

Remedial Action Grant—Integrated Planning Grant Decision Memorandum

Date: November 13, 2013

Applicant: City of SeaTac

Project/Site Name: Pancake Chef site (South 154th Street Station Area/International Boulevard TOD)

Ecology Proponents: NWRO Bob Warren, HQ John Means

Requested Amount: \$200,000

Integrated Planning Grants Background:

Substitute House Bill (SHB) 1761 created opportunities for local governments to develop integrated project plans for the cleanup and reuse of contaminated sites. These are opportunities that would not occur if funding was not available. The additional strategies authorized by SHB 1761 are intended to expedite cleanups and land revitalization. Local governments considering the acquisition of vacant, abandoned or orphaned property may be eligible for Integrated Planning Grants (IPGs) to develop project plans and conduct the studies necessary to integrate cleanup with economic development, public recreation, or habitat restoration reuse objectives.

Statutory Authority:

Ecology is authorized to provide Remedial Action Grants (RAGs) to help local governments to conduct investigations and cleanup actions. Under SHB 1761, the Department of Ecology is authorized to fund the use of outside contracts to conduct necessary studies as new strategies to cleanup and revitalize properties where contamination has hindered reuse and where reuse would not otherwise occur. In response, Ecology initiated the Integrated Planning Grants as a pilot program to provide local governments financial assistance in planning, public participation, and due diligence for acquiring and redeveloping vacant, orphaned, underutilized, or abandoned property under RCW 70.105.D.040 (5).

As outlined in Senate Bill (SB) 5296, Integrated Planning Grants are now officially authorized under the Model Toxics Control Act (MTCA) as a strategy to expedite cleanups.

Summary:

This application is to address contamination from a dry cleaner and possibly a heating oil tank. The City of SeaTac proposes to spend \$125,000 between November 2013 and April 2014 to assess the contamination and develop cleanup options. Parallel to this process, between November 2013 and June 2014, the City will conduct redevelopment planning and develop a preliminary set of implementation strategies that will be coordinated with and integrated into the assessment of cleanup options. These two additional tasks are estimated to cost \$75,000.

The City has an agreement to acquire the Pancake Chef property, which is a key parcel adjacent to the rail station. The City has a due diligence period that ends on April 3, 2014. The City needs to complete environmental assessment and cleanup cost estimating to inform a final decision on whether to acquire the property by this date. According to the City, this due diligence deadline may be negotiable.

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Project Description:

The City of SeaTac (City) has begun to assemble property adjacent to the Tukwila/International Boulevard Link light rail station to create a transit-oriented development (TOD). The South 154th Street Station is a prime location for a TOD, which is considered a model for sustainable development that encourages high density infill development and decreases car dependency. The City has prepared a master plan through a community planning process for the South 154th Street Station Area (Station Area), acquired approximately 4.5 acres of property and recently invested over \$5.2 million dollars in public infrastructure improvements to position the Station Area for redevelopment. There are also plans for an additional \$7.5 million in Station Area enhancement contained in the City's 2012-2017 Capital Improvement Plan. The City is planning to acquire one additional parcel, commonly referred to as the Pancake Chef property that would bring the consolidated land area to nearly five acres. In conducting due diligence on the Pancake Chef property, the City discovered evidence of tetrachloroethene (PCE) contamination in groundwater from a dry cleaner located on the property.

The contamination issues on the Pancake Chef property are the limiting factor to implementation of the TOD development. The City proposes to utilize an Integrated Planning Grant (IPG) to characterize the nature and extent of the PCE contamination, assess cleanup options, incorporate remedial actions into the site plan, and prepare a redevelopment strategy that addresses risk and financing challenges to implement the TOD project. An IPG would leverage the substantial local investment in the Station Area, and be the linchpin for successfully implementing a TOD project that is estimated to generate 750 jobs and \$2.5 million in additional local and state tax revenues in the first full operating year.

Project Background:

The City has entered into an agreement to acquire the Pancake Chef property, which is a key parcel adjacent to the Tukwila/International Boulevard Link light rail station, the first stop north of the SeaTac International Airport. The agreement provides the City with a due diligence period that ends on April 3, 2014. The City needs to complete environmental assessment and cleanup cost estimating to inform a final decision on whether to acquire the property by this date. The property, located at 15201 – 15215 Military Road South, and South 152nd Street, just south of the City of Seattle (see Figure 1). Other parcels immediately adjacent to the property are already owned by the City (see Figure 6).

