

# The Interbay Project



Department of Commerce

The Interbay Public Development Advisory Committee's  
Recommendations and Implementation Plan

November 15, 2019

REPORT TO THE GOVERNOR AND LEGISLATURE

# Acknowledgments

*Development of The Interbay Public Development Advisory Committee's Recommendations and Implementation Plan for the Interbay Project drew on the expertise of a wide variety of stakeholders. Key team members are identified below.*

## **Interbay Public Development Advisory Committee**

Rep. Gael Tarleton, Washington State House of Representatives

Sen. David Frockt, Washington State Senate

The Hon. Gary Locke, former Washington State Governor, former U.S. Secretary of Commerce, former U.S. Ambassador to China

Brian Lloyd, Vice President, Beacon Development

Doris Koo, Community Development and Affordable Housing Expert

Col. Adam Iwaszuk, Construction Facilities Management Officer, Washington Army National Guard

Commissioner Courtney Gregoire, Port of Seattle Commission

**Washington State Department of Commerce**  
Sean Ardussi AICP, PMP

SPECIAL PROJECTS MANAGER

[sean.ardussi@commerce.wa.gov](mailto:sean.ardussi@commerce.wa.gov)  
360-725-5039

Lisa Brown, Director

Mark Barkley, Assistant Director, Local Government Division

Barbara Dunn, Director, Communications

Alice Zillah, Research Services Section Manager

## **Consultant Team**

Maul Foster & Alongi, Inc.

MAKERS Architecture & Urban Design LLP

Heartland, LLC

KPFF, Inc

Acutanza STS

Cultural Resource Consultants, LLC

Zipper Geo Associates, LLC

Pacifica Law Group LLP

Greene Economics, LLC

1011 Plum St. SE  
P.O. Box 42525  
Olympia, WA 98504-2525

[www.commerce.wa.gov](http://www.commerce.wa.gov)

For people with disabilities, this report is available on request in other formats. To submit a request, please call 360.725.4000 (TTY 360.586.0772).

# Table of Contents

**Executive Summary.....3**

**Introduction ..... 12**

**Community Engagement ..... 16**

**Military Relocation .....20**

**Existing Conditions .....24**

**Future Ownership.....37**

**Redevelopment Concepts.....47**

**Summary of Committee Findings.....57**

**Committee Recommendations .....60**

**Implementation Plan .....62**

# List of Appendices

[Appendix A: Senate Bill 6095.1004 \(10\)](#)

[Appendix B: Location Map](#)

[Appendix C: Property Map](#)

[Appendix D: Guiding Principles](#)

[Appendix E: Project Timeline](#)

[Appendix F: Advisory Committee Communications Report](#)

[Appendix G: Military Relocation Report](#)

[Appendix H: Existing Conditions Summary Table](#)

[Appendix I: Current Use of the Property](#)

[Appendix J: Adjoining Land Uses Map](#)

[Appendix K: Land Use and Regulatory Existing Conditions](#)

[Appendix L: Real Estate Market Existing Conditions](#)

[Appendix M: Transportation Existing Conditions](#)

[Appendix N: Infrastructure Existing Conditions](#)

[Appendix O: Geotechnical Existing Conditions](#)

[Appendix P: Cultural Resources Report](#)

[Appendix Q: Phase I Environmental Site Assessment](#)

[Appendix R: Phase II Environmental Site Assessment](#)

[Appendix S: Opportunities and Constraints Map](#)

[Appendix T: Evaluation of Ownership Options](#)

[Appendix U: Evaluation of Redevelopment Concepts](#)

[Appendix V: Industrial with Residential Development Case Studies](#)

[Appendix W: Redevelopment Concepts](#)

[Appendix X: Redevelopment Concepts Assumptions](#)

[Appendix Y: Financial Evaluation](#)

[Appendix Z: Infrastructure Cost Evaluation](#)

[Appendix AA: Structural Cost Evaluation](#)

[Appendix BB: Economic Impacts](#)

[Appendix CC: Transportation Impacts](#)

[Appendix DD: Tradeoff Summary Table](#)

[Appendix EE: Committee Member Correspondence](#)

# Executive Summary

The Washington State Legislature, through Senate Bill 6095, established the Interbay Public Development Advisory Committee “to make recommendations regarding the highest public benefit and future economic development uses for the Washington army national guard (“Guard”) armory facility (“Interbay property”) in the City of Seattle, pier 91 property, located at the descriptions referred to in the quit claim deeds for two parcels of land, 24.75 acres total, dated January 8, 1971, and December 22, 2009.”

To develop recommendations, the advisory committee engaged with a technical team provided by the Department of Commerce to assess the state-owned Interbay property and the needs of the Guard. Public involvement was crucial to ensuring an open process that solicited and incorporated the public's feedback. The following captures the advisory committee's findings and recommendations from that assessment regarding the future redevelopment of the Interbay property and the relocation of the Guard.

As reflected in the Military Relocation Report (Appendix G), the Guard, as a state entity performing an essential public function, has determined that it must relocate from the existing Interbay property. The Guard's stated intent is to relocate from the Interbay property and develop a new King County Readiness Center and field maintenance shop at its preferred site pending the allocation of additional financial resources. For planning purposes, that relocation is forecast to take place within three and a half to five years following the identification of resources to support the relocation. Once the Guard is relocated in a new, fully operational readiness center, the Interbay property will be available for redevelopment. The Interbay property represents a rare development opportunity because of its significant acreage, its location near Seattle's downtown, and its adjacency to a future light-rail station.

The advisory committee solicited input through public testimony, project open houses, stakeholder interviews and online comments. The advisory committee heard from many members of the community who want the future use of the property to include affordable housing or services for homeless populations, particularly with planned light rail service nearby. Other members of the public expressed a strong desire to maintain the Seattle Animal Shelter's current access in support of its rehabilitation programs. Still other public input reflected concern regarding loss of industrial land and associated economic impacts, as well as incompatible land uses in industrial areas. These and the many other community comments received by the advisory committee are summarized in the Advisory Committee Communications Report found in Appendix F. Elements of the public's input have been incorporated directly into the analysis or placed into the "charging station" of ideas for consideration during future phases of redevelopment planning and design.

**Senate Bill 6095 requires the advisory committee to report recommendations to the Legislature on the following:**

- **Determine the needs of the military department as it relates to the Seattle Readiness Center at the Interbay property.**
- **Explore future economic development opportunities for the Interbay property.**
- **Explore potential funding sources and partners.**

At the onset of its work, the advisory committee established the following guiding principles to help the advisory committee navigate the many complex issues impacting its findings and recommendations.

- **Maximize public benefit:** The overarching principle is to maximize the greater public benefit, both on and off the Interbay property in support of the state’s interest, community goals, the local economy, and military readiness.
- **Support the Guard:** Seamless and uninterrupted operation of the Guard facility is the main prerequisite on which any recommendations from the advisory committee depends.
- **Adopt an achievable vision:** The future vision for the Interbay property must be implementable and financially feasible within a schedule that maintains military readiness.
- **Listen to the community and stakeholders, taking into account their concerns as decisions are made:** The future reuse concept for the Interbay property will be developed through effective public engagement and will most closely align community, stakeholder, and government interests.
- **Leverage innovative partnerships:** The implementation strategy should leverage public, private, and nonprofit sector partnerships to maximize available resources without compromising the future reuse concept.
- **Respond effectively to environmental constraints:** Recommendations will include a transparent discussion of discovered environmental constraints, how they will need to be addressed in any property transaction, and how they can be integrated with physical site development.

The following statements characterize the term “public benefit” for the advisory committee. These public benefits are captured in the findings and recommendations.

- Generating **financial resources to the State of Washington** to offset the statewide cost of the relocation of the Guard to a preferred location in support of its critical mission.
- Continuing to support the **regional and state economy** by advancing industrial capacity, creating jobs, and expanding the tax base.
- Creating opportunities for **community enhancement** for all through the creation of educational and community resource space.
- Adding to the availability of **affordable and workforce housing** to help address the regional housing challenge.

# Ownership Context

The following findings and recommendations were made directly by the Interbay Public Development Advisory Committee with the understanding that any future redevelopment of the Interbay property is dependent upon a future, complete relocation of the National Guard units and operations that are currently located there. Considerations for the future uses of the property must include the requirement that a transfer in ownership, or change in use must go through a federal as well as a state authorization process. The deed transferring the Interbay property from the United States to the State of Washington clearly states that the state will not "sell, lease, or otherwise dispose of any of the premises" without first obtaining written authorization of the Secretary of the Army. Further, the Washington State Constitution and Washington State law also articulate a clear role for the Governor as Commander-in-Chief of the state's military forces<sup>1</sup>. Under authority from the Governor, the Adjutant General is charged with attending to the care, preservation, safekeeping, and repairing of all military property belonging to the state, or issued to the state by the United States for military purposes. Any property of the state military department which, after proper inspection, is found unsuitable or no longer needed for use of the organized militia shall be disposed of in such manner as the governor shall direct and the proceeds thereof used for replacements in kind or by other needed authorized military supplies, and the adjutant general may execute the necessary instruments of conveyance to effect such sale or disposal.<sup>2</sup>

## Summary of Committee Findings

The advisory committee makes the following findings as requested and directed in Senate Bill 6095:

### National Guard relocation

- **The current location of the Seattle Readiness Center has several major deficiencies** and no longer meets the readiness needs of the Guard.
- **The Guard has identified the North Bend area as the preferred location** to replace the Seattle Readiness Center with a new King County Readiness Center.
- **The Guard will need to relocate the units stationed at the Boeing Field Readiness Center by 2023.** The Boeing Field Readiness Center lease ends in 2023, and the Guard will need to be relocated. The Guard will relocate the units currently stationed at the Boeing Field Readiness Center to the Seattle Readiness Center until the new King County Readiness Center is completed.
- **The Legislature recently allocated \$6.6 million toward the purchase** of an appropriate site for a new King County Readiness Center and field maintenance shop.
- **There will be no sale or transfer of the Interbay property until the Guard is fully operational elsewhere and has obtained the written authorization of the U.S. Secretary of the Army to transfer title of the Interbay property.** The new King County Readiness Center must be fully operational, and the Seattle Readiness Center fully moved out before the physical redevelopment of the Interbay property begins.

---

<sup>1</sup> Washington State Constitution, Article III, Section 8

<sup>2</sup> RCW 38.12.020

- **As securing federal funds for the timely relocation is not likely, there is a need to identify other resources if the Guard is to be relocated in the near future.** The total anticipated cost of relocation to a new King County Readiness Center, including the costs to co-locate the Boeing Field Readiness Center (an anticipated state obligation), is estimated to be \$101 million (2019 dollars), excluding land, and should not depend on the receipt of federal funds.
- **There is no evaluated redevelopment scenario that provides an acceptable level of public benefit and generates sufficient value** to offset the entire remaining and currently unfunded cost of the development of the future King County Readiness Center and field maintenance shop facility and the associated relocation activities. A portion of the relocation costs could reasonably be offset by \$50 million to \$60 million (2019 dollars), which is the estimated unimproved industrial value of the Interbay property.
- **Financial returns from the Interbay property's redevelopment will not be realized until after the Guard has relocated.** There is an expected gap of at least three and a half to five years between the Guard's obtaining capital funding to relocate and when the Interbay property can generate actual financial value to the state.

#### Land use

- **The Interbay property is currently zoned for industrial use and is in a designated Manufacturing Industrial Center** that has been prioritized by the city for industrial land use. Industrial lands continue to be in high demand, especially in the city. Industrial land supports the region's industrial sector, which creates family-wage jobs, diversifies the economic base and supports key industry sectors.
- **Land use changes are complicated.** Any future development of the Interbay property that includes nonindustrial land uses such as residential, office, hospitality, or retail will require navigating a traditionally complex local process. The city of Seattle will be a lead in this process, which involves a city-wide industrial lands analysis, and a major comprehensive plan update that would include changes to various city policies, and adopting land use code modification, and may include a modification to the regional center designation.

#### Environmental conditions

- **Soil and groundwater environmental conditions pose no significant impediments to redevelopment.** Elevated concentrations of benzo(a)pyrene and arsenic were found in only one soil sample and one groundwater sample, respectively. These appear to be isolated and not representative of the property-wide subsurface conditions. Additional sampling may be warranted if development activities are to occur in areas where isolated contamination was encountered. Washington state has a dedicated funding program for environmental cleanup that could support that work if needed.

#### Site Conditions

- **Subsurface conditions and shallow groundwater levels will require special treatment for subgrade structures** and will also limit the use of innovative stormwater infiltration technologies.
- **The Interbay property is in a liquefaction zone.** New construction will require structural support pilings and a structured slab-at-grade, increasing the costs of development.



- **There are no previously known and recorded archaeological or historic resources on the Interbay property.** Given the property's location near areas of historical Native American activity, it is recommended that a cultural resource specialist monitor development activities..

#### Transportation infrastructure and access

- **Construction of Sound Transit's Link light rail may reduce the size of the Interbay property.** A portion of the Interbay property would likely be required for a dedicated right-of-way under the current preferred alternative being studied. It is assumed that future development in the dedicated right-of-way area will not be permitted at any time.
- **Sound Transit's Link light rail from West Seattle to Ballard with a proposed nearby Smith Cove station is expected to be operational in 2035.** Opportunities around access to high capacity transit will necessitate coordination with Sound Transit during site planning.
- **Area bridges, including the Magnolia Bridge, are in various stages of planning and require monitoring for site design coordination.** The future of these area bridges may directly or indirectly affect the Interbay property. Direct impacts may require access modifications, and indirect impacts involve mobility around and through the Interbay neighborhood.
- **Offsite signal investments may be necessary as a result of new development.** Increased traffic resulting from the redevelopment of the Interbay property could trigger new signal installations or modifications at up to three intersections.
- **The Interbay property is accessed only off West Armory Way and by way of an easement over private property.** To fully build out the Interbay property, access will need to be improved. Alternatives include enhancing the north access point and potentially adding access from the south or east.

#### Utility infrastructure

- **There is adequate utility capacity to serve the Interbay property.** In anticipation of any future development, coordination with the utility purveyors will be required. Costs to deliver power, water, sewer, and other utilities are factored into site development estimates and are typical for a development of the scale being considered.

#### Partnership opportunities for future redevelopment

- **Public and private partnership opportunities will depend on the ultimate redevelopment proposal selected.** There is a host of partnership opportunities with the private investment community, the not-for-profit housing and institutional sector, and the public sector. Notably these opportunities include both for-profit and not-for-profit market rate and affordable housing investment, as well as light industrial private or public sector investment. There is a clear opportunity for joint infrastructure investment with local government and public utilities.

#### Options for redevelopment of the Interbay property

- **The advisory committee examined a wide range of different redevelopment concepts and found elements of public benefit in all of them.** Opportunities and benefits will have to be carefully weighed against the trade-offs for each redevelopment concept under consideration.

## Implementation Approach

- **The optimum entity to assume responsibility of the Interbay property's future would be a state-created Community Preservation and Development Authority: the "Interbay Community Preservation and Development Authority (ICPDA)."** The advisory committee explored a range of possible organizational and governance models for a follow-up entity to assume responsibility for the Interbay property's future redevelopment. Those organizational and governance (ownership) options were evaluated for their ability to be successful, their ability to accommodate an unencumbered and flexible transition from the current Department of the Military ownership, and their ability to preserve the public's interest in the Interbay property. As a public agency, the proposed ICPDA would be committed to transparency, active public engagement and representation of the state's fiduciary interest.
- **After the Guard has relocated from the Interbay property, the ICPDA would be the owner and developer of the Interbay property that is committed to the state's priorities and vision.** To ensure the ICPDA would have the authority, flexibility, and capacity to act, amendments to the authorizing legislation (RCW 43.167) would be required.
- **A considerable number of pre-development activities should be undertaken before the Guard's physical move off the Interbay property** to ensure the timely generation of revenues to compensate the state for the expected value of the asset. To meet that need, the recommended ICPDA should be established and funded.

