



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

Ordinance 19508

Proposed No. 2022-0281.2

Sponsors McDermott

1 AN ORDINANCE related to financial investment
 2 properties; and amending Ordinance 10245, Section 6, as
 3 amended, and K.C.C. 4.56.075, and Ordinance 12045,
 4 Section 17, as amended, and K.C.C. 4.56.180.

5 **STATEMENT OF FACTS:**

- 6 1. Ardagh Glass Inc. is the current tenant of the county-owned financial
 7 investment properties located at 5409 Ohio Avenue S (Tax Parcel
 8 1924049051), 5427 Ohio Avenue S (Tax Parcel 1924049043) and 5801 E
 9 Marginal Way S (Tax Parcel 1924049002), Seattle, Washington.
- 10 2. The current lease is set to expire on February 1, 2023.
- 11 3. The facilities management division successfully negotiated a new lease
 12 for the county-owned financial investment properties with Ardagh Glass
 13 Inc. and Ordinance xxxxx (Proposed Ordinance 2022-0280) would
 14 authorize the executive to enter into the lease agreement.
- 15 4. The new lease term would provide an option to extend the lease beyond
 16 ten years. However, current exceptions in K.C.C. 4.56.180.A. that permit
 17 the county to enter into a lease agreement beyond ten years for county-
 18 owned properties are not applicable to the terms of the new lease with
 19 Ardagh Glass Inc.

20 **BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:**

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21 SECTION 1. Ordinance 10245, Section 6, as amended, and K.C.C. 4.56.075 are
22 hereby amended to read as follows:

23 A. The facilities management division shall determine which real properties
24 within the inventory of county-owned properties shall be considered "financial
25 investment properties," including those properties classified as such in Ordinance 15570.
26 All financial investment properties shall be inventoried at least every three years to
27 coincide with the appraisal valuations required by this section. These properties are
28 currently not needed for county use but are held to provide a financial return to the
29 county. It is the ultimate objective of the county to dispose of this type of property.
30 Disposal should not occur until optimal market conditions exist for maximizing financial
31 return to the county.

32 B. All financial investment properties shall have an initial value established by an
33 appraisal performed by an independent appraiser, except that for any financial investment
34 property with an apparent value of less than five hundred thousand dollars, in lieu of an
35 independent appraisal, the initial value may be established by the facilities management
36 division.

37 C. Except as provided in subsection E. of this section, all financial investment
38 properties with values of less than five hundred thousand dollars shall be revalued by
39 independent appraisal or by the facilities management division every three years from
40 when the initial value was established until the property is no longer owned by the
41 county. If a financial investment property increases in value to more than five hundred
42 thousand dollars, it is subject to the provisions in subsection D. of this section.

43 D. All financial investment properties with values of greater than five hundred

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44 thousand dollars shall be valued by an independent appraiser. Except as provided in
45 subsection E. of this section, these properties shall be revalued every three years from
46 when the initial value was established until the financial investment property is no longer
47 owned by the county.

48 E. When existing leases provide for rental adjustments at greater than three year
49 intervals, the revaluations required by subsections C. and D. of this section shall be
50 performed no more than one year prior to the scheduled rental adjustment.

51 F. All appraisals of financial investment properties shall address the following
52 factors:

- 53 1. Current market conditions and trends that affect the value of the property;
- 54 2. Potential market conditions;
- 55 3. Value of any improvements on the property;
- 56 4. Impact on property value of temporary and permanent encumbrances upon
57 the property such as leases, easements and any other arrangement which encumbers any
58 portion of the property; and
- 59 5. Any other factors that in the professional judgment of the appraiser affect the
60 value of the property.

61 G. A proposal to dispose of a financial investment property shall be based upon
62 an independent appraisal that has been performed within the past twelve months. A
63 financial investment property shall be sold if analysis of its income producing potential
64 and current market sales conditions demonstrates that a greater return to the public will
65 be provided through sale of this property.

66 H. Financial investment properties shall be disposed of in accordance with this

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67 chapter. In no case shall a financial investment property be sold for less than its
68 appraised value or a value that reflects the income producing analysis required in
69 subsection G. of this section, whichever is higher. Any financial investment property that
70 is under consideration for sale or exchange, or to be otherwise disposed of shall be
71 evaluated by the executive for suitability to support transportation, and for each parcel
72 that is proposed to be sold, exchanged or otherwise disposed of, a report containing the
73 evaluation for transportation purposes shall be transmitted to the council with the
74 necessary legislation authorizing disposal of the property.

