

DNR

Recommendations on the Underutilized Portions of the Fircrest Campus

Submitted Dec. 31, 2019



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Background

Section 3301 of the 2019-21 capital budget (Chapter 413, Laws of 2019) directs the Department of Natural Resources (DNR), also referred to as “department,” in consultation with the Office of Financial Management (OFM) and the Department of Social and Health Services (DSHS), to develop recommendations for future affordable housing and public open space on the, “underutilized portions of the Fircrest School campus...”

The full proviso language is as follows:

- (1) The department must, in consultation with the office of financial management and the department of social and health services, develop recommendations for future use of underutilized portions of the Fircrest School campus, including the southeast and southwest corners. Recommendations must include options for developing affordable housing and public open space on underutilized portions of the Fircrest School campus and any specific statutory language necessary to implement these recommendations.

Recommendations must consider: (a) current zoning restrictions; (b) current use; (c) current ownership; (d) current revenue generating capacity; (e) any specific statutory language necessary to implement these recommendations; and (f) any legal constraints.

- (2) The department must submit a report to the appropriate committees of the Legislature by Dec. 31, 2019.

DNR Trust Management

At statehood, the Federal government granted federal lands to the State of Washington for specific purposes, and to support the institutions the new state would need. These federally granted lands were the beginning of Washington’s trust lands. Following adoption of the Enabling Act, the people of the Washington Territory held a convention to draft a state constitution and form a state government. The constitution, as ratified, accepted the Enabling Act grant lands.

The Enabling Act places restrictions on the disposal and leasing of the granted lands, the most prominent being disposition at public sale for not less than full market value. It authorizes the lease of these lands under regulations prescribed by the Legislature, and the exchange of these lands for other lands of equal value. The Enabling Act contemplated the sale of timber and other crops from the lands, as well as oil, gas, and other mineral leasing.

Aerial Fircrest Campus Map



In 1957, the Legislature created the DNR to manage state trust lands for the beneficiaries of those trusts. Under the elected leadership of the Commissioner of Public Lands and the Board of Natural Resources, DNR manages seven specific trusts to generate revenue while stewarding the lands, waters, and habitats entrusted to its care. DNR manages over 3.2 million acres of forest, range, agricultural, and commercial lands for more than \$200 million in annual financial benefit for public schools, state institutions, and county services.

DNR has specific obligations in managing trust lands. A trust is a relationship in which the trustee holds title to property that must be kept or used for the benefit of another. The relationship between the trustee and the beneficiary for these lands is a fiduciary relationship. A trust includes a grantor (the entity establishing the trust), a trustee (the entity holding the title), one or more beneficiaries (entities receiving the benefits from the assets), and trust assets (the property kept or used for the benefit of the beneficiaries).

Much of what is known as the ‘trust mandate’ concerns the common law obligations of a trustee to operate as a prudent person on behalf of the trusts. The legal construction of Washington’s trust lands also creates considerable differences in how these lands are managed when compared to other public lands and private fiduciary trusts. For example, because the trusts are public institutions, the trust obligation continues in perpetuity—that is, forever.

In 1984, the Washington State Supreme Court addressed the state trust relationship in *County of Skamania v. State of Washington*, 102 Wn.2d 127, 685 P.2d 576. The Skamania decision explicitly addressed two of the trustee’s duties. The Court found that a trustee must act with undivided loyalty to the trust beneficiaries to the exclusion of all other interests and to manage trust assets prudently. The court also cited a series of cases in which private trust principles were applied to land grant trusts. While all but one of these cases are from other states with differently worded enabling acts, they generally indicate that a state’s duty is to strive to obtain the most substantial financial support possible from the trust property over time, while exercising ordinary prudence and taking necessary precautions for the preservation of the trust estate.

One of the seven trusts managed by DNR is the Charitable, Education, Penal, and Reformatory Institutions (CEP & RI) Trust. CEP & RI Trust lands generate revenue and provide support for state institutions managed by the Department of Corrections and DSHS. Revenue generated for the CEP & RI account is appropriated by the Legislature to the beneficiary institutions. In recent years, the Legislature has also appropriated money from the CEP & RI account to the Washington State Department of Veterans Affairs. In fiscal year 2018, DNR generated \$5,279,979 for the CEP & RI account.

In 1984, the state Attorney General released a formal opinion titled, “Use of Enabling Act Lands for Trust Purposes” regarding the CEP & RI trust lands.¹ The Attorney General stated the following:

1. Funds generated from the management, sale, or other disposition of public lands granted at statehood for charitable, educational, penal, and reformatory institutions (CEP & RI) by § 17 of

¹ Washington State Office of the Attorney General. Oct 1984. [Use of Enabling Act Lands for Trust Purposes](#). Accessed Sept. 20 2019.

the state's Enabling Act may be appropriated by the Legislature for support of specific state institutions.

2. Designated state institutions may, as well, be allowed by the Legislature, in the exercise of reasonable prudence related to fulfillment of the particular trust purpose, to utilize CEP & RI lands themselves for their institutional purposes without cost.
3. The state's community colleges are among the classes of educational institutions for the benefit of which CEP & RI lands, or revenues derived therefrom, may be applied or appropriated.

Additionally, in Chapter 7 of the 1986 Engrossed Senate Bill No. 4619, Sec. I., the Legislature stated that, "The board of natural resources may exchange common school trust lands and state forest lands acquired pursuant to RCW 76.12.030 leased by the department of social and health services as sites for state institutions at Echo Glenn, Canyon Lakes, Woodinville, and Fircrest for land of equal value granted to the state for the support of charitable, educational, penal, and reformatory institutions. The department of social and health services shall not be charged rent for the use of these lands after the exchange is completed by the board of natural resources so long as the lands are used for institutional purposes."²

The DNR manages 52 acres of the Fircrest School campus as part of the CEP & RI trust. Currently, DSHS leases the 52 acres from DNR for zero rent. The lease (No. 60-069026) was effective July 1, 1989, and expires on June 30, 2044 (55-year term).

DSHS Residential Habilitation Centers

DSHS operates four Residential Habilitation Centers (RHC) which provide 24-hour residential housing for qualified individuals with developmental disabilities needing full-time support, as well as certain specialized services for eligible individuals in the community. The four RHCs currently in operation are the Fircrest School, Lakeland Village, Rainier School, and Yakima Valley School. A fifth RHC, Frances Haddon Morgan Center, was closed in 2011. An RHC may be certified as an Intermediate Care Facility (ICF) for individuals with Intellectual Disabilities and/or licensed as a nursing facility.

Fircrest School currently provides support to about 200 people with intellectual and developmental disabilities in a residential setting. Services to the individuals who reside at Fircrest School are partially funded through two different programs that are regulated by the Centers for Medicare and Medicaid Services. There is also a nursing facility located on the Fircrest School campus which provides individualized health care services and activities to people who have unique medical needs, and an Intermediate Care Facility for individuals with intellectual disabilities which provides individualized habilitative services to support and enhance each individual's skills and strengths.

The DSHS manages 32 acres of the Fircrest School campus. The DSHS-managed portion of the campus is part of the Dan Thompson Memorial Developmental Disabilities Community Trust Account. RCW 71A.20.170 governs the creation, required deposits, and permitted withdrawals to this trust.³ Revenue generated for this account may be appropriated by the legislature exclusively to

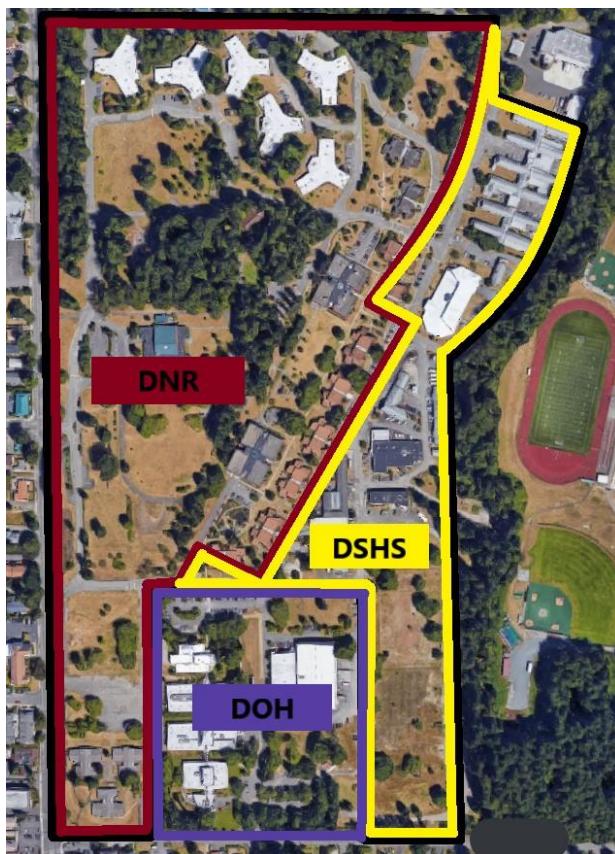
² Session Laws of the State of Washington: <http://leg.wa.gov/CodeReviser/documents/sessionlaw/1986pam1.pdf>, pg. 31.

³ Washington State Legislature. [RCW 71A.20.170](#). Accessed October 15 2019.

provide family support and/or services to eligible individuals living with developmental disabilities who can be serviced by community-based services.

Fircrest Campus

The overall size of the Fircrest property is approximately 92 acres and is located in the City of Shoreline. Three different agencies manage portions of the property. The DNR manages 52 acres, DSHS 32 acres, and Department of Health 8 acres.



There are three current businesses/uses on the Fircrest campus.

1. DSHS's Fircrest School is located over a majority of the DNR and DSHS land. The Fircrest School is one of the four RHCs that DSHS operates across the state. The DSHS lease on DNR managed land does not generate any revenue for the CEP & RI trust or for DNR's lease management.
2. DOH operates a public health lab on the property along NE 150th street on land that they own and maintain.
3. The City of Shoreline has a short-term lease with DSHS to use a portion of the southeast corner for a dog park. This lease generates approximately \$200 per month for the Dan Thompson Memorial Trust Account.

