

Remedial Action Grant—Integrated Planning Grant Decision Memorandum

Date: January 30, 2014

Applicant: Port of Skagit

Project/Site Name: Northern State Multi Service Center (also known as Northern State Hospital)

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 (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:

The State of Washington is listing parcels associated with the Northern State Hospital campus as surplus property. The Port of Skagit is considering acquisition of the property and, in cooperation with Skagit County, could act as a local champion to clean up and redevelop the site for greater community use. The campus landscape and many of the remaining structures have designations on the National Registry of Historic Places. The Port of Skagit is requesting an Integrated Planning Grant (IPG) of \$200,000 to cover a portion of the necessary costs to produce a records review, sampling plan, focused site assessment, analysis of cleanup options, redevelopment assessment, elements of public participation, and implementation strategy to support future cleanup and redevelopment at the site. The Port of Skagit, City of Sedro-Woolley, and Skagit County are contributing \$125,000 total in additional funds towards certain elements of the work plan.

Project Description:

The Port of Skagit (Port) is considering acquisition of one of the area's most historic properties. The Northern State Hospital was built in 1909 to provide health services to the mentally ill and disabled. The property was master planned by the Olmstead Brothers and is now the site of more than 80 historical designations, including the campus landscape itself. Washington State has listed the hospital as surplus property and is looking to the Port, in concert with the County, as a local champion to acquire and redevelop the site for greater community use. However, historical records of environmental contamination, a complex regulatory framework, and the magnitude of the undertaking for a local government have stalled conversations of redevelopment. The Port is pursuing funding that will allow it to create a strategic pathway to redevelopment while managing risk, and funding cleanup and redevelopment on the property.

Project Background:

The Port has identified a unique opportunity to restore and enhance a key, historic property located just east of the City of Sedro-Woolley at 24909 Hub Drive (see Figure 1). Northern State Hospital opened in 1909 to provide high quality patient care as a treatment facility for the mentally ill. The 225-acre hospital campus was designed to be a self-sustaining facility that included patient and staff housing, a dedicated reservoir, a lumber mill, a quarry, steam plant, and gardens. The campus abutted more than 700 acres of pastoral farmland and livestock operations. Designed by renowned landscape architects, John Charles Olmstead and Frederick Dawson of the Olmstead Brothers firm, the campus layout complemented the scenic topography and natural landscapes of the Skagit Valley. The campus included meandering pathways through forested areas, manicured reflecting ponds, and expansive, verdant views. On-site structures and architectural ornamentation were built in Spanish Colonial Revival. Today more than 80 of the remaining structures are listed on the National Registry of Historic Places, including the campus landscape as a whole.

The hospital closed in 1973, but the property continues to serve as a landmark for the local community. In 1975, the property was transferred from the Department of Social Health Services to the Department of Natural Resources and General Services Administration (known today as Washington Enterprise Services). Additional acreage, previously used for agricultural farm land, is owned by Skagit County (the County) and has been repurposed as the Northern State Recreation Area. In 2010, Enterprise Services expressed interest in surplus the property and requested that the Port consider acquiring the property to satisfy community desires for a local redevelopment effort. Since the hospital's closing, the property has maintained restricted public access. Now only partially occupied, current owners and operators have struggled to maintain the historic facility, which has declined in quality and structural integrity.

