize the sale of surplus tax title property located in Seattle.

**SUMMARY**

Proposed Ordinance 2016-0009would approve the sale of a surplus 320 square foot parcel in Seattle, located within Council District 2. The property was deeded to the County as a tax title property in 2004. The property was declared surplus in August 2015.

The proposed ordinance would authorize the Executive to convey the surplus property to owners of adjoining residential property for a purchase price of $32,500.

**BACKGROUND**

The approximately 320 square foot rectangular parcel is located in an alley between 31st Avenue and 32nd Avenue in Seattle’s Madrona neighborhood. The parcel was deeded to the County as a tax title property in 2004. Tax title properties are those parcels of real estate that the County forecloses upon due to non-payment of property taxes and other assessments, and for which there is no bidder at the annual foreclosure auction.

On June 16, 2015, the Facilities Management Division (FMD) notified all County departments of its intention to declare the property as surplus.

On June 23, 2015, FMD determined that the parcel was not suitable for affordable housing.

On July 7, 2015, notification of sale letters were mailed to adjacent property owners, and an advertisement was placed in the Seattle Times public notice section for three consecutive weeks beginning on July 13, 2015. The deadline for bids was July 30, 2015.

The County received two bids for the parcel, one for $32,500 and one for $35,000. Both bids were from adjacent property owners. Although the County initially accepted the higher bid, as required under RCW 36.35.120, that bidder withdrew the offer. The County then contacted the second bidder, who resubmitted an offer of $32,500, which the County accepted.

On August 6, 2015, the property was declared surplus by the County.

**ANALYSIS**

*Procedure for Declaring County Property as Surplus*

Under King County Code, FMD is authorized to sell County property that has been declared surplus to the County's needs, but only after following the procedure outlined in the King County Code.[[1]](#footnote-1) In addition, if the value of surplus property exceeds $10,000[[2]](#footnote-2), Council approval of the sale is required.

Prior to declaring County property as surplus, King County Code requires FMD to determine whether other County departments have a need for the property, whether the parcel is suitable for affordable housing, and whether there are other possible uses for the property. FMD notified all County departments on June 16, 2015, of its intention to declare the property as surplus, and FMD reports that no County department expressed an interest in the property at that time and no other possible uses were identified. In addition, the property was determined to be unsuitable for affordable housing development, as the property’s size is less than the zoning’s minimum lot size for a residential unit.

Given that no County department expressed an interest in the property and the determination that the property was not suitable for development as affordable housing, FMD formally declared the property as surplus on August 6, 2015.

*Property Appraisal*

The property was appraised by FMD in July 2015. Given the lack of vacant land sales of similar size, FMD staff assessed the value of the land based on the contributory value the land would have if added to an adjacent parcel. Using this methodology, FMD calculated the average per square foot value of the adjacent properties to determine the appraisal value of the 320 foot parcel. Based on this valuation process, FMD appraised the parcel at $16,850.

Under the terms of the Purchase and Sale Agreement (PSA), the Buyers have offered $32,500 for the property, $15,650 more than the appraisal value.

*Easement*

Under the terms of the PSA, the parcel retains all easements (if any) the property had prior to becoming a County tax title property. According to Executive staff, the property has no easements.

*Sale Proceeds and Other Financial Considerations*

If approved by the Council, the sale proceeds would be disbursed first to Real Estate Services ("RES") for work associated with the sale of the surplus property, and any remaining funds would be returned to the Treasury, as the property is a tax title property. According to the fiscal note, $3,019 would go to Real Estate Services for appraisal work, advertising, and sale oversight. The remaining $29,481 would be deposited in the Treasury.

In addition to the proceeds that would accrue to the Treasury, sale of the surplus property would also have other financial benefits for the County. In particular, sale of the property to a non-governmental entity (the Buyers) would return the property to the County's property tax rolls.

*Contingencies*

The only contingency in the PSA relates to Council approval of the sale. Under the terms of the PSA, sale of the property was contingent upon Council approval of the sale within 120 days of September 4, 2015 (the effective date of the PSA), or January 4, 2016. The PSA allows for one 60-day extension of the Council approval period, if agreed to by the County and the Buyers.

In early February 2016, the County and the Buyers signed an amendment to the PSA, known as the First Amendment to the PSA. The amendment strikes references to the 60-day extension and instead allows for one 90-day extension to the Council approval period. Under the amendment, the Council approval period specifically extends through April 3, 2016. Because the Council approval contingency requires the Council’s approval of the property sale to become effective by the end of the Council approval period, under the amendment, the ordinance would need to be effective by April 3, 2016. Assuming normal timelines for Clerk processing and Executive signature, the last regular Council meeting at which the full Council could take action (without declaring an emergency) would be on March 7th. If the committee chooses to take action and move the proposed ordinance to full Council, it may wish to move the legislation on an expedited schedule, which would place this item on the Council agenda for February 29th.

**ATTACHMENTS**

1. Proposed Ordinance 2016-0009 (and its attachments)
2. Purchase and Sale Agreement Extension
3. Transmittal Letter
4. Fiscal Note

**INVITED**

1. Tony Wright, Director, Facilities Management Division
2. Hien Dung, Acting Manager, Real Estate Services Section
3. Steve Rizika, Real Property Agent, Real Estate Services Section
1. KCC 4.56.070. [↑](#footnote-ref-1)
2. KCC 4.56.080. [↑](#footnote-ref-2)