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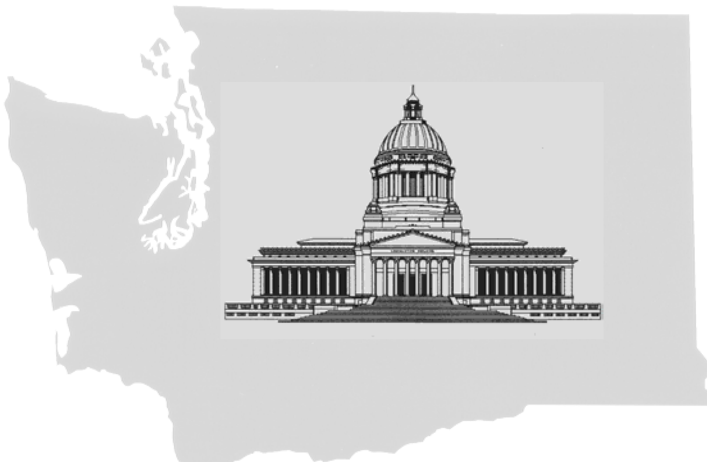

Capital Study of the DDD Residential Habilitation Centers

Report 02-12

December 4, 2002

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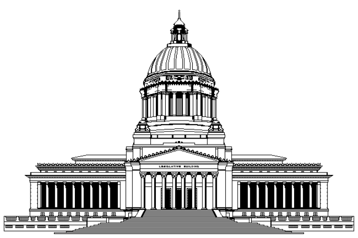
JLARC staff, under the direction of the Committee and the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews and other policy and fiscal studies. These studies assess the efficiency and effectiveness of agency operations, impacts and outcomes of state programs, and levels of compliance with legislative direction and intent. The Committee makes recommendations to improve state government performance and to correct problems it identifies. The Committee also follows up on these recommendations to determine how they have been implemented. JLARC has, in recent years, received national recognition for a number of its major studies.

CAPITAL STUDY OF THE DDD RESIDENTIAL HABILITATION CENTERS

REPORT 02-12

REPORT DIGEST

DECEMBER 4, 2002



STATE OF WASHINGTON

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Background

The Division of Developmental Disabilities (DDD), within the Department of Social and Health Services (DSHS), operates five residential habilitation centers (RHCs) for qualified developmentally disabled citizens. These large institutions provide 24-hour residential housing for individuals needing institutional care. The facilities are Frances Haddon Morgan Center, Fircrest School, Rainier School, Yakima Valley School, and Lakeland Village; they are located in Bremerton, Shoreline, Buckley, Selah, and Medical Lake, respectively.

Lakeland Village first opened in 1915, and five other institutions were added as the DDD institutional population grew.[1] At their peak in 1967, the RHCs housed a combined population of over 4,000 residents. Since then, the state's institutional population has declined. Currently, just over 1,100 residents live in these facilities. This decline reflects the national trend where the current population in DD institutions is roughly one-fifth of the peak population in 1967.

Mandate

As the resident populations continue to decline, and as the aging facilities require more capital investment, the state must look at options for the future of these five institutions. Consequently, the Legislature, in its 2001-03 Capital Budget, directed JLARC to:

> *Conduct a study of the possible alternative uses of the land and facilities currently used by state operated residential habilitation centers and nursing facilities for persons with developmental disabilities.*

JLARC staff worked with two real estate appraisal firms to determine the current and potential uses and values of the five facilities.

Findings

Highlights of the findings from this JLARC study include:

- **None of the facilities is limited to serving only its current population.** The institutions do serve unique populations, but specialized services at one can be replicated at any other facility with the proper staffing.
- **All five campuses are under-utilized and have some capacity for growth.** The institutions currently serve fewer residents than their capacity, and all campuses could be enlarged to serve more residents.
- **All five campuses suffer some degree of functional or external obsolescence.** Due to building ages and changes in service delivery philosophies, many of the buildings on each campus experience some level of decreased utility as RHCs.

[1] One institution, Interlake School, closed in 1994.

- **Local zoning will constrain the potential alternative uses of each campus.** All five RHCs are located in cities, some of which have zoning ordinances restricting the type of use that can occur on these properties.
- **The RHCs can be ranked in terms of their relative worth to the state as DDD institutions.** From highest to lowest "value in use," they are:
    1. Rainier School
    2. Yakima Valley School
    3. Lakeland Village
    4. Frances Haddon Morgan Center
    5. Fircrest School

Conclusions

1. **Frances Haddon Morgan Center and Fircrest School** have **potential alternative uses and market values**. By either selling the property to the City of Bremerton or avoiding state lease costs elsewhere, the **Frances Haddon Morgan Center** could generate approximately **$2.9 million** for the state, in both ongoing and one-time costs. And, after subtracting various liabilities of **Fircrest School**, potential revenue for and/or savings to the state could be approximately **$32.7 million**.
2. **Fircrest School** has a high potential market value, but **has complicating factors**: the land on which Fircrest campus sits is divided between DSHS-managed land and the Department of Natural Resources (DNR)-managed trust land; the DNR-managed portion is limited in its use under a land lease between DNR and DSHS; the DSHS portion would be difficult to develop on its own due to its awkward shape and location; long-term tenant leases limit the alternative uses of the campus.
3. **Lakeland Village, Rainier School, and Yakima Valley School** have **excess property** (residential, agricultural, and timber land) that can be sold with no impact on current institutional operations. If excess parcels of lands were sold, they could potentially generate approximately **$7.7 million** for the state. Additionally, if the timber were harvested from the excess property at Rainier, it could generate an additional $5.7 to $7.0 million in revenue to the state.
4. The immediate campuses at **Lakeland Village, Rainier School, and Yakima Valley School** have **no significant marketable value** beyond their current use.

Recommendations

Recommendation 1: Real Estate Services, Division of State Services, Department of General Administration should develop options to dispose of excess property identified by JLARC's consultants at Lakeland Village, Rainier School, and Yakima Valley School. Such options should maximize the investment return to the state.

Recommendation 2: The Department of Social and Health Services (DSHS) should synthesize this report and two other documents relating to the future of the RHCs: the Stakeholders Workgroup progress report and the Fircrest Campus Master Plan. The resulting synthesis should address projected future institutional needs for developmentally disabled individuals in Washington State, anticipated changes in the type of care needed by institutional residents, and alternative or combined use scenarios for each RHC campus. DSHS should present this collection of information and alternatives to the Legislature by September 2003.