The Pancake Chef property consists of approximately a half acre of commercial land and six distinct small businesses. Primary uses on site include a diner and a dry cleaner, along with a small market, beauty supply store, and office space. Similar uses have existed since the development of the property in 1959. The structures are low density structures in poor and deteriorating condition. A large portion of the property is covered in impervious asphalt and used for parking. The property is widely recognized as being underutilized (see Figure 2, Figure 3, Figure 4, and Figure 5).

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Figure 1: Property and project vicinity map.



Figure 2: Small businesses on eastern side of property.



Figure 3: Small businesses on east side of property.



Figure 4: Diner along western property line.



Figure 5: View of parking lot on property, facing east-southeast.

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Figure 6: Parcel locations.

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In 2009, a Phase II Environmental Site Assessment (ESA)¹ confirmed the presence of dry cleaning related chemicals in soil, soil vapor, and groundwater in excess of associated cleanup levels. Findings from the analysis have resulted in potential developers abandoning consideration of the property for redevelopment, with conditions on the property continuing to deteriorate. The nature and extent of the impacts have not been delineated, and the level of effort and associated costs necessary to remediate the site remain unknown.

The Pancake Chef property is adjacent to the Tukwila/International Boulevard Link light rail station and is the terminus for several different bus lines, including the Rapid Ride F Line. The light rail station began operating in 2009 and brings many shoppers and workers to the area on a daily basis. The light rail serves the SeaTac community as an important connection with both downtown Seattle and the SeaTac International Airport, and carries employees working throughout the corridor, including Boeing Field in South Seattle. In 2016, this service will extend to Seattle's Capitol Hill neighborhood and the University of Washington, eventually extending to Northgate and the eastside of Lake Washington. As many as 3,000 people are anticipated to pass through the light rail station on a daily basis by 2020. This regular influx of people translates into enormous social and economic opportunities for the City, area property owners, businesses, and future developers.

The City has recognized the opportunity to remediate and redevelop the Pancake Chef property as part of the greater station area plan. Its goal is to spur economic redevelopment and capitalize on the region's public investment in light rail infrastructure by creating a TOD at the intersection of International Boulevard (Highway 99) and South 154th Street. The City currently owns the parcels immediately adjacent to the Pancake Chef property. Acquisition of the property will allow the City to assemble the parcels into a single, comprehensive development, which will include property on several intersections and allow development to provide frontage on International Boulevard. The TOD will expand on economic opportunities brought about by the operation of the light rail by providing retail and other commercial destinations for commuters passing through the area and for residential units for SeaTac residents commuting throughout the corridor between the SeaTac Airport and downtown Seattle.

The *South 154th Street Station Area Plan*, drafted by the City in 2006, identifies the Property as having high redevelopment potential based on floor area ratio (FAR), building value to total value ratio, and the building quality of each parcel. The City has already made significant investment in the plan area through purchase of adjacent parcels on the block. Purchase of the Pancake Chef property, as the primary remaining property, will enable implementation of a comprehensive redevelopment plan that underscores growth management principles of urban infill, active transportation, and the efficient use

¹ Golder Associates, Inc. 2009. *Draft Report of Groundwater, Soil, and Soil Vapor Investigation, Pancake Chef Property*.

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of existing public infrastructure and utilities. Characterization and cleanup of the Pancake Chef property remains the only obstacle for City acquisition and redevelopment of the property.

Environmental Nexus:

The Pancake Chef property is not listed on the state's Confirmed and Suspected Contaminated Sites List (CSCSL), but Phase II ESA sampling has identified hazardous materials in soil, soil vapor, and groundwater at concentrations that exceed state cleanup levels. The IPG will be used to characterize contamination originating at the property and develop alternatives for remediation that align with the intended future use of the property. Through it is understood that historical commercial uses have left both soil and groundwater contaminated, the exact extent and impacts of the contamination has not been delineated. This uncertainty has discouraged action by private-sector developers.