## Committee Recommendations

The advisory committee recommends that the Governor and Legislature consider the following actions:

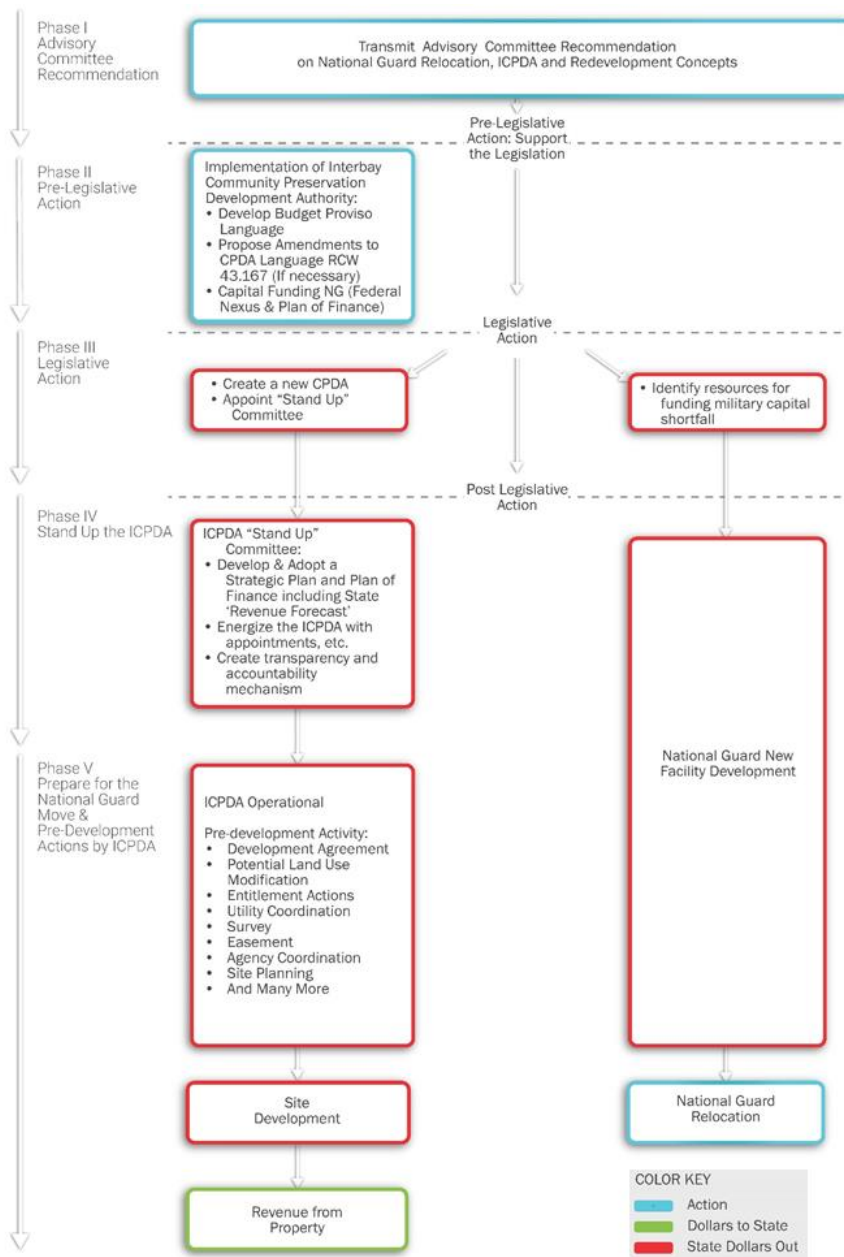
- Identify funding sources to accommodate the timely relocation of the Guard from the Seattle Readiness Center and the Boeing Field Readiness Center to a new King County Readiness Center in North Bend, Wash.
- Create the ICPDA, under RCW 43.167, chartered to oversee the redevelopment of the Interbay property with the intent to maximize public benefit and minimally generate the Interbay property's financial value to the state as unimproved industrial land.
- Direct the ICPDA to carefully consider tradeoffs in the pursuit of maximizing public benefit as it refines redevelopment concepts and advances the redevelopment of the Interbay property. Through extensive public engagement and technical analysis from the consultant team, the advisory committee examined in detail the following future uses for the Interbay property and recommends that the state should consider:
  - Industrial only: Develop industrial buildings under the city's existing land use code that align with the policy goals for the Ballard Interbay Northend Manufacturing Industrial Center. This future use would provide family-wage jobs, support vocational training, and offer space for community resources.
  - Mixed use commercial/residential: Develop mid-rise and/or high-rise mixed-income housing with supportive retail, civic uses, and community resource space. This future use would fully leverage the region's investment in light rail.

- Mixed use light industrial/residential: Develop light industrial buildings in coordination with mid-rise and/or high-rise mixed-income housing with supportive retail, civic uses, and community resource space. This future use supports the creation of light industrial family-wage jobs and the development of mixed-income housing.
- Amend RCW 43.167 to facilitate the creation of the ICPDA. The ICPDA would assume the responsibility for the redevelopment of the Interbay property within the range of future uses identified in the findings. That said, as currently codified, that statute creates numerous obstacles for the Interbay project, as currently conceived. The amendments should focus on the following sections of the statute:
  - The purposes (RCW 43.167.007) and possibly the powers and duties (RCW 43.167.020 and .030).
  - The formation process (RCW 43.167.010).
  - The governance structure (RCW 43.167.010 and .030) is cumbersome for a single, well-understood project such as one that may be undertaken on the Interbay property.
  - Provide for continued tax status of properties transferred to or acquired by a Community Preservation and Development Authority until those properties are sold or leased for development.
- Fund the costs of creating and standing up the ICPDA.
- Accept the U.S. Secretary of the Army's release of the Interbay property from any encumbrances and take all necessary actions to transfer the Interbay property's title to the newly created ICPDA in a manner and time that are compatible with the actual relocation of the Guard and the availability of the Interbay property.

## Implementation Plan

Successful implementation will require an integrated approach that synthesizes programming for future uses, physical improvements to the Interbay property, ownership and management structure, and financing. The transfer of ownership of the Interbay property is fundamental to implementation of redevelopment. It is important to note that this report is intended to provide a recommendation and implementation plan, not a final decision on how the Interbay property will be developed. The following figure illustrates how the implementation plan could proceed.

# Interbay Project Implementation Plan



## Navigating the Report

This report and appendices are robust. To help readers navigate it, the following table cross references the advisory committees' findings with the location in the report where additional information can be found.

Findings	Report Location
National guard relocation	Military Relocation section Additional reference: Military Relocation Report (Appendix G)
Land use	Existing Conditions section Additional reference: Land Use and Regulatory Existing Conditions (Appendix K)
Environmental conditions	Existing Conditions section Additional reference: Phase I Environmental Site Assessment (Appendix Q) and Phase II Environmental Site Assessment (Appendix R)
Site Conditions	Existing Conditions section Additional reference: Geotechnical Existing Conditions (Appendix O) and Cultural Resources Report (Appendix P)
Transportation infrastructure and access	Existing Conditions section Additional reference: Current Use of the Property (Appendix I) and Transportation Existing Conditions (Appendix M)
Utility infrastructure	Existing Conditions section Additional reference: Infrastructure Existing Conditions (Appendix I)
Partnership opportunities for future redevelopment	Future Ownership section
Options for redevelopment of the Interbay property	Redevelopment Concepts section Additional reference: Industrial with Residential Development Case Studies (Appendix V), Redevelopment Concepts (Appendix W), and Redevelopment Concepts Assumptions (Appendix V)
Implementation approach	Future Ownership section and Implementation Plan section

# Introduction

The Interbay Public Development advisory committee was created in March 2018 under enacted Engrossed Substitute Senate Bill 6095, Section 1004 (10), to make recommendations regarding the highest public benefit and future economic development uses for the Washington Army National Guard armory facility in Seattle. This facility is located on two parcels of land totaling 24.75 acres (Interbay property) in the city's Ballard-Interbay Northend Manufacturing Industrial Center.

The SSB 6095, Section 1004 (10)(a) appropriation reads as follows. The entire proviso can be found in Appendix A.

*(a) \$900,000 of the appropriation in this section is provided solely for an Interbay public development advisory committee. It is the intent of the legislature to examine current and future needs of a state entity that performs an essential public function on state-owned property located in one of the state's designated manufacturing industrial centers. The legislature further intends to explore the potential future uses of this state-owned property in the event that the state entity determines that it must relocate in order to protect its ability to perform its essential public function.*

The advisory committee consists of five members appointed by the governor and one each from the Senate and House who are to make recommendations regarding the highest public benefit and future economic development uses for the Interbay property. The Department of Commerce and a team of outside consultants were charged with providing staff support to the advisory committee.

## National Guard Relocation

It has been established by the state and the Guard that there will be no new development on the Interbay property until the Guard is fully operational at a new location. The Guard currently uses the Interbay property for the Seattle Readiness Center, built in 1974. Today the facility does not meet current federal requirements for mission support. More than 600 personnel are based there with weekend mobilization, requiring the deployment of large military equipment into and out of the city. Furthermore, most guardsmen and guardswomen stationed at the Seattle Readiness Center reside in areas far outside the city, making transportation and congestion issues an increasing concern.

A relocation from the Seattle Readiness Center using the traditional funding approach is unlikely because the high cost of approximately \$101 million (2019 dollars) does not compete well for federal funding in the current process. The Legislature allocated \$6.6 million to the Guard for the acquisition of land in its preferred location of North Bend. A relocation of the Seattle Readiness Center to a new King County Readiness Center could occur as early as three and a half to five years from authorization of unidentified financial resources.

## The Interbay Property

Located at 1601 West Armory Way, the state-owned 24.75-acre Interbay property represents a rare development opportunity on land near Seattle's downtown, and adjacent to a future light-rail station. It is currently zoned to support industrial uses, as well as limited office and retail uses. The Interbay property's location is at the southern end of the Ballard Interbay Northend Manufacturing and Industrial

Center (BINMIC), a local and regionally designated Manufacturing Industrial Center intended to support employment in local maritime and manufacturing industries.<sup>3</sup> The Location Map in Appendix B and the Property Map in Appendix C provide context for the Interbay property's location.

## Report Organization

The advisory committee was required to report to the Governor and Legislature on the subjects listed in Table 1. The location in this report where information and findings can be found on each of these requirements is provided in the right column of Table 1.

**Table 1: SSB 6095.1004(1) Requirements and Cross Reference**

Proviso Requirement	Report Location
<b>Determine the needs of the military department</b>	
Current uses [SSB 6095.1004 (10)(b)(i)(A)]	Military Relocation section Additional reference: Military Relocation Report (Appendix G) Existing Conditions section Additional reference: Current Use of the Property (Appendix H)
Future needs of the units currently at this location [SSB 6095.1004 (10)(b)(i)(B)]	Military Relocation section Additional reference: Military Relocation Report (Appendix G)
Potential suitable publicly owned sites in Washington for relocation of current units [SSB 6095.1004 (10)(b)(i)(C)]	Military Relocation section Additional reference: Military Relocation Report (Appendix G)
The costs associated with acquisition, construction, and relocation to another site or sites for these units [SSB 6095.1004 (10)(b)(i)(D)]	Military Relocation section Additional reference: Military Relocation Report (Appendix G)
<b>Explore future economic development opportunities</b>	
Suitable and unsuitable future uses for the land [SSB 6095.1004 (10)(b)(ii)(A)]	Existing Conditions section
Environmental issues and associated costs [SSB 6095.1004 (10)(b)(ii)(B)]	Existing Conditions section Additional reference: Phase I Environmental Site Assessment (Appendix Q) and Phase II Environmental Site Assessment (Appendix R)
Current public infrastructure availability, future public infrastructure plans by local or regional entities, and potential public infrastructure needs [SSB 6095.1004 (10)(b)(ii)(C)]	Existing Conditions section Additional reference: Transportation Existing Conditions (Appendix M) and Infrastructure Existing Conditions (Appendix N)
Transportation corridors in the immediate area and any potential right-of-way needs [SSB 6095.1004 (10)(b)(ii)(D)]	Existing Conditions section Additional reference: Current Use of the Property (Appendix I) and Transportation Existing Conditions (Appendix M)
Existing zoning regulations for the land and potential future zoning needs to evaluate workforce housing, affordable housing, and other commercial and industrial development compatible with the Ballard-	Existing Conditions section Additional reference: Land Use and Regulatory Existing Conditions (Appendix K)

<sup>3</sup>City of Seattle. *Industrial Lands Policy Discussion Summary and Recommendations*. City of Seattle Department of Planning and Development (December 2015), <https://www.seattle.gov/Documents/Departments/OPCD/OngoingInitiatives/DuwamishIndustrialLandsStudy/IndustrialLandsPolicyDiscussionSummaryRecommendations.pdf>.



Proviso Requirement	Report Location
Interbay manufacturing industrial center designation [SSB 6095.1004 (10)(b)(ii)(E)]	
Explore potential funding sources and partners	
Potential private partners or investors [SSB 6095.1004 (10)(b)(iii)(A)]	Future Ownership section and Implementation Approach section
Necessary real estate transactions [SSB 6095.1004 (10)(b)(iii)(B)]	
Federal funding opportunities [SSB 6095.1004 (10)(b)(iii)(C)]	
State and local funding sources, including any tax-related programs [SSB 6095.1004 (10)(b)(iii)(D)]	
Conduct at least three public meetings	
At a location within the Ballard-Interbay manufacturing industrial center, where a quorum of the Interbay public development advisory committee members are present [SSB 6095.1004 (10)(b)(iv)]	Community Engagement section Additional reference: Advisory Committee Communications Report (Appendix F)
Members of the public are invited to present to the Interbay advisory committee [SSB 6095.1004 (10)(b)(iv)]	

## Project Process

The advisory committee established a set of guiding principles at the outset of the project. The guiding principles are listed below, and are detailed in Appendix D. These principles assisted the advisory committee in navigating the many complex issues impacting its findings and recommendations.

- Maximize public benefit
- Support the Guard
- Adopt an achievable vision
- Listen to the community and stakeholders, taking their concerns into account as decisions are made
- Leverage innovative partnerships
- Respond effectively to environmental constraints

The advisory committee met eight times between September 2018 and September 2019. Meetings were open to the public and were held at the Seattle Readiness Center. A complete project timeline appears in Appendix E.

Opportunities for public input were integrated into each advisory committee meeting and the open houses. Advisory committee meetings included presentations by members of the public to convey their priorities and ideas for future uses of the Interbay property. Members of the advisory committee were also present at each of the four public open houses to engage with and listen to the public's input. This input has been incorporated into the analysis that supported the advisory committee's findings and



recommendations, or has been captured in the report for consideration by a future entity that may oversee the redevelopment of the Interbay property.

# Community Engagement

## Overview

Community engagement was central to the planning process. Redevelopment of the state-owned Interbay property represents a significant opportunity for the city, region, and state. At the third advisory committee meeting on Dec. 19, 2018, the Committee agreed on the following overarching principles to guide decisions about future use of the Interbay property:

- To maximize the public benefits on and off the Interbay property;
- To support community goals, the local economy and military readiness; and
- To listen to the community and stakeholders, taking their concerns into account as decisions are made.

**Guiding principles for outreach: Maximize public benefit and listen to the community**

These overarching goals further Commerce's mission of strengthening communities by actively seeking input throughout the redevelopment alternative identification process to help maximize public benefit.

The primary purpose of outreach was to:

- Raise awareness of the project through an equitable and inclusive engagement process with a special emphasis on targeting underserved communities
- Determine what "maximize public benefit" means to the community, and foster an iterative process to help refine and enrich those findings
- Understand and incorporate community values throughout the process and recommendations
- Build and enhance partnerships with key stakeholders, empowering the community to maintain a voice and ownership in this process

**Regular website updates, social media posts and email blasts bolstered the project's online presence**

This section of this report summarizes the goals, strategies and outcomes of the community engagement process. The purpose is to provide an executive-level summary of what was heard from the community and how that feedback was incorporated into the recommendations. A detailed account of engagement efforts and outcomes is included in the advisory committee Communications Report, found in Appendix F. This report also includes the complete collection of public feedback and related materials such as comments and



ideas for the project received through email, presentations to the advisory committee, open house comments, briefings and other outreach.