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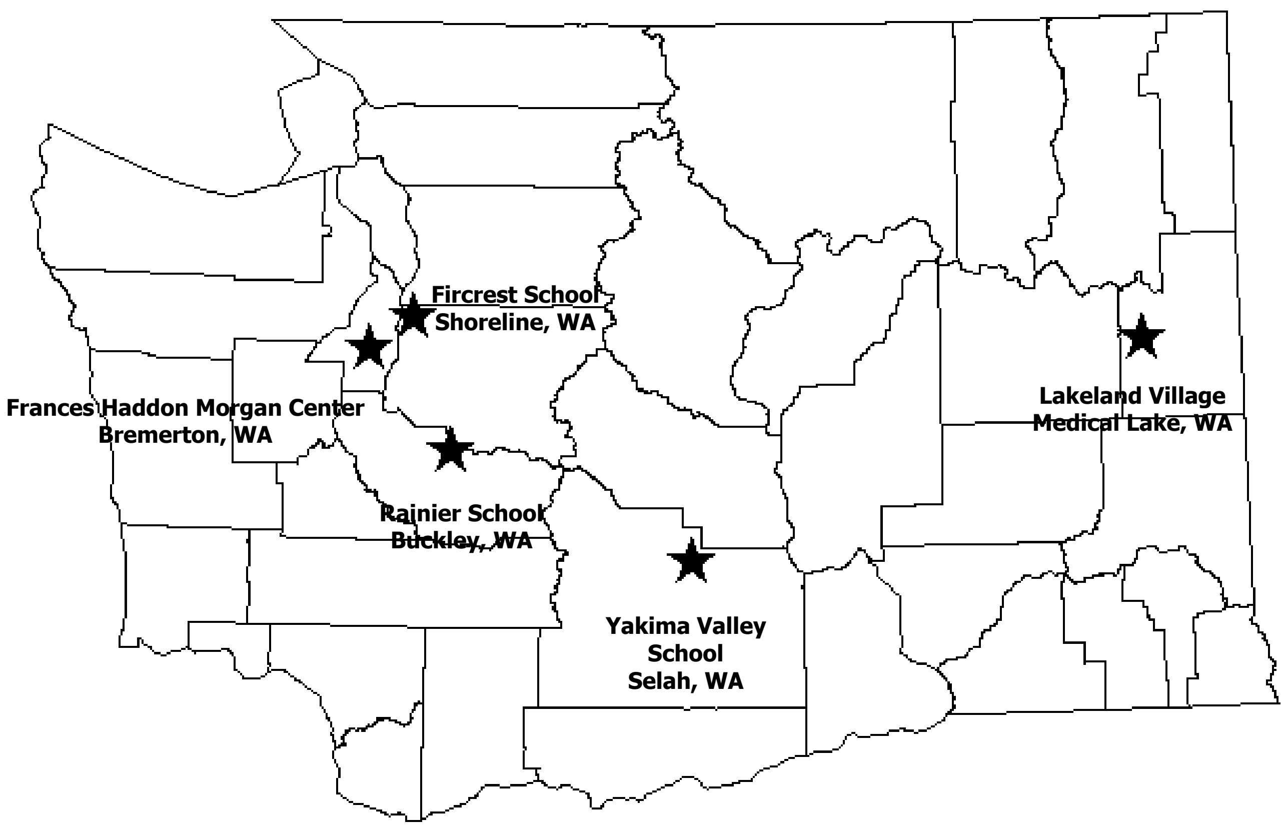
CHAPTER 1 – BACKGROUND

The Division of Developmental Disabilities (DDD), within the Department of Social and Health Services (DSHS), provides supports and services to state residents with developmental disabilities.[1] Services range from case management and needs assessment to rehabilitative therapies and intensive daily living support. DDD operates five residential habilitation centers (RHCs) to provide 24-hour residential housing for approximately 1,100 eligible individuals desiring institutional support. Specific services provided at the RHCs include occupational and physical therapy, limited job training, medical and dental care, pharmaceutical services, and all other services necessary to a population in an institutional setting such as transportation, food service, recreation, personal hygiene, and social activities. These facilities are located in Bremerton, Shoreline, Medical Lake, Buckley, and Selah, as depicted in Figure 1.

Figure 1: Residential Habilitation Centers in Washington State



Source: JLARC.

[1] The primary disability listed for eligible clients is a diagnosed level of mental retardation (mild, moderate, or severe); other eligible conditions include cerebral palsy, epilepsy, autism, and other similar diagnoses.

The current RHC population of 1,100 is substantially lower than the institutional census of over 4,000 in 1967. Although the state did close one facility, Interlake School, in 1994, the remaining five institutions still house only a small percentage of the population once residing there. As the resident populations continue to decline, and as the aging facilities require more capital investment, the state is faced with looking at options for the future of these five institutions. Consequently, the Legislature mandated this study to JLARC in 2001 in order to gain more information surrounding such options.

Study Process

The 2001-03 Capital Budget (Section 148, Chapter 8, Laws of 2001, 2nd Ex. Session) directed JLARC to:

> *Conduct a study of the possible alternative uses of the land and facilities currently used by state operated residential habilitation centers and nursing facilities for persons with developmental disabilities.*

Consistent with this mandate, this study includes a fiscal analysis of the current value of the land and facilities of the state's five residential habilitation centers operated by the Division of Developmental Disabilities within the DSHS.

JLARC engaged professional real estate appraisers[2] to (1) assess the current value and uses of the lands and buildings at each facility, (2) identify possible alternative uses for the land and facilities, and (3) estimate the potential revenue that could be generated from these alternative uses. The Executive Summary of the consultants' five appraisal reports is included as Appendix 3.[3]

In addition, JLARC staff researched relevant state laws and regulations regarding current and future use of the facilities, summarized the history and current status of the five facilities in Washington State, and identified national and state population trends in state-run institutions for the developmentally disabled.

Study Overview

This report is divided into five chapters. In addition to the study mandate and an overview of the full report, Chapter 1 includes a brief introduction to DSHS services for the developmentally disabled and a history of the RHCs; state and national institutional population trends; current RHC expenditure information; and summary information on state rules about disposal of these particular state lands. Chapter 2 gives a comparative analysis of the five facilities. Chapters 3 and 4 then identify and discuss the current use and values and the alternative uses and values of each RHC, respectively. The report ends with study conclusions and recommendations in Chapter 5.

BACKGROUND

The history of housing developmentally disabled people in institutions in Washington dates to the first "School for the Feeble-Minded" (now known as Lakeland Village), which opened in 1915.[4] This school housed over 1,600 children and was designed to be largely self-contained. Many residents were sent to work in the dairy or in the fields. In 1935, families convinced the state Legislature to open a second

[2] JLARC used the appropriation for this study to hire two appraisal firms through a competitive bid process. The two firms worked together to agree on process, approach, and major assumptions, but then each focused on specific facilities. Cushman & Wakefield of Washington (Seattle) focused on Fircrest School, Rainier School, and the FH Morgan Center. Auble, Jolicoeur & Gentry (Spokane) focused on Yakima Valley School and Lakeland Village. Both firms assigned certified appraisers to this study, and all of the work was completed according to the Uniform Standards of Professional Appraisal Practices (USPAP).

[3] Copies of the five detailed real estate appraisals are available from JLARC upon request.

[4] Between 1907 and the opening of Lakeland Village, residents were housed on the grounds of Eastern Washington Hospital (also on Medical Lake). Prior to 1907, the only school for the disabled was the School for Defective Youth in Vancouver, which opened in 1886 (now the Washington School for the Deaf).