One of the businesses on the Pancake Chef property is the Betty Brite Dry Cleaner, which is a likely source for the PCE impacts. Previous Phase I ESAs and discussions with the adjacent business owners suggest that the dry cleaning operation may have been on site since the construction of the building in 1959. A Phase II ESA conducted in 2009 confirmed the presence of dry cleaning related chemicals in soil, soil vapor, and groundwater on the property. The nature and extent of the impacts have not been delineated and a risk screening was not performed as part of the Phase II ESA activities, but comparison of PCE concentrations observed in groundwater with drinking-water-based cleanup standards indicates that dry cleaner operations have resulted in groundwater contamination that may pose a threat to human health and the environment. Further investigation and cleanup activities are likely required to address this contamination.

In addition, environmental reports indicate the presence of an inactive oil furnace located behind one of the businesses on the Pancake Chef property. The existence of the furnace presents the possibility that a heating-oil storage tank remains onsite. If a tank is still present, it is likely an underground storage tank (UST), as an above ground storage tank (AST) has not been identified.

These environmental conditions present a hindrance to future development and previously interested private parties have abandoned consideration of the Pancake Chef property upon learning of the soil and groundwater contamination. The City's proposal to purchase and redevelop the Pancake Chef property as part of the South 154th Street Station Area Plan presents an opportunity to also remediate contamination, thus eliminating threats to public health and the environment.

Redevelopment Potential:

Development of the South 154th Street TOD will leverage previous investments made by the City and the local taxpayers by maximizing commercial, residential, and open space in the vicinity of the light rail station. The proposal includes redevelopment of the underutilized Pancake Chef property, in conjunction with other parcels at the intersection of International Boulevard and South 154th Street, to create a comprehensive transit-oriented community. The development is intended to spur economic activity by enabling new and expanded uses adjacent to the light rail corridor. New residential

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development will provide living units for the local workforce, as well as those commuting to Boeing, the airport, downtown Seattle, and eventually destinations north and east such as the University of Washington and Bellevue.

The strategic redevelopment plans for the community will build off of concepts portrayed in the *South 154th Station Area Action Plan* (see Figure 8). The plan envisions fully developed mixed-use neighborhoods similar to those of communities in the western United States that have benefited in recent years by the establishment of light rail and other transit corridors. The City will engage developers to create a strategy for redevelopment that both achieves the City's goals and aligns with current market conditions.



Figure 7: South 154th Street Station Area Concept Plan.

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Redevelopment of the Station Area will be coupled with other physical improvements. In particular, the City plans to reconfigure the streetscape so that it invites pedestrian activity flowing to and from the light rail station. Preliminary redevelopment plans include installation of sidewalks, design of storefronts that are both open and inviting, and vacation of the Military Road South right-of-way at 152nd Street for the use of pedestrian corridors and public gathering spaces. The redevelopment plan is designed to honor the City's demographic diversity and celebrate the many cultures of people living in the area. The City will encourage businesses that serve its diverse population and commission public art that acknowledge this diversity. The new streetscape will break up superblocks that currently prevent walkability and implement traffic calming.

In addition to revitalizing the area, redevelopment of the Pancake Chef property has the potential to create new jobs and increase public revenues. In 2009, the City conducted a study to quantify the potential economic impacts of the South 154th Street Station Area². The study found that development of the Station Area would result in approximately 2,000 residents in the area (up from 368 in 2009) and more than 750 new jobs—more than double the number of jobs in the area at the time of the study. In addition, the development would spur a \$2 million increase in annual wages and an additional \$23 million in annual taxable retail sales. Table 1 summarizes the results of the study.

Table 1: Economic Benefits of Station Area Development.

| | Current | Station Area Plan | Net Change |
|----------------------|----------------|--------------------------|-------------------|
| Population | 368 | 2,073 | 1,704 |
| Jobs | 677 | 766 | 89 |
| Annual Wages | \$36,196,818 | \$38,478,999 | \$2,282,181 |
| Taxable Retail Sales | \$6,676,949 | \$29,823,900 | \$23,146,951 |

Based on these findings, the developed station area is anticipated to generate an additional \$2.7 million in City revenues during development and \$2.5 million in the first operation year, including \$1.4 million in property taxes and \$200,000 in additional sales tax revenues generated on site.

² Community Attributes. 2009. *City of SeaTac Light Rail Transit Station Area Development, Economic Benefits Analysis* (copy of report available from City if requested).