The Fircrest campus (excluding DOH's land) is currently zoned FCZ (Fircrest Campus Zone) by the City of Shoreline. The zoning designation of "FCZ" is a zoning classification dedicated to the campus' current use as an RHC. Any new development on the campus would require either the

master planning process for DSHS development of the Fircrest School, and/or city zoning changes for the development of areas different from the Fircrest School.

Report Process and Community Engagement

The Commissioner of Public Lands and the Director of OFM entered into a Memorandum of Understanding (MOU) on Aug. 6, 2018. The MOU established co-leads for each agency, project stakeholders, and each agency's expected roles and tasks. The signed MOU is available at the end of this document as Appendix A. Subsequently, DNR and OFM co-leads developed a work plan to guide overall project timelines. See Appendix B for more information.

There were seven principles that DNR and OFM agreed to in the Aug. 6 MOU. Those seven principles are (in no particular order):

1. DNR and OFM are co-leads for the project.
2. DNR and OFM will collaborate with DSHS and DOH.
3. Establish the core stakeholders of the Fircrest campus, including representatives of the developmental disabilities community, ARC of Washington State, and the City of Shoreline.
4. Develop recommendations for “future use of underutilized portions of the Fircrest School campus,” while prioritizing the needs of DSHS clients and the developmental disabilities community. Recommendations must include options for developing affordable housing, open space, but must prioritize needs of DSHS clients and the developmental disabilities community.
5. The work must take into consideration the statutory responsibilities, fiduciary duties and management roles of DNR and DSHS as they relate to client needs and management of trusts and accounts.
6. The work must align with the Fircrest master planning effort.⁴
7. Co-leads will seek a joint legal opinion from the state Attorney General’s Office on the legal status of the Dan Thompson Memorial Trust Account created in RCW 71A.20.170, to include a review of prior informal advice provided by program attorneys.

Additionally, the MOU included an option for OFM to submit their own recommendation. On Dec. 19, 2019, OFM informed DNR that they would like to exercise this option and submit their own recommendation for inclusion in the report. Their recommendation can be found in Appendix D.

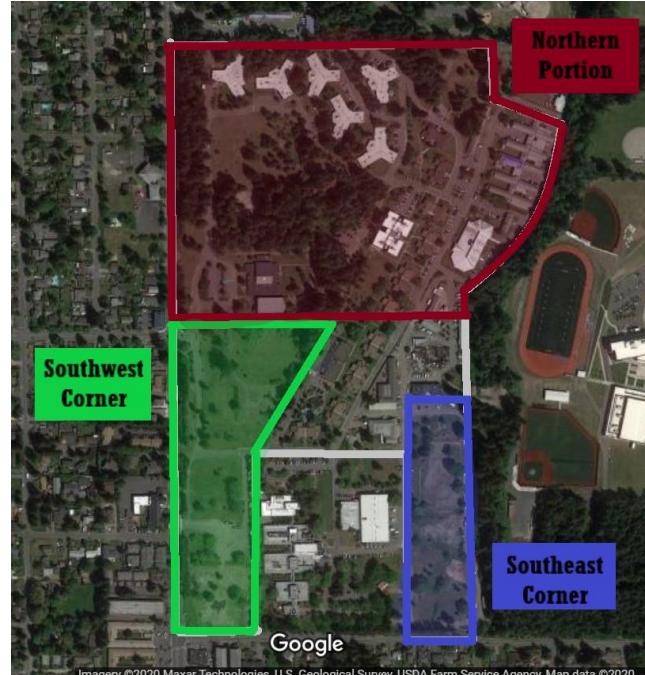
For the purposes of our report, we are defining the underutilized portions of the Fircrest campus in the following way:

⁴ At the time of the signing of the MOU DSHS was in the middle of master planning efforts with the City of Shoreline. The publicly available master planning documents, recommendations, and maps can be found online. They are dated Nov. 11, 2018, and represent DNR's understanding of DSHS needs at the time of signing. DSHS did revise its master planning efforts after the signing of the MOU without consultation with DNR or the Legislature. This revision was not taken into account for this set of recommendations as it did not represent the original intent of the MOU signing parties for various portions of the Fircrest campus.

The Northern Portion: Most of the area to the north of the activities building. While some of this space contains current DSHS facilities, there are areas that are vacant. This area also encompasses current master planning options between DSHS and the City of Shoreline.

The Southwest Corner: The 12-15 acres of property in the southwest corner (along NE 150th Street to the south, 15th Avenue to the east, and the DOH property line to the west). This area was identified as not having current use or planned use expectations from DSHS during their public master planning process. Additionally, in 2016 the City upzoned properties across the street from the southwest corner of the Fircrest campus. These zoning changes are phased and are currently scheduled to take effect in 2033. This area is managed by DNR.

The Southeast Corner: The 9-10 acres located to the east of the commissary and DOH property line across to the Fircrest campus boundary with Shorecrest High School, and down to 150th Street. This area is where the current, short-term dog park lease is located, as well as Hamlin Creek. Properties adjacent to this area are zoned low-density residential, or R-6. This area is managed by DSHS.



Stakeholder Feedback

DNR and the OFM/Governor's Office (GOV) project team held two types of stakeholder meetings. The first was individual meetings with agencies currently operating on the Fircrest campus, the City of Shoreline, CEP & RI beneficiaries, representatives from the developmental and intellectual disabilities community, the North City Water District, and the Shoreline Fire Department. The second was a single two-hour listening session held in Seattle where all stakeholders were invited. At this meeting the project team discussed high-level conceptual recommendations related to revenue generation for both trusts, and the placement of behavioral health facilities. All project team stakeholder meetings are included below.

Stakeholder Meeting	Date
DOH and DSHS as agencies currently operating on portions of Fircrest property	8/23/2019
The City of Shoreline	9/9/2019
DOC and DSHS as CEP & RI beneficiaries	9/18/2019
Representative(s) from the DD/ID community and the ARC of Washington	9/18/2019
North City Water District	9/24/2019

DSHS	10/4/2019
Shoreline Fire Department	10/8/2019
City of Shoreline, representative(s) from the DD>ID community, and the ARC of WA	11/25/2019

We heard an abundance of feedback from each of the identified stakeholders, as well as the stakeholder groups who were added into the process regarding how best to utilize vacant land on the Fircrest campus. Listed below is a summary of the relevant feedback that we heard from each group.

The Department of Health: DOH's main concern is if the proposed development in the southwest corner would be compatible with their portion of the property. Additionally, DOH let the project team know that they are currently developing their portion of the property in alignment with their 2010 master development plan which includes construction to existing buildings, a new road and parking garage, and updated utilities (electrical, sewer and gas).

The Department of Social and Health Services: DSHS is interested in replacing the "Y" building with a 120-bed nursing facility and would ideally like to demolish the facilities north of the campus. Additionally, DSHS currently has a pre-design completed for a nursing facility in the northwest portion of the property. The Legislature has required DSHS to submit a preliminary pre-design for a 48-bed residential behavioral health facility by Dec. 31, 2019. Fircrest campus is one of the sites being considered by the department.

Lastly, DSHS informed DNR that they have around 600 staff on the Fircrest campus, many of whom could benefit from nearby, affordable housing.

City of Shoreline: The city has expressed interest in five acres of open, active recreation space to meet the needs of current and future residents set aside somewhere on the campus. While they have a preference for the southeast, they are willing to make either corner work. The priority is for a single, five acre area. Currently, the dog park the city leases is on the southeast corner.

The city is also interested in development in the southwest corner for commercial purposes. The city does agree that commercial development should be in alignment with DOH business, and added that it should have community value. For example, placing a job center or early childhood education center within the development.

While the open space and development are priorities for the city, they want to do it in a way that continues to build community with the Fircrest residents and city residents in the adjoining neighborhood.

Lastly, the city is a main stakeholder in any decision made that impacts the Fircrest campus. This makes them very interested in the processes that the State will undertake related to various development for any purposes. This could include master development planning, zoning change applications, or other similar changes. City officials are currently working on updating their processes and policies related to the Fircrest School campus property.

The Department of Corrections: As a CEP & RI beneficiary, DOC expressed support for generating revenue for the trust as long as revenue generation did not interfere with DSHS' ability to

deliver services to Fircrest residents. DOC expressed that they have institutions across the state, many on CEP&RI trust land also leased at zero rent, with aging infrastructure that could benefit from additional funding.

Developmental and Intellectual Disabilities Community: There are many friends, family, and supporters of the RHC on the Fircrest campus. While this community of people is not a monolith, we did hear a few consistent themes including: The need for repairs and updates to current facilities, and the need for DSHS to be allowed to continue to provide services on the Fircrest campus were two of them. Conversely, we heard from community advocates like the ARC of Washington that there is a need for DSHS to manage the Dan Thompson Trust as a fiduciary trust in order to generate revenue for community-based services. There were a large number of DD/ID community advocates that participated in DNR and OFM's second stakeholder meeting mapping exercise, and as such, have their comments included in the section below.

North City Water District: The water district's feedback was that the current water system was inadequate to meet the needs on the Fircrest campus. They mentioned two potential remedies. The first would be to include all of the Fircrest campus within the North City Water District system, and the second would be to add an additional water source on the property.

Shoreline Fire Department: The Shoreline Fire Department felt similarly to the North City Water District and expressed similar concerns with an inadequate water supply. Their recommendation was to add a reservoir somewhere in the northern portion of the property that would be available in the case of fire.