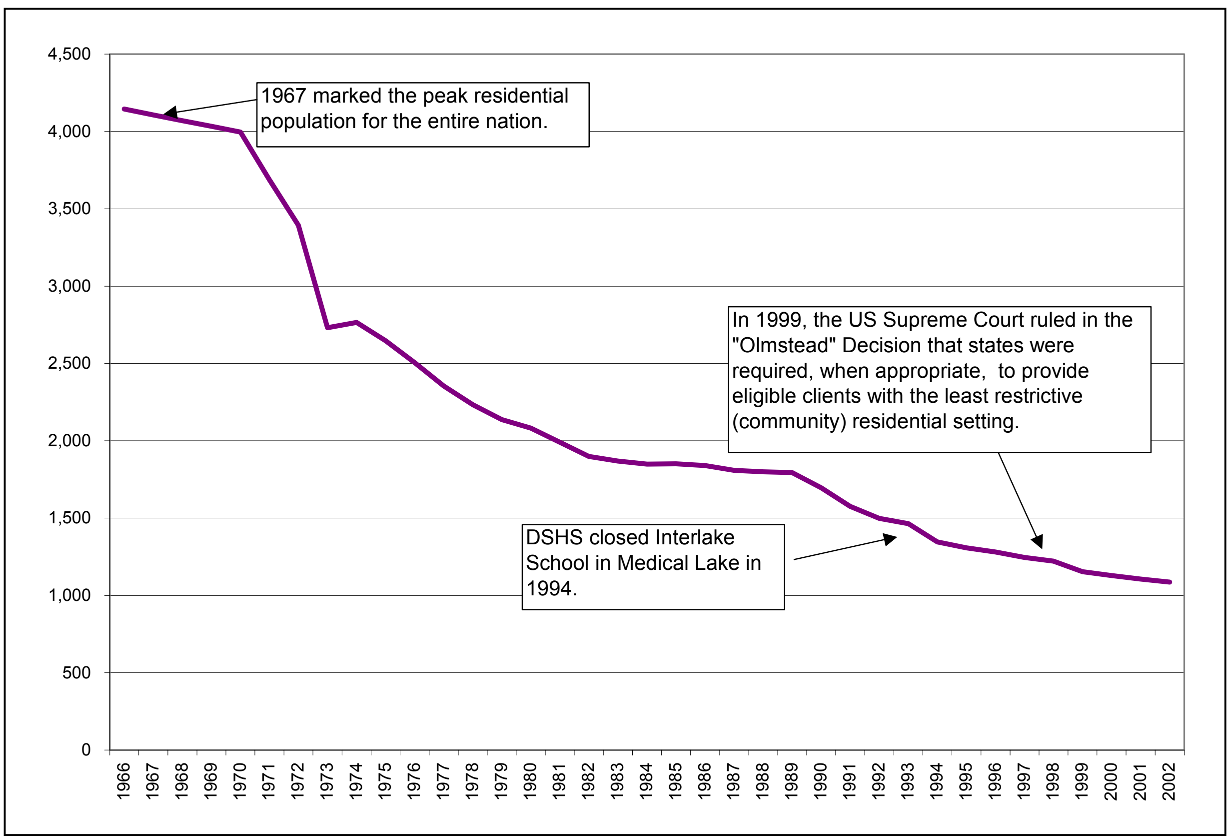
state "school" on the west side of the state – Rainier School (also with a dairy and agricultural operation), which at its peak in 1958 housed 1,900 residents. These are the only two institutions that were originally designed to be state-run facilities; the other three were adapted from other uses as the demand for institutional housing grew over time.[5]

State Trends in Institutional Care

The total population housed in these large, state-run facilities peaked in 1967 at 4,145 residents. Then came a significant philosophical shift in perspectives regarding services for the developmentally disabled. Some came to see large institutions as too hospital-like and regimented; these advocates pushed for more treatment and care in homes and home-like settings. Since then, the institutional population has been in constant decline. Figure 2 below shows the annual institutional population for DDD since 1966.

Several historical events are noted in Figure 2. As in Washington, the national population in residential institutions peaked in 1967.[6] The second notable date is in 1994, when DSHS closed the sixth RHC, Interlake School. Twenty-three residents transferred into community placements and 94 transferred to other RHCs (59 to nearby Lakeland Village). Today, the Interlake School building is being used by the Department of Corrections for storage purposes.

Figure 2 — DDD Institutional Population in Washington State — 1966 to Present



Source: JLARC Analysis of DDD data.

[5] Yakima Valley School in Selah was originally constructed as a tuberculosis hospital. Both Fircrest School and Frances Haddon Morgan Center were built during World War II as naval hospitals. Interlake School, which closed in 1994, was originally constructed as a geriatric facility for patients from Eastern State Hospital.

[6] *The State of the States in Developmental Disabilities: 2002 Study Summary* (2002), University of Colorado, p. 7.

The third event came in 1999, when the U.S. Supreme Court handed down its decision in a case brought against the state of Georgia by two residents in a state psychiatric hospital.[7] The "Olmstead Decision" requires states to place persons with disabilities (both mental and developmental) in the **least restrictive setting** that is possible and appropriate. These events, together with regular attrition rates, explain the trend of a declining institutional population in Washington.

National Trends in Institutional Care

The trend in declining DD institutional populations is not unique to Washington State. The current population in DD institutions nationwide is roughly one-fifth of the peak population in 1967.

The following statistics further demonstrate this trend:

- Eight states and the District of Columbia have closed all of their large, state-run DD institutions;
- Another 29 states have closed at least one or more of their DD institutions;
- Of the 13 that have not closed any DD institutions, five of them have only one institution; and
- Of the 349 large, state-run DD institutions operating at some point between 1960 and 2001, 47 percent (164) have closed.

The institutional patterns of Washington's neighbors, Idaho, Oregon, and California, also follow this national trend: Idaho has not closed an institution, but it has only one; Oregon has closed two of its three institutions; and California has closed six of its 12 institutions.

As the populations in individual DD institutions decrease, the cost per resident increases — in dollars **adjusted for inflation**, the national average annual cost per resident in 2000 was 22 times greater than it was in 1950. The national average **daily** cost per resident in FY 2000 was $311.95; the average for Washington State for that year was $390.64, more than 25 percent higher than the national average.

Current Budget and Client Caseload

Institutional residents account for 3 percent of the total population served by the Division. In terms of spending, however, the institutions account for about 26 percent of total DDD expenditures. The number of clients served and FY 2002 DDD expenditures are displayed in Figure 3 on the next page.

Within the total RHC operating expenditures, staffing costs and contracts make up about 88 percent of all expenditures, as shown in Figure 4.[8] Medicine, food, and other supplies make up about 6 percent of the budget, utilities make up another 3 percent, and all other costs combined represent the remaining 3 percent of total RHC operational costs.[9]

POLICIES AND PROCESSES REGARDING DISPOSAL OF CERTAIN STATE LANDS

In addition to budget background information, it is important to consider general state land management practices. State laws and agency policies about two particular types of state-owned lands — Charitable, Educational, Penal, and Reformatory Institutions (CEP&RI) trust land and DSHS land — may come into play with regard to the future of RHC properties.

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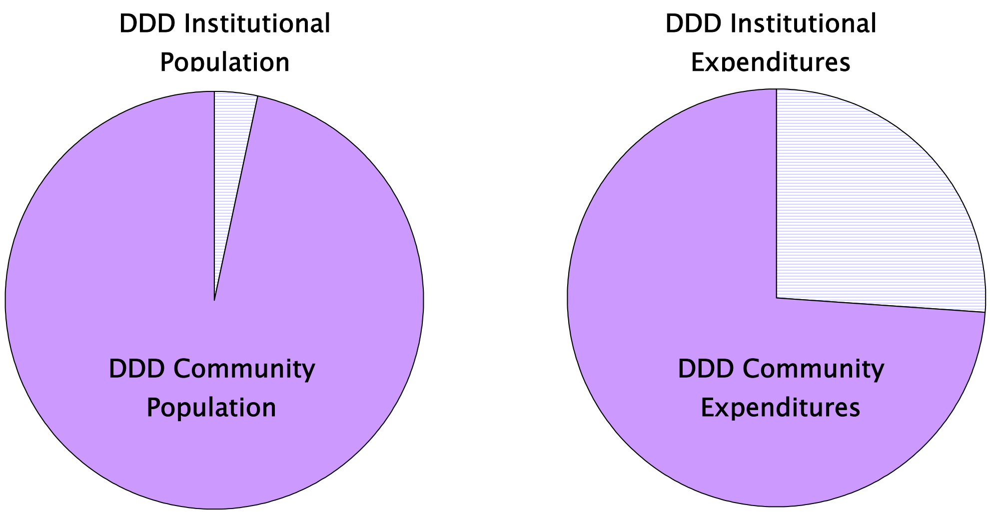
[7] *Olmstead v. L.C. ex rel. Zimring, 527 US 581 (1999).*
[8] The totals in Figure 4 do not include the IMR tax.
[9] When viewing the individual RHC expenditures, they do not differ much from the overall percentages shown above. Appendix 4 begins with additional expenditure detail for each RHC.

Figure 3 — DDD Populations and Expenditures, FY 2002



Source: EMIS expenditure reports.

