



Department of Commerce

# State Surplus Property Program:

*2018 Annual Report*

*Inventory of State-Owned Real Properties and Recommendations*

*3<sup>rd</sup> Substitute House Bill 2382 (3SHB2382), effective June 7, 2018*

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# Executive Summary

## Overview

The 3<sup>rd</sup> Substitute House Bill 2382 (3SHB2382), effective June 7, 2018, is an act relating to promoting the use of surplus public property for public benefit, specifically for supporting the goals of affordable housing development for low and very income households. Per Section 1 of 3SHB2382, six designated agencies are required to report to Commerce their inventory of vacant, available for sale or lease surplus properties; and information on any property transactions they executed under the authority of Section 3 of 3HB2382, the disposal of public property for public benefit (affordable housing development).

The six agencies are:

- Department of Natural Resources
- Department of Social and Health Services
- Department of Corrections
- Department of Enterprise Services
- Washington State Patrol
- State Parks and Recreation Commission

## Summary of Findings

Of the six designated agencies required to report their inventory, three agencies reported no surplus properties and three reported they had a total of 38 surplus properties vacant or available for sale or lease.

No public property was disposed of for public benefit by the designated agencies under the authority of Section 3 of 3SHB2382.

## Summary of Recommendations

The surplus property inventory includes characteristics of each property based on industry accepted standards that impact each property's suitability for affordable housing development, including location, lot size, current land use and zoning. Based on these characteristics, Commerce has made a determination of each property's suitability for consideration in affordable housing development as required per Section 1 of 3SHB2382. .

Of the 38 total surplus properties inventoried, Commerce determined that 10 are not suitable for consideration in affordable housing and 28 are suitable for further consideration in affordable housing development.

# Introduction

## Overview

In many Washington communities, the rising cost of land and construction significantly impacts the ability to create affordable housing for people with low incomes. This is especially true in high cost areas like the Puget Sound region. The 3<sup>rd</sup> Substitute House Bill 2382 (3SHB2382) required six designated state agencies to report all their vacant properties, both land and buildings, to the Department of Commerce. The information provided by these agencies create opportunities to review underutilized state surplus public property for affordable housing development.

## Background

Prior to the passage of 3SHB2382, authorizing statute RCW 43.63A.510 directed five designated agencies to provide Commerce with an inventory of vacant surplus properties, both land and buildings, due November 1 each year, and to provide a copy of the inventory to parties interested in developing the sites for affordable housing. There was no report required; nor a requirement to determine the suitability of properties for consideration in affordable housing development. Section 1 of 3SHB2382 amended the RCW 43.63A.510 effective June 7, 2018.

3SHB2382 revised the list of designated agencies required to report their vacant properties to the Department of Commerce. Four of the original five designated agencies were retained (the departments of Natural Resources, Social and Health Services, Corrections, and Enterprise Services). Two new agencies were added (Washington State Patrol and the State Parks and Recreation Commission), and one agency was no longer required to report (Department of Transportation).

In addition, 3SHB2382 added the following requirements:

- Commerce must consolidate the property inventories into two groups: those suitable for consideration in affordable housing development, and those not suitable. The legislation's language defines affordable housing development as state-owned real property appropriate for sale, transfer, or lease to an affordable housing developer capable of receiving the property within one hundred eighty days; and creating affordable housing units for occupancy within thirty-six months from the time of transfer.
- At a minimum, Commerce's determination of the properties must use the following industry accepted standards:
  - location,

- approximate lot size,
  - current land use designation, and
  - current zoning classification.
- The designated agencies must also report to Commerce by November 1 of each year any property transactions they executed under the authority of Section 3 of 3HB2382, the disposal of public property for public benefit, defined as affordable housing development. The report must include appraisals, terms and conditions of the sale, lease or transfer; and the value of public benefit.

# State Surplus Property Inventory

## Key Findings and Inventory

Of the six designated agencies required to report their inventory, three agencies reported no surplus properties and three reported they had a total of 38 surplus properties vacant and available for sale or lease.

No public property was disposed of for public benefit by the designated agencies under the authority of Section 3 of 3SHB2382.