Stakeholder Mapping Exercise

On Nov. 25 the project team held a two-hour listening session and invited everyone who had been a part of the stakeholder process to date. The invite list was sent out by the Governor's Office, and was held in Seattle. During this meeting we facilitated a mapping exercise where participants broke into three groups and placed sticky notes on a map to indicate preferences and concerns for development on the Fircrest campus. The information from the map is synthesized below, and photos of the maps are included at the end of this report as Appendix C.

Map #1	Map #2	Map #3
<p>NE Portion:</p> <ul style="list-style-type: none"> Community access in general <p>SW Corner:</p> <ul style="list-style-type: none"> Somewhere active recreation (3-5 acres) + link DD community Retail, tax paying business Commercial <p>SE Corner:</p> <ul style="list-style-type: none"> For Market Value Open Space Long-term use <p>Additional Notes:</p> <ul style="list-style-type: none"> No concentrated services for DD communities (e.g. apartments) 	<p>NE Portion:</p> <ul style="list-style-type: none"> Open Space through-out 48 Bed Facility 120 Bed Facility Save forest Landmark the Chapel <p>SW Corner:</p> <ul style="list-style-type: none"> Pool Recreation Facility compatible w/ Fircrest Main Entrance Daylight Hamlin Creek Housing Compatible w/ Fircrest Jobs Training Higher Density Access Road towards the middle <p>SE Corner:</p> <ul style="list-style-type: none"> Open space generates no funds for DD Access Road Hamlin Creek 	<p>NE Portion:</p> <ul style="list-style-type: none"> Water Reservoir 120-Bed Facility 48 to 106-Bed Behavioral Health Keep driving street open for Fire Department <p>SW Corner:</p> <ul style="list-style-type: none"> Job Training, food facility, food court Open Space Child Care Life Tech (compatible w/ State Lab) Mental Health Facility for patients and public <p>SE Corner:</p> <ul style="list-style-type: none"> Move facility operations to ATP location Open ditch stream (daylight creek) Day Activities Center for community members w/disabilities (adults) Open Space 3rd place commons Affordable housing <p>Additional Notes:</p> <ul style="list-style-type: none"> Currently upgrading electrical

Recommendations

The following recommendations are meant to represent the best case scenario options to meet the following objectives:

- Meet the immediate needs of DSHS and the residents of the Fircrest campus RHC.
- Meet DNR's trust duties as manager of the CEP&RI trust
- Generate revenue for the CEP & RI trust and the Dan Thompson Memorial Trust Account.
- Provide open, active recreation space for the City of Shoreline.
- Address the state's need for affordable housing.

Southwest Corner (12-15 acres)

In the southwest corner, DNR recommends placing both commercial and residential development. The commercial development should be in the southern most portion of the southwest corner, and the residential towards the northern portion. Additionally, the residential development must be developed as affordable housing. This could include culturally appropriate senior housing. There will need to be some flexibility in the amount of acres set aside for each type of development.

DNR recommends a multi-use land use concept, with commensurate zoning. The multi-use concept provides flexibility in development, as opposed to simply zoning residential in one area and commercial in another. The resultant uses of commercial and residential can still be achieved, but a multi-use concept allows for maximized use of the space.

The City of Shoreline, the King County Housing Authority, and DNR must partner to develop this portion of the property to meet the fiduciary obligations of DNR as the CEP & RI trust manager, and to maximize the opportunity to meet the State's growing need for affordable housing. The King County Housing Authority has set funding aside to do the appropriate land use planning necessary. Recommended development plans must be brought before the Board of Natural Resources for approval.

In order to develop the southwest corner in alignment with this recommendation, the legal description of the land included in the lease between DSHS and DNR will need to change. The Commissioner of Public Lands and Secretary of DSHS will need to execute the changes to the lease. This should not require legislative review because it is only a change to the legal description of the land, not the terms of the lease.

Once the changes to the lease have been made, the land will need to be re-classified, re-zoned, and appraised for its new purposes. The Board of Natural Resources will consider and take action on approving the revised development plan once it is rezoned and repurposed by the city.

Southwest Corner



Legislative Next Steps

In order to implement the recommendations for the southwest corner, DNR is requesting an appropriation of \$50,000 from the CEP & RI account. This money would cover the technical aspects of DNR's work to begin development including a survey of the property, an environmental assessment, and a comprehensive plan amendment with the City of Shoreline. More details are included in the last section titled, "Technical Next Steps".

Proposed Proviso Language for Developing the Southwest Corner

For the Department of Natural Resources

FIRCREST SCHOOL DEVELOPMENT - SOUTHWEST CORNER

The department shall begin work to develop the 12-15 acres in the southwest corner of the Fircrest School campus identified as underutilized in order to generate long-term, sustainable revenue for the Charitable, Educational, Penal & Reformatory Institutions trust account.

The work may include, but is not limited to: (a) a survey of the land, (b) an environmental assessment; (c) comprehensive plan amendment with the City of Shoreline.

Appropriation:

Charitable, Educational, Penal & Reformatory

Institutions Account—State....\$50,000

Northern Portion (11-13 acres)

DSHS has a need to place a new 120-bed nursing replacement facility and a behavioral health facility at Fircrest. DNR defers to the Legislature, City of Shoreline, and DSHS' ongoing master planning process to achieve the best outcome for placement of the nursing facility and behavioral health facility in the northern portion of the campus. Other than the current work to update zoning restrictions and statutes that the City of Shoreline is working on, the campus zoning should not need to change to accommodate this recommendation. The current lease granting DSHS use of the CEP & RI trust land could remain in place through 2044 as originally written.



Legislative Next Steps

There is no further action necessary by the Legislature on behalf of DNR to implement this recommendation.

Southeast Corner (9-10 acres)

As written, RCW 71A.20.170 does not allow for the sale or disposition of Dan Thompson Memorial Trust Land. DNR recommends that DSHS and the City of Shoreline enter into a long-term lease to formalize open, active recreation space for city residents.

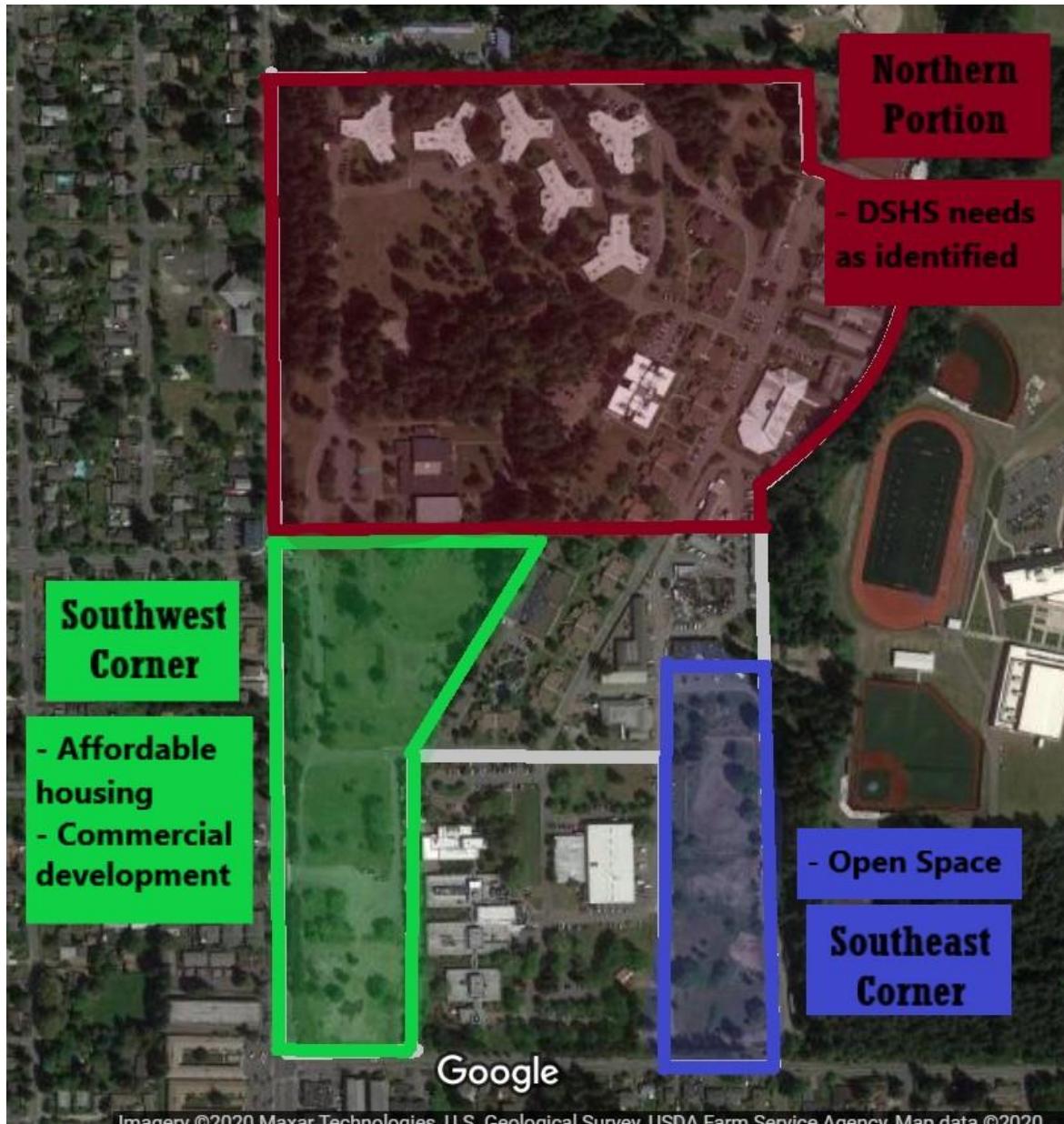
DNR also recommends that the state consult with the City of Shoreline to seek out grant opportunities that may be available to provide funding for projects that protect recreation spaces. In particular, grant programs such as the Recreation and Conservation Office's Washington Wildlife and Recreation Program grant. DNR is willing to provide technical assistance, and consultative support to the City of Shoreline in pursuing this or similar opportunities.