## Community Outreach

At the outset of the project a comprehensive community outreach plan was developed to inform and engage the general public, people who live and work in the area, partner agencies, elected officials, community leaders, interest groups, subject matter experts, and other stakeholders. These audiences were involved throughout key stages of the project. Tactics of the engagement process included public open houses, research interviews, focus groups, presentations, business owner outreach, media engagement, as well as maintaining open lines of communication with the public via a project website, email address and social media efforts.

A wide array of individuals and groups commented, including:

- Neighboring residents in Interbay, Magnolia, Ballard, Queen Anne and beyond
- Advocates and service providers for underserved communities
- Nearby business and property owners
- Local nonprofits and community interest groups
- Seattle Animal Shelter volunteers
- Local food banks
- Labor associations
- Industrial business community
- Affordable housing developers, activists, and experts
- Development and industry professionals architects and urban planners
- Tribal representatives
- Port of Seattle
- State Military Department
- Seattle Office of Planning and Community Development
- Seattle Office of the Mayor
- Seattle Department of Transportation
- Seattle Office of Economic Development
- Seattle Public Schools
- Seattle City Council

**Nearly 50 community members attended the first open house.**



## Feedback Received

Input gathered from all the individuals and groups listed above was distilled into key themes:

- Concern regarding **loss of industrial land** and associated economic impacts
- Concern regarding **incompatible land uses** in industrial areas
- Support for **affordable housing**
- Requests for more publicly available **open space**
- **Light rail** is coming – increase housing and employment opportunities nearby
- Support for existing and future **community services**
- Ensure that housing and community development take **equity issues** into consideration

Through extensive public engagement, key themes were integrated into the redevelopment concepts and evaluation processes. Listed below are the key themes identified, along with a concise summary of how feedback was integrated into the planning process:

### Concern regarding loss of industrial land and associated economic impacts

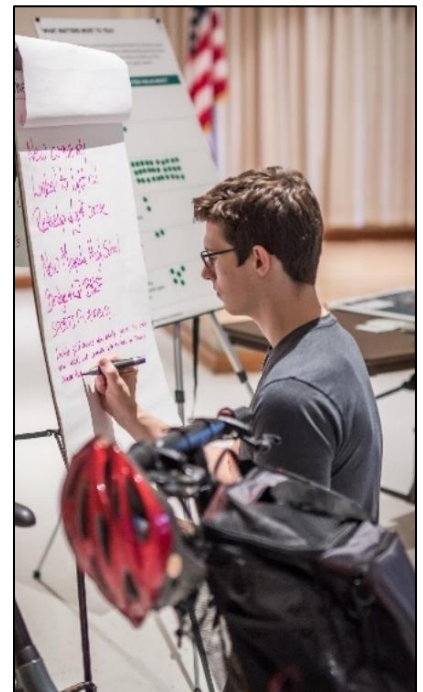
In response to concerns regarding the desire to preserve industrial capacity while providing a buffer between any housing and activity in the railyard, an additional redevelopment concept was prepared for consideration. An industrial/residential hybrid mix concept was added for evaluation. The industrial concept had originally included a retail building but was revised to consist entirely of industrial buildings. An economic impact study of each redevelopment concept was also conducted in response to this feedback.

### Concern regarding incompatible land uses in industrial areas

For conceptual alternatives that include housing: site layout, building design, and resident education could be used to mitigate issues related to safety and noise. For mixed-use concepts: site layout, building design, resident education, and administrative controls could be used to mitigate issues related to safety and noise.

### Light rail is coming—increasing housing and employment opportunities nearby

All concepts were developed to reflect the coming light rail. Mixed-use concepts would increase housing density near the future Smith Cove light rail station, and the workers employed in industrial space would also benefit from light rail.



Open houses featured interactive displays, concept graphics and feedback stations.

**Support existing and future community services**

Each site concept includes space for civic uses. Retail spaces could also be set aside for nonprofit organizations or for community resources.

**Support for affordable housing**

All redevelopment concepts except industrial-only include affordable housing. Feedback resulted in conducting research interviews and project briefings with affordable housing developers and activists. A complete table showing all research interviews and project briefings is included in the Advisory Committee Communications Report.

**Request for publicly available open space**

Redevelopment concepts include open space areas for many different users, including the neighboring Seattle Animal Shelter. Shelter volunteers were highly vocal about their desire to be allowed space in any redevelopment concept at the site.

**Ensure that housing and community development take equity issues into consideration**

An emphasis was placed on reaching out to organizations that work with underserved and underrepresented populations as the process moved forward. Emails, research interviews, briefings and presentations were targeted toward community organizations and individuals who engage with or provide services to these populations. A list of specific briefings, research interviews, meetings and presentations is included in the Advisory Committee Communications Report (see Appendix F). Based in part on community feedback, a social and environmental criterion was added to the redevelopment concept evaluation process.

**Charging station of community ideas**

In addition to these key themes, a “charging station” of all the specific ideas that have been proposed for the site by the public was established. The charging station of ideas is included in the Advisory Committee Communications Report found in Appendix F. The level of detail of these ideas is beyond the scope of this process, and the final decisions about specific functions and designs will be the responsibility of the future implementing organization.

# Military Relocation

The Guard is a critical part of Washington’s civil defense and emergency management system. Over 6,000 citizen-soldiers are on call to respond to natural disasters and domestic incidents, such as floods, wildfires, earthquakes and riots. The president may also deploy the Guard for federal operations. Washington state depends on the Guard to protect life and property throughout the state, and in turn, the Guard depends on its facilities to support its dual state and federal missions.

The complete Military Relocation Report, found in Appendix G, documents why the Guard has determined the readiness center and field maintenance shop facilities at the Seattle Readiness Center are no longer adequate to support their missions. It describes facility needs, the target relocation area, and government funding options and their potential impact on relocation timing. In addition to the rationale for relocation, the report illustrates approaches for how to best relocate the Guard while maintaining maximum military readiness. The state-owned Interbay property cannot be redeveloped until the Guard is fully operational at a new readiness center. The following summarizes the key findings from the Military Relocation Report.

Ultimately, personnel and operations at the current Boeing Field Readiness Center also will need to relocate to the future King County Readiness Center when it is built. These separate relocation costs are not reflected in project assumptions.

## Interbay Property Deficiencies

The Seattle Readiness Center is the administrative, training, and storage site for approximately 700 citizen-soldiers of the 181st Brigade Support Battalion and related units. The readiness center is co-located with the field maintenance shop, where important equipment maintenance activity takes place for readiness centers through the region.

The Guard has identified several major deficiencies with the facilities at the Seattle Readiness Center:

- **Aging and undersized:** The Seattle Readiness Center began operations in 1974 and has not had any major investment for the past 25 years. The current facilities do not meet current National Guard Bureau specifications or Department of Defense anti-terrorism standards. The Guard has determined expanding or renovating facilities would be inappropriate because of underlying natural hazards and security concerns.
- **Natural hazards:** In the event of a major earthquake, the Interbay property may be subject to liquefaction and tsunami inundation. These and other risks may affect the Guard’s ability to complete search and rescue missions, provide security and medical aid, and support infrastructure repair.
- **Evolving urban context:** The Interbay property is zoned for industrial use and, while Interbay is historically an industrial neighborhood, portions are transitioning to residential and commercial use. Light rail is being planned for the area, and the preferred alternative being studied by Sound Transit in the Draft Environmental Impact Statement could require use of the Interbay property for rail construction and maintenance. This would reduce the size of the Interbay property for military use.



The Guard has long identified the North Bend area as the preferred location for a replacement readiness center and field maintenance shop. Key considerations are:<sup>4</sup>

- **Strategic positioning:** With a number of military assets concentrated in the I-5 corridor, the Guard believes a greater geographic distribution of soldiers, equipment, supplies, and facilities will offer a strategic advantage. The Guard may be better positioned to respond to natural disasters or other incidents if it has greater capacity to stage relief efforts on a secure, stable site outside congested, vulnerable areas.
- **Land availability:** Large land parcels or assemblage opportunities are increasingly rare in King County. The Guard requires a 25-acre site with nearby freeway access. Control of a new site is needed to secure federal construction funding or enter a private partnership.
- **Co-location:** It is critical for effective incident response, vehicle maintenance, and efficient training that the readiness center and field maintenance shop components be co-located.
- **Federal funding limitations:** Federal funding is limited and highly competitive. The cost of the new readiness center is currently estimated to be \$101 million to design, construct and relocate the Guard. This places it at a significant competitive disadvantage for receiving federal funds. The new field maintenance shop is likely to be competitive through the federal funding process.

The Legislature recently allocated \$6.6 million for the purchase of an appropriate site for a new King County Readiness Center.<sup>5</sup> The Guard prefers the North Bend area. Once an appropriate site is secured, the next critical step is procuring construction funding.

Readiness centers and field maintenance shops have distinct funding structures. Readiness center construction is usually funded through a 75 percent federal and 25 percent state cost share.<sup>6</sup> However, federal funding is limited and highly competitive. Because of its size and complexity, the proposed readiness center component is a relatively high-cost project unlikely to receive federal funding under current federal criteria.

Field maintenance shop construction is traditionally 100 percent federally funded. Although the proposed new field maintenance shop is likely to be competitive through the federal ranking system and to receive funding, it is estimated the earliest this funding would be granted is fiscal year 2031.

**Redevelopment activity of the Interbay property cannot occur until the Guard relocates to a new location.**

Because the 181st Brigade Support Battalion and other units at the Seattle Readiness Center operate and maintain a relatively large number of vehicles and equipment, it is critical for effective response and efficient training that the new readiness center and field maintenance shop components be co-located. Because it is unlikely that federal funding will be provided for the readiness center and aligning relocation of these facilities is essential, there are several potential and feasible government funding scenarios that might support

---

<sup>4</sup> Washington Army National Guard. Personal communication with F. Gibson, January 7, 2019.

<sup>5</sup> Washington State Legislature. Substitute House Bill 1102, sec. 1093 (April 28, 2019), <http://lawfilesexxt.leg.wa.gov/biennium/2019-20/Pdf/Bills/House%20Passed%20Legislature/1102-S.PL.pdf#page=69>.

<sup>6</sup> See note 2.

relocation. Each funding scenario has tradeoffs in costs, risks, and timing. These are summarized in Table 2, and the scenario timelines are depicted in Figure 1. This report does not recommend a specific approach but is intended to provide the advisory committee with information regarding the varying government funding approaches. Beyond government funding, the facilities could be constructed through a public private partnership.

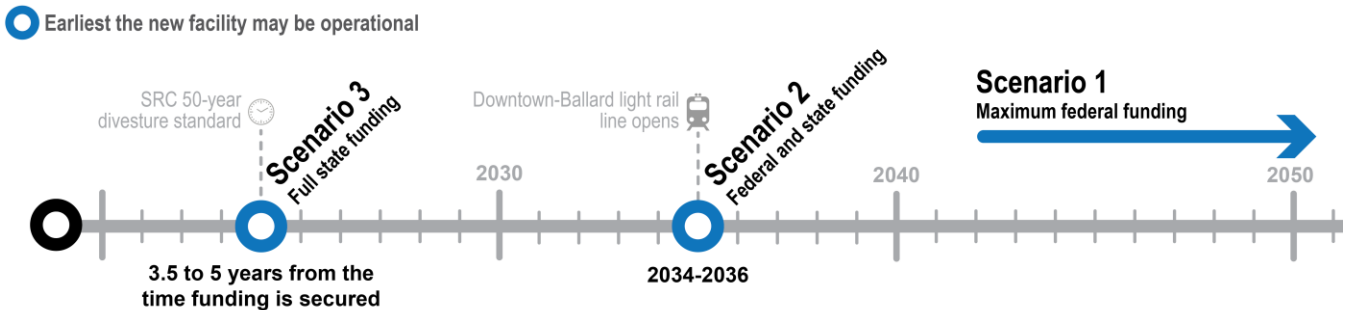
**Table 2: Potential Government Funding Scenarios**

Scenario	Federal Role	State Role	Operational	Note
1: Maximum Federal Funding	<ul style="list-style-type: none"> <li>○ Fund field maintenance shop (\$23.5M)</li> <li>○ Fund 75% of readiness center (\$58.1M)</li> </ul>	<ul style="list-style-type: none"> <li>○ Purchase land (\$6.5-8M)</li> <li>○ Fund 25% of readiness center (\$19.4M)</li> </ul>	<ul style="list-style-type: none"> <li>○ Later than Scenario 2: Federal and State Funding</li> </ul>	<ul style="list-style-type: none"> <li>○ Unlikely to be successful because of federal funding criteria.</li> <li>○ The readiness center and field maintenance shop must be co-located.</li> </ul>
2: Federal & State Funding	<ul style="list-style-type: none"> <li>○ Fund field maintenance shop (\$23.5M)</li> </ul>	<ul style="list-style-type: none"> <li>○ Purchase land (\$6.5-8M)</li> <li>○ Fund readiness center (\$77.5M)</li> <li>○ Use proceeds from Interbay property sale</li> </ul>	<ul style="list-style-type: none"> <li>○ 2034-2036 at earliest</li> </ul>	<ul style="list-style-type: none"> <li>○ Federal funding is not guaranteed.</li> <li>○ The readiness center and Fund field maintenance shop must be co-located.</li> </ul>
3: Full State Funding	<ul style="list-style-type: none"> <li>○ None</li> </ul>	<ul style="list-style-type: none"> <li>○ Purchase land (\$6.5-8M)</li> <li>○ Fund readiness center and Fund field maintenance shop (\$101.0M)</li> <li>○ Use proceeds from Interbay property</li> </ul>	<ul style="list-style-type: none"> <li>○ Three and a half to five years after funding is secured</li> </ul>	<ul style="list-style-type: none"> <li>○ Shortened timeframe.</li> <li>○ Least risk with no outside funding.</li> </ul>

Design and construction costs are early estimates sourced from national-level models from the National Guard Bureau's construction branch. Costs are in 2019 dollars and do not include inflation. The costs are subject to change as the scope and design of the project evolves.



Figure 1: Scenario Timelines



It is difficult to develop any time estimate for Scenario 1, but it would be later than Scenario 2.

## Existing Conditions

An analysis of existing conditions helped identify physical and regulatory constraints of the Interbay property and surrounding area. The opportunities and challenges identified in this section informed the creation and evaluation of the redevelopment concepts for the Interbay property. A summary of the key findings from the existing conditions assessment is compiled in a table in Appendix H. The reports found in Appendix I through Appendix R provide additional reference. The Opportunities and Constraints Map graphic in Appendix S visually depicts the key findings.

## Current Use of the Interbay Property

The Interbay property comprises two state-owned parcels totaling 24.75 acres. It represents a unique development opportunity because there are few sites in the city of Seattle of comparable size that are flat and have a single owner. The section that follows summarizes key elements of the current use of the Interbay property including ownership, access, rights of way and easements. A complete account of the current use of the Interbay property can be found in Appendix I.

### Interbay property Ownership

The Interbay property was previously owned by the United States of America before being transferred to the State of Washington for use as a National Guard Armory. The northern 15 acres were transferred in two transactions in January 1971 and July 1989. The latter transfer was for Navy Brig complex buildings that had remained in use by the U.S. Navy. The United States of America transferred the southern 9.75 acres to the State of Washington in December 2009. A condition of transfer set forth in the quit claim deeds recorded for the transfer of the northern 15 acres was that the State of Washington will not "sell, lease, or otherwise dispose of any of the premises"<sup>7</sup> without first obtaining written authorization of the U.S. Secretary of the Army.

