POLICY & PROCEDURE

Subject: Surplus Real Property			Index: Administration Number: 100-12	
Effective Date: 09-11-2024	**Supersedes:** 6/10/2004	**Page:** 1 of 8	**Staff Contact:** Gina Estep, CED Administrator	**Approved By:**

1.0 PURPOSE:

1.1 To ensure real property owned by the City is managed to achieve the highest and best use, including likely or preferred future uses, through implementation of criteria to support transfer of real property between departments as appropriate.

1.2 To establish consistent internal procedures by which the Administration recommends City Council declare real property owned by the City in fee as surplus to the public needs of the City, which:

1.2.1 Provide a transparent process to declare real property as surplus to the needs of the City; and

1.2.2 Are compliant with contractual or other legal obligations, including applicable local, state, and federal laws and regulations; and

1.2.3 Recognize disposition options, aside from sale at Fair Market Value, to meet community public benefits not managed by the City (e.g., affordable housing inventory or behavioral health needs).

2.0 ORGANIZATIONS AFFECTED:

All Departments/Divisions

3.0 REFERENCES:

3.1 RCW 35A.80.010 "Public Utilities, General laws applicable"

3.2 RCW 35.94.040 "Lease or sale of land or property originally acquired for public utility purposes"

3.3 RCW 36.07A.070 “Growth Management/Comprehensive Plans – Mandatory Elements”

3.4 RCW 39.33 “Intergovernmental Disposition of Property”

3.5 RCW 39.33.010 "Sale, exchange, transfer, lease of public property authorized - Section deemed alternative"

3.6 RCW 39.33.015 “Transfer, lease, disposal of public property for affordable housing”

3.7 RCW 39.33.020 "Disposal of surplus property - Hearing - Notice"

4.0 POLICY:

4.1 It is the policy of the City of Renton that:

4.1.1 All real property owned and managed by the City shall be held for its highest and best public use or benefit within its administrative functions; and

4.1.2 All real property surplus to the City’s use or benefit shall be considered for disposition for its highest and best public use or public benefit as managed by other governmental or experienced non-governmental organizations at less than Fair Market Value as allowed under applicable laws and regulations; and

4.1.3 All other Surplus Real Property shall be sold at fair market value to restore monies to the General Governmental Fund or Enterprise Fund which acquired the property originally.

4.2 To ensure that there is no net loss in parks land to the City, the disposition of surplus park real property must result in either the addition of real property of a greater or equal value to the real property sold or the sales price must be used for the acquisition of additional park real property at fair market rates.

4.3 The surplus of General Governmental Fund or Enterprise Fund properties shall only be proposed by the department or division that acquired or currently manages the property after the department or division has determined the property is no longer needed for current and future use.

4.4 This policy shall be applicable in all cases except those wherein the City has prior contractual or legal obligations for disposal of the real property.

5.0 DEFINITIONS:

5.1 "Administrative Costs" are those costs incurred by the City of Renton during the processing of real property for sale. Such costs include but are not limited to legal costs, salaries, supplies, advertising, and other costs required to produce a sale.

5.2 “Affordable Housing” as defined by the Revised Code of Washington, in compliance with applicable state and federal law, wherein a household is identified by its percentage of local average median income (“AMI”), and whose housing related payment are within a defined percentage of that AMI.

5.3 “Disposal (or disposition) of real property” – means by which the City identifies and then transfers, donates, or sells facilities and/or real property to a non-City entity.

5.4 An "Enterprise Fund Department or Division” is any department or division for which a separate financial accounting is used to report activity for which a fee is charged to external users for goods or services.

5.5 “Enterprise Fund Real Property” is real property owned by a department or division for which a separate financial accounting is used for government operations that are financed and operated in a manner similar to business enterprises and for which preparation of an income statement is desirable.

5.6 "Fair Market Value" is the price that a willing buyer would pay to a willing seller for the purchase of real property in an open and competitive market.

5.7 “Full Value” is the price required under RCW 43.09.210 between governmental entities, and may be negotiated as to terms and conditions to reach mutual agreement and which is not limited to monetary consideration.

5.8 A "General Governmental Fund Department or Division” is any department or division, which is sustained by the fund supported by taxes, fees, and other revenue that may be used for any lawful purpose.

5.9 “General Government Fund Real Property” is real property owned by a department or division which is sustained by the fund supported by taxes, fees, and other revenue that may be used for any lawful purpose.

5.10 “Property & Technical Services” is a section of the Community and Economic Department, Economic Development Division, or successor entity.

5.11 “Public benefit” is for any purpose that substantially advances the City’s mission or goal(s) and is approved by the Council as a benefit to the public as a whole.

5.12 “Public Benefit for affordable housing” means affordable housing for low-income and very low-income households as defined in RCW 39.33.015, and related facilities that support the goals of affordable housing development in providing economic and social stability for low-income persons.