Legislative Next Steps

Southeast Corner



There is no further action necessary by the Legislature on behalf of DNR to implement this recommendation.



Maximum Revenue Generating Option

In addition to looking at underutilized portions of the Fircrest campus, there is also an option to take a broader view of the entire 92-acre campus. With this option, DNR would manage the CEP & RI trust land on the Fircrest campus as one large land asset and with the goal of generating long-term, maximum revenue for the CEP & RI Trust. DSHS could work with the Legislature to do the same for the Dan Thompson Memorial Trust account land. Revenue DNR generated into the CEP & RI trust account in this option could be leveraged as collateral and ongoing payments for DSHS to work with the state treasury to purchase land elsewhere in the state, and to re-design updated and state-of-the art RHC facilities to meet their growing needs.

In order to estimate the range of potential value on the campus, a quick review of a selection of sales in the general north-of-Seattle area, particularly including Shoreline, Lynwood, and Mountlake Terrace, was done. That estimate found the following:

- Most sales of mixed-use development property ranged from \$35 to \$55 per square foot of land area, and were purchased primarily for multifamily use with limited street-level retail. Density was in the range of 25 units per acre.
- High-density multifamily properties (in the range of 66 to 167 units per acre) sold at correspondingly higher prices, ranging from \$100 to \$134 per square foot of land area.
- The one lodging sale was a site with good visibility but significant issues of topography and shape. It sold for \$19 per square foot of land area.
- The one sale for subsidized housing sold for \$36 per square foot of land area.

There are a number of conditions that would need to be met in order to give an estimate range for the entire property. This would include clarity around what types of development were going to take place, how many acres would be set aside for each type of development, and market conditions. The DNR is willing to work with any members who may be interested in digging in deeper on this option.

Technical Next Steps

Below are the technical next steps DNR would need to go through to accompany the recommendation of pursuing a comprehensive plan amendment and rezone(s) for the 12-15 acres in the southwest portion of the Fircrest campus. This information highlights the assumptions made to develop the information, chronological and required tasks, estimated costs and timeframes.

These next steps make two broad assumptions:

1. The southwest corner consists of the 12-15 acres of underutilized land in the southwest corner of the Fircrest property, as identified and defined earlier in this report. It will be referred to as the “subject property.”
2. The City of Shoreline will remain a critical partner and will accept an in combination application under a Mixed-Use Development Concept of residential and commercial/business land uses. Additionally, we assume that the profile of the subject property for the purposes of economic growth and compatibility with adjacent land uses will be done in concert with the city’s growth management objectives.

A suggested chronology of related and required tasks are discussed below.

Survey, Recording and Lease Amendment

A survey will be required of the subject property (12-15 acres), which will satisfy two important aspects:

1. It will be required by the City of Shoreline as part of the rezone application; and,
2. It will be required to set the commercial and residential areas apart. Also, it may be prudent to survey the residual acreage (larger parcel) that will remain under lease to DSHS (approximately 37-40 acres) for documentation purposes.

Once completed, the survey will be recorded with the King County Auditor’s Office and the City of Shoreline.

The lease amendment can occur simultaneously with the survey. However, the lease amendment should not be executed until the survey is recorded, as it will be an attachment to the amendment.

Given that only the legal description of the land included in the lease will need to be changed, the Commissioner of Public Lands and Secretary of DSHS should be able to execute the changes without legislative review.

We estimate that this initial portion of the process will cost around \$3000-5000, and take two to three months to complete.

Environmental Assessment and Report

At a minimum, a Phase I environmental assessment/study will be required. We have been made aware that there were buildings on the subject property at one point that were demolished by DSHS without the requisite approval or permits, that asbestos concerns were noted. DNR will need to verify and document this information.

The City of Shoreline will determine whether the assessment/study can be part of the application process in conjunction with the required State Environmental Protection Act (SEPA) checklist, or performed as a separate task. A certified environmental consultant or engineer would be required for the necessary work. Coordination with the city will be necessary.

We estimate that this phase will cost \$5000-7000 for a Phase I Assessment/Study and \$15,000-20,000 for a Phase II Assessment/Study, if necessary. There is also an unknown cost if it is determined that invasive ground work or soil removal/remediation be required. Phase I could take up to two months to complete, and Phase II three or more months. There is also an unknown timeframe regarding any necessary ground work that might be required.

Comprehensive Plan Amendment/Rezone Application Process

During this phase of the process, DNR staff will need to meet with City of Shoreline staff to review application requirements. Specific direction from city regarding completion of the SEPA checklist and/or the attachment of the appropriate environmental assessment/study will be required. Based on the results of the assessment/study an Environmental Impact Statement (EIS) may be required.

Depending upon the depth of information required, a “conceptual” binding site plan may be necessary as part of the comprehensive plan/rezone application due to the fact that two different land uses are being requested. If not part of the application, a more precise binding site plan should be expected once a specific development proposal, per rezone approval, is submitted. A “conceptual” binding site plan will require identification of proposed utility corridors, infrastructure easements, street layouts both internal and connecting to public arterials, designated parking, landscape berms with irrigation, integrated open space designations per population projections over the next 20 years, building foot print setbacks and perhaps, designated load/unload areas for suppliers. It is possible, given the current needs of the RHC and DOH, that the City may require the internal street layout to be directly accessible to existing circulation within the entire Fircrest campus.

We estimate that the cost for this application process will be around \$25,000 inclusive of required environmental studies, survey and infrastructure designs. A binding site plan review could cost \$6,500 as part of an application or a separate review. This part of the process will take eight to ten months, not including a Phase II and/or any currently unknown ground work. If required as a stand-alone activity, the binding site plan could take another two to three months to complete.

There are some points of coordination to note:

1. The survey and Phase I assessment/study can run concurrently but both are required prior to meeting with the City of Shoreline regarding the comprehensive plan/rezone application;
2. The lease amendment, executed subsequent to the survey, would need to be completed prior to meeting with the city;
3. The need for a Phase II assessment/study will not be known until at least Phase I is completed; and,
4. Barring no need for a Phase II project, the timing of application submittal, and based upon the tasks outlined above, we could expect at least a 12-16-month process to gain approval

with an estimated cost of \$35,000-40,000. This is only an estimate and expenses could be higher based on the information we learn during each part of the process.

Post Application

Once DNR has worked through the phases discussed above, we will work with the City of Shoreline, King County Housing Authority, and Board of Natural Resources to determine the best scenarios for disposition and retention of land in the subject property to ensure successful implementation of affordable housing, and sustainable, long-term revenue generated from the commercial lease(s). The Board of Natural Resources will need to review and approve all potential development plans for the southwest corner.

Appendix A: Memorandum of Understanding

MEMORANDUM OF UNDERSTANDING

The Washington State Department of Natural Resources (DNR) and the Office of Financial Management (OFM) are parties to this Memorandum of Understanding (MOU) and agree to the provisions and statements outlined below.

Whereas, Section 3301 of the 2019-21 capital budget (Chapter 413, Laws of 2019) directs DNR, in consultation with OFM and the Washington State Department of Social and Health Services (DSHS), to develop recommendations for “future use of underutilized portions of the Fircrest School campus;”; and

Whereas, DNR and OFM agreed to co-lead the work required by this proviso; and

Whereas, DNR, the Governor’s Office and OFM agreed to principles that would guide this work and be incorporated into a Memorandum of Understanding;

THEREFORE, IT IS THE PURPOSE OF THIS MEMORANDUM OF UNDERSTANDING
TO: Document the agreements between DNR and OFM in implementing Section 3301 of the 2019-21 capital budget.

NOW THEREFORE, in consideration of the above, the parties agree to the following:

A. Definitions:

1. **Memorandum of Understanding** – *This MOU is not a contract.* Commitments and obligations made in this MOU represent a full and good faith intention by all the signing organizations.

B. To mutually agree that the objectives of this MOU are to:

1. Establish co-leads of DNR and OFM.
2. Confirm that DNR and OFM will collaborate with DSHS and the Department of Health (DOH).
3. Establish the core stakeholders of the Fircrest campus, including representatives of the developmental disabilities community, ARC of Washington State, and the city of Shoreline.
4. Develop recommendations for “future use of underutilized portions of the Fircrest School campus,” while prioritizing the needs of DSHS clients and the developmental disabilities community (DD community). Recommendations must include options for developing affordable housing and open space, but must prioritize the needs of DSHS clients and the DD community.
5. Take into consideration the statutory responsibilities, fiduciary duties and management roles of DNR and DSHS as they relate to client needs and management of trusts and accounts;
6. Align this work with DSHS’ Fircrest master planning effort, and

7. Establish that DNR and OFM will jointly seek an opinion from the Attorney General's Office as to the legal status of the Dan Thompson memorial developmental disabilities community trust account created in RCW 71A.20.170, to include a review of prior informal advice provided by program attorneys.

C. Functions/Roles/Tasks of Agencies/Parties to this MOU:

1. Work plan process: Roles and responsibilities for the collaborative work plan shall be divided up in a mutually agreeable fashion between OFM and DNR.
 - a. Project scoping: OFM and DNR shall meet in August to scope the work plan, including the identification of opportunities and constraints on the Fircrest campus. DSHS, as a consulting entity, and DOH as appropriate, will be asked to participate in the project scoping and work plan development. The work plan shall include:
 - i. Addressing DSHS needs to support its mission on the Fircrest campus;
 - ii. Addressing the concerns and needs of the DD community as a key stakeholder;
 - iii. Addressing the needs in this region for affordable housing and open space;
 - iv. Increasing revenue for the Charitable, Educational, Penal and Reformatory Institutions (CEP&RI) trust and its beneficiaries.
 - b. Development of recommendations: Recommendations shall be developed for the campus through a collaborative process and shall be consistent with the objectives outlined in this MOU. Recommendations must include changes to current zoning restrictions necessary to implement the recommendations, specific statutory language necessary to implement the recommendations, and any legal constraints. Stakeholders shall be convened as necessary throughout the summer and fall as outlined in the work plan developed by OFM and DNR. Recommendations shall be outlined by September 1, 2019 and must be agreed to by the signing parties.
 - c. Publish report: DNR shall develop the initial draft of the report by October 1, 2019. The report shall then be transmitted to OFM for review. OFM will share the report with DSHS and DOH and provide their and OFM's feedback on the report to DNR. DNR and OFM must jointly agree to the report before its submittal to the Legislature by December 31, 2019. If the parties cannot agree on the contents of the report, the report must include the content from each party presented in a neutral manner.