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Sustainable Redevelopment:

Redevelopment of the Pancake Chef property will be based on a triple bottom line approach that seeks to create benefits for the environment, the economy, and the community. Table 2 summarizes benefits in each of these three areas.

Table 2: Triple Bottom Line Approach.

| Environment | Economy | Community |
|--|---|---|
| Address on site contamination issues in soil, soil vapor, and groundwater. | Revitalize property and replace dilapidated structures. | Enhance public transportation and related services. |
| Protect groundwater from further off-site impacts. | Increase the value of neighboring properties. | Reactivate site and address community eyesore. |
| TOD redevelopment reduces car dependency and greenhouse gas emissions. | Increase employment opportunities. | Increase public open space and local housing stock. |
| | Increase state and local tax revenues. | Improve walkability and pedestrian safety. |

Elements of Integrated Work Program:

Task 1. Environmental Assessment:

Environmental documents developed under this task will align with MTCA requirements, but may or may not meet the standard of a final remedial investigation and feasibility study depending on the complexity of the site.

Subtask 1.1—Site Characterization (Remedial Investigations).

Characterization of the nature and extent of contamination is a fundamental, first step in planning for cleanup and redevelopment of the Pancake Chef property. Minimal environmental sampling conducted on the property in 2009 confirmed soil vapor and groundwater contamination. However, additional sampling will be needed to characterize the extent of contamination on site. Since the Model Toxics Control Act (MTCA) regulations define contamination as a “site” and not by property boundaries, sampling may need to take place off-site. Sampling conducted with IPG funds will be focused on identifying the full extent of contamination. This investigation effort will involve collecting soil gas and groundwater samples for laboratory analysis and comparison of chemical concentrations against MTCA cleanup standards.

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This task will involve the following steps:

- Negotiate a work plan with Ecology to characterize the nature and extent of contamination at the Pancake Chef site.
- Conduct targeted on-site sampling to fill in data gaps from the previous Phase II ESA investigation to better characterize the nature and extent of contamination.
- Analyze results of sampling and review with Ecology.
- Conduct additional sampling, if needed, to fill data gaps to develop a complete understanding of contamination and to identify the site, if feasible.
- Develop cleanup alternatives that align with redevelopment plans and cost estimates for remediation.

Subtask 1.2—Screening of Cleanup Options (Feasibility Study and Selection of Remedy).

Potential options for cleanup of the contaminated site will be developed. The remediation options will be designed to support the future use of the site. Opportunities for cost savings and efficiencies between cleanup and redevelopment will be identified. This study will provide the City with planning level order-of-magnitude cleanup cost estimates and position the site for cleanup funding.

Outcomes:

- Environmental site assessment report.
- Brief report describing and comparing remediation options and end-cost estimates.

Task 2. Redevelopment Planning:

Subtask 2.1—Community Involvement

The City is committed to planning through an open public process. The IPG will build upon previous public outreach efforts associated *the South 154th Street Station Area Plan* (2006) and will support interviews with key stakeholders to identify goals, guiding principles, and concerns to address in planning for redevelopment of the Pancake Chef property. At least one open house public meeting will also be held to engage the broader public in the planning effort. Presentations will be made to the City Council on the findings of this project.

Subtask 2.2—Development Strategy

The City will conduct a market assessment to update and refine their understanding of market demand for the TOD project. This market information will support the City in creating a strategy for redevelopment and will consider alternatives for soliciting developers, including an RFP process, and recommend a structure for a potential public-private partnership, considering tools such as development agreements and a decision whether to lease or sell the property. The final strategy will provide the appropriate balance of development risk between meeting the City's goals and targeting market responsiveness.

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Through this process, the City plans on hosting a Technical Assistance Panel through the Urban Land Institute (ULI) as it has done previously for the Angle Lake Station Area. The panel will bring together a multidisciplinary team of national experts in TOD projects to review the City's plans and advise on how best to proceed with the project. The panel presents an invaluable opportunity for the City and the region to learn lessons and best practices from the experiences of other areas of the country where TOD has been successfully implemented.