5.13 “Public Benefit Disposition of Real Property” is real property by Council action which has been declared surplus by a special disposition and is outside the General Government Fund and Enterprise Fund surplus process and is following all applicable RCWs.

5.14 “Sales” are dispositions that involve the transfer of funds to the City from another person or entity.

5.15 "Surplus Real Property" is real property acquired by the City, which is no longer needed for the originally intended, or other identified, public purpose.

5.16 "Transferred Real Property" is real property managed by a City Department, whose management is transferred to a different City Department due to a change in the needs and constraints of either or both departments and/or the real property itself. The process is further described in Section 10 of this Policy.

6.0 PROCEDURES TO IDENTIFY SURPLUS REAL PROPERTY:

6.1 A department may, at any time, request authorization of the Mayor or designee for a review pursuant to Section 6.3 of this Policy of real property which it maintains, or for which the real property was acquired if it has not been otherwise transferred in the interim, to determine whether to recommend to City Council that the real property be declared Surplus to the City's needs, and an appropriate disposition followed.

6.1.1 Departments are encouraged to communicate to identify real property to consider for review to recommend for surplus and disposition. The request for authorization for review shall originate and come from the department which acquired and/or maintains the real property.

6.1.2 If real property is not maintained by the department which acquired the real property, both departments shall coordinate the request for the real property to be declared surplus.

6.2 After consideration of the department's request, and the Mayor's authorization, Property & Technical Services will coordinate the Surplus Real Property Review Process as described below.

6.3 Surplus Real Property Review, Recommendation for Continued Use or Surplus, Recommendation for Disposition:

6.3.1 Surplus Real Property Review:

6.3.1.1 Property & Technical Services will provide the real property description from the review request to all department administrators for consideration of other City uses. Each Administrator may circulate the information to their staff as needed for technical analysis.

6.3.1.2 While Administrators are considering potential City uses of the real property, Property & Technical Services shall verify the information provided, and coordinate with Finance and the City Attorney's office as needed regarding (for example) the following:

6.3.1.2.1 Description of the subject real property's size and its general location; and

6.3.1.2.2 Description of the circumstances under which the subject real property was obtained; and

6.3.1.2.3 Description of what funds were used to initially acquire the subject real property.

6.3.2 Recommendation for Continued City Purpose, or Surplus: Upon completion of the Surplus Real Property Review process described in 6.3.1, the Executive Leadership Team or other group designated by the Mayor shall evaluate the findings of the Surplus Real Property Review and recommend whether to:

6.3.2.1 Maintain ownership and management the real property by the current department for current or future City uses or public benefits; or

6.3.2.2 Maintain ownership of the City real property, but transfer management to another City department, pursuant to Section 10 of this Policy, for other current or future City uses or public benefits; or

6.3.2.3 Recommend declaring the real property as surplus to the needs of the City.

6.3.3 Recommendation for Disposition of Surplus Property: When providing a recommendation to City Council to declare real property surplus, the Executive Leadership Team or other designated group shall also provide a recommendation regarding disposition of the real property. Disposition is described more fully in Sections 7 through 9 of this Policy. The recommended disposition will include analysis of (for example):

6.3.3.1 Description of any deed restrictions, repayment or replacement requirements, approvals, or other obligations related to a potential disposition of the subject real property; and

6.3.3.2 Recommendation as to which fund(s) the proceeds from its sale should be credited; and

6.3.3.3 Description of what municipal use(s) the subject real property has been put to in the past, if any, and what use(s), if any, for which it might be held; and

6.3.3.4 Appraised value of the subject real property; and

6.3.3.5 Whether the subject real property is only usable by abutting owners or is of general marketability; and

6.3.3.6 Whether the subject real property is suitable for use as affordable housing or for another Public Benefit; and

6.3.3.7 Whether special consideration ought to be given to some other public agency that has a use for the subject real property; and

6.3.3.8 Whether the subject real property should be sold at auction, by sealed bid or by negotiation; and

6.3.3.9 Whether the subject real property should be designated for Public Benefit disposition process; and

6.3.3.10 Recommendation as to whether any special covenants or restrictions should be imposed in conjunction with sale of the subject real property.

6.4 If the Review results in a recommendation to surplus the real property or change the real property to a use that requires a public hearing, the Mayor or designee may authorize an agenda bill be prepared to recommend the Council schedule a public hearing, as nearly as possible to 60 days from the original request to determine whether the real property should be declared surplus.

6.5 If a hearing is scheduled by the Council, at least 10 days but not more than 25 days prior to the hearing, the City Clerk shall cause to be published a public notice setting forth the date, time, and place of the hearing, at least once in a newspaper of general circulation in the area where the real property is located. This notice shall identify the real property using a description which can be easily understood by the public and shall describe the current use of the real property involved.