D. MOU Terms and Conditions

Term of MOU: This MOU shall be effective on the date of the last signatory and shall remain in effect until June 30, 2020, unless sooner terminated by any of the parties, as provided herein.

Termination: Any of the parties may terminate this MOU by giving written notice to the other at the address specified herein of such termination and specifying the effective date thereof at least thirty (30) days before the effective date of such termination.

Amendments: This MOU shall only be amended by written mutual consent of all parties through an amendment to this MOU.

E. Project Coordinators

The Project Coordinator for the Department of Natural Resources is:

Tom Bugert, Senior Strategic Advisor, 360-972-6012

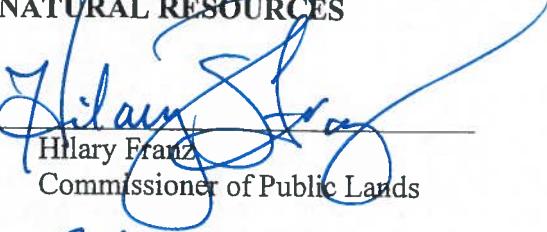
The Project Coordinator for the Office of Financial Management is:

Carly Kujath, Capital Budget Assistant, 360-902-7301

AGENCY/PRIVATE

**WASHINGTON STATE DEPARTMENT
OF NATURAL RESOURCES**

By:


Hilary Franz
Commissioner of Public Lands

Date:

8-6-19

**WASHINGTON STATE
OFFICE OF FINANCIAL MANAGEMENT**

By:


David Schumacher
Director

Date:

08/02/19

Appendix B: Work Plan

DNR Fircrest Work Plan – Final

Goals

A. Implement the legislative proviso

(1) The department must, in consultation with the office of financial management and the department of social and health services, develop recommendations for future use of underutilized portions of the Fircrest School campus, including the southeast and southwest corners. Recommendations must include options for developing affordable housing and public open space on underutilized portions of the Fircrest School campus and any specific statutory language necessary to implement these recommendations. Recommendations must consider: (a) Current zoning restrictions; (b) current use; (c) current ownership; (d) current revenue generating capacity; (e) any specific statutory language necessary to implement these recommendations; and (f) any legal constraints.

(2) The department must submit a report to the appropriate committees of the legislature by December 31, 2019

B. Carry out the principles agreed to by CPL & OFM on May 21 & the MOU:

- Establishes co-leads of DNR and OFM.
- DNR and OFM must collaborate with DSHS and DOH.
- The developmental disabilities community is named as a stakeholder.
- Recommendations must include options for developing affordable housing and open space, but must also prioritize the needs of DSHS clients and the DD community.
- This work must take into consideration the fiduciary and management roles of DNR and DSHS.
- This work must align with the Fircrest master planning effort.
- The co-leads will seek a joint legal opinion from the Attorney General's Office (AG) on the legal status of the Dan Thompson memorial developmental disabilities community trust account.