## Determination of Suitability for Affordable Housing

As required per 3SHB2382 Sec. 1 (2), Commerce must make a determination of which properties are suitable or not suitable for consideration in the development of affordable housing. The determination must include these industry accepted standards: location, approximate lot size, current land use designation, and current zoning classification. The following chart details Commerce’s criteria in determining the property’s suitability.

Industry Accepted Standards	Criteria for Properties Suitable for Consideration in Affordable Housing Development	Criteria for Properties NOT Suitable for Consideration in Affordable Housing Development
Location	<ul style="list-style-type: none"> <li>• No Impediments to development, such as steep slopes and the presence of significant critical areas</li> <li>• Located near population centers and services, preferably inside the urban growth area</li> <li>• Infrastructure (streets and utilities) in place</li> <li>• Property must be legally accessible</li> </ul>	<ul style="list-style-type: none"> <li>• Impediments to development, such as steep slopes, wetlands or flooding</li> <li>• Remote location (too far from population centers, services and transit)</li> <li>• No infrastructure (streets and utilities) in place</li> <li>• No legal or feasible ingress/egress</li> </ul>
Approximate Lot Size	Dimensions of lot allow development under existing zoning	Not developable per codes, or some parcels appear to be too small to develop

Current land use designation	Should be residential, ideally within Urban Growth Area	Lands with natural resource designation (forest, agricultural, mineral) unless they can be approved for low density
Current Zoning Classification	Current zoning permits all types of affordable housing; allows higher density development	Zoning would not allow any type of affordable housing development

Although there are exceptions, it is unlikely that lands with a natural resource lands designation, such as forest, agricultural or mineral, will be suitable for affordable housing for several reasons.

1. The designation as resource land is intended to assure the long-term conservation of resource lands and to preclude land uses which are incompatible with natural resource lands (WAC 365-190).
2. Affordable housing is usually located on smaller lots, and resource lands are generally large parcels, designed to conserve land, and not promote development.
3. Parcels are often remote from essential public services, such as sewer, water and transportation services, requiring the development of well and septic systems, and transportation alternatives.

**Summary of Recommendations**

Based on the above criteria, Commerce has reviewed each property’s suitability for affordable housing development as required per Section 1 of 3SHB2382.

Of the 38 total surplus properties inventoried, Commerce determined 10 are not suitable for affordable housing and 28 are suitable for further consideration in affordable housing development.

The following two tables consist of each agency’s inventory, separated into two categories: properties suitable and not suitable for consideration in affordable housing.