Figure 4 - RHC Operating Expenditures, FY 2002

	FY 2002	%
Salaries/ Benefits	$128,129,895	87.2%
Contracts	$1,733,780	1.2%
Pharmaceuticals/Other Supplies	$6,930,916	4.7%
Food	$2,126,216	1.4%
Other Goods and Services	$285,630	0.2%
Office Operations	$1,479,821	1.0%
Equipment	$1,477,920	1.0%
Utilities/Maintenance	$4,881,081	3.3%
Other	($74,375)	-0.1%
Total	**$146,970,884**	**100.0%**
Annual Per Resident Average	***$134,445***	
Daily Per Resident Average	***$368***	

Source: DDD budget data.

CEP&RI Trust Land

Washington's Enabling Act[10] provides for the establishment of a trust for the support of institutions such as those now managed by the Department of Social and Health Services and the Department of Corrections. The Enabling Act calls for the state support of such institutions by designating certain lands as CEP&RI trust lands and then using those lands to generate income for the institutions, for example through timber sales or agricultural leases. The Department of Natural Resources (DNR) manages the state's CEP&RI trust lands as well as other state trust lands. DNR has certain fiduciary duties with regard to how these trust lands are managed; in general, the lands are managed for the benefit of the beneficiaries of the trust.

Most trust lands provide support for their beneficiaries through the generation of income from the property. However, in this particular situation, one of the RHCs (Fircrest School) is actually located on CEP&RI trust land. The land at the Fircrest School site was originally designated as common school trust land, granted to the state through the Enabling Act for the support of the state's K-12 schools. Prior to World War II, the U.S. Navy took over the land to construct a hospital. After the war, the Navy conveyed the property to King County to use as a tuberculosis hospital. The state of Washington reminded King County that the property did, in fact, belong to the state, and the land was conveyed back to the state shortly thereafter.

Fircrest School opened on the site in 1958. The property was still, however, designated as common school trust land. To help remedy this situation, DNR and DSHS arranged for a land exchange, trading approximately 36 acres of the Fircrest School site for a large parcel of DSHS land west of the Lakeland Village campus in Medical Lake. In 1987, DNR exchanged the remaining 51 acres of common school trust land at Fircrest School for CEP&RI trust lands elsewhere in the state in order to change the trust designation of the Fircrest land. So, while DSHS owns a portion of the Fircrest School site, the remaining portion (51 of the 87 acres) remains in CEP&RI trust status. The map in Appendix 4 shows the land division at Fircrest School.

DSHS "Surplus" Lands

Another type of land disposal that may be relevant to this study comes from legislation enacted in 1991 and relates directly to the CEP&RI trust land issue.[11] DSHS manages lands and buildings for a wide assortment of operations, from institutions for the mentally ill and the developmentally disabled to regional administrative offices and local community service centers. The 1991 legislation directs DSHS to inventory all of its property every five years and to determine which property is "surplus."[12] Once the property is declared surplus, DNR has the opportunity of accepting the property into the CEP&RI trust. DNR will only accept the surplus property if the land has the potential to generate revenue for the trust beneficiaries; to date, DNR has added 387 acres to the trust under this new policy. If DNR determines that the property is overly encumbered or has low revenue-generating potential, DSHS then works with the Department of General Administration to sell the property. To the extent that any of the RHC lands or buildings are designated as "surplus" by DSHS, the properties may receive the status of CEP&RI trust lands through the process enacted in the 1991 law. This could create the same situation with regard to alternative uses of the land on other RHC campuses as is currently the situation at Fircrest School.

[10] 25 U.S. Statutes at Large, c 180 p 676 (1889).
[11] SSB 5332, now codified at RCW 79.01.006.
[12] DSHS does not have an official policy about when to categorize property that is no longer used as being "surplus." Rather, the department's Lands and Buildings Division decides on a case-by-case basis whether to keep property within agency control. For example, DSHS closed Interlake School in 1994, yet the property remains under DSHS management as a storage facility for the Department of Corrections.

CHAPTER 2 – COMPARATIVE ANALYSIS OF THE LAND AND FACILITIES OF THE RHCS

The state's five DDD institutions cover 1,865 acres and include 2.3 million square feet of buildings. These facilities are not only large in scale, but they also have several special purpose buildings. All five facilities operate their own boiler systems; one has its own water source and wastewater treatment facility; another has its own greenhouse; and all five have large kitchens and maintenance buildings. This chapter highlights some comparative information about these residential habilitation centers.

OVERVIEW

Each of the five residential habilitation centers is complex and unique in its own way. Nonetheless, some general characteristics emerge regarding the overall characteristics of the five institutions.

- **None of the facilities is limited to serving only current populations.** The five institutions serve slightly different populations in terms of degree of mobility, age, and type of disability. And, the facilities have staff expertise allowing them to specialize in focusing services on some types of disabilities. However, no single institution serves a unique population that could not be served by the other facilities. Thus, no single facility specializes in a type of care that could not be replicable at one of the other facilities, given appropriate staffing expertise.
- **All five facilities are under-utilized.** Four of these facilities[13] are serving fewer residents than they have ever served, and fewer residents than they are currently funded and staffed to serve.
- **Three facilities have excess property.** Frances Haddon Morgan Center, Lakeland Village, and Rainier School have excess land and buildings that could be easily separated from the main campus and sold. This topic is discussed further in Chapters 3 and 4 of this report.
- **All campuses are obsolete to some degree.** As the overall demand for institutional care decreases, and as the type of space needed to care for residents changes, the amount of obsolescence at each campus increases. Yakima Valley School and Lakeland Village manifest the highest obsolescence, although this is due more to underutilization than to ineffective space.
- **All facilities are subject to local zoning.** Because all five facilities lie within their respective city limits, local zoning policies and practices will play significant roles in any potential alternative uses of the facilities.
- **All facilities have some capacity for growth.** Peak capacity numbers (see Figure 5 on the next page) and the current infrastructure operations and conditions at each facility illustrate that any of the RHCs would be able to house an increased resident population. Most of the facilities have sufficient existing living space or the capacity to build and support new cottages should the need arise to move residents out of one facility and into another.

[13] The Frances Haddon Morgan Center is the one exception; since opening, the facility has maintained a capacity of 56 residents and rarely dips beneath that in its census. However, even the Frances Haddon Morgan Center has excess space above what is required to operate the RHC program.

COMPARATIVE ANALYSIS

Figure 5 below provides comparative information for each of the five RHCs that paints a more detailed picture of each institution. The **program description** section of the matrix provides a broad picture of the size and operational cost for each facility, and the **campus description** section of the matrix has summary detail on the physical features of each facility.

Figure 5 – Comparative Analysis Matrix

	Frances Haddon Morgan Center	Fircrest School	Lakeland Village	Rainier School	Yakima Valley School
Program Description					
Average Census for FY 2002	54	280	254	422	110
FY 2001-03 Funded Capacity	56	295	259	431	120
Peak Capacity	57	920	1600	1900	250
Average Annual Staff FTEs	132	751	554	999	269
Annual Cost per Resident	$143,411	$147,699	$132,240	$122,528	$149,722
Campus Description					
City Location	Bremerton	Shoreline	Medical Lake	Buckley	Selah
Zoning Designation	Park/School	Residential	Institutional	Public	Residential
Immediate Campus Acres	12	87	70	105	22
Excess Land Acres	0	0	566	1003	9
Number of Buildings	16	60	61	64	12
Square Footage of Buildings	97,461	705,399	490,267	913,599	144,860
Date of Original Construction	1944	1942	1914	1938	1947
Campus Obsolescence	15.4%	15.5%	29.8%	15.5%	28.3%
Proposed Capital Improvements	$5,948,000	$25,338,800	$7,500,000	$25,817,660	$3,700,000

Source: JLARC, Cushman & Wakefield of Washington, and Auble, Jolicoeur & Gentry.