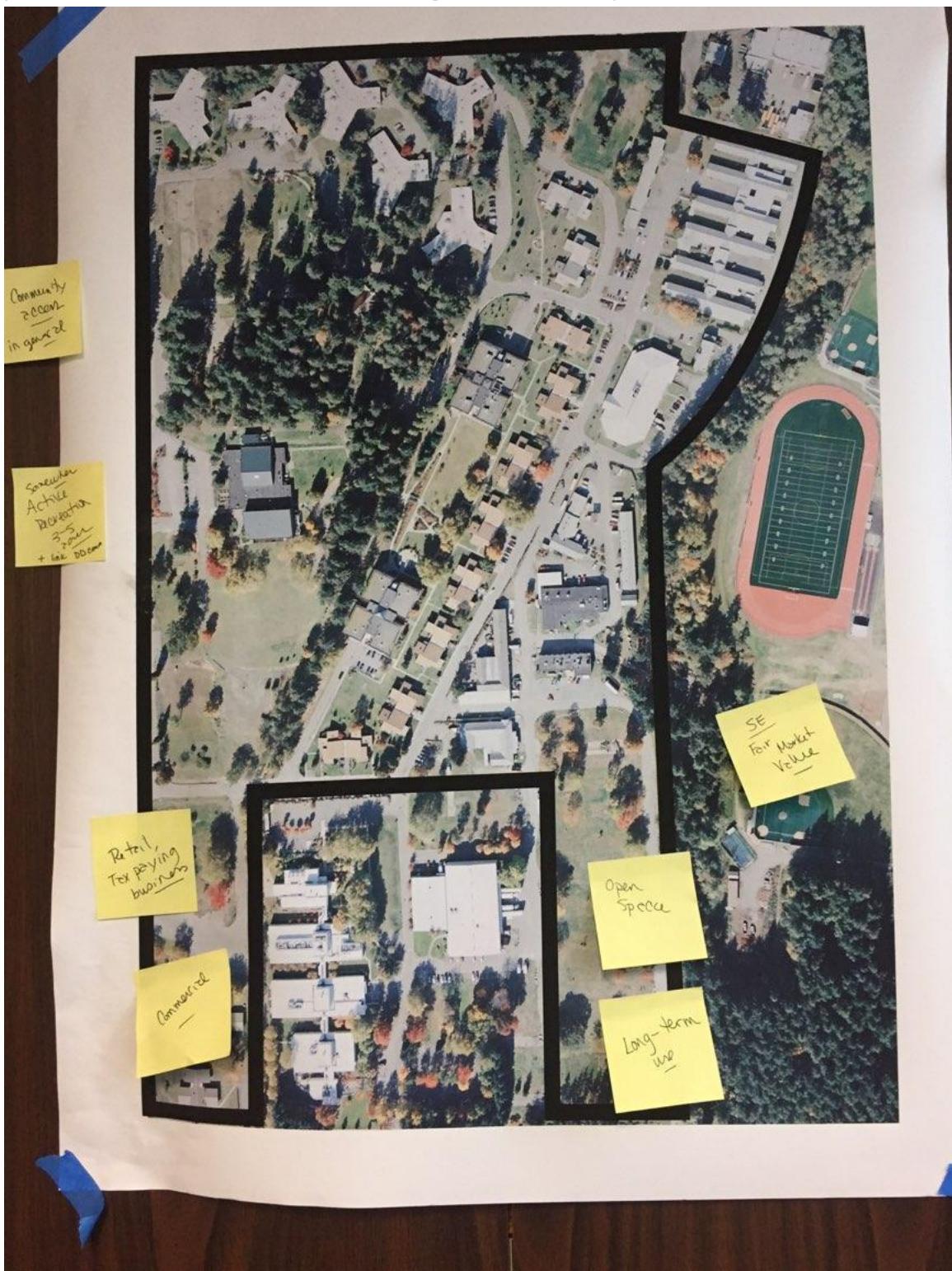
C. Implement the MOU

Work Plan

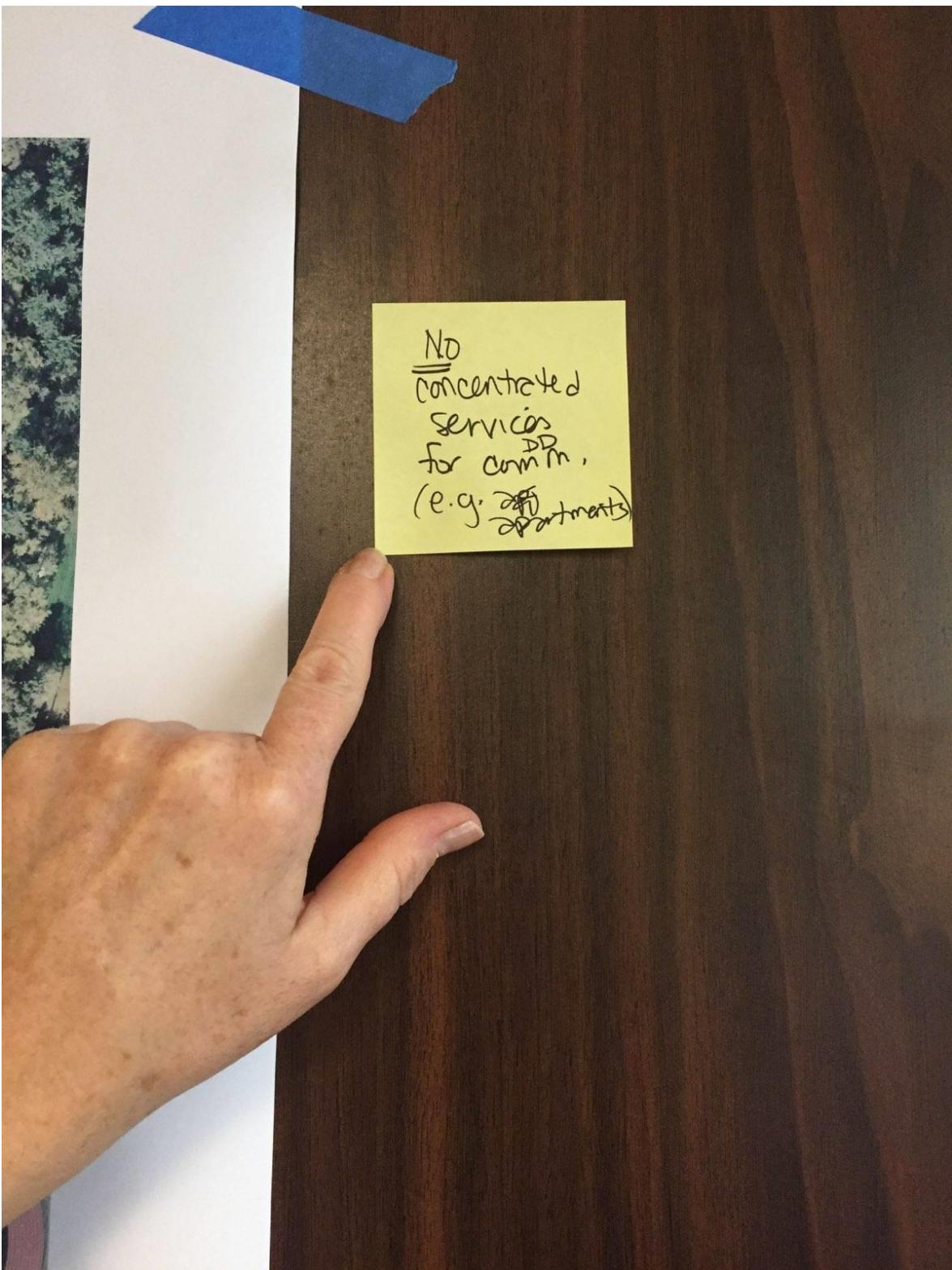
1. Co-leads will finalize MOU
2. OFM and DNR will coordinate with agencies, and budget counsels from the House of Representatives and Senate to develop questions for AG for Dan Thompson Memorial Trust Account (RCW 71A.20.170) and the CEP&RI Trust.
3. Co-leads will convene DSHS and DOH to:
 - a. Ascertain the state's needs and wants for the Fircrest campus
 - b. Review status of master plan with DSHS
 - c. Establish current zoning restrictions for the Fircrest campus
4. Jointly meet with each of the following stakeholders to learn about their needs and wants for the Fircrest campus:
 - a. Members of the Developmental Disabilities community, including but not limited to the ARC of King County, Developmental Disabilities Council, Friends of Fircrest, and Disability Rights Washington,
 - b. The city of Shoreline
 - c. Charitable, Educational, Penal and Reformatory Institutions (CEP&RI) beneficiaries
5. DNR and OFM will outline recommendations by September 20

6. Identify the specific portions of the Fircrest campus included as options for sale, transfer, and/or lease within the recommendations of the study and have those pieces of land appraised for value.
7. OFM and DNR will jointly coordinate with legislators, to include: the 32nd legislative delegation, Chair and ranking members of the House Capital Budget Committee and Senate Ways and Means Committee (capital leads).
8. DNR transmits initial draft report to OFM for review by October 15. OFM will solicit feedback on the initial draft report from DSHS and DOH and provide consolidated feedback to DNR.
9. OFM and DNR will solicit feedback from stakeholders on the initial draft report.
10. OFM and DNR will meet to review report feedback gathered and identify any points of disagreement between OFM and DNR and if there is disagreement, each party will provide content for the report in a neutral manner.
11. DNR submits final report to the legislature by December 31, 2019, including content from OFM that describes the OFM perspective in a neutral manner if DNR and OFM are unable to reach agreement on the content of the report.

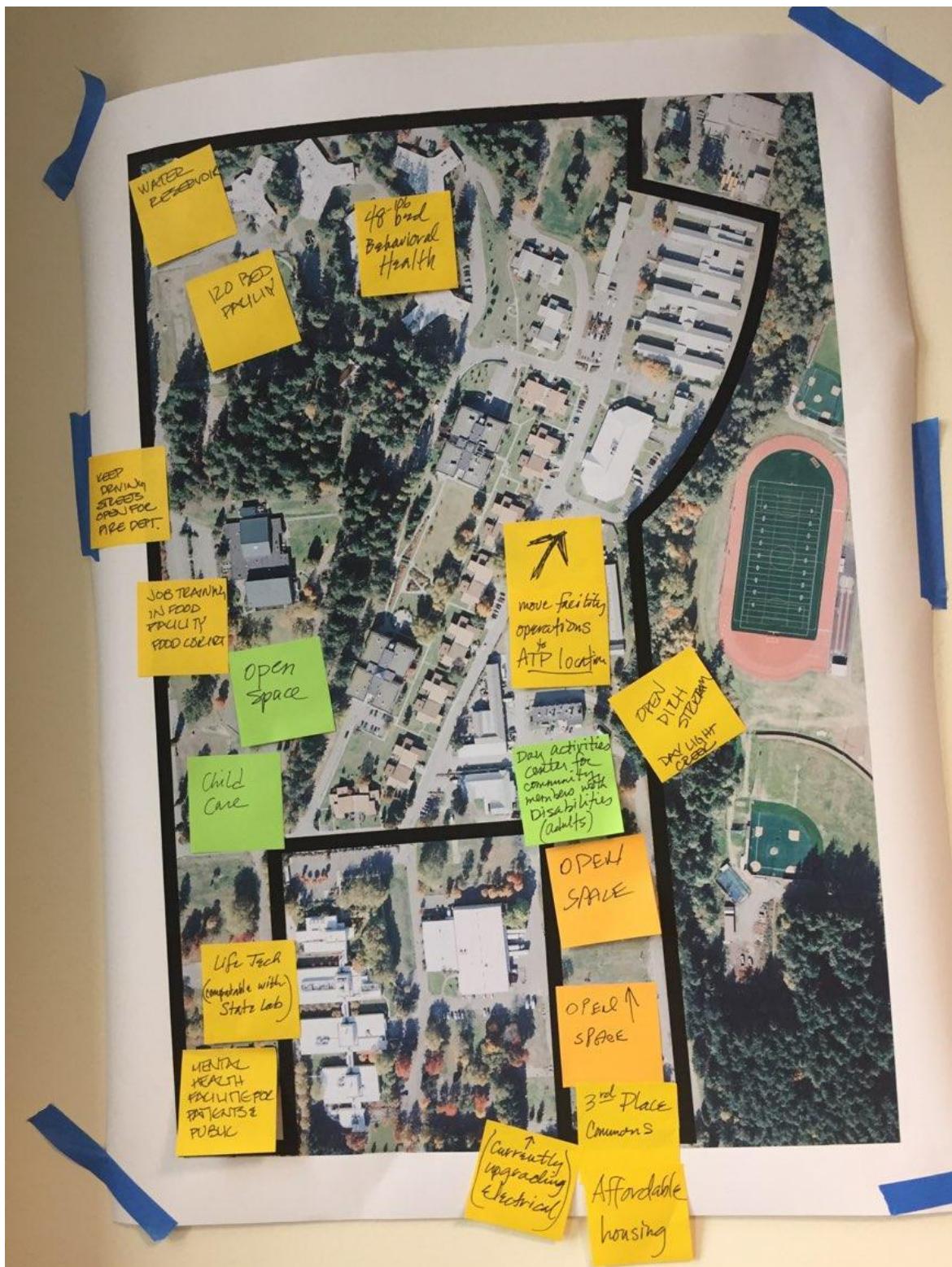
Appendix C: Stakeholder Listening Session Maps



No
concentrated
services
for comm.
(e.g. ~~off~~^{DD} apartments)







Appendix D: OFM Recommendations

OFM Vision for the Future of Fircrest



Budget Division
Office of Financial Management
December 2019

To accommodate persons with disabilities, this document is available in alternate formats by calling the Office of Financial Management at 360-902-0555. TTY/TDD users should contact OFM via the Washington Relay Service at 711 or 1-800-833-6388.

Visit our website at www.ofm.wa.gov.

Executive Summary

Section 3301 of the 2019–21 capital budget (Chapter 413, Laws of 2019) directs the Department of Natural Resources as follows:

- (1) The department must, in consultation with the office of financial management and the department of social and health services, develop recommendations for future use of underutilized portions of the Fircrest School campus, including the southeast and southwest corners. Recommendations must include options for developing affordable housing and public open space on underutilized portions of the Fircrest School campus and any specific statutory language necessary to implement these recommendations. Recommendations must consider: (a) Current zoning restrictions; (b) current use; (c) current ownership; (d) current revenue generating capacity; (e) any specific statutory language necessary to implement these recommendations; and (f) any legal constraints.
- (2) The department must submit a report to the appropriate committees of the legislature by December 31, 2019.

DNR and OFM entered into a memorandum of understanding to co-lead the work required by Section 3301. They also agreed to principles to guide this work, including that recommendations must prioritize the needs of Department of Social and Health Services' clients and members of the developmentally and/or intellectually disabled community.

DNR and OFM then developed a scope and agreed to a work plan.

The MOU states that “DNR and OFM must jointly agree to the report before its submittal to the Legislature by December 31, 2019. If the parties cannot agree on the contents of the report, the report must include the content from each party presented in a neutral manner.” This response from OFM represents the exercise of this option.

OFM's recommendations are as follows:

- **Construct a 120-bed nursing facility in the northern portion of the campus.** The governor's [2020 supplemental capital budget](#) includes \$6.6 million in bonds and authorizes \$118 million in alternative financing to replace Fircrest's nursing facility. This project will replace the failing and substandard Y buildings in which nursing clients are now housed. It will also ensure code-compliant buildings that will meet current and anticipated nursing demand. This aligns with recommendations set forth by the William D. Ruckelshaus Center work group and DSHS master development plan for Fircrest.
- **Site a 48-bed behavioral health facility in the northern portion of the campus.** DSHS will work with the city of Shoreline to site a behavioral health facility as part of the department's master development plan. DSHS was appropriated \$20 million in the enacted [2019–21 capital budget](#) for a 48-bed behavioral health facility, with Fircrest as one of several

locations under evaluation in the predesign. While Fircrest may not be the ultimate location for this facility, additional community behavioral health capacity will be needed in the future and Fircrest has the potential to provide community-based care in an area with a readily available workforce and available land.

