



City Council

Discussion of Isthmus Properties

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Agenda Item:

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Issue:

Provide direction to City staff regarding strategies or priorities for the acquisition of parcels on the Isthmus.

Committee Recommendation:

Not referred to a committee.

City Manager's Recommendation:

Provide direction to City staff.

Staff Contact:

Steve Hall, City Manager, 360.753.8447

Tom Morrill, City Attorney, 360.753.8338

Jay Burney, Assistant City Manager, 360.753.8740

Linda Oestreich, Director of Parks, Arts and Recreation, 360.753.8462

Presenter(s):

Steve Hall, City Manager

Background and Analysis:

The City of Olympia has clearly stated its intent to partner with others to acquire parcels of land in downtown Olympia referred to as the Isthmus parcels. The adopted 2010 City of Olympia Parks Plan states that "The City should explore the concept of a public/private partnership to implement an Isthmus park project." (Attachment #1). In addition, the City conducted an Isthmus Feasibility Study in 2009, which is posted on the City of Olympia website at this link:

<http://olympiawa.gov/city-services/planning-and-zoning/isthmus-park-feasibility-study>.

The City Council has directed staff to work with partners to develop an acquisition strategy for these properties. Since early 2011, City staff has worked with the Olympia Isthmus Park Association (Association), Thurston County (County), the State of Washington (State) and the Trust for Public Lands (TPL) to look for opportunities to acquire this land.

Tri Way Parcels

The focus of most of the work has been on the acquisition of the Tri Way parcels which currently contain the abandoned County Health Building and the former Thurston County Housing Authority building. These

parcels, referenced as parcels 2 and 3 on the attached map, (Attachment #2) contain about 2.3 acres with an estimated fair market value of approximately \$3 million.

In 2012, the Thurston County Commissioners pledged \$600,000 from the County conservation futures funds toward acquisition of Isthmus parcels. The City of Olympia also pledged \$1 million toward the Tri Way properties.

Jointly, the City, TPL and Association have submitted a grant application to the State of Washington through the Inter-Agency Committee for Outdoor Recreation (IAC) for \$1 million to support acquisition of the Tri Way parcels. The partners will have some indication of the grant application prospects in fall 2012. Final decisions on the grant are unlikely to be known until after State Legislative action in July, 2013.

TPL has served as the prime contact for the partners in discussions with the owner of Tri Way parcels. There are a number of creditors and lien holders who claim some interest in these parcels.

While currently held by Tri Way, staff understands that the parcels are part of a pending bankruptcy action. This complicates the discussion on the Tri Way acquisition.

There is a pending code enforcement action against the properties due to the unsafe conditions presented by the former County Health Building. We also have a preliminary estimate of demolition costs for the structure.

Capitol Center Building and Associated Properties

The Capitol Center Building and associated properties contain five parcels of land consisting of approximately two acres. Three of the parcels, including the tower, are located south of 4th Avenue and the remaining two parcels are north of 4th Avenue adjacent to the Olympia Yacht Club parking.

While TPL has been in contact with the property owner on these parcels, City staff has limited information on these acquisition discussions. The properties are owned by one or more investor groups. The owners of the tower and adjacent parcels have submitted and received land use approval to convert the building into a hotel, but one issue concerning the matter is still pending before the Olympia Hearing Examiner. The owners have also gutted the building to prepare for possible renovation.

On June 29, City staff was informed that TPL had completed an option agreement with the owners of the Capital Center Building to acquire all five parcels subject to the City of Olympia agreeing to submit a voted bond measure to the voters in November 2012. TPL did not discuss the option or their intent to execute an option with City staff before signing it. On July 9, the City staff received the term sheet (Attachment #3) from TPL summarizing their proposed process for the City purchase of the Capital Center Building and associated properties. The City does not have a copy of the actual Option document.

Timing

In order to place a voter bond measure on the ballot for November, the City Council would need to pass an ordinance on first and second reading and then submit the measure to the Thurston County Auditor no later than 5pm, August 7. The City would also need to establish a pro and con committee. Currently, there are only two remaining scheduled Council business meeting between now and August 7. Those meetings are July 17 and July 24. An ordinance can be passed on first and final reading if Council suspends its normal process of two readings by a two-thirds vote.

Strategies for Acquisition

1. Tri Way Parcels

The current partnership has \$1.6 million secured of the needed \$3-3.6 million needed for acquisition

and building demolition. If the State grant is secured, that adds another \$1 million. The Association and TPL have both committed to some philanthropic fundraising to “close the gap” on acquisition. Timing for this strategy involves waiting for the State grant outcome and well as more fund raising. The city or other partners could commit to more funds if acquisition is more urgent or desirable.

2. Capitol Center Building and Associated Parcels

This is a bigger deal. No funds have been secured for this parcel, although the City could move its monies from the Tri Way Partnership effort and ask the County to do the same with their share. The application to the State is specific to the Tri Way properties. TPL estimates \$12-15 million for acquisition, demolition and site remediation. The actual cost for environmental remediation is unknown, and the estimate may not cover much in the way of park/amenity development. If the City seeks authorization from the voters to raise property taxes and issue bonds, such a measure would require 60% approval.

Some Potential Options:

- Proceed as proposed by Trust for Public Lands.
- Seek funding commitments from other partners, including TPL, State, County, and the Isthmus Park and other community associations.
- Continue to work with TPL, but not in this time frame.
- Consider other funding options including those that require less than 60% voter approval.
- Ask Olympia’s Parks and Recreation Advisory Committee to review all park priorities, expiring debt, and other related issues and make a recommendation to Council in 2013.

Financial Impact:

Depends upon approach.