Key to Comparative Analysis Matrix

The table above includes all of the major facts to paint a basic picture of each institution. Much of this descriptive data is provided as supporting data to the conclusions reached by JLARC's appraisal consultants, as outlined in Chapters 3 and 4.

Program Description

Average Census:[14] This indicates the average number of residents at each facility for fiscal year 2002. The actual census fluctuates slightly from month-to-month as temporary residents from the community come and go, new clients are admitted, current residents move into the community, or through natural attrition. The number indicated in Figure 5 includes those temporary residents who have been admitted to provide respite for their caretakers in the community. **Note that the average census is lower than the funded capacity at each institution**.

[14] Source: Data provided by DSHS in the Executive Management Information System (EMIS).

Funded Capacity:[15] These numbers indicate the number of beds, permanent and respite, that each facility is authorized and staffed to support for the 2001-03 biennium. The Division of Developmental Disabilities budgets for a set number of beds, and the Legislature implicitly authorizes a given capacity in the budget process. It is important to note here that the past several budget bills have included explicit direction from the Legislature to the Division to close one or more cottages (a living unit for 8-16 residents) at specific RHCs.[16] The difference between the capacity and census can be attributed to underutilization of the respite program, natural attrition, or other factors related to a decreased demand for placement of developmentally disabled persons in a state institution.

Peak Capacity:[17] All but one of these facilities (Frances Haddon Morgan Center) were built or renovated to house many more clients than are currently present. However, these peak capacity numbers were usually reached at a time when dormitory or ward-type housing was more acceptable. The current cottage-style living environment requires much more space on each campus. At Fircrest, Lakeland Village, and Rainier, many of the old ward-style buildings have been demolished, boarded up, or converted to other uses. These peak capacity numbers provide some indication of the **potential** scale of the facilities, especially as reflected in their support services and land utilization. Actually housing the number of residents indicated in the total peak capacity figure of 4,700 would be impossible to implement, given the service delivery changes made since the 1960s.

Average Annual Staff FTEs:[18] This shows the number of staff full-time equivalents at each institution. The average total staff to resident ratio in the RHCs is over 2 to 1. The staffing ratio is slightly higher at three institutions—Frances Haddon Morgan Center, Fircrest, and Rainier.[19]

Annual Cost per Resident:[20] The annual per-resident costs shown here are for fiscal year 2002 and include only direct costs of the institutions. The figures do not include regional or central office administration. Costs per resident may vary due to different facility operational costs, staffing levels, or economies of scale. The average annual cost per resident has been increasing and will continue as the census declines and the same fixed costs are spread over fewer residents.

Campus Description

City Location: All five RHCs are located within their respective cities' limits. Therefore, these cities' zoning ordinances and associated policies influence the current use, and any potential alternative uses, of all five campuses.

Zoning: Because all five RHCs are located within city limits, city planners determine their zoning designations. Three of the facilities have public or institutional zoning designations, and the other two have residential zoning designations with special zoning overlays that allow operation of the RHCs. That is, if Fircrest and Yakima Valley Schools were no longer operating as RHCs, the property would revert back to residential zoning. There are sometimes opportunities to change zoning designations. For

[15] Source: DSHS Agency Overview (on the web), dated February 2002.
[16] For example, the 2001-03 biennial budget directed Fircrest to close two cottages by July 1, 2002, and an additional cottage by April 1, 2003.
[17] Source: Data provided by DSHS for all but the Lakeland Village peak capacity. That figure came from the facility's own informational pamphlet.
[18] Source: LEAP fiscal data for FY 2002.
[19] Staffing ratios were increased at these three facilities in response to civil rights abuse cases brought by the U.S. Department of Justice. The investigation into alleged civil rights abuses began in Fircrest in 1991 and was closed in 1998. The other two facilities are still under investigation.
[20] Source: DSHS data on selected operational costs for each facility and average populations for FY 2002. These figures do not include regional or central office overhead and administrative costs.

example, the City of Shoreline is now in the process of developing a new master plan.[21] Other communities, however, may be less open to possibilities of changing existing zoning designations. Zoning policies and practices of their respective cities will have an impact on the potential alternative uses possible for each facility.

Immediate Campus Acres/Excess Land Acres:[22] The distinction between the immediate campus and the excess land is unique to this study. The two numbers together add up to the total number of acres owned by the state at the site.[23] During the course of our work, we found that three of the five institutions have excess land on the periphery of the campus that is extraneous to the operations of the facility itself. This land could potentially be sold or developed for other uses with little or no impact on operations of the institutions themselves. More discussion on this issue can be found in Chapters 3 through 5.

Number of Buildings[24]**/Square Footage of Buildings:**[25] There is a large variety of type and size of buildings on each campus, and each campus has its share of unique structures, whether they are large historical buildings (the Lakeland Village administration building), unique special purpose structures (both Lakeland Village and Fircrest have greenhouses), or two-story, poured-in-place concrete dormitories built in the 1930s (Rainier School). The number and square footage of buildings on each campus includes not only living and program space and administrative offices, but also large kitchens, recreation areas, facility maintenance and operation space (boiler rooms, paint shops), and storage areas.

Date of Original Construction:[26] The original construction date shown here does not indicate much about the overall condition of the buildings on campus, since many of them have been demolished, remodeled, or well maintained. Further, all of the campuses have newer buildings that were constructed throughout the past 50 years as campuses grew or program needs changed. However, this original construction date does help in understanding some other issues, such as "campus obsolescence" and the "proposed capital improvements" (see below).

Campus Obsolescence:[27] This is another term unique to this study. This measure of campus obsolescence was created and determined by JLARC's real estate appraisal consultants in part to determine the value of these facilities to the state. **The level of obsolescence indicates the amount of space at each facility that is not used, under-used, or used ineffectively.** In real estate appraisal analyses, buildings can become obsolete due to *functional* issues or due to *external* issues. An example of *functional* obsolescence would be using old dormitory space as program or office space; an example of *external* obsolescence would be an overall reduced demand for institutional care facilities. The consultants determined the two types of obsolescence are intertwined, so the campus obsolescence refers to both types of obsolescence together. According to the appraisal consultants, Lakeland Village and Yakima Valley School are the most obsolete facilities of the five.

Proposed Capital Requirements:[28] These totals reflect the proposed capital requirements at each RHC, as determined by the staff at each institution. The total amount indicated here reflects the estimated

[21] DSHS has contracted with Arai/Jackson Architects and Planners to facilitate the master-planning process for the Fircrest School campus. Their master plan report should be completed by December 2002.
[22] Source: Full appraisal reports by Cushman & Wakefield and Auble, Jolicoeur, & Gentry.
[23] The one exception here is Lakeland Village, which sits on an even larger state campus of over 1,500 acres. For this study, we selected a sub-section of the whole campus that can be attributed to Lakeland Village.
[24] Source: Division of Lands and Buildings (DSHS) Building Inventory database.
[25] Source: Division of Lands and Buildings (DSHS) Building Inventory database.
[26] Source: Division of Lands and Buildings (DSHS) Building Inventory database.
[27] Source: Full appraisal reports by Cushman & Wakefield and Auble, Jolicoeur, & Gentry.
[28] Source: These proposed capital requirement totals were derived from project lists provided to JLARC's consultants by staff at each RHC.

level of attention needed for the lands and buildings of each facility. These numbers are important to compare to the value numbers in Figure 6 in Chapter 3. While some of the capital dollars invested in these facilities will increase the "value" of the facilities to the state, some of the expenditures will not add value. Investing large sums of capital dollars in facilities that are worth only slightly more (or even less) than the amount of capital resources being proposed to be invested in them is questionable.