- **Establish a revenue-generating lease in the southwest corner of the property for the benefit of persons served by the Charitable, Educational, Penal and Reformatory Institutions Trust.** The governor's [2020 supplemental capital budget](#) gives DSHS the authority to enter into a long-term, revenue-generating lease for the southwest corner, which could include various development opportunities. It is important that such a lease takes into account compatibility with Fircrest and the Department of Health public health lab.
- **Lease the southeast corner of the property for the benefit of persons served by the Dan Thompson Memorial Trust Account.** The governor's [2020 supplemental capital budget](#) also gives DSHS the authority to enter into a revenue-generating lease with the city of Shoreline for open space and other uses. In addition, it authorizes a \$1 million transfer into the Dan Thompson Memorial Trust Account, which will help support clients with intellectual and/or developmental disabilities in the community. The intent is to make annual \$1 million transfers to the account.

OFM prefers a lease of the southwest and southeast corners because this arrangement would provide a consistent, long-term revenue stream for the CEP&RI Trust and Dan Thompson Memorial Trust Account and could be accomplished without a statutory change outside of an appropriations bill.

Background

The Department of Social and Health Services operates four residential habilitation centers for individuals 18 years or older with a developmental and/or intellectual disability: the Fircrest School, Lakeland Village, Rainier School and Yakima Valley School. Each RHC provides 24-hour residential housing and other supports for these individuals who meet Medicaid eligibility requirements, and either require active treatment in an intermediate care facility or a nursing-facility level of care in a state-operated nursing facility. Each RHC must be federally licensed.

Funding for the RHCs comes from two sources: General Fund-State and matching General Fund-Federal from the Centers for Medicare and Medicaid Services.

Fircrest School was established in 1959 on the former site of a naval hospital and tuberculosis sanitarium. Fircrest's care model, like that at many state facilities, has evolved from a medical to a person-centered one. This places the individual at the center of the care process, where they are given support and training to become as independent as possible so they can move to a less-restrictive environment, preferably in a community setting.

Located just north of Seattle in Shoreline, Fircrest School has excellent access to the major medical and educational facilities that support its residents. Its location also allows residents to participate in many of the sporting, cultural and outdoor events held in the Seattle area.

History and Legislation

The philosophy for RHCs has changed over time. Originally built to communally house thousands of individuals with intellectual and/or developmental disabilities, the state moved from relying on these large facilities to using more community-based models. This followed research about the needs of this community as well as federal regulations. This shift was made possible by continued investment in community supports that allowed this population to transition into residential community settings. For example, in 1967 the total population housed in large, state-run facilities was at its peak of 4,145 residents. It dwindled to about 1,100 by late 2002.

Subsequently, the policies enacted by the Legislature have moved from placing individuals in institutions in favor of more community placements. For instance, Francis Haddon Morgan, a fifth RHC, was closed in 2011. Yakima Valley School stopped accepting long-term admissions in 2017. This was also made possible by investments made in community supports for clients with an intellectual and/or developmental disability. DSHS has also continued the shift to community placements through the closure of Program Area Team, or PAT A at Rainier School, which closed in September 2019 and necessitated transitioning clients into other residential settings. Half were placed in state-operated supported living alternatives or contracted supported living in the community.

Of the 644 clients housed in RHCs in October 2019, a total of 218, or about one-third, resided at Fircrest School.

William D. Ruckelshaus Center

DSHS began contracting with the William D. Ruckelshaus Center in 2017 following a legislative directive to determine how to support appropriate levels of care for RHC clients based on clients' needs and ages. The Ruckelshaus Center convened a diverse work group, with representatives from the Legislature, Friends of Fircrest, Friends of Rainier, Washington Federation of State Employees, Service Employees International Union, Arc of Washington State, Developmental Disabilities Council, DSHS and the Office of the Governor. The work group's initial report with short-term recommendations was submitted to the Legislature in January 2019. One recommendation was to fund a predesign study for a replacement nursing facility to maintain nursing capacity at Fircrest and relocate clients from deteriorating buildings.

At the direction of the Legislature, the Ruckelshaus group has continued to meet, including facilitating meetings and discussions to reach consensus on a preferred long-term vision for the support and care of RHC residents. The group published a report with this preferred longer-term vision on Dec. 1, 2019. This second report was provided to OFM and the appropriate fiscal and policy committees of the Legislature. Among its many recommendations is one that the Legislature fund a replacement nursing facility at Fircrest.

The Fircrest property

The Fircrest campus is composed of about 88 acres managed by multiple state agencies. About 54 acres belong to the Charitable, Educational, Penal and Reformatory Institutions Trust. As required by statute, DNR leases this portion of the property to DSHS at no cost. A total of nearly 22 acres is managed by DSHS and is not part of the CEP&RI Trust. By statute, any net proceeds from the use of that land must be deposited into the Dan Thompson Memorial Trust Account. DSHS leases approximately two acres of this portion of the property to the city of Shoreline for use as public open space.

In addition, the Department of Health manages nearly 13 acres where its public health lab is located. The public health lab supports the efforts of local health jurisdictions in routine disease monitoring as well as during communicable disease outbreaks.

Fircrest Land Management Map



CEP&RI Trust

The Enabling Act granted Washington certain federal lands, including 200,000 acres “for State charitable, educational, penal, and reformatory institutions.” The lease, sale or other disposition of CEP&RI Trust lands is subject to requirements set forth in the Enabling Act, as well as other state constitutional and statutory requirements. The proceeds from the use, sale or other disposition of CEP&RI Trust lands may be used only for the support, maintenance or construction of charitable, educational, penal or reformatory institutions.¹

Dan Thompson Memorial Trust Account

A 2002 Joint Legislative Audit and Review Committee [study](#) identified that Lakeland Village, Rainier School and Yakima Valley School include excess property “that can be sold with no impact on current institutional operations.” In response, the Legislature established the Dan Thompson Memorial Trust Account, which is governed by [RCW 71A.20.170](#). The statute requires that any net proceeds from the use of the excess property identified in the study must be deposited into the account. Proceeds may include revenue from leases or other activities short of the sale of the property. Revenue generated for the Dan Thompson Memorial Trust Account may be spent only after appropriation by the Legislature and only to support clients with an intellectual and/or developmental disability who live in the community.

Fircrest Master Plan

DSHS has been developing a Fircrest master plan since 2007, using a phased approach. Each of these master plans has resulted in a series of options, with recommendations for alternative uses, as directed by the Legislature:

- **Phase 1 (2008):** <https://www.dshs.wa.gov/node/6207>
- **Phase 2 (2010):** <https://www.dshs.wa.gov/node/6211>
- **Phase 3 (2016):** Internal planning document to identify future facility requirements for Fircrest

Throughout these master plan phases, the southwest and southeast corners have been deemed “excess” in relation to DSHS needs at the time. Potential reuse and rezoning of portions of the Fircrest property, including these corners, are subject to the updates in each master plan phase.

Since 2018, DSHS has been preparing a master development plan for the Fircrest campus, following a land use permit process required by the city of Shoreline prior to issuing permits for new construction on properties zoned as “campus.” This final phase of the master plan will bring together the campus needs of Fircrest identified in phase 3 with an updated view of underutilized property based on current DSHS needs.

¹ As noted previously: as required by statute, the Department of Natural Resources currently leases the CEP&RI portion of the property to DSHS at no cost.

As DSHS continues to care for clients at Fircrest, the department will consider the following needs in the master planning process:

- **Nursing.** Despite the shift to community placements for many RHC clients, there remains a subset whose fragile and more complex medical needs make a high level of nursing care necessary. State operated nursing facility capacity is an essential component of the RHCs. The nursing facilities at Fircrest, commonly referred to as the Y buildings due to their three-legged layout, house residents who need enhanced long-term care. The physical condition of these buildings has deteriorated over the years and they are in dire need of replacement. For example, in 2015, sewage was discovered in the HVAC system of one of the Y buildings. The HVAC design provides air flow through chambers below the floor near the sewer pipes. In addition, storm drains have failed due to blockages several times in the last few years, along with significant leaks associated with water heaters and storage tanks. There is no vacant space to relocate clients in the event of a facility failure or other emergency.
- **Behavioral health.** As the state transforms its behavioral health system by developing a continuum of care that diverts individuals from the state hospitals, more capacity is needed in communities. State-owned land, including DSHS campuses, is an attractive option for siting behavioral health facilities because it reduces or eliminates acquisition costs and speeds up the siting process. In addition, campus buildings for maintenance and kitchen services may already be available and co-located with other professionally operated programs. Fircrest is an ideal location for a behavioral health facility for these reasons as well as for the availability of professional and clinical staff due to population density and proximity to the University of Washington medical school.
- **Capital investment.** Some Fircrest buildings date back to the 1950s, having undergone little renovation or modernization over the years. If these aging buildings and infrastructure continue to be used for direct client support such as food service and for active treatment and other services, they will need investments to ensure safe functioning and compliance with code and requirements set forth by various authorities having jurisdiction.
- **Staging.** In cases where buildings or infrastructure require renovation or replacement, projects may need to be scheduled with contingencies in mind, such as the demolition of buildings and potential relocation of clients or services to other parts of the campus. Space constraints will affect the degree to which scheduling contingencies must be absorbed in a capital project.
- **Compatibility of other land uses with the RHC.** There are opportunities for development of other uses on the Fircrest property. It is important that any development be compatible with present uses of the Fircrest campus such as care for residents with intellectual and/or developmental disabilities and DOH's public health lab.