## Surplus Properties that may be Suitable for Consideration in Affordable Housing Development

Street Address or Nearest Intersection (click for Assessor's Parcel Map)	City	County	Zip Code	Lot Size(Acres)	Current Land Use	Current Zoning	Comments	Agency
<a href="#">Battle Ground Lake State Park NE Palmer Rd &amp; NE 171 St Ct</a>	Battleground	Clark	98604	0.05	PF R-5	None	4 – 5 miles from City of Battleground	Parks & Rec
<a href="#">Ginkgo Huntzinger Rd.</a>	Vantage	Kittitas	98950	8.3	Rural Working	Forest/Range/Residential	Near town of Vantage (2 miles?)	Parks & Rec
HJ Carroll-Dabob Bay near Brinnon (Assessor map not available)	Brinnon	Jefferson	98320	3	None Listed	Rural Residential	About 1 mile from town of Chimacum	Parks & Rec
<a href="#">Kitsap Memorial-178 NW Park Street</a>	Poulsbo	Kitsap	98370	4	Park	Park	Unincorporated rural/near Poulsbo; would need to be rezoned	Parks & Rec
<a href="#">Nolte-Veazie Cumberland RdSE/304th Ave SE</a>	Black Diamond	King	98010	27	RA5	RA5	About 5 miles from Black Diamond	Parks & Rec
<a href="#">Riverside-Charles Rd-W Charles Rd/W Highland Rd</a>	Nine Mile Falls	Spokane	99026	3.18	Rural Conservation	RCV	1 <sup>st</sup> lot appears to be privately owned 2 <sup>nd</sup> lot two triangles Near Nine Mile Falls	Parks & Rec
<a href="#">Riverside-Old Trails-btwn N Hayford Rd &amp; N Old Trails Rd</a>	Nine Mile Falls	Spokane	99026	40	Rural Conservation	RCV	Urban Growth Area, near Spokane	Parks & Rec
<a href="#">Riverside – 4 small lots – Government Way/Huston Road</a>	Spokane	Spokane	?	2.3	Rural Conservation	RCV	West Spokane/small platted lots	Parks & Rec
<a href="#">Haley-Jackson Lake Road KPN</a>	Vaughn	Pierce	98394	213	Rural Unincorp.	Rural Conservation	Fronts on Case Inlet	Parks & Rec
<a href="#">Lake Isabella – W Delght Rd/Golden Pheasant Rd</a>	Kamilche	Mason	98584	188	Designated Forestland	Forestland	Flat pasture land about 2 miles from Shelton	Parks & Rec
<a href="#">Washougal-NE Balcony Dr/Off Washougal River Road</a>	Washougal	Clark	98671	474	R-5	FR-2	No notes provided	Parks & Rec
<a href="#">Cascade Island-HWY 20 &amp; S Cascade Rd</a>	Marble Mount	Skagit	98267	39	RRC-NRL (Natural Resource-Lands)	RRC-NRL	Fronts on Skagit River, may be in a flood plain	Parks & Rec
<a href="#">Elbow Lake-22600 Elbow Lake Road SE</a>	Yelm	Thurston	98567	318	Public Preserve	Public Preserve	Includes ½ of lake	Parks & Rec
<a href="#">Helen McCabe-Thrall Rd &amp; Canyon Road</a>	Ellensburg	Kittitas	None given	65	Commercial Agriculture	Commercial Agriculture	Surrounds small lake	Parks & Rec
Willipa Hills Trail – robeert Bush Dr./Summit Ave (Assessors map NA)	South Bend	Pacific	98586	3	Commercial	Commercial	Old Railroad Turnaround site	Parks & Rec

Street Address or Nearest Intersection (click for Assessor's Parcel Map)	City	County	Zip Code	Lot Size¶(Acres)	Current Land Use	Current Zoning	Comments	Agency
Grayland A-HWY 105 (Assessors map NA)	Grayland	Grays Harbor	98547	1.3	Designated Forest Land	Forest/Range/Residential	No tax id #	Parks & Rec
<a href="#">Kinney Pt-Off Beach Dr.</a>	Marrowstone	Jefferson	98358	67	None Listed	None Listed	South tip of Marrowstone Island	Parks & Rec
<a href="#">Moclips-Hwy 109 &amp; 2nd St</a>	Moclips	Grays Harbor	98562	5.2	Residential	Residential	Can be subdivided into multiple lots	Parks & Rec
<a href="#">15230 15th Ave NE</a>	Shoreline	King	98115	4136 sq.ft.	None Provided	Campus	Currently being used as dog park	DSHS
<a href="#">S Forest St &amp; W Newell Ave</a>	Westport	Grays Harbor	98595	34,200 sq. ft.	None Provided	Residential 1	Minimum lot size is 5000 sq.ft. Current market for a lot of 8000 sq. ft. is from \$15,000 to \$50,000.	DNR
<a href="#">S Forest St &amp; W Newell Ave</a>	Westport	Grays Harbor	98595	37,200 sq. ft.	None Provided	Westport MUTCI mixed use Tourist Commercial	These parcels are in the same neighborhood but have a different zoning.	DNR
<a href="#">S Forest St &amp; W Newell Ave</a>	Westport	Grays Harbor	98595	27,000 sq ft	None Provided	Westport MUTCI mixed use Tourist Commercial	These parcels are in the same neighborhood but have a different zoning.	DNR
Near Stillpoint Ln & N Jacob Miller RD (Assessor info blank in table)	Port Townsend	Jefferson	98368	0.8	None Provided	Rural Residential	This lot is on city water. It is buildable depending on wet land study.	DNR
<a href="#">116th Ave between NE 64th St &amp; NE 61 ST</a>	Kirkland	King	98033	0.11	None Provided	Low Density Residential	Possible building site. It must be at least 8500 square ft.; however, city of Kirkland rep could not tell me if we have that much land. They are showing a much smaller lot but they could not see the second number on their plans which is the 93489O0CK01.	DNR
<a href="#">XXX E 57th ST/ E Q St</a>	Tacoma	Pierce	98404	0.55	None Provided	Residential	Critical areas are close to this lot and will need a feasibility study done to see how much wetlands are on the building lot. Minimum lot size is 5000 sq. ft. The Property does have sewer and water at site.	DNR
<a href="#">4312 E Joseph</a>	E. Spokane	Spokane	99217	0.38	None Provided	Light Industrial	Several cars are parked on the property. Water and Sewer are at site. Interested buyer has contacted DNR; may result in a sale in 2019.	DNR