CHAPTER 3 – ANALYSIS OF CURRENT USE

This chapter turns to a comparison of the current use and the current value of the five institutions. JLARC's appraisal consultants determined what dollar value these institutions have to the state in their current use. They determined this by conducting a "value in use" analysis that estimates the value of the existing buildings in their current operations as residential habilitation centers. The consultants determined this value through a combination of estimating the costs to build a comparable facility (minus depreciation) and purchasing a similar facility. "Use value" is a somewhat hypothetical concept that indicates the value of these facilities to the state and not to any other buyer. These values could not be tested in the marketplace. Rather, use value is one financial representation of the worth these facilities have to the state in their current operations.

OVERVIEW

This section of the report brings out two points regarding the current use of the five residential habilitation centers:

- The RHCs can be compared to one another in terms of their relative worth in their current operations. That is, some of the facilities function better, or are otherwise more valuable to the state, than others. In terms of their "net use value per resident," the five RHCs can be ranked from highest to lowest in the following order:
    1. Rainier School
    2. Yakima Valley School
    3. Lakeland Village
    4. Francis Haddon Morgan Center
    5. Fircrest School
- Three of the five campuses (Lakeland Village, Rainier School, and Yakima Valley School) include excess land and buildings that could be disposed of with little or no impact to the current RHC operations. These excess lands have a combined value of **$7.7 million** (plus $5.7 to $7.0 million in timber on the Rainier land).

COMPARATIVE ANALYSIS

Figure 6 on the following page indicates the use values of each of the DDD institutions.

Key To Current Use Value Matrix

Base Conclusion: This is the total value, or worth, that each campus represents to the state in its current operations.

Land Value: This is the value of just the land portion of each campus. It was separated out here in order to reach a net use value per resident that was not skewed by the large variability in land quantity and values (due to location) for each facility.

Outleased or Segregated Improvements: This is the combined value of buildings on each campus that are either currently in a long-term lease with another entity or are otherwise not part of the DD campus as it currently operates. This amount is determined and subtracted from the total in

Figure 6 -- Current Use Value Matrix

	Frances Haddon Morgan Center	Fircrest School	Lakeland Village	Rainier School	Yakima Valley School
Current Use Value					
A. Base Conclusion	$5,500,000	$38,000,000	$17,000,000	$40,000,000	$8,000,000
B. Land Value	$650,000	$25,900,000	$1,343,000	$6,395,000	$690,000
C. Outleased or Segregated Improvements	$2,083,286	$0	$650,000	$683,925	$0
D. Net Use Value (A-B-C=D)	$2,766,714	$12,100,000	$15,007,000	$32,921,075	$7,310,000
E. Avg. Census for FY 2002	49	275	251	420	98
F. Net Use Value per Resident (D/E=F)	$56,560	$44,000	$59,690	$78,461	$74,402
Excess Property Value	NA	NA	$1,839,000	$5,608,925	$207,000

Source: JLARC, Cushman & Wakefield of Washington, and Auble, Jolicoeur & Gentry.

order to arrive at a "net use value" that is not skewed by buildings that are extraneous to the primary function of the facility.

Note that, although the Fircrest campus houses many tenants, there is no value determined for the leased property. There are three reasons for this:

- Some tenants own their own buildings, so there is no value to the School. One example here is the Department of Health's Public Health Laboratory.
- Some tenants use buildings that have no market value or represent a negative value to the School. For example, the old navy barracks leased by the North Rehabilitation Facility (operated by King County) have no market value. The Food Lifeline warehouse is leased under terms that create a long-term financial obligation for the School.
- Some tenants lease such small areas of the campus, and pay either little or no rent, that these areas do not generate revenue for the School. For example, the North King County Little League leases 240 square feet in an outdoor storage container for $43 per month.

Net Use Value: This figure indicates the total adjusted use value after subtracting the land value and leased or segregated buildings. This number demonstrates one way to represent the worth of each institution to the state in its current use as an RHC.

Net Use Value per Resident: The "net use value per resident" is derived from the "net use value" and the institutional census.[29] It is one measure of the functional efficiency of each facility in its current operations. The higher the use value per resident, the more functional the facility is for its current use. According to this calculation, Rainier School and Yakima Valley School are the most functional

[29] Note that the census of each facility at the time of the consultants' work was slightly different than the average census for the full fiscal year 2002 that is cited elsewhere in this report. JLARC's consultants used census figures provided by institutional staff at the time of the consultants' site inspections of each facility in the Spring of 2002. For this reason, the "net use value per resident" found in Figure 6 differs slightly from the "net use value per resident" found in Appendix 3.

institutions, while Fircrest School is the least functional and FH Morgan Center and Lakeland School fall in between.

Excess Property Value: This dollar figure is an estimate of the potential value of excess property on three of the RHC campuses. JLARC's appraisal consultants determined that Lakeland Village, Rainier School, and Yakima Valley School all have excess property that is superfluous to the operations of the RHC.[30] That is, each of these campuses has excess land and/or buildings that could potentially be sold, regardless of the future operations of the RHC. Some of the excess land is due to a change in program operations (Rainier and Lakeland both used to have their own agricultural and dairy operations) or due to a reduced program size. Note that this value is inherent both in the "current use value" and the "potential alternative use value."

- The excess property at Rainier School includes the former superintendent's residence, Collins Cottage, the former WSU dairy lands and buildings, 230 acres of low-density residential and agricultural land, and 587 acres of timber land. According to DNR, the timber on those 587 acres could generate an additional **$5.7 to $7.0 million** in revenue if it were harvested and sold.
- The excess property at Lakeland Village includes excess agricultural land (566 acres), the apartment buildings used for the student volunteer program,[31] the two single-family residences on campus, and the house and acreage on Clear Lake.
- The excess property at Yakima Valley School includes three 3-acre parcels (for a total of nine acres) of undeveloped land on the southeast, northeast, and northwest edges of campus.

The total excess property has a combined value of **$7.7 million** (plus $5.7 to $7.0 million in timber value).

[30] The consultants indicated that Frances Haddon Morgan Center in Bremerton has excess property valued at $790,425. However, this excess property is part of the main administration building and could not be easily segregated or sold and so is not included in the excess property calculation.

[31] The College in Resident Volunteers (CIRV) program provides free room and board to approximately 40 students from Eastern Washington University in exchange for 15 hours per week volunteer time on campus. While the sale of the apartment buildings themselves may not have any impact on the RHC operations, the loss of the program could result in fewer volunteers at Lakeland Village.

CHAPTER 4 – ANALYSIS OF ALTERNATIVE USES

This chapter considers the potential alternative uses of land and buildings at each of the five institutions. JLARC's appraisal consultants determined an alternative use, or uses, for the buildings and lands of the RHCs should they no longer be needed as DDD institutions.

OVERVIEW

Two institutions, Fircrest School and Frances Haddon Morgan Center, are best suited to alternative uses should they no longer be used as residential habilitation centers. The campuses of Yakima Valley School, Rainier School, and Lakeland Village have little potential for alternative uses should they no longer be used as residential habilitation centers.

ALTERNATIVE USES OF EACH FACILITY

Based on the information gathered and analyzed by the JLARC consultants, the following section reviews the potential alternative uses for each facility.[32]

Frances Haddon Morgan Center: This campus has potential to be altered for uses other than an RHC that would result in a combination of ongoing and one-time savings of approximately **$2.9 million**.

- The City of Bremerton could potentially use the main administration building as the office for Parks and Recreation and might also be able to remodel the cottages in order to use them as community classrooms or meeting spaces.
- DSHS could potentially expand its office/administrative presence on campus by siting regional offices from other programs (Vocational Rehabilitation, Aging and Adult Services, Community Service Office). This alternative would not generate income on the campus itself but would help to avoid lease costs elsewhere in the area.

Fircrest School: JLARC's consultants identified two site constraints that require additional explanation. While all of the land at the Fircrest School campus is state land, (1) the distinct land designations (regular and trust land) and (2) the distinct management structures (DSHS and DNR) complicate developing and realizing alternative uses.