OFM Recommendations

DSHS can continue to operate Fircrest by utilizing the northern portion of the campus. Simultaneously, underutilized land in the southwest and southeast corners can be made available for other uses. The footprint of DOH will remain unchanged.

B street is the demarcation for the northern portion of the campus. B street currently lies over the southwest corner. If extended across the campus in a straight line, including over the southeast corner, B street is the boundary between the northern portion of the campus and the corners.

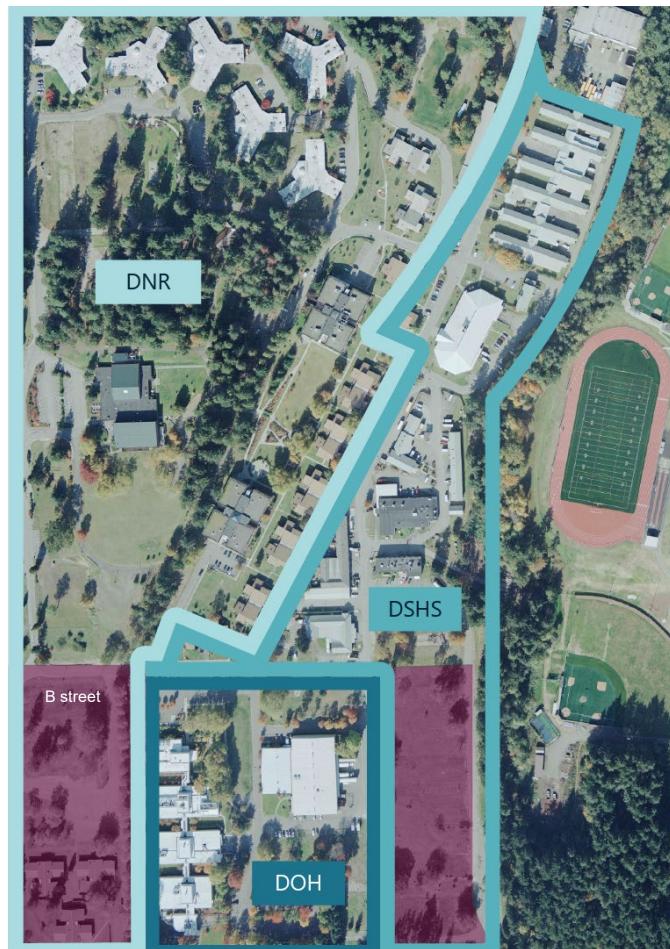
OFM and DSHS oppose considering areas north of B Street for anything but services and supports directly related to the care of Fircrest campus residents. As home to individuals with an intellectual and/or developmental disability, respect for living, working and active treatment spaces at Fircrest is of paramount importance. Any future development must be deferential to clients' needs and wants, including preserving their rights to health, safety and security within their own home, as would be true for any resident of the Shoreline community.

As the southwest corner contains land held in the CEP&RI Trust that is leased by DSHS and the southeast corner comprises land from which any proceeds must be placed in the Dan Thompson Memorial Trust Account, one of OFM's guiding principles for its recommendations is that potential development in one or both of these corners must benefit the persons served by these accounts.

OFM's recommendations are as follows:

- **Construct a 120-bed nursing facility in the northern portion of the campus.** The governor's [supplemental capital budget](#) includes \$6.6 million in bonds and authorizes \$118 million in alternative financing to replace Fircrest's nursing facility. This project will replace the failing and substandard Y buildings in which nursing clients are now housed. It will also ensure code-compliant buildings that will meet current and anticipated nursing demand. This aligns with recommendations set forth by the Ruckelshaus work group and DSHS master development plan for Fircrest.

Illustration of Southwest and Southeast Corners on Fircrest Campus



- **Site a 48-bed behavioral health facility in the northern portion of the campus.** DSHS will work with the city of Shoreline to site a behavioral health facility on the Fircrest campus as part of the department's master development plan. DSHS was appropriated \$20 million in the enacted [2019–21 capital budget](#) for a 48-bed behavioral health facility, with Fircrest as one of several locations under evaluation in the predesign. While Fircrest may not be the ultimate location for this facility, additional community behavioral health capacity will be needed in the future and Fircrest has the potential to provide community-based care in an area with a readily available workforce and available land.
- **Establish a revenue-generating lease in the southwest corner of the property for the benefit of persons served by the CEP&RI Trust.** The governor's [2020 supplemental capital budget](#) gives DSHS the authority to enter into a long-term, revenue-generating lease for the southwest corner, which could include various development opportunities. It is important that the placement of any development takes into account compatibility with the RHC and the public health lab.
- **Lease the southeast corner of the property for the benefit of persons served by the Dan Thompson Memorial Trust Account.** The governor's [2020 supplemental capital budget](#) also gives DSHS the authority to enter into a revenue-generating lease with the city of Shoreline for open space and other uses to generate revenue for the benefit of persons served by the Dan Thompson Memorial Trust Account. In addition, it authorizes a \$1 million transfer into the Dan Thompson Memorial Trust Account, which will help support clients with intellectual and/or developmental disabilities in the community. The intent is to make annual \$1 million transfers to the account.

Study Process

DNR and OFM agreed to co-lead the work required by Section 3301 of the 2019–21 capital budget ([Chapter 413, Laws of 2019](#)), and also agreed to principles to guide this work, including that the recommendations must prioritize the needs of DSHS clients and the ID/DD community. DNR and OFM entered into a memorandum of understanding to govern their joint work on the study.

DNR and OFM then developed a scope and agreed to a work plan, whose purpose was to carry out principles agreed to by the Commissioner of Public Lands and the director of OFM, as described in the MOU.

The work plan also outlined deliverables and timelines, including meetings with key stakeholders to learn about their needs for the Fircrest campus. Stakeholders included:

- Representatives of the ID/DD community, including but not limited to the Arc of King County, Developmental Disabilities Council, Friends of Fircrest and Disability Rights Washington
- The city of Shoreline
- A subset of CEP&RI beneficiaries

Additional stakeholder groups such as the North City Water District and Shoreline Fire Department were engaged during the study at the suggestion of stakeholder groups. During the initial meetings, nearly every individual stakeholder group conveyed an interest in sharing ideas and hearing each other's perspectives. In response, a combined stakeholder session was held later in the study.

Prior to the stakeholder meetings, DSHS and DOH were consulted about their needs and desires as agencies that occupy the Fircrest campus.

- **DSHS** is completing a master development plan which proposes the siting of a 120-bed nursing replacement facility and a behavioral health facility. DSHS completed a predesign of the nursing replacement facility in 2017–19 and communicated intent to pursue design and construction funding in the 2020 supplemental budget. As part of this project, DSHS intends to demolish the Y buildings. DSHS is also completing a preliminary predesign for a 48-bed behavioral health facility, which will evaluate Fircrest as an option.
- **DOH** is developing the portion of the property it manages in alignment with its 2010 master development plan, which includes improvements to buildings, a new road and parking garage, and enhancements to utilities such as electrical, sewer and gas. DOH is also in the predesign phase for expansion of its public health lab, which will include new construction on DOH's portion of the property.

Stakeholder feedback

The stakeholders conveyed feedback in meetings coordinated and hosted jointly by DNR and OFM. Feedback included:

- **ID/DD community:** Expressed an interest in generating revenue for the Dan Thompson Memorial Trust Account. Also conveyed that it was important that any lease or sale of the land in the southeast corner be held to the principle of fair market value. Also expressed an interest in ensuring that any development of the campus be done with respect to compatibility with the RHC and the care of ID/DD residents.
- **City of Shoreline:** Conveyed two key priorities for the campus: open space and creation of a job center. For example, it explained that job creation and other economic benefits could be derived by establishing a portion of the campus as “community business zoning.” Also conveyed the importance of satisfying these interests in the context of meeting trust obligations.
- **CEP&RI beneficiaries:** Two of the trust beneficiaries, DSHS and DOC, expressed an interest in leveraging proceeds from the trust to invest in the capital needs of their institutions. However, both DSHS and DOC concurred that the larger goals of the Fircrest campus, such as siting a nursing facility and building community capacity for behavioral health clients, should take precedence over other considerations.
- **North City Water District:**² Expressed concerns about the aging water system at Fircrest, which is owned and maintained by DSHS. It is interested in having additional water sources on the property as well as a new water system that could potentially be transitioned to the district to manage.³
- **Shoreline Fire Department:** Conveyed similar concerns with water availability at Fircrest as the water district. Is interested in having a water source added to the campus for fire emergencies.

Nearly every stakeholder group expressed an interest in some kind of open space on the Fircrest campus. During the group stakeholder session convened later in the study, stakeholders conveyed openness to a variety of development opportunities included in the proviso, including affordable housing, with the understanding that the following are prioritized:

- Obligations related to the CEP&RI Trust and Dan Thompson Memorial Trust Account.
- Compatibility with the needs of the RHC and Fircrest residents.

² The 2017–19 supplemental capital budget requires DSHS to consult with the North City Water District in any planning meetings on the Fircrest master plan.

³ The DSHS master development plan in progress allows for the placement of two water reservoirs in the northern portion of the campus.

Lease mechanics

- **Southwest corner (CEP&RI Trust):** The land in the southwest corner of the property is subject to a statute requiring DNR to lease the land to DSHS. Absent a statutory change, DSHS is thus the appropriate entity to enter into a sublease of this land for the benefit of persons served by the CEP&RI Trust.
- **Southeast corner (Dan Thompson Memorial Trust Account):** The statute governing the Dan Thompson Memorial Trust Account does not contemplate a sale of the land from which proceeds must be placed in the account. This land is also not surplus and may not be given away. Lease of the land will provide income for the benefit of persons served by the account.

OFM prefers a lease of these corners because it provides a consistent, long-term revenue stream for the CEP&RI Trust and Dan Thompson Memorial Trust Account, and can be accomplished without a statutory change outside of an appropriations bill.