75 I. In order to ensure that financial investment properties that are retained by the
76 county provide the optimal return, all lease renewals and extensions shall be authorized
77 by ordinance. ~~((Any financial investment property that is under consideration for sale or
78 exchange, or to be otherwise disposed of shall be evaluated by the executive for
79 suitability to support transportation, and for each parcel that is proposed to be sold,
80 exchanged or otherwise disposed of, a report containing the evaluation for transportation
81 purposes shall be transmitted to the council with the necessary legislation authorizing
82 disposal of the property.))~~

83 J. If the financial investment property to be leased is necessary to support or
84 expand an adjacent manufacturing facility, not owned by the county, the financial
85 investment property may be leased to the owner of the adjacent manufacturing facility for
86 a term not to exceed twenty years if:

87 1. The owner of the adjacent manufacturing facility agrees to implement
88 modifications and improvements to enhance the environmental performance of the
89 adjacent manufacturing facility; and

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90 2. The extended term is reasonably necessary to amortize the cost of those
91 modifications and improvements for the lessee.

92 K. With each inventory of the financial investment properties as required by
93 subsection A. of this section, the facilities management division shall provide the council
94 with a copy of the inventory. The inventory shall be electronically filed with the clerk of
95 the council, who shall retain an electronic copy and provide an electronic copy to all
96 councilmembers, the council chief of staff, and the lead staff to the budget and fiscal
97 management committee, or its successor. The inventory shall include for each financial
98 investment property:

- 99 1. The physical address;
- 100 2. The tax parcel number;
- 101 3. The council district in which the property is located;
- 102 4. The name of the lessee, if any, and number of years remaining on the lease;
- 103 and
- 104 5. The current value and the year in which the most recent appraisal was
105 completed.

106 ~~((K-))~~ L. If, in accordance with subsection A. of this section, the facilities
107 management division determines that a property no longer should be considered a
108 financial investment property and should be removed from the inventory of such
109 properties, at least sixty days before removing a property from the financial investment
110 property inventory, the facilities management division shall notify the council in writing.
111 The notification shall be electronically filed with the clerk of the council, who shall retain
112 an electronic copy and provide an electronic copy to all councilmembers, the council

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113 chief of staff and the lead staff for the budget and fiscal management committee, or its
114 successor.

115 SECTION 2. Ordinance 12045, Section 17, as amended, and K.C.C. 4.56.180 are
116 hereby amended to read as follows:

117 A. The county may lease real property for a term of years and upon such terms
118 and conditions as may be deemed in the best interests of the public and the county. A
119 lease shall not be for a longer term in any one instance than ten years, except as follows:

120 1. If the county determines it to be in the best interest of the county, real
121 property necessary to the support or expansion of an adjacent facility may be leased to
122 the lessee of the adjacent facility for a term to expire simultaneously with the term of the
123 lease of the adjacent facility, but not to exceed thirty-five years;

124 2. If the county determines it to be in the best interest of the county, if the
125 property to be leased is improved or is to be improved and the value of the improvement
126 is or will be at least equal to the value of the property to be leased, the county may lease
127 the property for a term not to exceed thirty-five years;

128 3. If the property to be leased is to be used for public recreation and police
129 training purposes, for parks and recreation purposes, for a hospital or a medical training
130 and research facility, for a childcare facility to be improved with full or partial funding
131 from a government-sponsored childcare bonus program, for the county's own use in
132 accordance with a lease or leaseback arrangement entered into under K.C.C. 4.56.160.E.,
133 for major airport, industrial, office or other commercial purposes or transit-oriented
134 development, requiring extensive improvements or by a nonprofit organization for a
135 facility in which the nonprofit organization will provide some or all of the social and

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136 health services as listed in RCW 43.83D.120, the county may lease the property for a
137 term equal to the estimated useful life of the improvements, but not to exceed fifty years;
138 unless the property is leased to a public housing authority or nonprofit organization in
139 accordance with RCW 36.34.135, in which case the term may extend to seventy-five
140 years; ~~((and))~~

141 4. Leases entered into under K.C.C. 4.56.160.D. may extend for the period of
142 years necessary to amortize the special purpose funds, not to exceed twenty-five years;
143 and

144 5. Leases entered into under K.C.C. 4.56.075 may extend for the period of years
145 necessary to support or expand an adjacent manufacturing facility, not owned by the
146 county, not to exceed twenty years.

147 B. The lessee shall not improve or alter the leased property in any manner
148 without the prior written consent of the county, but shall, before making improvements or
149 alterations, submit plans and designs for the improvement or alteration to the county for
150 approval. If the plans and designs are disapproved, the improvements or alterations shall
151 be made only with such changes as may be required by the county. Unless otherwise
152 stipulated, all improvements or alterations erected or made on the leased property shall,
153 on expiration or sooner termination of the lease, belong to the county without
154 compensation to the lessee, but the county shall have the option, to be exercised on
155 expiration or sooner termination of this lease, to require the lessee to remove any or all of
156 the improvements or alterations. If the lessee fails substantially to make the
157 improvements or alterations required by the lease, the lease shall be terminated and all
158 rentals paid shall be forfeited to the county. All green building requirements in K.C.C.

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159 chapter 18.17, except the annual reporting requirements in K.C.C. 18.17.070.B., shall
160 apply to all new, renewed or extended leases of county-owned property that go into effect
161 after March 21, 2022. The requirements shall be included in lease agreements managed
162 by the department of executive services, facilities management division. The department
163 of local services, permitting division, may review for compliance with the requirements
164 during review of building permit applications.