**The State of Washington will not "sell, lease, or otherwise dispose of any of the premises" without first obtaining written authorization of the U.S. Secretary of the Army.**

### Interbay Property Access

An unrecorded 55-foot wide driveway easement provides the only access to the Interbay property. This easement is valid and acknowledged by the current property owner. It is located at the north end of the Interbay property off West Armory Way and is on privately owned property. To support future use of the Interbay property, the state will need to document a permanent easement or come to an agreement with the city of Seattle and the adjacent property owner to dedicate this drive to the city to make it part of its right-of-way network.

Because there are no other access points to the Interbay property, it will be prudent for the future entity overseeing the reuse of the Interbay property to explore secondary access points. Other potential future access points could be at the southern end of the Interbay property or near the middle of the Interbay property at West Howe Street to connect it to 15th Avenue West.

---

<sup>7</sup> Quit Claim Deed and Transfer Agreement. January 8, 1971. King County record number 710 2030328.

## Rights of Way and Easements

The northern parcel of the property has two historical rights of way for streets that were never improved, but also never abandoned. These historical rights of way are identified in the 1971 quit claim deed transferring ownership to the state. These platted, but undeveloped, streets will have to go through the city of Seattle's right-of-way abandonment process and be recorded with King County prior to redevelopment.

In addition to these historical street rights of way, there are eight recorded utility easements on the Interbay property. The city of Seattle has an 18-foot-wide easement along the western edge of the Interbay property for sewer infrastructure. An underground utility corridor at the eastern edge of the Interbay property is used for stormwater, water and sewer. The design of the Interbay property must account for the presence of these easements and identify those that may require relocating to accommodate redevelopment.

## Existing Land Use and Regulatory Conditions

### Neighborhood Context

The neighborhood surrounding the Interbay property is evolving. Traditional industrial land uses of significance in the area include the Burlington Northern Santa Fe Balmer rail yard, the Port of Seattle, and GM Nameplate. BNSF builds trains during all hours of the day at the Balmer rail yard. The Port of Seattle's Terminal 91 comprises 10 buildings totaling approximately 472,700 square feet. These existing buildings support maritime businesses.<sup>8</sup> In early 2019, the port issued a Request for Proposals for the design of two 50,000-square-foot industrial buildings that will target current Terminal 91 tenants and other maritime customers who have expressed interest in expanding their current operations on the property.<sup>9</sup> Terminal 91 may support up to 700,000 square feet of new industrial space. East of the Interbay property is GM Nameplate's headquarters and manufacturing facility. Its operation is housed in a 100,000-square-foot facility, of which 75,000 square feet are used to support its manufacturing while the other 25,000 are for office use.<sup>10</sup>

In addition to these major industrial uses near the Interbay property, a number of industrial buildings along 15th Avenue West house smaller-scale light industrial users. There has been no new industrial development in the southern area of the BINMIC (south of West Dravus Street) since 1991, whereas in the northern area of the BINMIC, eight new industrial projects, totaling nearly 200,000 square feet, have been completed over the past five years.<sup>11</sup>

Beyond the industrial uses, other neighborhood land uses range from new self-storage buildings, a neighborhood shopping center anchored by Whole Foods, a large format retail center, multifamily apartments that serve work force and low-income households, and a mix of commercial uses. The

---

<sup>8</sup>King County Assessor records, <https://info.kingcounty.gov/assessor/DataDownload/default.aspx> (accessed March 2019)

<sup>9</sup>Port of Seattle. Commission Agenda Memorandum (February 19, 2019), [https://meetings.portseattle.org/portmeetings/attachments/2019/2019\\_02\\_26\\_RM\\_8e.pdf](https://meetings.portseattle.org/portmeetings/attachments/2019/2019_02_26_RM_8e.pdf).

<sup>10</sup>See footnote 5.

<sup>11</sup>See footnote 5.

storage, retail and office buildings were built after 2008 and are located within the BINMIC area. A map showing the adjacent land uses appears in Appendix J.

Other infrastructure currently being planned for the Interbay neighborhood may have direct impacts on the Interbay property. Sound Transit is currently conducting an Environmental Impact Statement process that is evaluating proposed Link light-rail alignments, and the city of Seattle continues to study the need to either rebuild the Magnolia Bridge or relocate it. The preferred Link light-rail alignment may result in use of the western 60 feet to 100 feet of the Interbay property for light-rail right of way/buffer space. This alignment could use between 3.4 and 5.6 of the Interbay property's 24.75 total acres.<sup>12</sup> Sound Transit's other proposed alignment may impact access to the Interbay property from West Armory Way. Other major impacts from Sound Transit's light rail investment would result from the development of the Smith Cove station, which, under the preferred alternative, would be located just south of the Magnolia Bridge. Changes to the Magnolia Bridge may create potential new access opportunities for the Interbay property from the south, should the bridge be relocated or redeveloped, and it may impact access to the Interbay property from the north, should it be relocated to West Armory Way.

### **Industrial Context**

The Interbay property is located in the BINMIC. According to the 2017 Industrial Lands Use and Employment Study, 70 percent of the land in the BINMIC is zoned to support industrial land uses, with 28 percent of all land in the BINMIC devoted to maritime industrial use, the most common land use in the BINMIC.<sup>13</sup>

The BINMIC is home to a diverse assortment of businesses: working waterfront, wharves, shipyards and rail yards. The northern portion of the BINMIC is the home of the North Pacific fishing fleet. The southern portion is dominated by the presence of Seattle's Terminal 91, which supports a variety of industrial activities such as cargo handling, cold storage warehouses, and seafood processing and distribution.<sup>14</sup> Total industrial employment in the BINMIC in 2015 was just under 10 percent of citywide industrial employment and 51 percent of total employment in the BINMIC area. Intense manufacturing uses accounted for the largest share of industrial jobs in the BINMIC in 2015 (42 percent), followed by transport and warehousing (16 percent). Most industrial jobs in the BINMIC require a high school diploma or no formal educational credential.

The information presented in Table 3 summarizes industrial land use distribution, building square footage use distribution, industrial jobs, and key industrial jobs metrics in the BINMIC and Seattle's other manufacturing industrial center, the Duwamish Manufacturing Industrial Center. This shows that while there are not as many jobs (10,400 in the BINMIC compared to 42,696 in the Duwamish Manufacturing Industrial Center), the jobs per acre figure is higher, indicating that the types of businesses in the BINMIC rely on more employees per acre.

---

12 Sound Transit. Meeting discussion (February 2019).

13 CAI. *Industrial Lands Land Use and Employment Study*. Prepared by Community Attributes Inc for The City of Seattle Office of Economic Development (November 14, 2017).

<https://www.seattle.gov/Documents/Departments/economicDevelopment/20171114%20Industrial%20Lands%20Land%20Use%20and%20Employment%20Study.pdf>

14 See footnote 11.

**Table 3: Industrial Jobs Summary**

	Ballard Interbay Northend Manufacturing Industrial Center	Duwamish Manufacturing Industrial Center
<b>Industrial Land Area</b>		
Total Acres	879	4,121
Industrial Acres	617	3,439
Percent of Acres Industrial	70%	83%
<b>Building Square Feet</b>		
Total Building Square Feet	12,158,966	48,516,916
Industrial Building Square Feet	6,783,129	34,632,076
Percent of Square Feet Industrial	56%	71%
<b>Employment</b>		
Total Jobs	20,239	67,847
Industrial Jobs	10,400	42,696
Percent of Jobs Industrial	51%	63%
<b>Industrial Employment Metrics</b>		
Jobs per Total Acres	11.8	10.4
Jobs per 1,000 Building Industrial Square Feet	1.5	1.2

Note: Land use data as of 2017 and employment data 2015.

Source: Industrial Lands Land Use and Employment Study. November 14, 2017. Community Attributes.

In spite of the changing landscape in the BINMIC, the area is still an important part of the city's industrial lands inventory. Based on an assessment of current market data and anecdotal information, the Interbay property would be in demand for industrial use if the Guard were not utilizing it. Seattle's industrial market is one of the most active in the country because of its growing economy, and one of the largest ports on the West Coast. Consequently, the most active submarkets for development are in proximity to the ports.<sup>15</sup> The industrial vacancy rate in the region is 4 percent, even with the 6.4 million square feet that were built in 2018, while the BINMIC area vacancy rate is at 2.9 percent,<sup>16</sup> indicating demand for industrial space.

<sup>15</sup> CoStar Industrial Market Report. Seattle Market. February 2, 2019.

<sup>16</sup> See footnote 12.

## Comprehensive Plan

The Growth Management Act requires that local comprehensive plans be updated to accommodate the growth that is anticipated for the succeeding 20-year planning period (see RCW 36.70A.070, .115, and .130). The act also requires that plan elements use consistent land use assumptions so that a local jurisdiction can coordinate planning for land uses, housing, and capital facilities (RCW 36.70A.070(6)).

Comprehensive plans undergo major updates every eight years.<sup>17</sup> The city of Seattle's last major comprehensive plan update was completed in 2016. The next major comprehensive plan update is scheduled to be completed by 2023. This update will be accompanied by changes to city policies as well as its land use code; these changes may alter how the Interbay property is used in the future. The city has also started a citywide industrial lands study that will evaluate the role and function of its industrial lands inventory. This analysis will influence the major comprehensive plan update.

The Interbay property is part of the city's industrial land inventory and is currently zoned to support this land use. Many current city policies in the comprehensive plan influence industrial land use. If there are any future modifications to the city's land use code, policies in the comprehensive plan will have to be addressed. A detailed list of comprehensive plan policies that may need to be revisited if a change from industrial use is proposed appears in the Land Use and Regulatory Existing Conditions report (Appendix K).

The city will also need to evaluate the potential impacts of climate change as well as natural disaster risks as it considers potential land use changes. These include sea-level rise, as well as liquefaction hazards and tsunami risks resulting from an earthquake on the nearby Seattle Fault.

The Interbay property is highly susceptible to liquefaction.<sup>18</sup> This is a phenomenon in which the strength of saturated soil is severely reduced by ground shaking, resulting in settlement and destruction of surface structures. This hazard does not preclude development. Several liquefaction mitigation techniques are available for new structures.

A 2003 model from the Department of Natural Resources estimates a worst-case magnitude 7.3 Seattle Fault earthquake that could cause a tsunami that moves up to 40 miles per hour and inundates the Interbay property with 2 to 5 meters (6.5 to 16.4 feet) of seawater. The model's authors note that while the modeling can be a useful tool to guide evacuation planning, it is not of sufficient resolution to be useful for land-use planning.<sup>19</sup>

Finally, the Interbay property is 14 to 18 feet above sea level and less than 500 feet from the Puget Sound shoreline. While there is a risk of inundation from a tsunami, current projections for the Washington coast show minimal or no risk of inundation by long-term sea level rise. A 2018 model from regional universities and the U.S. Geological survey found a 99 percent probability that sea level rise in the Elliot Bay area would be 0.5 to 0.9 feet by the year 2100, depending on the rate of global

---

<sup>17</sup> RCW 36.70A.130.5(a)

<sup>18</sup> "King County Flood Control District. "Map 11-5: Liquefaction Susceptibility" (May 2010), <https://your.kingcounty.gov/dnrp/library/water-and-land/flooding/local-hazard-mitigation-plan-update/liquefaction-hazard-map.pdf>.

<sup>19</sup> T. J. Walsh, V. J. Titov, A. J. Venturato, H. O. Mofjeld, and F. I. Gonzalez. "Tsunami Hazard Map of the Elliott Bay Area, Seattle, Washington: Modeled Tsunami Inundation from a Seattle Fault Earthquake". Washington State Department of Natural Resources (2003), [http://www.dnr.wa.gov/Publications/ger\\_ofr2003-14\\_tsunami\\_hazard\\_elliottbay.pdf](http://www.dnr.wa.gov/Publications/ger_ofr2003-14_tsunami_hazard_elliottbay.pdf).

greenhouse gas emissions. There is a 50 percent probability of sea level rise of 1.9 to 2.3 feet. The model also found potential land subsidence up to 0.2 foot in the event of a major earthquake.<sup>20</sup>

**Regulatory Conditions**

The Interbay property is currently zoned Industrial General 2 (IG2/45). This zoning designation supports industrial uses and limited retail and office uses. Residential uses are not permitted under the current zoning. Colleges and vocational schools are permitted, but primary grade schools (kindergarten through grade 12) and community centers and clubs are not permitted. A full account of relevant zoning limitations such as height limits, parking requirements and allowed uses can be found in Appendix K. Several of the proposed redevelopment concepts for the Interbay property contain residential and civic uses that are not allowed in the current zoning. To allow those uses, a rezoning effort — likely through the city’s legislative rezone process — will have to be conducted during the city’s major comprehensive plan update.

Existing Real Estate Market Conditions

An analysis of current conditions of the real estate market in the area surrounding the Interbay property was conducted to: establish a baseline of land value; evaluate the planned development pipeline; and understand additional fees and economic constraints for a variety of redevelopment uses that a future buyer of the Interbay property could consider. The full Current Real Estate Market Conditions report is in Appendix L.

This report found that residential and commercial properties near the BINMIC area recently sold for between \$170 to \$281 per land square foot. Similar properties in Ballard and Queen Anne garnered up to \$440 per square foot. Sales of industrial properties in the BINMIC sold for between \$65 and \$105 per land square foot. These sales were for relatively small properties ranging between 8,500 and 14,000 square feet. Larger industrial properties in the region garnered up to \$41 per land square foot (**Error! Reference source not found.**).

**Table 4. Findings of Comparable Sales Analysis**

	Land Area Range (Square Feet)	\$/Land (Square Feet)	Residential Unit Range	\$/Unit
RESIDENTIAL/COMMERCIAL				
BINMIC Area	12,000 to 44,400	\$170 to \$281	93 to 226	\$31,000 to \$35,500
Ballard/Queen Anne	10,000 to 44,500	\$333 to \$440	61 to 269	\$33,800 to \$94,000

<sup>20</sup> I. Miller, H. Morgan, G. Mauger, T. Newton, R. Weldon, D. Schmidt., M. Welch, and E. Grossman. *Projected Sea Level Rise for Washington State — A 2018 Assessment*. A collaboration of Washington Sea Grant, University of Washington Climate Impacts Group, Oregon State University, University of Washington, and US Geological Survey. Prepared for the Washington Coastal Resilience Project (July 2018), <https://cig.uw.edu/resources/special-reports/sea-level-rise-in-washington-state-a-2018-assessment/> Updated July 2019.

	Land Area Range (Square Feet)	\$/Land (Square Feet)	Residential Unit Range	\$/Unit
<b>INDUSTRIAL</b>				
BINMIC Area	8,500 to 14,000	\$65 to \$105	--	--
Large Regional Industrial	12.7 to 21.9 acres	\$15 to \$41	--	--

There are five multifamily properties in the BINMIC totaling 458 units in the development pipeline. Five pending commercial developments represent 91,270 square feet of retail space, 799,010 square feet of office and 369,470 square feet of self-storage. Much of the office development is a result of the Expedia campus being planned for Interbay. Finally, two industrial projects are in the planning phase: one consisting of 100,000 square feet of industrial uses north of the Interbay property and the Dravus neighborhood, and the other consisting of 12,960 square feet of flexible industrial space spread over three stories.

Next, the real estate existing conditions analysis examined the impact that Seattle's Mandatory Housing Affordability policy could have on the redevelopment of the Interbay property. MHA requirements do not currently apply to the Interbay property because it is in an industrial zone and not part of a designated urban village. However, if the Interbay property were rezoned for residential and commercial use, it likely would be subject to MHA requirements. The MHA policies passed in Seattle's neighborhoods of Upper Queen Anne and Uptown were examined to estimate the MHA fees that the development would be subject to if the required affordable housing units were not developed on the site. This analysis found that the MHA fee for residential could range from \$13 to \$23 per building per square foot or between \$1.3 million to \$2.3 million for a 100,000-square-foot residential development. The MHA fee for commercial uses could range from \$7 to \$13 per building square foot or between \$760,000 million and \$1.4 million for a 108,900-square-foot commercial building.

Finally, the real estate conditions analysis estimated the effect of current and proposed impact fees on the Interbay property development. After accounting for current impact fees and an estimate of a new transportation impact fee being considered by the city of Seattle in 2019, estimated impact fees could range from \$4 to \$13 per building square foot or between \$420,000 and \$1.4 million for a 100,000-square-foot residential development.