- First, the CEP&RI trust land, which comprises approximately two-thirds of the campus, is limited in its allowable uses. No uses other than RHC operation are allowable under the current lease between DNR and DSHS. If the School no longer needed part of its campus or if the School were no longer in operation, management of the property and any proceeds realized from its sale would be transferred to the CEP&RI trust lands and trust account.[33]
- A second complication is that the remaining DSHS land itself is not an easily marketable site. At its narrowest point on the north end of campus, it is 200-300 feet wide. Although it is wider at the south end, much of that space is already occupied by long-term tenants (the public health

[32] Additional detail on the alternative uses identified by JLARC's consultants is located in Appendix 3.

[33] One potential solution to this issue is to transfer state lands elsewhere into the CEP&RI trust in exchange for the Fircrest property.

laboratory and the Food Lifeline warehouse).[34] The Department of Health has expressed interest in expanding its health laboratory facility to take in another two acres of the DSHS property that fronts 150th Street. Given its odd shape and encumbered parcels on the south end, the appraisal consultants concluded that the best use of the DSHS portion of land if the RHC were no longer operating would be to combine it with the trust land and treat the property as a single parcel of land.[35]

Fircrest has a high potential to be altered to other uses if it were a single property. JLARC's appraisal consultants identified three options: single-family residential development, a small alcohol and drug rehabilitation facility, or a cottage campus for government and non-profit residence programs. JLARC's consultants determined that the Fircrest property as a whole could generate approximately **$32.7 million** in a combination of one-time and ongoing revenue and/or savings.

- The single-family development option is the highest and best use of the property if it were vacant. Such an option could be more feasible if the land were under one ownership, thus warranting demolition of the entire campus. The split designation of the land (half DSHS, half trust) would have to be reconciled, however, for such an option to be realized.
- The second option, siting some small institution, such as a private drug rehabilitation center, would reflect Fircrest's current land use. Such an option, however, would not require more than three to five cottages and minimal additional support space.
- The third option would generate the most use of the property under the terms of its current split "ownership." JLARC's consultants identified an opportunity to develop some, or even all, of the Fircrest campus as a site for essential public facilities. Because there is already community acceptance of otherwise difficult-to-site facilities (such as the North Rehabilitation Facility and the Food Lifeline warehouse), the property could be used by the state as a public campus, with or without Fircrest School. Potential new facilities on this campus could include a small acute-care mental health clinic for the Juvenile Rehabilitation Administration (DSHS), residential space for hard-to-place children for the Children's Administration (DSHS), a new city hall for the City of Shoreline, and regional office space for DSHS Region 4.[36]

Lakeland Village: JLARC's consultants determined that there is little market potential for this site if it were no longer used as an RHC. Aside from the sale of the excess property identified above (which has a potential value of **$1.8 million**), it is unlikely that a buyer for this property would appear. One potential use of the main campus area could be as a small drug and alcohol rehabilitation facility. However, this potential use would only require approximately 12 percent of the entire core campus.

Rainier School: This facility is similar to Lakeland Village in that it holds little immediate potential for development should it no longer serve as an RHC. Aside from the excess property (valued at a total of **$10.9 to $12.7 million**, including the value of the harvestable timber), which could be sold either in the current use or under an alternative use, the core campus has a potential market value of just over **$1 million** (assuming a buyer for the campus were to appear). JLARC's appraisal consultants conclude

[34] The Food Lifeline lease is not only a liability in terms of limiting alternative uses for the DSHS property, but it is also a long-term financial obligation to the School. Under the current lease terms, which are in effect until 2042, Fircrest School is required to provide all utilities and structural maintenance of the warehouse. The real estate appraisal consultants estimated the total liability of this lease term to have a present value of between $1.8 and $3.3 million.

[35] DSHS and DNR had begun the process of making this property one contiguous piece via a land swap back in 1984, but the swap included only half of the Fircrest School land. Before the balance could be traded between DNR and DSHS, the Legislature transferred the remaining land from Common School Trust Land to the CEP&RI Trust.

[36] The master planning process that is being facilitated by Arai/Jackson Architects and Planners on behalf of DSHS is exploring these and other alternative futures for the Fircrest School campus. Their report will be completed by December 2002.

that the best course of action, if Rainier School were no longer operating, would be to mothball the facility until a buyer appears or the state develops another use for the property.

Yakima Valley School: This facility would also be difficult to develop into an alternative use. The final conclusion of JLARC's consultants, if Yakima Valley School were no longer operating, is that this facility should be mothballed until a potential buyer or another use were to emerge. Regardless of whether the RHC is operating or not, however, the three 3-acre parcels on the edge of campus could be sold for approximately **$207,000** with little or no impact on the existing facility.

CHAPTER 5 – STUDY CONCLUSIONS AND RECOMMENDATIONS

The Division of Developmental Disabilities of the Department of Social and Health Services is operating five residential institutions that are faced with declining resident populations and ongoing capital infrastructure needs. This study provides the Legislature with information about the potential value and alternative uses of the institutions. This final chapter provides an overview of the four major conclusions that come from the work and analysis of JLARC's staff and consultants.

1. **Two of the facilities have potential alternative uses.** Frances Haddon Morgan Center and Fircrest School both have potential alternative uses that would either save the state money in ongoing expenditures elsewhere or generate new revenue to the state. Unlike the other three facilities, these two could be productively used in some other manner.

   JLARC's appraisal consultants determined that if it were vacant, the Frances Haddon Morgan Center's highest and best use would be as an add-on to the adjacent city park. As it is currently developed, however, its best alternative use would be for a combination of a city-owned activity center (in the cottages) and a city or state-owned office space (in the administration building). By either selling the property to the City of Bremerton or avoiding state lease costs elsewhere, the Frances Haddon Morgan Center could generate approximately **$2.9 million** for the state.

   The land under the Fircrest School buildings, if it were undeveloped, would best be suited for development as single-family housing. This might be possible if the land were under a single land designation, but it is designated in part as trust land. As it is currently developed, the property has other potential alternative uses. The appraisal consultants concluded that the best alternative use for the Fircrest property under the current land designation would be as a cottage campus for various public and non-profit entities. Potential users of the site could include other DSHS offices, the City of Shoreline, the Washington State Department of Health, a handful of current non-profit tenants, and a drug and alcohol rehabilitation facility. Even after subtracting the costs and liabilities[37] of developing the campus in such a way, potential revenue for and/or savings to the state would be approximately **$32.7 million**.

2. **Fircrest School has a high potential value to the state in an alternative use, but such use is constrained by complicating factors.** The value of the land under the Fircrest School campus may be enough to compel some to demolish the campus altogether and develop the property as single-family housing. Several factors, however, would first need to be addressed:

   - **The land "ownership" is currently divided between DSHS (36 acres) and CEP&RI trust land managed by DNR (51 acres**). In order to develop or sell the entire Fircrest property as one parcel, the state would have to somehow compensate the CEP&RI trust for its share, either by depositing any revenue generated into the trust account or by trading the land for similarly valued land elsewhere in the state.

[37] Two significant costs of developing the property could be the continued obligation under the Food Lifeline lease and the demolition costs for all of the 1940s vintage buildings. These two liabilities subtract between $2.5 and $4 million from the potential value of the property.