Street Address or Nearest Intersection (click for Assessor's Parcel Map)	City	County	Zip Code	Lot Size¶(Acres)	Current Land Use	Current Zoning	Comments	Agency
<a href="#">near 2nd &amp; Beech</a>	Toppenish	Yakima	98948	0.16	None Provided	Residential	Possible trespass. There are several cars on property.	DNR
<a href="#">215 S Beech Street.</a>	Toppenish	Yakima	98948	.12 (110x50 sq ft)	None Provided	Commercial	This is not a building lot for commercial. It is too small.	DNR

## Surplus Properties that are NOT Suitable for Consideration in Affordable Housing Development

Street Address or Nearest Intersection <small>(click for Assessor's Parcel Map)</small>	City	County	Zip Code	Lot Size (Acres)	Current Land Use	Current Zoning	Comments	Agency
Crystal Falls-HWY 20 Colville-Tiger Rd¶ (Assessor map not available)	Colville	Stevens	99140	162.5	None Given	None Given	7 miles from Colville. Too far from services, no transit	Parks & Rec
Ice Caves (Assessors map NA)	Chelan	Chelan	98816	159	None Listed	None Listed	Very Remote. Too far from services, no transit	Parks & Rec
Mt. Spokane-¶Nelson Road-N of Day Mt Rd (Assessors map NA)	Chattroy	Spokane	99003	160	Rural Conservation	Rural Conservation	Very Remote. Too far from services, no transit	Parks & Rec
Lake Newport HWY 20/Silver Leaf Road (Assessors map NA)	Newport	Pend Oreille	98081	158	Unknown	Unknown	Very remote, too far from services, no transit, no legal access	Parks & Rec
Sun Lake – Lake Lenore – West of Lake Lenore off HWY 17 (Assessors map NA)	Ephrata	Douglas	98823	40	Lrg SA	Lrg SA	Very remote, too far from services, no transit, no legal access	Parks & Rec
<a href="#">O'Brian-Riggs-HWY 20 &amp; Rockport Cascade Rd</a>	Marble Mount	Skagit	98267	94	Forestland	Forestland	Fronts on Skagit River, remote, too far from services, no transit	Parks & Rec
<a href="#">Packwood-Skate Crrek Rd and Alder St</a>	Packwood	Lewis	98361	179	Forestland	Forestland	Skate Creek runs through it and fronts on Cowlitz River, remote, too far from services, no transit	Parks & Rec
<a href="#">Satus Pass-West 1 mile of HWY 97</a>	Goldendale	Skamania	98620	168	Forestland	Forestland	Old Ski slope, remote, too far from services, no transit	Parks & Rec
<a href="#">Tilton HWY 508 and Dodge Rd</a>	Morton	Lewis	98356	103	Forestland	Forestland	Fronts on Tilton River. Remote, too far from services, no transit.	Parks & Rec
<a href="#">Between S. 1 rst st/ W maple St</a>	Almira	Lincoln	99103	0.18	None Provided	Agriculture/ Commercial	Lots 1-12 - Lots vary in size. Further research needed. Scott Liebring from Lincoln County states it is not owned by DNR	DNR

## Next Steps

### Key Report Issues

The six agencies must submit their inventory reports to Commerce by November 1 each year, after which the agency is required to submit the inventory and recommendations to the legislature and OFM by December 1 each year. This 30 day timeframe does not permit Commerce to conduct thorough property evaluations that will yield more determinate affordable housing opportunities. To achieve this goal, Commerce recommends that the legislature require the designated agencies to submit their surplus inventory report on June 1 of each year. This will give Commerce six months to analyze the surplus properties reported.