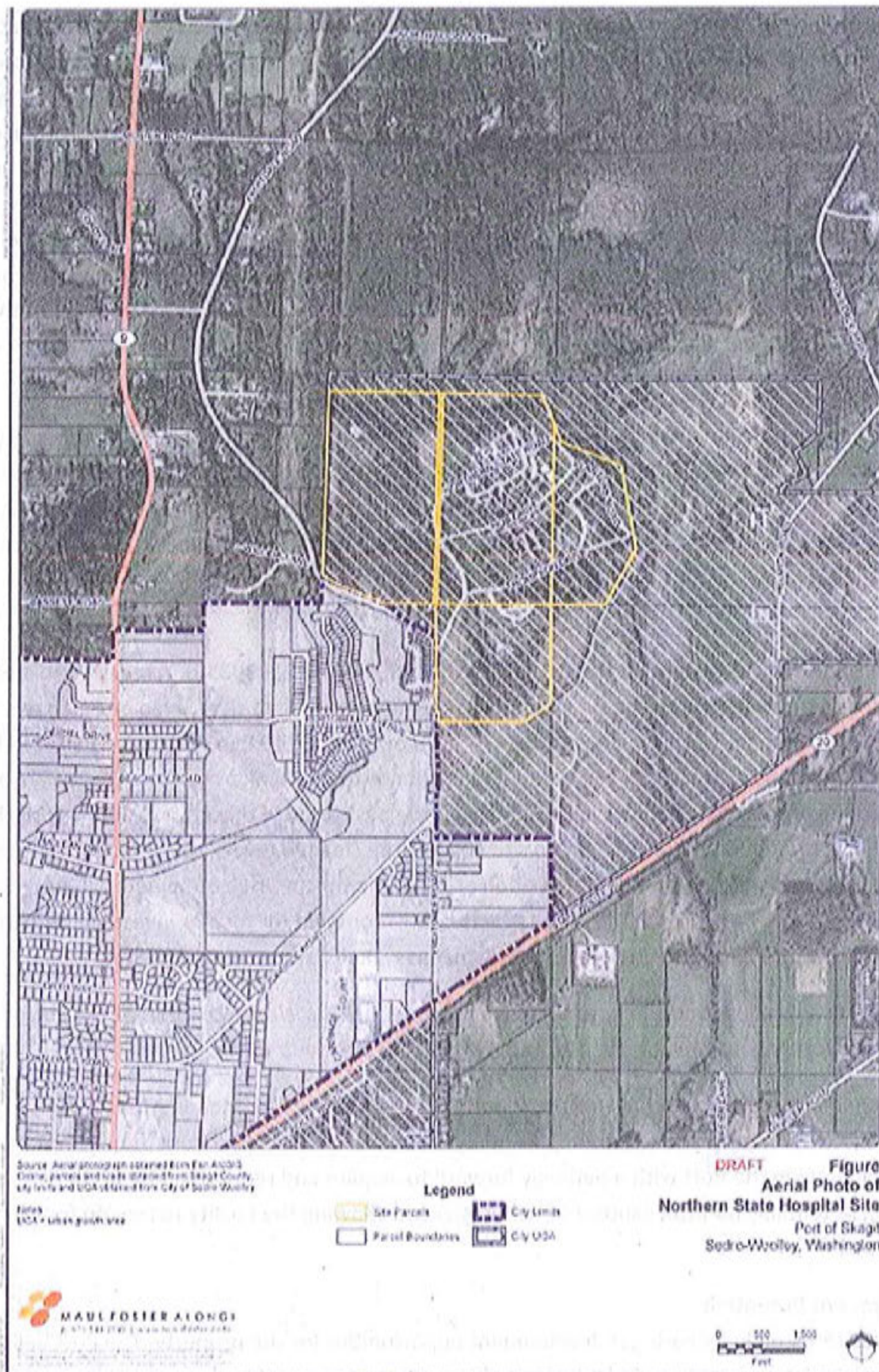


Figure 1: Site Locator Map.

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The Port is interested in pursuing acquisition of the property in order to preserve this important artifact of local history. The Port believes that reuse and adaptation of the property has the potential to house a variety of community amenities and could attract new investment into the area as the new location for an institutional or commercial campus. However, environmental records indicating on-site contamination and a lack of understanding of the site's redevelopment potential has stalled conversations. The three parcels, which account for the 225 acres, are each listed in Ecology's contaminated sites database. Records indicate environmental concerns related to leaking underground storage tanks (LUSTs). The property was also listed as a hazardous waste handler during the time of operation. Recent internal evaluations at Ecology have led department staff to reopen one of the three listed sites for additional investigation.

The Port is requesting an IPG to further evaluate the environmental conditions and potential redevelopment opportunities on the property. The grant would provide the resources necessary to develop a strategy that would allow the Port to proceed with cleanup and adaptive reuse of the property. The multi-jurisdictional effort is supported by strong partnerships between the public, the County, and various state departments, who believe that the Port's leadership is critical to salvaging the declining campus.

Environmental Nexus:

The property consists of three distinct tax parcels (P38607, P100632, P39356). A review of historical records reveals that each of the three parcels has been associated with sites listed on Ecology's Confirmed and Suspected Contaminated Sites List (FSID 5681847, FSID 36439755, and FSID 65415931). Historical contamination was likely related to underground storage tanks, many of which have been pulled from the property. Actions have been taken in the past to close these tanks, but records indicate that residual contamination may remain on site above state cleanup levels. In March 2013, the current property owner was notified that contamination at 2262 Thompson Drive remained a concern to the department and that Facility Site ID 65415931 was being reopened for further investigation. Suspected soil and groundwater contamination related to benzene remains the primary concern.

In addition, records show that the hospital was a listed Hazardous Waste Handler. At the current time, little is understood about the nature, use, and disposal of hazardous waste on site.

