## STAFF REPORT

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| **Agenda Item:** | 6 | **Name:** | Andrew Kim |
| **Proposed No**.: | 2016-0398 | **Date:** | November 30, 2016 |

**SUBJECT**

Proposed Ordinance 2016-0398 would authorize the sale of surplus tax title property located in Kent, WA.

**SUMMARY**

Proposed Ordinance 2016-0398would approve the sale of a surplus 1,035 square foot parcel in Kent, located within Council District 5. The property was deeded to the County as a tax title property in 1979. The property was declared surplus on May 23, 2016.

The proposed ordinance would authorize the Executive to convey the surplus property to the owners of adjoining residential property for a purchase price of $10,202.

**BACKGROUND**

The approximately 1,035 square foot rectangular parcel is located between two single family residences at 10502 SE 232nd Place and 23204 104th Avenue SE in Kent, WA. The parcel was deeded to the County as a tax title property in 1979.

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. The sale of tax title properties, and the distribution of their proceeds, is governed by Chapter 36.35 of the Revised Code of Washington (RCW) and Sections 4.44 and 4.56 of the King County Code. Section 4.44 authorizes the Facilities Management Division (FMD) to conduct sales of all county tax title property, and Section 4.56 governs the tax title property sale process.

**ANALYSIS**

All tax title property sales need to abide by the requirements outlined in King County Code Section 4.56. The table below provides the requirements, the reference to King County Code, and the outcome or status of each requirement. The requirements are listed chronologically since each requirement is dependent on the outcome of another requirement (i.e. FMD surplus declaration must happen prior to FMD offer of parcel to other County agencies).

| **Tax Title Property Sale Requirements** | | | |
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| **No.** | **Requirement** | **KCC Reference** | **Outcome/Status** |
| 1 | FMD appraisal of parcel | 4.56.075 | The property was appraised by FMD in March 22, 2016. Using the assessed land values for the surrounding properties, FMD determined an average price per square foot value of $11.43/sq. ft. and applied the figure to the 6 feet wide parcel to determine a value of $11,800. Since the parcel is only 6 feet wide and lacks utilities, the value was adjusted downward to $6,000. |
| 2 | FMD surplus declaration | 4.56.070 | FMD declared the parcel a surplus to its needs on March 30, 2016. |
| 3 | FMD offer of parcel to other County agencies | 4.56.070 | FMD offered the property to other County agencies on April 15, 2016 and received no interest. |
| 4 | Determine if property is suitable for affordable housing | 4.56.070 | FMD determined that the parcel was not suitable for affordable housing on April 29, 2016, as the property’s size is less than the zoning’s minimum lot size for a residential unit. |
| 5 | Final surplus declaration | 4.56.070 | FMD declared the parcel surplus to County needs on May 23, 2016. |
| 6 | Public notification of surplus | 4.56.090 | Notification of sale letters were mailed to four adjacent property owners, and an advertisement was placed in the Seattle Times Public Notice Section once a week for three consecutive weeks from May 17 through May 31, 2016. The deadline for bids was June 3, 2016. |
| 7 | Bid process | 4.56.100 | The County received two bids for the parcel, one for $6,000 (appraised value) and one for $10,202. FMD declared the highest bid ($10,202) to be the winning bid on June 4, 2016. |
| 8 | Purchase and Sale Agreement | n/a | The Purchase and Sale Agreement (PSA) was executed on June 13, 2016. |
| 9 | Council Approval | 4.56.080 | If the value of surplus property exceeds $10,000, Council approval of the sale is required. Therefore, under the terms of the PSA, the sale is contingent on approval by ordinance by the Council by January 11, 2017. |
| 10 | Disposition of Sale Proceeds | 4.56.130 | If approved by the Council, the sale proceeds would be disbursed first to FMD 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 (foreclosed property). According to the fiscal note, $2,641 would go to Real Estate Services for appraisal work, advertising, and sale oversight. The remaining $7,561 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 (current buyer) would return the property to the County's property tax rolls for an annual tax revenue estimated at $132. There is also savings to the County by removing payment of annual Conservation Fee of approximately $7.70. |

**ATTACHMENTS**

1. Proposed Ordinance 2016-0398 (and its attachments)
2. Property Summary
3. Transmittal Letter
4. Fiscal Note

**INVITED**

1. Anthony Wright, Director, Facilities Management Division
2. Bryan Hague, Manager, Real Estate Services Section
3. Steve Rizika, Real Property Agent, Real Estate Services Section