All six designated agencies have been contacted about potentially establishing a new report due date. None of these agencies stated that this due date change would be an issue.

### Developing the State Surplus Property Program

To better meet the legislative intent (identify suitable state surplus properties that can be developed into affordable housing within 36 months from time of property transfer), Commerce plans to expand on the inventory collected and provide further analysis of the properties. A work group will be created to develop additional criteria that establishes a comprehensive framework for identifying suitable properties for affordable housing. This workgroup will utilize the industry-accepted standards derived in part from the Combined Funders Affordable Housing Application and the U.S. Department of Housing and Urban Development (HUD) Site and Neighborhood Standards. The Combined Funders Application is used by the Washington State's Housing Trust Fund and HUD funded affordable housing programs; the City of Seattle Office of Housing, King and Snohomish County local and HUD funded affordable housing programs; A Regional Coalition for Housing (ARCH) funded affordable housing projects; and Washington State Housing Finance Commission for Low-Income Housing Tax Credits.

Factors from the Combined Funders Application and HUD's Site and Neighborhood Standards set the industry accepted standards for best practices governing the development of publicly funded affordable housing development sites. The factors are as follows:

- The site must be free from adverse environmental conditions, natural or manmade, such as instability, flooding, septic tank back-ups, sewage hazards or mudslides; harmful air pollution, smoke or dust; excessive noise vibration, vehicular traffic, rodent or vermin infestation; or fire hazards. The neighborhood must not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable elements predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.

- The rule requires a site to provide access to services and amenities (including education) that are “at least equivalent” to communities without subsidized housing:
- The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of similar unassisted standard housing.
- Travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for low-income workers, must not be excessive.

## Conclusion

Housing supply and affordability issues affect every community in Washington. Between 2006 and 2016 rents increased 18% and the median income for the population as a whole increased only 3%, according to the U.S. Census Bureau American Community Survey 1-Year Estimates. Affordable housing developers face strong competition for developable land, especially in the Puget Sound region. Suitable land can also be difficult to find in rural areas. By increasing the number of potential affordable housing sites, state surplus property can be one of the tools available to increase affordable housing stock.

This report includes the inventory of properties collected, relevant characteristics of each property as reported by the agencies, and a preliminary designation of suitability for affordable housing.

Commerce will continue to evaluate the properties for affordable housing suitability, with the intent some of these properties will be utilized for affordable housing development. The Department of Commerce will fulfill the requirements of 3SHB2382 to promote the use of state surplus property for public benefit.

## Appendix A: Definitions from 3SHB2382

- "Affordable housing" means residential housing that is rented or owned by a person who qualifies as a very low-income, low-income, or moderate-income household or who is from a special needs population, and whose monthly housing costs, including utilities other than telephone, do not exceed thirty percent of the household's monthly income.
- "Very low-income household" means a single person, family, or unrelated persons living together whose income is at or below fifty percent of the median income, adjusted for household size, for the county where the affordable housing is located.
- "Low-income household" means a single person, family, or unrelated persons living together whose income is more than fifty percent but is at or below eighty percent of the median income where the affordable housing is located.
- "Moderate-income household" means a single person, family, or unrelated persons living together whose income is more than eighty percent but is at or below one hundred fifteen percent of the median income where the affordable housing is located.
- "Affordable housing development" means state-owned real property appropriate for sale, transfer, or lease to an affordable housing developer capable of:
  - Receiving the property within one hundred eighty days; and
  - Creating affordable housing units for occupancy within thirty-six months from the time of transfer.
- "Public benefit" means affordable housing for low-income and very low-income households as defined in RCW 43.63A.510, and related facilities that support the goals of affordable housing development in providing economic and social stability for low-income persons.
- "Surplus public property" means excess real property that is not required for the needs of or the discharge of the responsibilities of the state agency, municipality, or political subdivision.