The IPG would allow the Port to investigate reports of environmental contamination on the property and investigate the nature and extent of potential contamination. Findings from the environmental analysis will provide the Port with a pathway forward to acquire and remediate the property, eliminating potentially harmful exposures to humans and allowing the facility to reopen for broader public access.

Redevelopment Potential:

The Port is interested in exploring redevelopment opportunities for the property. The Port believes that potential reuse concepts must be historically sensitive and appeal to the public's interest.

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Community aspirations for the property include opportunities for public access and space for community uses, as well as uses which leverage tourism spending or economic development in the Sedro-Woolley area.

A market study will be a critical component of the IPG to assess redevelopment feasibility. The Port, which serves as one of the leading economic development entities for the County, believes that the property has the potential to bring jobs to the area, by providing campus facilities for an institutional or commercial use. Redevelopment efforts will work to engage institutional entities in the area who may be interested in land for the expansion of existing campus services or for the establishment of a satellite campus location. Special considerations will need to be taken into account in regards to the historical significance of the property. Existing historical designations will limit the degree to which structures can be altered for alternative use.

Sustainable Redevelopment:

Redevelopment of the property will be based on a triple bottom line approach that seeks to create benefits for the environment, the economy, and the community.

Environment	Economy	Community
Address legacy contamination issues in groundwater and soil.	Revitalize underutilized property on a historically significant site.	Protect a local, historic landmark and preserve architectural significance of the property.
Protect habitat and water quality in Hansen Creek and associated wetlands.	Provide amenities to enhance tourism and institutional needs.	Provide amenities to residents and tourists that promote active recreation.
	Complement recreational activities in County-owned open space.	Realize community vision rooted in multiple decades of planning.

Elements of Integrated Work Program:

Development of recreational amenities and potential reconfiguration of the property is a complicated undertaking that will require coordinated analysis of financial, environmental, and site planning issues. The integration of these perspectives into a feasibility analysis and conceptual plan for the public trail and activity node is illustrated in Figure 2. The following scope of work describes each of the major tasks in more detail.

Task 1. Existing Conditions Analysis:

The Port will contract with technical experts to conduct assessments to review the physical characteristics of the property. Assessment topics will include:

- **Regulatory Analysis**—Review Skagit County and City of Sedro-Woolley policies, plans, and regulations to outline requirements and potential changes needed to promote site redevelopment. State and federal regulations will be addressed as applicable to understand land use and critical areas requirements.
- **Infrastructure Assessment**—Inventory, map, and research capacity and condition of on-site and off-site existing infrastructure serving the property including water, sewer, stormwater, power, and telecommunications. Identify any improvements and impact fees that would likely be required to support redevelopment. Research current operating system fees.
- **Transportation Assessment**—Review classifications, capacity, and condition of access and internal roads serving the property. Identify any improvements and impact fees that would likely be required to support redevelopment.
- **Building Assessment**—Evaluate the condition of existing buildings to determine structural soundness and opportunities for adaptive reuse and renovation.
- **Cultural and Historic Resources**—Evaluate the status of historic designation of the property and summarize implications for redevelopment and adaptive reuse.
- **Natural Resources**—Conduct reconnaissance study of presence and location of wetlands, streams, protected aquifers, and geohazards on the property and analyze restrictions and buffers under County and City critical areas ordinances.
- **Current Operations**—Research lease agreements for current operations of the facility and review any obligations. Provide critical review of previous historical assessment of property conducted by state.
- **Appraisal**—Prepare fair market value appraisal of land and improvements.

Deliverables for Task 1

- Brief report summarizing physical site conditions and regulatory analysis
- Building assessment report (as appendix to the existing conditions report)
- Natural resources assessment report (as appendix to existing conditions report)

Task 2. Environmental Assessment:

Under Task 2, the Port will conduct a focused study to assess the nature and extent of contamination on the property. If needed, Task 2 will also identify potential remediation alternatives and provide planning level cost estimates for cleanup. Environmental documents 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 2.A—Records Review and Sampling Plan (portion of Remedial Investigations phase)

Understanding the nature and extent of contamination on the property is a critical element to redevelopment planning and risk management. The property has a history of underground storage tanks and was listed as a hazardous waste handler. The property is identified on the Confirmed and Suspected Contaminated Sites List (CSCSL) based on suspected impacts in soil and groundwater, including benzene. In addition, anecdotal reports indicate that demolition debris may be buried on site. Site investigation and sampling is required to understand the need for cleanup. An environmental records review of current and historical documents will be conducted to identify potential concerns and prepare a scope for the subsequent environmental assessment. This preliminary scope and proposed sampling plan will be reviewed with Ecology. This subtask will involve the following steps:

- Conduct records review similar to the type of work in a Phase I Environmental Site Assessment.
- Develop a sampling work plan to characterize the nature and extent of contamination on the property.
- Review proposed sampling plan with Ecology.