6.6 After the hearing, the Council will determine whether the subject real property should be declared surplus. If the Council determines the real property to be surplus, a resolution making such a declaration shall be adopted. A process to dispose of the Surplus Real Property will then be initiated and consider recommendations described in Section 6.3.

7.0 PROCEDURES TO DISPOSE OF ENTERPRISE FUND SURPLUS REAL PROPERTY:

7.1 Except in the case a Public Benefit Disposition and where not required by law, an Enterprise Fund Department or Division must be duly compensated for the transfer of any Enterprise Fund Real Property to any other City General Governmental Fund or other Enterprise Fund department or division or third party.

7.2 Costs of maintaining the real property pending sale shall continue to be the responsibility of the Enterprise Fund Department or Division until final disposition.

7.3 Property & Technical Services shall order or review an appraisal on the property if one obtained within one year is not already available.

7.4 Property & Technical Services shall be authorized to negotiate with prospective transferees and accept reasonable offers on behalf of the City after ensuring concurrence from the Enterprise Fund Department or Division.

7.5 No disposition shall be finalized unless approved by Council by resolution.

7.6 Dispositions that are sales shall be handled through independent escrow.

8.0 PROCEDURES TO DISPOSE OF GENERAL GOVERNMENT FUND SURPLUS REAL PROPERTY:

8.1 Except in the case a Public Benefit Disposition and where not required by law, a General Government Fund Department or Division must be duly compensated for the transfer of any General Government Fund Real Property to an Enterprise Fund Department or Division or third party.

8.2 Costs of maintaining the real property pending sale shall continue to be the responsibility of the General Government Fund Department or Division until final disposition.

8.3 Property & Technical Services shall order or review an appraisal on the property if one obtained within one year is not already available.

8.4 Property & Technical Services shall be authorized to negotiate with prospective transferees and accept reasonable offers on behalf of the City after ensuring concurrence from the General Government Fund Department or Division.

8.5 No disposition shall be finalized unless approved by Council by resolution.

8.6 Dispositions that are sales shall be handled through independent escrow.

9.0 PROCEDURES TO SURPLUS PUBLIC BENEFIT DISPOSITION OF REAL PROPERTY:

9.1 At the time it declares real property to be surplus or any other time, the City Council may direct staff to dispose of Surplus Real Property for a Public Benefit. Disposition may be by sale, transfer, or other means in accordance with applicable state and local laws related to determining value of the real property and in consideration of proposed uses which contribute to a Public Benefit.

9.2 The City may transfer, lease, or otherwise dispose of property for affordable housing or other Public Benefit approved by the Council to a public, private, or nongovernmental body on any mutually agreeable terms and conditions so long as such disposition doesn't violate any bond covenant or encumber or impair any contract. Such terms may include a disposition at less than Fair Market Value if

allowed by law and/or the provision of in-kind services in lieu of or for reduced financial payment. Except as allowed by applicable law, consideration for a disposition at less than Fair Market Value must include at a minimum appraisal cost, debt service, all closing costs, and any other liabilities to the City. Any terms and conditions that restrict future use of the real property shall be included in a deed, lease, or other instrument disposing of the Surplus Real Property and shall be approved by the City Council and City Attorney.

9.3 Transfers made pursuant to RCW 39.33.015 for affordable housing shall meet all requirements of such law.

9.4 Costs of maintaining the real property pending sale shall continue to be the responsibility of the City department or division that owns the property until final disposition.

9.5 Property & Technical Services shall order or review an appraisal on the property if one obtained within one year is not already available.

9.6 No disposition shall be finalized unless approved by Council by resolution.

9.7 Dispositions that are sales shall be handled through independent escrow.

10.0 PROCEDURES TO TRANSFER REAL PROPERTY BETWEEN CITY DEPARTMENTS:

10.1 Each department shall periodically, but not less than every biennium, review the real property under its management and control to ensure that real property is still meeting the department's needs.

10.2 If a department identifies real property that no longer meets its needs, or may more meet a higher or better need of the City by transferring it to another department, the affected department(s) shall:

10.2.1 Clearly articulate any regulatory or other constraints under which the real property was acquired that limit its use or transfer.

10.2.2 Notify all other City departments that real property has been identified for potential transfer between City departments, including any known limitations in use or access.

10.2.3 If only one other department identifies a use for the real property, and that use is determined to be the highest and best use, the real property shall be transferred according to existing administrative methods to identify City real property management and control.

10.3 Transfer of real property from a General Governmental Fund Department or Division to another General Governmental Fund Department or Division does not require the exchange of monies.

10.4 If the transfer of real property from one department or division to another department or division involves the exchange of monies, it shall be handled through an interfund transfer.