## Existing Transportation Conditions

An analysis of existing transportation conditions was conducted to evaluate mobility and capacity of the transportation network around the Interbay property. The full analysis appears in Appendix M of this report. The intersections along 15th Avenue West adequately support current traffic volumes. At peak travel times, roughly 1,800 trips head north and 1,000 head south. Depending on the type and intensity of development of the Interbay property, intersection improvements may be needed. Other large-scale developments, including the new Expedia campus and the Port of Seattle's expansion of industrial space in Terminal 91, will further strain transportation systems but will also provide an opportunity for partnering. Bicycle riders currently travel along the Elliott Bay Trail and through the Terminal 91



uplands; several of the development concepts explore the feasibility of including a bike trail on the property.

In addition to the current bike and vehicle infrastructure, there are several large-scale transportation projects planned for the area surrounding the Interbay property that will require close coordination with Sound Transit and the Seattle Department of Transportation. These projects include new Sound Transit Link light rail service and replacement of the Magnolia Bridge. Both projects are currently in the planning phase.

### **Sound Transit Link Light Rail**

With voter approval for funding of Sound Transit's ST 3 program, among the first — and one of the largest — projects moving forward is the development of light rail from Ballard to West Seattle through downtown Seattle. As part of the initial planning phases, Sound Transit has developed two alignment alternatives. The process for delivering the Ballard light rail segment includes completing planning in 2022, completing design by 2026, and completing construction by 2035. The two alternative alignments impact the Interbay property differently.

Sound Transit's preferred alignment (see map in Appendix CC) would travel along the west edge of the Interbay property and could require between 3.4 acres and 5.2 acres to support operations. In this alignment, the Smith Cove is located just south of the Interbay property beyond the Magnolia Bridge. While land will be needed to support this light rail alignment, the close proximity to the proposed station would support a transit-oriented development.

The other draft environmental impact statement alignment (see map in Appendix CC) would be on an elevated track and would cross 15th Avenue West at West Armory Way and then turn north at BNSF's Balmer Yard. The proposed Smith Cove station would be farther south than the preferred alignment near Expedia's headquarters and close to the Helix Bridge. This alignment would also include an elevated structure along West Armory Way. While this path would not require any land on the Interbay property to be used by Sound Transit, the elevated tracks could hinder the only current access to the Interbay property.

### **Magnolia Bridge**

The city of Seattle initiated a planning study of the Magnolia Bridge in early 2017 and recently completed its findings. The study looked at a range of solutions for replacing the vulnerable Magnolia Bridge. While funding is not currently available for replacement, the potential solutions to be considered in the future also include extending Armory Way across the BNSF railway and Balmer Yard. This also includes a connecting roadway around the Terminal 91 uplands, a connection with Alaskan Way and a new Garfield flyover like the West Galer Flyover connecting over the BNSF railway. The study concluded with recommendations to consider these options, along with a full bridge replacement if and when funding becomes available.

The Legislature recently funded a study of the Magnolia Bridge and the Ballard Bridge. Other projects and developments in this area may require extensive coordination. This project could have substantial impacts on the development potential of the Interbay property. A new connection on West Armory Way, across the railroad tracks, that provides primary access to the Magnolia neighborhood will increase demand on West Armory Way. Access from the Interbay property could be impacted, depending on how the intersection is configured, particularly if West Armory Way is elevated. Other options, such as

reconstructing the Magnolia Bridge or the access to Alaskan Way, could be configured to improve access to the south end of the Interbay property.

### **Ultra-High-Speed Rail**

The Washington State Department of Transportation is currently studying the potential for future ultra-high-speed ground transportation stretching from greater Vancouver, British Columbia to metro Seattle, Wash. to Portland, Ore. A key component of that vision is a fast, frequent, reliable, and environmentally responsible transportation system that unites this Cascadia megaregion, and positions it for global competitiveness and future prosperity. Nothing in this report precludes the use of the Interbay Property for ultra-high-speed rail purposes.

## **Infrastructure Existing Conditions**

Appendix N provides a full analysis of existing stormwater, sewer, water, electrical and telecommunications utility infrastructure on the Interbay property completed by KPFF Consulting Engineers. No issues regarding the health and capacity of the existing infrastructure have been reported or discovered. An evaluation of the system will be crucial in determining necessary upgrades based on the redevelopment alternatives. Stormwater is currently collected on-site in a network of catch basins and private storm drain mains that ultimately direct all flows to outfalls to the Puget Sound. Future development of the Interbay property will have to comply with on-site stormwater management techniques outlined in the city of Seattle stormwater manual. The presence of high groundwater levels and location of the Interbay property in a liquefaction-prone area may limit options for future stormwater management.

## **Geotechnical Existing Conditions**

The Interbay property is in a liquefaction-prone area and a historical landfill environmentally critical area. The Seattle Municipal Code regulates development in sites containing environmentally critical areas.. Pilings likely will be needed to stabilize buildings, and vapor controls may be required in the northern portion of the Interbay property. Second, groundwater exists at a relatively shallow depth below the existing ground surface at the Interbay property. A shallow groundwater table beneath the site may limit the use of stormwater infiltration and pose difficulties where excavations extended below the groundwater table for below-grade parking garages or basement levels. Based on these conditions, an evaluation of stormwater dispersion and infiltration feasibility and implementation of on-site best management practices will be necessary.

The presence of existing timber and concrete pile foundations may obstruct future pile foundations and proposed new underground utilities that extend through the original pile-foundation area. Further investigation is needed to understand the risk of encountering underground obstructions prior to redevelopment. The Interbay property is also adjacent to railroad operations, which likely produce ground-borne vibrations. Special studies may be required for development proposals that include vibration-sensitive operations, processes, equipment or stored materials. Finally, placing new fill above existing site grades may initiate consolidation, and subsequent settlement, of the marine deposits. If future development requires placement of new fill to raise site grades, mitigation of consolidation settlement may be necessary.

The full geotechnical existing conditions report is located in Appendix O.

## Cultural Resources

A detailed review of the historic data, maps and archaeological records was conducted to identify previously recorded cultural resources near the Interbay property. A full account of potential cultural resources related to the Interbay property appears in Appendix P. While the analysis found no recorded archaeological or historic resources associated with the Interbay property, the northern part of the Interbay property is in an area with high potential to contain as-yet unknown archaeological sites because of its position just above the historic Smith Cove shoreline. Further cultural resource investigation before and during construction may therefore be warranted.

In addition to the historic document research, soil boring monitoring associated with the Phase II environmental assessment was conducted to observe the material that was drawn from the ground. While several of the samples contained evidence of native soils consistent with the historic shoreline, no potential archaeological materials were observed.

Additionally, there are two unrecorded historic buildings on the property, the Armory building and the field maintenance shop. These buildings are considered historic, based on their age. Depending on the nature of the redevelopment, it may be necessary to document these resources for the Department of Archaeology and Historic Preservation's historic property inventory and/or evaluate them against Seattle Landmark nomination criteria.

## Environmental Assessment

An environmental assessment was conducted on the Interbay property. This assessment examined the current and historical uses in and around the Interbay property to identify potential sources of environmental contamination. As part of the assessment, soil and groundwater samples were collected and analyzed to determine any presence of contamination. The Phase I Environmental Site Assessment is in Appendix Q, and the Phase II Environmental Site Assessment is in Appendix R.

### **Phase I Environmental Assessment**

In order to assess the potential environmental issues on the Interbay property, a reconnaissance site visit, existing records review, and interviews of current and former owners or occupants of the Interbay property were conducted. This information helped to identify data gaps to be investigated in the Phase II environmental site assessment.

Three sources of potential contamination resulting from current and historical uses of the Interbay property and seven additional potential sources associated with the surrounding properties were identified. The three potential onsite sources are:

- Former Navy laundry facility—according to the Armory environmental program supervisor, the Navy laundry facility provided dry-cleaning operations in addition to pressing and laundry washing services. The Navy laundry facility was located on the northwestern portion of the Interbay property until it was removed in the early 1970s.
- Two underground storage tanks were located near the southwest corner of the laundry facility structure. In 2007, the presence of gasoline, diesel, and oil-range total petroleum hydrocarbons was identified in soils and groundwater in the vicinity of this facility.

- Historical gun cleaning and firearms maintenance activities—according to the Interbay property cleanup manager, gun cleaning and firearms maintenance activities were conducted in the Armory cafeteria. Gun cleaning may have included the use of solvents to remove powder, copper fouling, or spent lead; degreaser to remove solvents and cleaning compounds to remove fouling in the bore of the guns, as well as cutting, lubricating, and hydraulic gun oil and grease.

Based on this research and an analysis of the data gaps in the prior Interbay property environmental studies, soil and groundwater testing was completed on the Interbay property.

### Phase II Environmental Assessment

Soil and groundwater samples were collected at 21 locations on the Interbay property. Each sampling site was drilled to a maximum of 20 feet in depth. Generally, two soil samples and one groundwater sample were collected from each boring location. Additional soil samples were taken from locations that showed visual impacts such as black staining.

Of the 21 sample locations, two had contamination that exceeded cleanup levels. One soil sample from a drilling location on the northwestern portion of the Interbay property had petroleum-related contamination that exceeded cleanup levels. One groundwater sample location at the northeast corner of the Interbay property had arsenic levels that exceeded cleanup levels. These impacts appear to be isolated results and not indicative of property-wide conditions, as no adverse impacts were identified elsewhere on the Interbay property.

**The environmental assessment found that no further investigation is needed at this time. If during development activities indications of potential contamination are encountered or if development is planned near the locations where impacts were identified, then additional investigation may be necessary.**

## Opportunities and Constraints

The information above summarizes the existing conditions that must be understood before any potential redevelopment concepts are considered. The Existing Conditions Summary Table in Appendix H provides a single view of 26 key findings and the potential implications and next steps to support redevelopment. The Opportunities and Constraints graphic in Appendix S illustrates many of these findings.

Given the Interbay property's land area and central location in the city, there is opportunity for a wide range of uses. Land uses that can maximize public benefit and drive economic development include industrial; mixed-income residential with supportive retail; and civic uses such as vocational centers, schools, community centers, and community services. Based on the analysis as well as input from the public, there are several risks posed by redeveloping the Interbay property. These risks, as well as the opportunities, are highlighted below for industrial, mixed-income residential, and civic uses.

### Common Risks

- The Interbay property has limited vehicular access, with only a single access point from West Armory Way. This constraint will have to be addressed prior to redevelopment.

- The Interbay property is in a liquefaction-prone area.<sup>21</sup> Construction methods that control against building failure will be required to ensure worker and resident safety.
- A 2003 model estimates a worst-case magnitude 7.3 Seattle Fault earthquake could cause a tsunami that moves up to 40 miles per hour and inundate the Interbay Property with 2 to 5 meters (6.5 to 16.4 feet) of seawater.<sup>22</sup> The model's authors note that while the modeling can be a useful tool to guide evacuation planning, it does not have implications for land-use planning. This likely will be a factor in evaluating comprehensive plan updates.
- The Interbay property is 14 to 18 feet above sea level and less than 500 feet from the Puget Sound shoreline. While there is a risk of inundation from a tsunami, current projections for the Washington coast show minimal or no risk of inundation by long-term sea level rise.<sup>23</sup>
- The city is evaluating alternatives for the Magnolia Bridge. A rebuilt bridge or a relocated bridge may impact access to the Interbay property.
- The land use code allows for vocational schools as well as child care facilities. Should community centers and clubs and K-12 schools be advanced with any redevelopment concept, modifications to the land use code will be required.

#### **Industrial Uses**

- The property is zoned to support this use and is consistent with current city and regional land use policy.
- There is capacity for 2.7 million square feet of new industrial buildings as the Interbay property is currently zoned. If this capacity were to be fully built out, it would increase the total industrial square footage from 6.8 million square feet in the BINMIC to 9.5 million square feet, or a 40 percent increase. While this full-buildout scenario may not be likely, it underscores the potential for significant industrial job creation on the Interbay property.
- Industrial land uses create family-wage jobs, support the tax base, and help diversify the local economy.
- Industrial use adjacent to the BNSF Balmer Yard does not pose a land use compatibility risk.

#### **Mixed-Income Housing**

- This use is not currently allowed by zoning. For the land use code to be modified, the city's comprehensive plan and related policies would have to be updated.
- The residents at a mixed-use development could maximize Sound Transit's public investment in the potential Smith Cove station that may be located south of the Interbay property.

Adjacent land uses to the west of the Interbay property include BNSF's Balmer rail yard and the Port of Seattle Terminal 91 uplands. Both land uses operate during all hours of the day and create noise, light,

---

<sup>21</sup> See footnote 15.

<sup>22</sup> See footnote 16.

<sup>23</sup> See footnote 17.

and air impacts. The magnitude of these impacts will have to be assessed and appropriately mitigated, depending on the future use of the Interbay property. Site design and construction methods can help mitigate these risks. It will be important for the future entity overseeing development of the Interbay property to engage with the public to ensure that environmental and social justice concerns are addressed.

# Future Ownership

The Interbay property is currently owned fee simple by the State of Washington, Department of the Military. The deed transferring the Interbay property from the United States to the State of Washington clearly states that the state will not "sell, lease, or otherwise dispose of any of the premises" without first obtaining written authorization of the Secretary of the Army. Further, the Washington State Constitution and Washington State law also articulate a clear role for the Governor as Commander-in-Chief of the state's military forces<sup>24</sup>. Under authority from the Governor, the Adjutant General is charged with attending to the care, preservation, safekeeping, and repairing of all military property belonging to the state, or issued to the state by the United States for military purposes. Any property of the state military department which, after proper inspection, is found unsuitable or no longer needed for use of the organized militia shall be disposed of in such manner as the governor shall direct and the proceeds thereof used for replacements in kind or by other needed authorized military supplies, and the adjutant general may execute the necessary instruments of conveyance to effect such sale or disposal.<sup>25</sup>

Accomplishing the state’s goals of capturing the value of the asset while meeting the needs and interests of the community will require a thoughtful evaluation of the potential ownership, financing, and, ultimately, implementation choices to be made. What follows is a discussion of those options.

## Ownership/Management Options

The table below shows a brief overview of the authorities and powers of ownership options.. These categories and the available options to consider can be further expanded through various forms of partnerships between public and private organizations.

**Table 5: Overview of Ownership/Management Options**

Ownership Options	General Authority	Taxing Authority	Open Meetings & Records Act	Issue Tax Exempt Financing	Governance	Accept Grants
State of Washington	Varies within statutes	Yes, but not directly related to the Interbay property	Yes	Yes	Governor and Legislature	Yes
City or County	RCW 35 or 36	Yes	Yes	Yes	Elected agency board	Yes
New or Existing Public	RCW 35.21.730	No	Yes	Yes	Appointed by Authorizing	Yes

<sup>24</sup> Washington State Constitution, Article III, Section 8

<sup>25</sup> RCW 38.12.020

Ownership Options	General Authority	Taxing Authority	Open Meetings & Records Act	Issue Tax Exempt Financing	Governance	Accept Grants
<b>Development Authority</b>	through RCW 35.21.755				City or County	
<b>Special Purpose District</b>	Varies within statute	Yes, varies	Yes	Yes	Elected agency board or appointed commission	Yes
<b>Public Facilities District</b>	RCW 35.57 (Cities) or RCW 36.100 (Counties)	Yes	Yes	Yes	Appointed by Authorizing Agency	Yes
<b>Community Preservation &amp; Development Authority</b>	RCW 43.167 (as amended by HB 1918)	No	Yes	Yes	Created by Legislative Action	Yes
<b>Nonprofit Organization</b>	RCW 24	No	No	No	Appointed by Founders or per Articles	Yes
<b>Private Party</b>	Authority exists to surplus	No	No	No	Private	Limited

## Ownership/Management Option Review

Each approach has advantages and disadvantages. The following section assumes relocation of the Guard and reviews the advantages and disadvantages of each ownership option.