165 C. Except for lease or leaseback arrangements entered into under K.C.C.
166 4.56.160.E., any lease made for a period longer than five years shall contain provisions
167 requiring the lessee to permit the rents to be adjusted and fixed by the county every five
168 years, but any lease may provide for more frequent readjustments. If the lease permits
169 the county to adjust the rent, the county shall give the lessee written notice of the adjusted
170 rent, in accordance with the terms of the lease. The rent as adjusted shall take effect
171 thirty days after the date of the notice unless the lessee, within thirty days following the
172 receipt of the notice from the county, gives the county written notice of the lessee's
173 rejection of the adjusted rent. If the lessee and the county cannot agree upon the rental
174 readjustment, the rent shall be adjusted by arbitration. For arbitration, the lessee and the
175 county shall each select one disinterested arbitrator and the two selected arbitrators shall
176 select a third. If the two arbitrators have not selected a third arbitrator within thirty days
177 after the selection of the last selected of the two, either the lessee or the county shall
178 apply to the presiding judge of the superior court for King County for the appointment of
179 a third arbitrator. Each arbitrator must be a member of the American Institute of Real
180 Estate Appraisers, the Society of Real Estate Appraisers or other appraisal society or
181 association having equivalent ethical and professional standards. If a licensing

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182 requirement for real estate appraisers is imposed by any legislative body, each arbitrator
183 shall also be so licensed. The three arbitrators shall determine a fair rent for the premises
184 based upon the fair market rental value of the property, as defined in K.C.C. 4.56.010.
185 The decision of a majority of the arbitrators shall bind both the lessee and the county. At
186 the conclusion of the arbitration, the arbitrators shall submit written reports to the lessee
187 and the county. The cost of the arbitration shall be divided equally between the lessee
188 and the county.

189 D. Except as provided in K.C.C. 4.56.150.D. and E. and 4.56.160.D., the rent of
190 all leases of county real property shall be based upon fair market rental value, as defined
191 in K.C.C. 4.56.010.

192 E. No lease shall be assigned or subleased without the assignment or sublease
193 being first authorized by the county in writing. All leases, when drawn, shall contain this
194 provision.

195 F. Notwithstanding the other provisions of this chapter and following such
196 procedures as may be determined appropriate by the council, the executive may enter into
197 long-term master leases of county property under which developers: would develop the
198 property into office and other space required or approved by the county; would lease
199 some of space back to the county and may lease space unneeded by the county to private
200 or public entities for private or public uses as approved by the county council; and would

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- 201 convey all leasehold improvements to the county at the expiration or termination of the
- 202 master leases. A master lease shall be subject to approval by the council.

Ordinance 19508 was introduced on 7/19/2022 and passed by the Metropolitan King County Council on 9/27/2022, by the following vote:


Yes: 9 - Balducci, Dembowski, Dunn, Kohl-Welles, Perry, McDermott, Upthegrove, von Reichbauer and Zahilay

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

DocuSigned by:

 7E1C273CE9994B6...
 Claudia Balducci, Chair

ATTEST:

DocuSigned by:

 8DE1BB375AD3422...
 Melani Pedroza, Clerk of the Council

APPROVED this _____ day of 10/12/2022, _____.

DocuSigned by:

 4FBCAB8196AE4C6...
 Dow Constantine, County Executive

Attachments: None

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| | Suite 100 |
| | Seattle, WA 98104 |
| | Cherie.Camp@kingcounty.gov |
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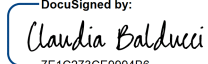
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Claudia Balducci
 claudia.balducci@kingcounty.gov
 Council Chair
 King County General (ITD)
 Security Level: Email, Account Authentication (None)

Signature

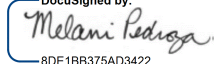
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Melani Pedroza
 melani.pedroza@kingcounty.gov
 Clerk of the Council
 King County Council
 Security Level: Email, Account Authentication (None)

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Dow Constantine
 Dow.Constantine@kingcounty.gov
 Security Level: Email, Account Authentication (None)

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| Kaitlyn Wiggins kwwiggins@kingcounty.gov Executive Legislative Coordinator King County Executive Office Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign | <div style="border: 2px solid blue; padding: 5px; display: inline-block;">COPIED</div> | Sent: 10/3/2022 1:15:54 PM Viewed: 10/3/2022 3:11:27 PM |
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Required hardware and software

| | |
|--------------------|---|
| Operating Systems: | Windows® 2000, Windows® XP, Windows Vista®; Mac OS® X |
| Browsers: | Final release versions of Internet Explorer® 6.0 or above (Windows only); Mozilla Firefox 2.0 or above (Windows and Mac); Safari™ 3.0 or above (Mac only) |
| PDF Reader: | Acrobat® or similar software may be required to view and print PDF files |
| Screen Resolution: | 800 x 600 minimum |

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| Enabled Security Settings: | Allow per session cookies |
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