Subtask 2.3—Site Design

The site design process will include integrating the environmental remedy into the 2006 *Station Area Plan*, molding aspects of the development so as to accommodate long-term cleanup objectives. The design process will incorporate a risk assessment and strategy, as well as recommendations for engineered and institutional controls.

Outcomes:

- Community workshop to solicit input on cleanup remedies and future development.
- Report and recommendations from ULI panel of national experts.
- Memorandum outlining design principles for engineered and institutional controls appropriate for redevelopment of the site.
- Title and boundary line information (ALTA survey) for the Pancake Chef property.

Task 3. Implementation Strategy:

The implementation strategy will provide a pathway for achieving regulatory closure, managing risk, and financing cleanup and redevelopment. The report will articulate a risk management strategy, including approaches for phased development, and will provide the City with the tools necessary to engage developers and position the Pancake Chef property for redevelopment.

The implementation strategy will focus on the following key elements:

- Financing—grants and loans for public agencies and tactics for attracting private investment.
- Risk Management—environmental liability, market risk, and cost control.
- Operation/Administration—strategy for City role in redevelopment including opportunities for public-private partnership.
- Environmental—approach to addressing environmental concerns through redevelopment.

Outcomes:

- Targeted format report synthesizing environmental and redevelopment challenges and opportunities and strategy for moving the project forward.

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Project Schedule:

The City of SeaTac has scheduled the end of the due diligence period for April 3, 2014 to meet a deadline for a in the property acquisition agreement. There is a possibility that the City could request an extension of the due diligence deadline. Environmental assessments will likely follow a tiered approach, with a more detailed level of assessment occurring after the City makes a decision regarding acquisition. Table 3 summarizes estimated start and end dates by activity.

Table 3: Estimated schedule by task.

| Activity | Estimated Start Date | Estimated Completion Date |
|--------------------------|----------------------|---------------------------|
| Environmental Assessment | January 15, 2014 | July 31, 2014 |
| Redevelopment Planning | January 15, 2014 | June 30, 2014 |
| Implementation Strategy | May 1, 2014 | August 31, 2014 |

Comment [a1]: City estimates it will take approximately 6 weeks from when they have the draft grant agreement in hand until they can begin work.

See the attached work flow diagram for a more detailed schedule breakdown by activity.

Project Budget:

The proposed project includes three primary tasks, as summarized in Table 4.

Task 1, Environmental Assessment, includes activities under the Remedial Investigations and Feasibility Study and selection of Remedy financial categories. Task 2 and Task 3 cover integrated planning activities that fall under the program support financial category.

Table 4: Budget by task and subtask.

| Task | | | Total |
|----------------------|--|-----------|-----------|
| 1 | Environmental Assessment | | \$125,000 |
| | 1.1 Site Characterization (Remedial Investigations) | \$100,000 | |
| | 1.2 Screening of Cleanup Options (Feasibility Study and Selection of Remedy) | \$25,000 | |
| 2 | Redevelopment Planning | | \$50,000 |
| | 2.1 Community Involvement | \$7,000 | |
| | 2.2 Development Strategy | \$35,000 | |
| | 2.3 Site Design | \$8,000 | |
| 3 | Implementation Strategy | | \$25,000 |
| Total Estimated Cost | | | \$200,000 |

We (TCP) have currently earmarked **\$200,000** for this project.

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Recommendation and Rationale:

This project should be granted \$200,000 for the Integrated Planning Grant. This grant will assist the City in their ability to move forward with potential acquisition and cleanup of a contaminated property. Redevelopment planning will complement the necessary environmental assessments and will assist the City in making informed decisions regarding acquisition of the Pancake Chef property and approaches to develop and implement a cleanup plan.

This project meets the intent of SHB 1761 and SB 5296 by creating opportunities for economic development in conjunction with cleanup objectives. This project's goal is to expedite cleanup of the Pancake Chef property while integrating planning and studies related to both reuse and cleanup of the property and redevelopment of the surrounding Station Area.

This project is ready to proceed: ☒ Yes, immediately.

Section/Regional Manager Approval (Bob Warren): _____ **Date:** _____

Comments: _____

Grant/Project Manager Approval (John Means): _____ **Date:** _____

Comments: _____

TCP Management Team Review:
(Program Manager signs for PMT) _____ **Date:** _____

Comments: _____

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Attachment 1: Flow Diagram of Work Plan.