### State Ownership

The Interbay property could remain owned and operated by the State of Washington. This option would require that a specific department or agency of the state would be directed to assume the responsibility. This could be the Military Department or another department or agency that has the expertise and the dedicated resources needed to oversee the future development of the Interbay property.

Advantage:

- Retaining state ownership in the current status or transferring ownership and operation to another state agency is a matter of procedure and would minimize transactional costs.



#### Disadvantages:

- This option limits local connections to align mission and purpose with community aspirations and values.
- The Governor likely would want to identify a new operating department to assume control and oversight of the Interbay property, given that there would no longer be a military presence there.
- The state could own title to the asset and lease it back to a local operating entity (private or public), but this creates operational and intent challenges. A ground lease approach greatly diminishes the ability to leverage the real property asset as a credit back stop for the lessee and impacts the lessee's sense of ownership and purpose. However, only a sale would maximize the return for immediate offset of costs of Guard relocation.

#### City or County Ownership

Washington state statutes (RCW 35; RCW 36) provide for the creation and operation of general purpose municipal governments such as cities, towns, and counties and special purpose districts discussed below. The Interbay property could be sold or otherwise transferred to the city of Seattle or King County.

#### Advantage:

- The city or county may more directly understand how to address community needs. They are more experienced and facile with public/private developments than the state.

#### Disadvantages:

- The city and/or county have broad responsibilities to the community. The development and operation of the Interbay property would have to compete with many demands facing these two entities.
- Independence may conflict with a potential advisory committee recommendation to recover a specific percentage of the Guard's relocation costs.
- There may be potential conflicts between the city's regulatory role and its potential role as a developer.

#### Special Purpose District

A special purpose district is a local unit of government authorized by law to perform a single function or a limited number of functions, in contrast to the broad functions of general-purpose municipal governments. Special purpose districts include, but are not limited to, school districts, housing authorities, and port authorities. Washington has over 80 different types of special purpose municipalities (authorities, districts) both within and outside of incorporated general-purpose municipalities.

King County has approximately 137 special districts (with three of those being multi-county jurisdictions), including a port authority, three housing authorities, a public facility district, and a

stadium authority. The powers and authorities of these special purpose districts are codified in their respective state enabling laws.

The Interbay property could be sold to or otherwise transferred to a local special purpose municipal government with shared objectives, such as a housing authority or the Port of Seattle.

Advantages:

- Special purpose governments (with a relevant focus) are well equipped and experienced in land development. They have the tools, culture and experience to undertake complex market-based real estate efforts.
- These agencies are locally based but with broadly relevant industry perspectives focused on their core mission.

Disadvantage:

- There will be some competition for limited resources within probable special purpose governments, but not at the scale of the competition found within general purpose governments.

### **Public Facilities District**

Public facilities districts are creations of cities or counties (RCW 35.57 for cities; RCW36.100 for counties) formed by resolution for the specific purpose of developing and operating regional facilities with a focus on such uses as convention or special events centers. The projects have a minimum threshold of \$10 million of capital investment. Their governing boards are appointed and vary in size by statute.

Advantage:

- Public facilities districts are mission focused and likely have the capacity, experience and culture to undertake market-based real estate development.

Disadvantage:

- The statutory authority that governs public facilities districts may be too limiting for the development vision for the Interbay property. Specifically, public facilities districts have a conferencing/regional center requirement, and the Interbay property is not anticipated to have a conferencing or regional center use.

### **Public Development Authority**

Public development authorities are authorized as quasi-municipal corporations (RCW 35.21.730) to improve governmental efficiencies and services, accept and manage federal grants, and improve the general living conditions of urban areas. They are created by ordinance or resolution by cities and/or counties.

Historically, the public development authorities that have been created in Washington are designed to undertake special purposes that the founding authority (city, county) have not wanted to undertake themselves or been competent to provide directly.

The activities and governance of public development authorities are independent of the organizing entity. The size and make up of appointed board members are determined in the formulating process. The adopting resolution (or ordinance) will include a charter to define the scope and charge of a public development authority.

There is an opportunity to sell or otherwise transfer the Interbay property to an existing public development authority or a newly created public development authority for purposes of this transaction.

Advantages:

- Public development authorities can be created to be extremely focused on mission and as such, if newly created, could be aligned very closely with the vision for the Interbay property.
- Public development authorities are not distracted by other competing demands more prevalent in general purpose governments and to some extent with special purpose governments.
- Public development authorities can be created with a predetermined shelf life that is tied to the functional need to develop a property such as the Interbay property.
- More than other options, a recommended public development authority will have to have a clear plan of finance.

Disadvantages:

- Unlike general or special purpose governments, public development authorities do not have independent funding sources.
- The city or county will need to establish a public development authority for the Interbay property.

### **Community Preservation & Development Authority**

In addition to public development authorities chartered by local governments, the Legislature may create community preservation and development authorities as provided for in RCW 43.167 and amended in 2019 by House Bill 1918.

In current law, community preservation and development authorities are formed upon receipt of a proposal from a specifically defined community and after consideration by both the House and the Senate. Proposals must have a nexus with multiple publicly funded facilities that have adversely impacted the identified community and must be accompanied by a strategic plan. There must be a legislative finding that the community preservation and development authority will serve an impacted community and that the proposers are members of that community. Proposals with an accompanying strategic plan must include identified projects, funding sources, affirmation of public engagement, and coordination with local governments.

Legislation signed into law in 2019 (HB 1918) further clarified the purpose of community preservation and development authorities in serving a specific impacted community. As the new legislation is currently written, a community preservation and development authority is not likely to be employed for

the Interbay property; however, with some modifications to the existing statutes it may be a viable candidate model for the Interbay property.

Advantages:

- Community preservation and development authorities have focused intent, like a locally created public development authority, and may have access to other state resources.
- State-created community preservation and development authorities can be established to undertake the priorities of the state while, through the composition of the board, reflecting a local community perspective.
- The state has created these entities before and has experience doing so.

Disadvantages:

- With the adoption of HB 1918, community preservation and development authorities currently have limited application to the Interbay property. Legislative action would be needed to employ this ownership model for the Interbay property.
- Direct formation through specific state legislation is awkward.
- Relationships with affected local governments can be difficult.

**Nonprofit Organization**

A nonprofit organization is a form of corporation created to accomplish a public benefit under RCW 24.03. It does not have owners or shareholders and cannot be organized to generate an income or profit to the organizers. Some nonprofit organizations apply for tax-exempt status from the Internal Revenue Service so that donations can be tax-deductible to the donor and the organization will qualify for grants from private foundations and governments while avoiding federal corporate income tax. Assets are held in trust for charitable or other purposes that benefit the community.

The Interbay property could be transferred or sold to an existing or newly created nonprofit organization. There are examples of not for profits assuming an interim or facilitation role for property transitions; for instance, the Washington State Convention Center operated as a state-chartered nonprofit until it transitioned to a public facilities district.

Advantages:

- Nonprofit organizations can be extremely focused on mission and timelines.
- Nonprofit organizations have access to some grant funding as well as other sources of income founded on federal tax benefits and corporate outreach.
- Nonprofit organizations can be extremely flexible, as they are not bound by governmental procurement requirements.

Disadvantages:

- There may be some perception that the nonprofit organization is not in complete alignment with the ultimate development vision for the Interbay property.
- If not properly constituted, a nonprofit organization can drift from its original intent and focus.

### Private Entity

Transferring the Interbay property in its entirety to a private party has well-defined benefits and complications. Benefits include private sector efficiencies that likely maximize the value, as well as a "clean" transaction that minimizes the risk of uncertainty and provides the state with a defined financial gain. Complications include the need to competitively select the purchasing party and couple that selection with on-site enforceable controls that ensure long-term use of the site as envisioned by the advisory committee and embraced by the state.

It should be noted that with the other government options under consideration, there is always the ability to transact, through lease or sale, portions of or all of a property.

The Interbay property as a state asset can be transferred to a private entity as surplus property through a competitive process.

Advantages:

- Private entities may offer the most promising pathway to maximizing economic value of the property more quickly.
- The efficiencies of the private sector contribute to both the timely development of the property as well as its ultimate value.

Disadvantage:

- The private sector may be perceived as potentially not sharing the common interests and development envisioned for the Interbay property. This can be somewhat mitigated by land use controls or deed or other restrictions transferring with the Interbay property.

## Evaluation of Ownership Models

The ownership options under consideration were evaluated against the following four performance criteria that support the guiding principles and the objectives of the advisory committee:

- Finance: The ability to easily secure timely financing for both interim operating costs and capital investments.
- Capability and capacity: The scope to assume successful oversight for this complex endeavor independent of other competing demands and pressures that may interfere with the development of the Interbay property.
- Focus: The dedication to a strong focus that preserves and promotes the vision for the Interbay property while realizing the identified public benefits.

- Alignment: The commitment to managing the Interbay property consistent with the guiding principles adopted by the advisory committee.

The Evaluation of Ownership Options table in Appendix T reflects the outcome of an interactive exercise by the advisory committee to subjectively evaluate these criteria against each of the ownership models under consideration. As part of its evaluation, the advisory committee assigned a color designation representing the extent to which the option met the criteria (green = yes; yellow = somewhat; and red = no). The overall evaluation reflected a weighted average of the advisory committee's assessment.

The analysis conducted by the advisory committee found that four types of entities were least suitable for ownership, these include: state, county, city, and public facility district.

The balance of the models under consideration generally met the criteria. The creation of a new special purpose government district or the transfer of the asset to an existing special purpose district (i.e., port or housing authority) appeared to offer the greatest opportunity where the proposed use of the Interbay property was consistent with the district's authority and fundamental purpose. In that the advisory committee's recommended uses of the Interbay property were all inclusive (housing to industrial with hybrid mixes), the advisory committee sought a more flexible governance model. The creation of a local PDA, created by the city or county, would offer that flexibility but likely would compete with limited local resources and community needs.

The governance model the advisory committee determined to best accommodate flexibility and focus, as well as having more direct access to state resources, was the creation of a new state-sponsored community preservation and development authority. The recognized advantages of this approach include the following:

- The creation of the new community preservation and development authority, through its charter, can be focused, without other competing interests, on realizing the public benefits identified by the advisory committee.
- As a state creation, the community preservation and development authority would align with the financial interests of the state in relocating the Guard.
- The new entity would have access to more state-provided resources for both its initial startup costs and capital investment.
- The new community preservation and development authority, by charter, can include local representation in its governance structure through board member appointments.
- The advisory committee recognized that the ability to create a new community preservation and development authority would require amendments to existing state statutes. Those amendments would essentially create a new state-sponsored economic- and community-development tool.

**The governance model the advisory committee determined to best accommodate flexibility and focus, as well as having more direct access to state resources, was the creation of a new state-sponsored community preservation and development authority.**

## Financing/Funding Opportunities

There are many potential financing opportunities to offset capital and operating costs for redevelopment of the Interbay property. The ownership model will have significant implications for financing, since grant, loan, and tax credit programs have different eligibility requirements.

There are two fundamental funding needs:

- **Operating and transition costs:** Operating costs are assumed to be generated from leases, property sales and fees (e.g., parking fees) imposed by the entity assuming ownership of the Interbay property. To develop interim transition costs incurred before any revenues are realized, the entity may have to seek state or local government support.
- **Capital costs:** Capital costs including infrastructure development, real property acquisition from the state, and vertical construction will be retired through property leases and sales, grants, loans and direct governmental contribution. It will be necessary to explore the need for interim financing and capital financing for all the anticipated costs expressed as a Plan of Finance.

Financing for the redevelopment of the Interbay property will have to be closely aligned with the recommended redevelopment alternative. In general, funds can be secured from the following sources:

- **Grants:** There are several potential grants available from federal, state, and local governments, as well as private philanthropy, that could be applicable to the Interbay property, depending on the programmed activities. While each grant program will have specific eligibility requirements, all the “public” ownership models evaluated are likely to be eligible for most grant programs.
- **Appropriations:** There are direct state or local government appropriations through their respective capital and operating budgets.
- **Loans:** Real estate development projects typically rely largely on commercial loans to finance construction. Adaptive reuse of the Interbay property may also be eligible for low-interest loans from state or federal programs such as the Housing and Urban Development Program. In addition, there are opportunities for tax-exempt revenue bond financing.
- **Taxes:** There are ownership models that have access to property, most notably property taxes, either directly through a statutory taxing authority (e.g., ports) or indirectly through their municipal forming agency (e.g., a municipal public development authority).
- **Tax credit/exemption programs:** There are federal and state tax incentive programs that encourage property developers to invest in assets that contribute to advancement of a public benefit such as affordable housing.
- **Lease revenues:** The ability to generate lease revenue from tenants either through land leases or built assets is fundamental to sustainable financial self-sufficiency. Leases can be secured through traditional termed payments or capital leases in which the present value of the lease stream is recognized in one lump sum payment.

- **Property Sales:** Equity can be secured through traditional real asset sales. Consideration for those sales can be secured in single one-time payments or financed by the entity taking advantage of the property market value and loan interest, offset against the risk.
- **Philanthropy:** This potential source comes in the form of low-cost equity to support projects that align with the source's mission.
- **Fundraising:** There is some opportunity for raising both capital and operating funds through third-party contributions. These contributions typically will originate from organizations sharing very closely aligned goals and mission with the ownership entity.



# Redevelopment Concepts

Informed by the adopted guiding principles, input from the public, and project team analysis, the advisory committee identified three redevelopment frameworks and six redevelopment concepts for evaluation. These appear in Table 6. The advisory committee established that the following land uses will be the primary elements of the redevelopment concepts:

- Industrial
- Mixed-income housing
- Flexible civic space

Each of these elements helps create the highest public benefit and future economic development opportunities within the existing context of the Interbay neighborhood and considering major public investments planned for the area. It is important to note that **the focus of the advisory committee was not to seek concepts that maximize return to the state in supporting the Guard's relocation costs, but rather to create the highest public benefit and economic development opportunities.**

Industrial land uses that produce family-wage jobs are consistent with the current city policy and zoning. Mixed-income housing, while not currently supported by policy or the land use code, would create needed affordable housing units in a mixed-income neighborhood and leverage the region's investment in light rail. Supportive retail in the mixed-income neighborhood would provide access to basic goods and services and may provide space for community

**Table 6: Redevelopment Concepts**

Concept	Concept Image
<b>Mixed use commercial/residential with mixed-income housing framework</b>	
(1) High-Rise Concept	
(2) Mid-Rise Concept	
<b>Industrial framework</b>	
(3) Industrial-Only Concept	
<b>Mixed use light industrial/residential with mixed-income housing framework</b>	
(4) Housing Next to Industrial (mid-rise)	
(5) Housing Next to Industrial (high-rise)	
(6) Housing Above Industrial	

resources. The civic space may be used to support vocational training, a community center, K-12 classrooms and/or space for community resources.

## Redevelopment Concept Evaluation

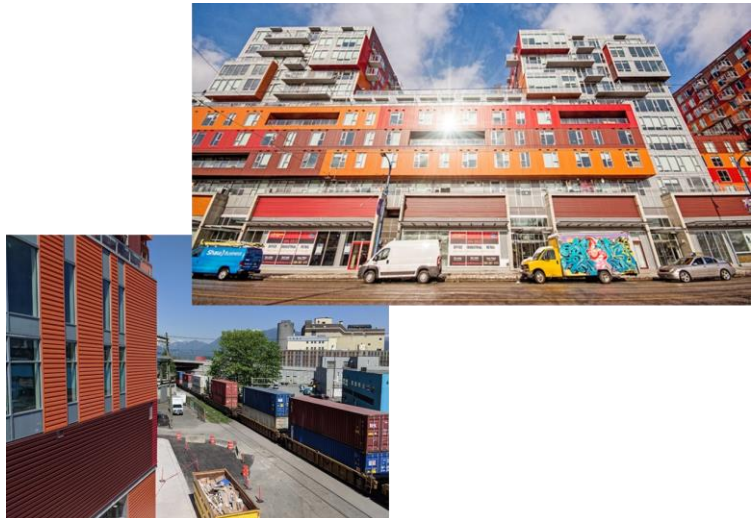
### Initial Concept Evaluation

The Evaluation of Redevelopment Concepts table in Appendix U reflects the outcome of an interactive exercise by the advisory committee to evaluate criteria based on the guiding principles against concepts in each of the three primary redevelopment frameworks shown in Table 6.