Subtask 2.B—Focused Site Assessment (portion of the Remedial Investigations phase)

Environmental record research from Subtask 2.1 will guide the location of a targeted sampling effort. Sample results will be compared with chemical concentrations against MTCA cleanup standards. This subtask will involve the following steps:

- Follow sampling plan reviewed by Ecology.
- Conduct on-site sampling and review with Ecology.
- Conduct additional sampling, if needed, to fill data gaps to develop an understanding of contamination on the site.
- Report environmental findings.

Subtask 2.C—Analysis of Cleanup Options (portion of Feasibility Study/Selection of the Remedy phase)

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 and redevelopment opportunities. Opportunities for cost savings and efficiencies between cleanup and adaptive reuse alternatives will be identified. This study will provide the Port with planning level cleanup cost estimates and position the site for cleanup funding.

Deliverables for Task 2

- Environmental sampling plan
- Focused site characterization and cleanup option report

Task 3. Redevelopment Assessment:

Based on the findings of Task 1 and 2, the Port will conduct a planning study to assess feasibility of redevelopment of the property.

Subtask 3.A—Market Study

The Port will conduct a focused study of the local and regional real estate market with the objective of identifying potential market opportunities for the property's redevelopment. The study will provide an analysis of real estate and economic trends, including rents, vacancy rates, and absorption for different market sectors, including institutional needs.

Subtask 3.B—Case Studies

Similar case studies will be identified in which former institutional properties have been acquired and retrofitted by a public entity in Washington State and nationally. Case studies will allow the Port to learn from other jurisdictions that have been successful in similar efforts and provide them with a compilation of lessons learned.

Subtask 3.C—Potential Reuse Alternatives

This task will build off information collected in Task 1, Task 2, and Task 3 to identify conceptual reuse alternatives and provide a preliminary evaluation of a range of potential future uses.

Deliverables for Task 3

- Market study report
- Case study summary report
- Property appraisal
- Summary of potential reuse options

Task 4. Public Participation:

The Port will convene a stakeholder meeting to discuss challenges and opportunities relating to reuse of the property. The stakeholder group will consist of representatives from the Washington Department of Enterprise Services, the City of Sedro-Woolley, Skagit County, and the Port, as well as current site operators and other community stakeholders. The stakeholder group will guide the discussion of future site uses and alternative ownership scenarios. Future phases of the project will include open house meetings with broader public attendance, should the Port elect to proceed with acquisition and redevelopment. A final presentation will be given to the Port Commission to brief elected officials on outcomes and next steps.

Deliverables for Task 4

- Stakeholder advisory group summary report
- Community outreach event and summary report

Task 5. Implementation Strategy:

Based on findings above, the implementation strategy will outline a plan for property acquisition, cleanup, and adaptive reuse. The report will prepare a strategic path forward for resolving environmental constraints, financing strategies, and a work program to reach the Port’s desired end goals. Alternatives will consider various ownership scenarios between the Port, the City, the County, and other key players.

The integrated cleanup and redevelopment strategy report will explore:

- Funding Strategy—Opportunities for outside funding for infrastructure improvements, environmental work, and remediation.
- Risk Management—Strategies to manage risk associated with real estate transaction, market, and environmental liability (including quote for environmental insurance policy).
- Land Use Regulatory Strategy—Options to address issues such as annexation, re-zoning, and cost sharing for construction and maintenance for public infrastructure.
- Transaction Options with Historic Buildings—Opportunities, including Historical Tax Credits, targeted to promote rehabilitation and re-use of existing buildings.

Deliverable for Task 5

- Integrated cleanup and redevelopment strategy report

Project Schedule:

Task	Estimated Start Date	Estimated Completion Date
Existing Conditions Analysis	March 1, 2014	July 31, 2014
Environmental Assessment	March 1, 2014	December 31, 2014
Redevelopment Assessment	March 1, 2014	September 30, 2014
Public Participation	March 1, 2014	December 31, 2014
Implementation Strategy	October 1, 2014	December 31, 2014

See the attached work flow diagram in Figure 2 for a more detailed schedule breakdown by activity.