The overall evaluation reflected a weighted average of the advisory committee's assessment. As a result of this exercise, the advisory committee requested that a concept from each framework be advanced, but with two refinements. First, the committee requested that all housing be mixed-income with 30 percent of the units available to households making 60 percent or less of area median income, 20 percent of the units available to households making between 60 and 120 percent of area median income, and the remaining 50 percent of units available at market rates. It also asked for the mixed use light industrial/residential with mixed-income housing framework be reevaluated based on additional case study research and refined inputs. It did not request any changes to the industrial concept. The advisory committee also requested that an economic impacts analysis be completed for each concept to help the committee understand each concept's relative economic development opportunities. Based on this feedback from the advisory committee, the redevelopment concepts were finalized, and the evaluation was refined.

### Mixed Use Industrial Residential Concept

As part of this refinement, a case study analysis of projects that have mixed housing with industrial uses was conducted. The Industrial with Residential Development Case Studies memorandum is in Appendix V. This case study memorandum explored the potential to mix light industrial and residential uses on the Interbay property by examining precedent developments and studies undertaken across North America. Industrial and residential uses are typically considered incompatible because of conflicts such as traffic, noise, and emissions. However, many businesses categorized as light industrial may be viable for, and even well-suited to, urban mixed-use projects. Having these living-wage jobs integrated into neighborhoods also helps limit the development's impact on traffic congestion and climate change, as both employees and customers reside in walkable developments with great public transit access.



This case study memorandum summarizes two projects, one in Vancouver, British Columbia and the other in Toronto, Ontario, that developed buildings with industrial, commercial, and research uses on the lower levels and housing above. These projects present important lessons that can be applied to the Interbay property. Mixing industrial and housing in the same building adds more expense to the

project, including the cost of wider spans between columns and the separate ventilation needed to ensure that noise and odors do not affect the residences. There is also a greater need to communicate to prospective residents the challenges and benefits of living next to industrial uses. A formal disclosure regarding impacts such as noise and vibrations from the surrounding industrial uses could also be included in the residential sale or leasing documents.

The types of light industrial uses are also important to limit nuisance and incompatibility with the residents above. Table 7 shows examples of the types of light industrial uses that could be compatible with residential uses on the Interbay property. Note that heavy manufacturing, shipbuilding, raw material product, and distribution are not on this list. These and similar uses that require long hours and generate noise would not be considered for either of these concepts.

**Table 7: Potentially Compatible Light Industrial Uses**

Boutique Manufacturing	Small-scale Food & Beverage	Advanced Manufacturing	Skilled Trades
Apparel	Bakery	3D printing	Plumbers
Jeweler	Coffee roaster	Bio and medical technology	Electricians
Screen printing	Brewery	Research and development	Carpenters
Pottery studio	Distillery	Software	
Ornamental metalwork	Butcher	Electrical products	
Leather products	Pasta maker		
Textile and knit goods	Dairy production		

Based on these findings, a redevelopment concept was developed for evaluation that mixes light industrial with housing towers above. Considering the additional costs and complexities with building housing above light industrial uses, a concept that had housing on the eastern portion of the Interbay property and multistory light industrial on the western portion was also developed. These concepts fit into the mixed use light industrial/residential with mixed-income housing framework.

**Redevelopment Concepts Summary**

The Interbay Project Redevelopment Concepts Report found in Appendix X and the associated Redevelopment Concept images found in Appendix W detail the six redevelopment concepts. This includes key assumptions related to unit sizes, parking requirements, industrial building square footage, commercial square footage, the amount of civic space, and open space. Table 8 summarizes the development programs for these six concepts.

Each concept includes open space and civic space. The assumed development area excludes the area along the western edge of the Interbay property that Sound Transit might use for its preferred Link light-rail alignment, for utility easement access, and for a public pedestrian/bike trail. This would result in approximately 5.6 acres shifted from developable areas to these other uses, resulting in 19.2 acres of the 24.75 acres available for development.

**Table 8: Redevelopment Concepts Program Summary**

Measure	High-Rise Concept	Mid-Rise Concept	Industrial Only	Mid-Rise Housing Next to Industrial	High-Rise Housing Next to Industrial	Housing Above Industrial
Industrial area	0	0	511,200 SF	297,900 SF	297,900 SF	153,200 SF
Residential units	3,258	1,853	0	585	911	1,200
<i>Number of Market Units</i>	1,628	926		292	456	600
<i>Workforce Units at 60% to 120% of Area Median Income</i>	652	371		117	182	240
<i>Affordable Units at 60% of Area Median Income or lower</i>	978	556		176	273	360
Commercial area	108,000 SF	102,000 SF	0	22,100 SF	22,100 SF	22,100 SF
Potential community or educational use area	94,000 SF	160,000 SF	62,000 SF	63,800 SF	63,800 SF	63,800 SF
Residential density, gross	115 units/acre	75 units/acre	0	24 units/acre	30 units/acre	44 units/acre
Off-street parking spaces	1,362	1,038	398 (approx.)	689 (approx. 195 surface)	783 (approx. 195 surface)	818
Floor area	5.19	1.75	0.39	0.77	0.90	1.05

Measure	High-Rise Concept	Mid-Rise Concept	Industrial Only	Mid-Rise Housing Next to Industrial	High-Rise Housing Next to Industrial	Housing Above Industrial
ratio, gross <sup>1</sup>						
Affordable housing	Assumed MHA requirements; provided on site		None provided on site	Assumed MHA requirements; provided on site None provided on site		
Open space, total	6.6 acres	6.6 acres	2.0 acres	4.4 acres	4.8 acres	5.7 acres
Public open space, ground level	4.2 acres	5.5 acres	2.0 acres	3.4 acres	3.4 acres	3.4 acres
Private open space <sup>2</sup>	2.4 acres	1.1 acres	0	1.0 acres	1.4 acres	2.3 acres
Public open space per 1,000 units	1.5 acres	3.0 acres	0	5.8 acres	4.6 acres	3.1 acres
Pedestrian and bike trail	Yes	Yes	Yes	Yes	Yes	Yes

1. Excluding structured parking

2. Private open space is typically over parking decks

## Redevelopment Concept Evaluation

The advisory committee evaluated each concept and the associated policy trade-offs. The reports found in Appendix Y through Appendix CC provide detailed analysis of the consultant team's analysis that informed the advisory committee. The concept evaluation summary is below.

### Assumptions and caveats

The consultant team examined the redevelopment concepts to estimate the potential value that the sale of development sites on the Interbay property could generate. The model assumes that the ICPDA would incur all the predevelopment costs from design and permitting to building the roads and utility infrastructure (the horizontal infrastructure) to Interbay property development sites. The revenue generated from the sale of these development sites in the future, less the cost to design, permit and build the horizontal infrastructure, are the "net land sales." It is assumed that the state could use net land sales to recoup costs incurred to relocate the Guard. Detailed cost assumptions are in the Financial Evaluation report in Appendix Y, as well as the Infrastructure Cost Evaluation report in Appendix Z and the Structural Cost Evaluation report in Appendix AA.



An alternative to the land sales approach is the long-term hold approach. In this approach, the ICPDA may build out the horizontal infrastructure and build all or some of the buildings using the net operating income from the buildings' operations to pay off financing instruments used to fund construction. Any revenue over debt service and administrative costs goes toward repaying a portion of the Guard's relocation costs. No precedent for a CPDA or similar public entity that undertook market-based vertical development of this magnitude was identified in the consultant team's research.

There are risks associated with both approaches. The risks associated with the land sales approach are focused on the long development timeline for the project that would expose it to potential swings in land value due to local real estate cycles and development costs due to national economic cycles. There are several risk factors involved with the long-term hold approach, which market-based developers adjust for by discounting cash flow heavily over time. These risks include, but are not limited to, market risks (rent rates, absorption and vacancy), interest rate risk, construction risk, and legal liability.

In addition to these market risks, conditions at the Interbay property are problematic: poor soils in a liquefaction-prone area that create extraordinary costs for development. It is assumed that the additional cost of pilings and slab on grade structures necessary to develop buildings on the Interbay property will be fully borne by developers and reduce the value that developers would be willing to pay for the property.

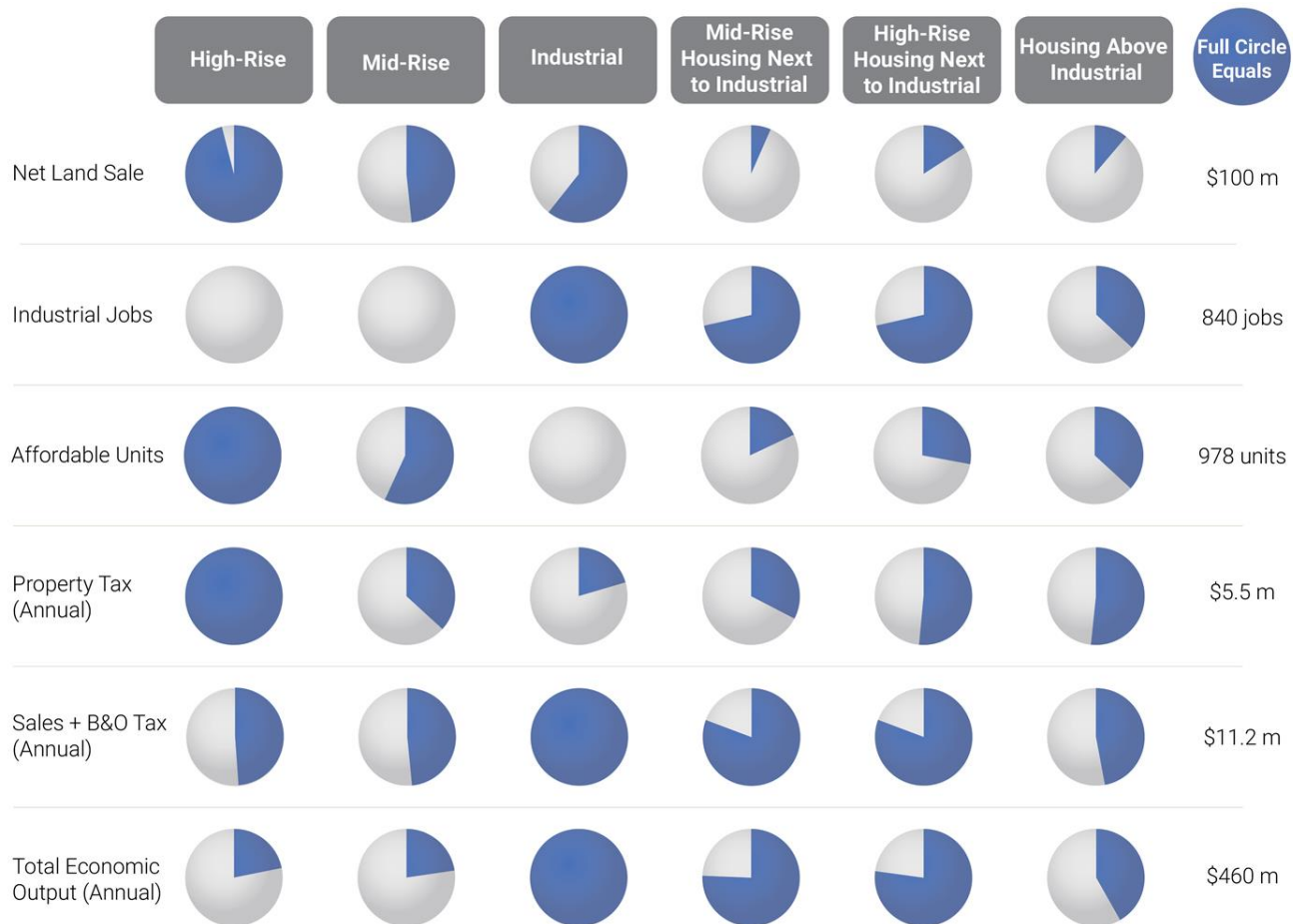
### **Concept Evaluation Criteria**

Based on the guiding principles (see Appendix D) and information collected by the consultant team, the following questions were asked of each concept. The completed Trade-off Summary Table can be found in Appendix DD.

- Does the concept provide adequate financial resources to the state?
- Is the concept market-realistic?
- Are there significant risks to realizing the concept?
- Is there added affordable housing (under 60% AMI)?
- Are there increased industrial jobs?
- What are the potential tax benefits once the concept is built out?
- Is there public open space?
- Does the development address legacy environmental conditions?
- How are some of the social justice challenges being addressed?

The answers to these questions revealed that no one framework or redevelopment concept delivers the highest public benefit. There are clear quantifiable trade-offs as illustrated in Figure 2, the Concept Comparison Graphic.

**Figure 2: Concept Comparison Graphic**



As Figure 2 shows, the High-Rise concept would create the most cumulative revenue in land sales with approximately \$100 million. The Industrial-only concept is second with approximately \$61 million earned in net land sales. Looking at industrial jobs, the Industrial-only concept could create up to 840 new family-wage jobs. Industrial jobs could include maritime, food production, light manufacturing, or trades such as plumbers, electricians and carpenters. The annual median wage for these types of jobs is \$54,000 to \$68,000. This would put these workers in the 60 percent to 90 percent range in terms of area median income.

The advisory committee recommended that all concepts with housing provide 30 percent of the units for future residents earning 60 percent or less of area median income. Figure 2 clearly illustrates the nearly 1,000 affordable housing that could be provided in the High-Rise concept, while the Mid-Rise concept could provide approximately 550 units. The concepts in the mixed use light industrial/residential with mixed-income housing framework could support between 175 units and 360 units.

The Industrial only concept creates the greatest total economic output, with approximately \$460 million being generated annually. This includes the impact from goods and services sold by the future businesses located on the Interbay property, the purchases these businesses make, and the household purchases from the workers and residents living on the Interbay property. Looking solely at property taxes, sales taxes, and the business and occupation taxes that could be generated annually, the High-

Rise concept at \$11 million per year and the Industrial-only concept at \$12.3 million per year are the most impactful concepts. The High-Rise Housing Next to Industrial and Mid-Rise Housing Next to Industrial concepts are also in this tier, with annual tax revenue reaching approximately \$11.8 million and \$10.8 million, respectively.

Another public benefit that is not captured in Figure 2 is the public open space that could be created in each concept. The Mid-Rise and High-Rise concepts could provide 5.5 acres and 4.2 acres, respectively, on the Interbay property. The concepts in the mixed use light industrial/residential with mixed-income housing framework could deliver approximately 3.4 acres of public open space. The Industrial-only concept is conceived to have only two acres of public open space.

Each concept poses some social and environmental justice issues. The following summarizes how each redevelopment framework could address some of these concerns:

#### **Mixed use commercial/residential with mixed-income housing**

- These concepts could provide housing for a range of household income.
- Affordable units will be mixed in with market-rate units and will not be concentrated along the rail yard side of the Interbay property.
- Community resource and social services may be provided in the commercial or civic spaces.
- Potential noise, light, and air quality impacts will have to be studied and addressed in the building and neighborhood design.
- The Interbay property is near existing frequent transit service and will be close to future high-capacity transit service.

#### **Industrial Only**

- Environmental and social justice challenges would be different for industrial development but would still include concerns regarding access to transit.

#### **Mixed use light industrial/residential with mixed-income housing**

- The comments from the high-rise/mid-rise comments also apply to this concept.
- Specific to the Mid-Rise Housing Next to Industrial concept and High-Rise Housing Next to Industrial concept, careful site design will be needed to ensure pedestrian safety with the adjacent industrial uses.
- Specific to the Housing Above Industrial concept noise, ventilation, and vibration controls will be needed.

Table 9 through Table 11 show how each framework compares through the major guiding principles of job creation, economic lift, affordable housing, and financial support for the relocation costs. These tables show the impact each framework has on these criteria as comments on the impact. Note that the only framework whose development is currently allowed under the city's land use code is the Industrial only. The frameworks and concepts with housing and non-vocational civic uses would require



updates to the city's comprehensive plan and related policies as well as modifications to the land use code.

**Table 9: Policy Considerations; Mixed use commercial/ residential with mixed-income housing framework**

Policy Consideration	Impact	Comment
Job Creation	Creates between 550 and 790 total jobs	<ul style="list-style-type: none"> <li>Jobs are non-industrial</li> <li>Majority of jobs assumed to be retail and service-oriented</li> </ul>
Economic Lift	Generates the lowest total economic output, but depending on the density it could generate property, sales, and B&O taxes near the industrial only concept.	<ul style="list-style-type: none"> <li>Removes 24.5 acres of land from the city's industrial land base</li> </ul>
Housing	Provides the greatest amount of affordable housing with between approximately 550 and 1,000 units at 60% AMI or less.	<ul style="list-style-type: none"> <li>Requires challenging re-zoning.</li> <li>Compatibility challenges with adjacent uses</li> <li>Housing units are in relatively close proximity to planned light rail station</li> </ul>
Financial Support for Relocation	Could cover approximately 50% to 90% of the relocation costs	<ul style="list-style-type: none"> <li>Relies on private investment</li> <li>Revenue likely would be realized later than with the Industrial only concept</li> </ul>

**Table 10: Policy Considerations; Industrial framework**

Policy Consideration	Impact	Comment
Job Creation	Creates between 790 and 920 total jobs	<ul style="list-style-type: none"> <li>Jobs would be primarily industrial</li> </ul>
Economic Lift	Generates the greatest total economic output and property, sales, and B&O taxes.	<ul style="list-style-type: none"> <li>Preserves 24.75 acres of the city's industrial land base</li> </ul>
Housing	Does not provide new housing	<ul style="list-style-type: none"> <li>Zoning would not have to be modified</li> </ul>
Financial Support for Relocation	Could cover approximately 60% of the relocation costs	<ul style="list-style-type: none"> <li>Could be achieved with private or public investment</li> <li>Revenue from sale could be received earlier than with other concepts</li> </ul>

**Table 11: Policy Considerations; Mixed use light industrial/residential with mixed-income housing framework**

Policy Consideration	Impact	Comment
Job Creation	Creates between 660 and 880 total jobs	<ul style="list-style-type: none"> <li>50% to 75% of the jobs may be industrial</li> <li>Includes retail and service-oriented jobs</li> </ul>
Economic Lift	Generates a moderate total economic output as well as property, sales, and B&O taxes.	<ul style="list-style-type: none"> <li>Keeps roughly half of the land area in the city's industrial land base</li> <li>Provides riders for the proposed light rail station</li> </ul>
Housing	Provides a moderate amount of affordable housing with between approximately 175 and 360 units at 60% AMI or less.	<ul style="list-style-type: none"> <li>Requires challenging rezoning</li> <li>Compatibility challenges with adjacent uses</li> </ul>
Financial Support for Relocation	Could cover approximately 1% to 6% of the relocation costs under the land sale revenue generation approach	<ul style="list-style-type: none"> <li>Could be achieved with private or public investment</li> <li>Revenue would likely be realized later than with the industrial only concept</li> </ul>

## Recommended Redevelopment Frameworks

Each of the three frameworks presents opportunities and challenges for creating the highest public benefits and driving economic development. The advisory committee concluded that all three frameworks and the associated concepts should be supported at this time. Each comprises land uses that could be suitable for the Interbay property, with the major caveat that the only concept that could be developed today is the Industrial only.

After the city completes its assessment of its industrial lands and the major comprehensive plan updates are completed in 2023, the state and its possible steward of the Interbay property – the proposed ICPDA – will have greater clarity on how the Interbay property can be developed. Once created, the ICPDA may represent the state during local planning processes.

# Summary of Committee Findings

The advisory committee makes the following findings as requested and directed in Senate Bill 6095:

- **The current location of the Seattle Readiness Center has several major deficiencies** and no longer meets the readiness needs of the Guard
- **The Guard has identified the North Bend area as the preferred location** to replace the Seattle Readiness Center with a new KCRC.
- **The Guard will need to relocate the units stationed at the BFRC by 2023.** The BFRC lease ends in 2023 and will need to be relocated. The Guard will relocate the units currently stationed at the BFRC to the Seattle Readiness Center until the new KCRC is completed.
- **The Legislature recently allocated \$6.6 million toward the purchase** of an appropriate site for a new KCRC and field maintenance shop.
- **There will be no sale or transfer of the state-owned Interbay property until the Guard is fully operational elsewhere and has obtained the written authorization of the U.S. Secretary of the Army to transfer title of the Interbay property.** The new KCRC must be fully operational, and the Seattle Readiness Center fully moved out before the physical redevelopment of the Interbay property begins.
- **As securing federal funds for the timely relocation is not likely, there is a need to identify other resources if the Guard is to be relocated in the near future.** The total anticipated cost of relocation to a new KCRC, including the costs to co-locate the BFRC (an anticipated state obligation), is estimated to be \$101 million (2019 dollars), excluding land, and should not depend on the receipt of federal funds.
- **There is no evaluated redevelopment scenario that provides an acceptable level of public benefit and generates sufficient value** to offset the entire remaining and currently unfunded cost of the development of the future KCRC and field maintenance shop facility and the associated relocation activities. A portion of the relocation costs could reasonably be offset by \$50 million to \$60 million (2019 dollars), which is the estimated unimproved industrial value of the Interbay property.
- **Financial returns from the Interbay property's redevelopment will not be realized until after the Guard has relocated.** There is an expected gap of at least three and a half to five years between the Guard's obtaining capital funding to relocate and when the Interbay property can generate actual financial value to the state.

## Land use

- **The Interbay property is currently zoned for industrial use and is in a designated Manufacturing Industrial Center** that has been prioritized by the city for industrial land use. Industrial lands continue to be in high demand, especially in the city. Industrial land supports the region's industrial sector, which creates family-wage jobs, diversifies the economic base and supports key industry sectors.

- **Land use changes are complicated.** Any future development of the Interbay property that includes nonindustrial land uses such as residential, office, hospitality, or retail will require navigating a traditionally complex local process. The city of Seattle will be a lead in this process, which involves a city-wide industrial lands analysis, and a major comprehensive plan update that would include changes to various city policies, and adopting land use code modification, and may include a modification to the regional center designation.

#### Environmental conditions

- **Soil and groundwater environmental conditions pose no significant impediments to redevelopment.** Elevated concentrations of benzo(a)pyrene and arsenic were found in only one soil sample and one groundwater sample, respectively. These appear to be isolated and not representative of the property-wide subsurface conditions. Additional sampling may be warranted if development activities are to occur in areas where isolated contamination was encountered. Washington state has a dedicated funding program for environmental cleanup that could support that work if needed.

#### Site Conditions

- **Subsurface conditions and shallow groundwater levels will require special treatment for subgrade structures** and will also limit the use of innovative stormwater infiltration technologies.
- **The Interbay property is in a liquefaction zone.** New construction will require structural support pilings and a structured slab-at-grade, increasing the costs of development.
- **There are no previously known and recorded archaeological or historic resources on the Interbay property.** Given the property's location near areas of historical Native American activity, it is recommended that a cultural resource specialist monitor development activities..

#### Transportation infrastructure and access

- **Construction of Sound Transit's Link light rail may reduce the size of the Interbay property.** A portion of the Interbay property would likely be required for a dedicated right-of-way under the current preferred alternative being studied. It is assumed that future development in the dedicated right-of-way area will not be permitted at any time.
- **Sound Transit's Link light rail from West Seattle to Ballard with a proposed nearby Smith Cove station is expected to be operational in 2035.** Opportunities around access to high capacity transit will necessitate coordination with Sound Transit during site planning.
- **Area bridges, including the Magnolia Bridge, are in various stages of planning and require monitoring for site design coordination.** The future of these area bridges may directly or indirectly affect the Interbay property. Direct impacts may require access modifications, and indirect impacts involve mobility around and through the Interbay neighborhood.
- **Offsite signal investments may be necessary as a result of new development.** Increased traffic resulting from the redevelopment of the Interbay property could trigger new signal installations or modifications at up to three intersections.
- **The Interbay property is accessed only from West Armory Way and by way of an easement over private property.** In order to fully build out the Interbay property, access will need to be improved.

Alternatives include enhancing the north access point and potentially adding access from the south or east.

#### Utility infrastructure

- **There is adequate utility capacity to serve the Interbay property.** In anticipation of any future development, coordination with the utility purveyors will be required. Costs to deliver power, water, sewer, and other utilities are factored into site development estimates and are typical for a development of the scale being considered.

#### Partnership opportunities for future redevelopment

- **Public and private partnership opportunities will depend on the ultimate redevelopment proposal selected.** There is a host of partnership opportunities with the private investment community, the not-for-profit housing and institutional sector, and the public sector. Notably these opportunities include both for-profit and not-for-profit market rate and affordable housing investment, as well as light industrial private or public sector investment. There is a clear opportunity for joint infrastructure investment with local government and public utilities.

#### Options for redevelopment of the Interbay property

- **The advisory committee examined a wide range of different redevelopment concepts and found elements of public benefit in all of them.** Opportunities and benefits will have to be carefully weighed against the trade-offs for each redevelopment concept under consideration.

#### Implementation Approach

- **The optimum entity to assume responsibility of the Interbay property's future would be a state-created Community Preservation and Development Authority: the ICPDA.** The advisory committee explored a range of possible organizational and governance models for a follow-up entity to assume responsibility for the Interbay property's future redevelopment. Those organizational and governance (ownership) options were evaluated for their ability to be successful; their ability to accommodate an unencumbered and flexible transition from the current Department of the Military ownership; and their ability to preserve the public's interest in the Interbay property. As a public agency, the proposed ICPDA would be committed to transparency, active public engagement and representation of the state's fiduciary interest.
- **After the Guard has relocated from the Interbay property, the ICPDA would be the owner and developer of the Interbay property that is committed to the state's priorities and vision.** To ensure the ICPDA would have the authority, flexibility, and capacity to act, amendments to the authorizing legislation (RCW 43.167) would be required.
- **A considerable number of pre-development activities should be undertaken before the Guard's physical move off the Interbay property** to ensure the timely generation of revenues to compensate the state for the expected value of the asset. To meet that need, the recommended ICPDA should be established and funded .

# Committee Recommendations

The advisory committee recommends that the Governor and Legislature consider the following actions:

- Identify funding sources to accommodate the timely relocation of the Guard from the Seattle Readiness Center and the BFRC to a new KCRC in North Bend, Wash.
- Create the ICPDA, under RCW 43.167, chartered to oversee the redevelopment of the Interbay property with the intent to maximize public benefit and minimally generate the Interbay property's financial value to the state as unimproved industrial land.
- Direct the ICPDA to carefully consider tradeoffs in the pursuit of maximizing public benefit as it refines redevelopment concepts and advances the redevelopment of the Interbay property. Through extensive public engagement and technical analysis from the consultant team, the advisory committee examined in detail the following future uses for the Interbay property and recommends that the state consider:
  - Industrial only: Develop industrial buildings under the city's existing land use code that align with the policy goals for the BINMIC. This future use would provide family-wage jobs, support vocational training, and offer space for community resources.
  - Mixed use commercial/residential: Develop mid-rise and/or high-rise mixed-income housing with supportive retail, civic uses, and community resource space. This future use would fully leverage the region's investment in light rail.
  - Mixed use light industrial/residential: Develop light industrial buildings in coordination with mid-rise and/or high-rise mixed-income housing with supportive retail, civic uses, and community resource space. This future use supports the creation of light industrial family wage jobs and the development of mixed-income housing.
- Amend RCW 43.167 to facilitate the creation of the ICPDA. The ICPDA would assume the responsibility for the redevelopment of the Interbay property within the range of future uses identified in the findings. That said, as currently codified, that statute creates numerous obstacles for the Interbay project, as currently conceived. The amendments should focus on the following sections of the statute:
  - The purposes (RCW 43.167.007) and possibly the powers and duties (RCW 43.167.020 and .030).
  - The formation process (RCW 43.167.010).
  - The governance structure (RCW 43.167.010 and .030) is cumbersome for a single, well-understood project such as one that may be undertaken on the Interbay property.
  - Provide for continued tax status of properties transferred to or acquired by a Community Preservation and Development Authority until those properties are sold or leased for development.

- Fund the costs of creating and standing up the ICPDA.
- Accept the U.S. Secretary of the Army's release of the Interbay property from any encumbrances and take all necessary actions to transfer the Interbay property's title to the newly created ICPDA in a manner and time that are compatible with the actual relocation of the Guard and the availability of the Interbay property.

# Implementation Plan

Successful implementation will require an integrated approach that synthesizes programming for future uses, physical improvements to the Interbay property, ownership and management structure, and financing. The transfer of ownership of the Interbay property is fundamental to implementation of redevelopment. It is important to note that the outcome of the study process is intended to provide a recommendation and implementation plan, not a final decision on how the Interbay property will be developed. All elements of this implementation plan are subject to the normal legislative approval process by the Legislature and the Governor. Additionally, per RCW 38.12.020, future disposition of state military department "shall be disposed of in such manner as the Governor shall direct and the proceeds thereof used for replacements in kind or by other needed authorized military supplies."

The objectives of this implementation plan are as follows:

- Extract reasonable financial value from the existing Interbay property to offset the relocation of the Guard.
- Pursue development on the existing, vacated site that maximizes public benefit and service to the community.
- Energize the transition through a dependable transfer process using the most effective governance, ownership and operation plan for the transition.
- Protect, over the long term, the state's financial position and preserve the community's vision.

Based on these objectives, guidance from the advisory committee and input from the public, a four-phase implementation plan is recommended. The following narrative describes the recommended process. A graphic depicting this process in Figure 3 follows the narrative.

## Phase I: Advisory Committee Recommendation

### **Expected Outcome**

Receipt and acceptance of the advisory committee's recommendation, which is intended to guide the State of Washington as it moves forward in transacting the Interbay property to the public benefit of the larger community while providing funds to offset the physical relocation of the Guard operation.

### **Considerations**

The recommendations of the advisory committee include redevelopment concepts for the Interbay property, preferred governance and operating structure to successfully develop the Interbay property,

## Phase II Pre-Legislative Action

### **Expected Outcome**

Undertake the necessary actions in advance of proposed legislative action.

### **Considerations**

- Develop an estimated budget and budget proviso language to support the standing up of the proposed CPDA.



- Craft statutory language to accommodate the creation of a CPDA designed to further the development concepts and revenue generation from the Interbay property.
- Craft statutory language to create the ICPDA, including specifics as to board composition and operating standards.
- Explore and identify potential capital funding for the relocation of the Guard in advance of realizing the redeveloped value from the Interbay property.

## Phase III: Legislative Action

### **Expected Outcome**

Legislative approval of enabling legislation that anticipates the creation of a new CPDA; creates the new entity and funds its initial activities.

### **Considerations**

- Adopt enabling legislation that accommodates the creation of the proposed ICPDA.
- Authorize the conditioned transfer of the Interbay asset.
- Adopt a budget to stand up the new ICPDA.

## Phase IV: Post-Legislative Action

### **Expected Outcome**

Closure on the actual transfer of the real property to the newly formed ICPDA and funding of the Guard relocation.

### **Considerations**

- ICPDA Stand-up: Legislative action would create the ICPDA and its operating structure and empower it to develop and adopt a strategic plan incorporating a plan of finance including anticipated state revenue forecasts. Energize the initiation of the entity and oversee the actualization of the ICPDA.
- ICPDA Operations: The proposed ICPDA would pursue, among other operational matters, pre-development activities such as potential land use modifications, pre-development agreements and concepts, entitlement actions, and necessary surveys.

**Figure 3: Interbay Project Implementation Plan**