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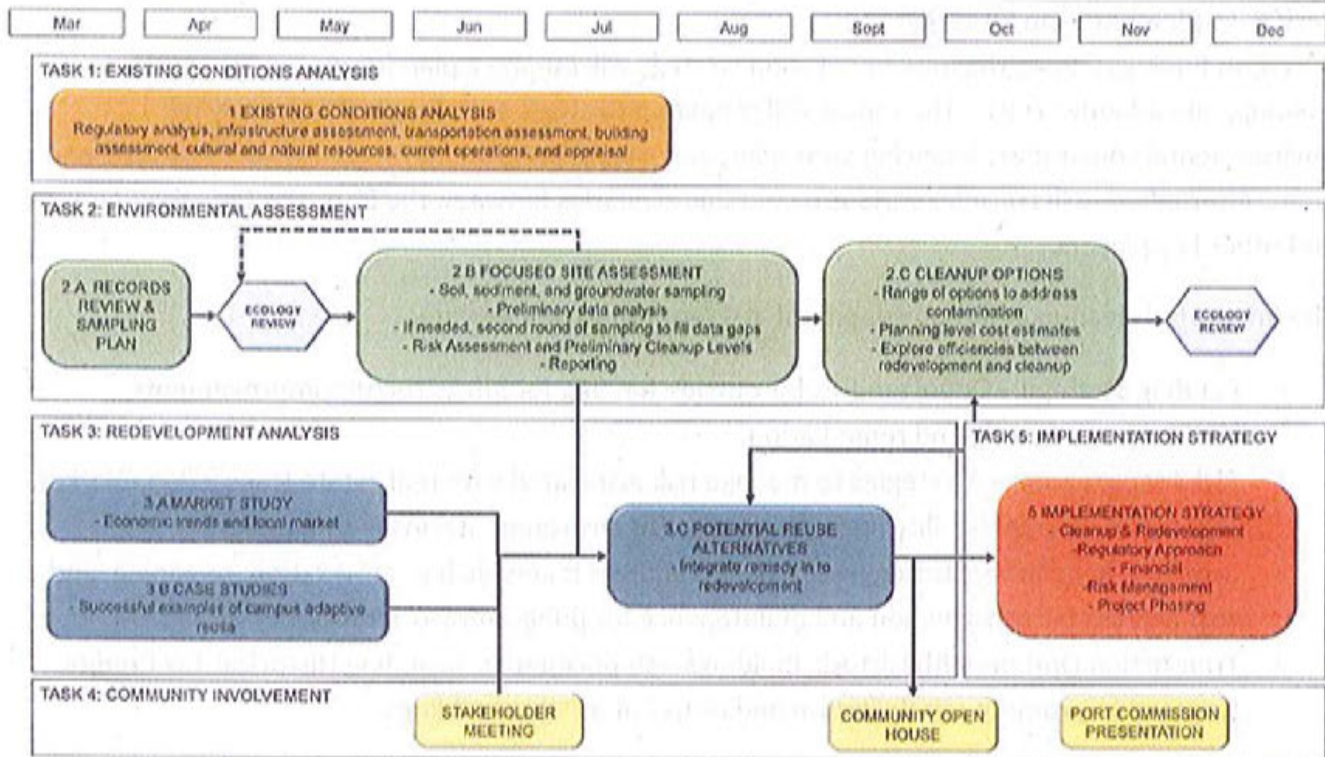


Figure 2: Work plan for Northern States Multi Service Center Adaptive Reuse Study.

Project Budget:

Task	IPG	Other	Total
1 Existing Conditions Analysis	\$47,000	--	\$47,000
2 Environmental Assessment			\$110,000
2.A Records Review and Sampling (portion of Remedial Investigations phase)	\$7,500	--	
2.B Focused Site Assessment (portion of Remedial Investigations phase)	\$50,000	\$37,500	
2.C Screening of Cleanup Options (portion of Feasibility Study/Remedy Selection phase)	\$15,000	--	
3 Redevelopment Assessment			\$102,500
3.A Market Study	\$30,000	--	
3.B Case Studies	\$5,000	--	
3.C Potential Reuse Alternatives	\$15,000	\$52,500	
4 Public Participation	\$15,000	\$12,000	\$27,000
5 Implementation Strategy	\$15,000	\$23,000	\$38,500
Total Estimated Cost	\$200,000	\$125,000	\$325,000

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 Port in composing an integrated strategy to expedite potential acquisition, cleanup and redevelopment of a cleanup site on the historic campus of the former Northern State Hospital. This project's goal is to provide the Port and other local governments with the necessary information about physical site conditions, environmental contamination, redevelopment opportunities, and community desires to support decision-making about next steps for acquisition, cleanup, and redevelopment.

This project meets the intent of SHB 1761 and SB 5296 by supporting local government efforts to plan to meet cleanup objectives at a site while providing adequate consideration of opportunities for substantial economic development, public recreation, and habitat restoration.

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: _____