- **The current DNR land lease only applies to institutional uses**. If the Fircrest School were no longer housed on this property, the CEP&RI portion of the campus would revert back to management under the Department of Natural Resources. Other uses of the land would be constrained unless the land was somehow removed from the trust, as indicated on the previous page.
- **The DSHS portion of the land may be difficult to sell on its own due to its odd shape.** Again, this implies that the DSHS and the DNR portions would have to be combined in order to realize the fullest potential of the site.
- **Long-term tenants affect alternative uses of some parts of campus.** The Department of Health (DOH) built and operates its own public health laboratory on campus, but has a long-term land lease with DSHS. DOH has indicated a desire to expand on an additional two acres that front the southern-most part of the campus, fronting 150th Street. This is a large, and the most marketable, part of the DSHS land. The Food Lifeline warehouse also sits in the middle of the DSHS land and is leased under terms that create a long-term obligation to the state.[38] The state would have to explore the option of buying out or otherwise canceling the current lease terms in order to develop this area of the property.

3. **Three of the facilities have excess property that could be separated and sold with little or no impact on the current RHC operations.** Both Rainier School and Lakeland Village have substantial amounts of excess agricultural, residential, and timber lands surrounding their core campuses. Lakeland Village also has a remote lake front property.[39] Yakima Valley School has three small parcels of land that were never used for expansion as originally intended. Separating these properties from the campuses would require some effort — land surveys, real estate brokering, and sale negotiations. Disposing of the excess property at Rainier could involve negotiating new wastewater and sanitary water agreements with the city of Buckley. If all of these identified excess properties were sold, however, it could potentially generate approximately **$7.7 million** (plus the value of the harvestable timber on the Rainier acres, estimated at $5.7 to $7.0 million) for the state.
4. **Three of the facilities have little potential for alternative use.** JLARC's appraisal consultants determined that Rainier School, Lakeland Village, and Yakima Valley School would have little or no alternative use.[40] Additionally, the appraisal consultants' work indicated that Rainier School and Yakima Valley School are the most functional institutions as determined by their net use value.

RECOMMENDATIONS

We have identified two recommendations during the course of this study. The first recommendation could generate some income to the state through the sale of excess institutional lands. The second recommendation will provide the Legislature with additional information regarding the future

[38] The lease between DSHS and Food Lifeline, which is valid until 2042, requires Fircrest School to provide utilities to and structural maintenance for the warehouse at no cost.

[39] This 30-acre parcel of land on Clear Lake is used for a recreational area for Lakeland Village residents. However, the recreation function of this site could be relocated to other lake front state property on Medical Lake or West Medical Lake.

[40] The consultants' studies also point out one important note to add here: according to their calculations, the functional obsolescence at Yakima Valley School and Lakeland Village are the highest of the five. However, this is due more to the fact that these facilities have a higher percentage of vacant space than to the fact that they are not functional. Their degree of obsolescence would actually decrease if more residents were added.

institutional needs of the Developmental Disabilities Division of DSHS and will assist in focusing the Legislature's deliberations regarding the future of the RHCs.

Recommendation 1

Real Estate Services, Division of State Services, Department of General Administration should develop options to dispose of excess property identified by JLARC's consultants at Lakeland Village, Rainier School, and Yakima Valley School. Such options should maximize the investment return to the state.

Legislation Required:	No
Fiscal Impact:	Approximately $12.9 to $14.7 million
Completion Date:	February 1, 2003

This recommendation could streamline the land managed by DSHS, reduce the maintenance costs at each individual institution listed above, and generate income to the state. JLARC's consultants estimate that the total revenue generated from these sales will be approximately **$7.7 million** (with an additional $5.7 to $7.0 million possible from the harvest of Rainier timber).

Recommendation 2

The Department of Social and Health Services (DSHS) should synthesize this report and two other documents relating to the future of the RHCs: the Stakeholders Workgroup progress report and the Fircrest Campus Master Plan. The resulting synthesis should address projected future institutional needs for developmentally disabled individuals in Washington State, anticipated changes in the type of care needed by institutional residents, and alternative or combined use scenarios for each RHC campus. DSHS should present this collection of information and alternatives to the Legislature by September 2003.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	September 2003

This recommendation should prompt DSHS to develop several strategic alternatives for the use of the five campuses by incorporating the work of JLARC, private consultants, and the Stakeholders Work Group. In turn, the information and alternatives thus developed will provide the Legislature with capital and operating budget options.

AGENCY RESPONSES

We have shared the report with the Department of Social and Health Services (DSHS), the Department of General Administration (GA), and the Office of Financial Management (OFM) and provided them an opportunity to submit written comments. Their written responses are included as Appendix 2.

ACKNOWLEDGEMENTS

We appreciate the assistance of numerous staff members at all of the RHCs and in the central DDD office in Olympia who provided information and data for this study.

We would also like to acknowledge the efforts of our consultants, Ken Barnes of Cushman & Wakefield of Washington (Seattle) and Scot Auble of Auble, Jolicouer, & Gentry (Spokane). Their analysis and technical assistance has been invaluable in the completion of this study. Finally, we would like to thank Dr. Stephen Epley, Victor Lyon Distinguished Professor of Real Estate, Washington State University. Professor Epley's review of the consultants' and staff work was most helpful.

Thomas M. Sykes
Legislative Auditor

On December 4, 2002, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Representative Val Ogden
Chair

APPENDIX 1 – SCOPE AND OBJECTIVES

Capital Study of the Residential Habilitation Centers

SCOPE AND OBJECTIVES

DECEMBER 12, 2001

STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

STUDY TEAM

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MANDATE

The 2001-03 Capital Budget (Section 148, Chapter 8, Laws of 2001, 2nd Ex. Sess.) directs JLARC to:

Conduct a study of the possible alternative uses of the land and facilities currently used by state operated residential habilitation centers and nursing facilities for persons with developmental disabilities.

JLARC plans to deliver this study to the Legislature before its 2003 Legislative Session. Additional funds to partially support this study were appropriated from the Charitable, Educational, Penal and Reformatory Institutions (CEP&RI) Trust.

BACKGROUND

The Division of Developmental Disabilities within the Department of Social and Health Services provides services to over 30,000 developmentally disabled people in Washington State, ranging from case management and community access to intensive daily living support and other living assistance. Among the residential options provided by the Division are the Residential Habilitation Centers. Five state-operated Residential Habilitation Centers provide 24-hour residential housing for approximately 1,130 individuals needing habilitation services or a high level of nursing care. In addition, respite and other specialized services are available at the Residential Habilitation Centers to eligible persons living in the community. The facilities are located in Bremerton, Shoreline, Buckley, Selah, and Medical Lake.

The nature of services provided to the developmentally disabled population in Washington state has changed dramatically over the past three decades. Much of the developmentally disabled population has switched from receiving services in large, state-run institutions to receiving services in community-based settings. This results in underutilized facilities with fixed costs averaged over a smaller population. This trend applies not only to Washington but to most other states as well: Washington closed an institution in 1993, many states have closed one or more of their institutions, and nine states have closed all of their state-run developmentally disabled institutions.

The five Residential Habilitation Centers sit on approximately 230 total acres and include over 200 buildings. The institutions in Shoreline (Fircrest School) and in Bremerton (Frances Haddon Morgan Center) lease some excess space to other entities, but as the institutions all decrease in population, they have more land and facilities that go unused. To date, there has been no evaluation of the potential alternative uses or the corresponding revenue that could be realized from such alternative uses.

STUDY SCOPE

Consistent with the statutory mandate, this study will include a fiscal analysis of the current value of the land and facilities of the state's five Residential Habilitation Centers operated by the Division of Developmental Disabilities within the Department of Social and Health Services. The analysis will assess the current value and uses of the real property at each facility, identify possible alternative uses for the land and facilities, and estimate the potential revenue that could be generated from these alternative uses.

OBJECTIVES

1. Provide an overview and inventory of the Residential Habilitation Centers property and facilities, including building descriptions and current use, land type and zoning restrictions, and current operational costs.
2. Analyze the current statutory and programmatic rules regarding the use and disposal of institutional land and buildings.
3. Review national historical trends of housing the developmentally disabled in large, state-run residential institutions.
4. Describe the current state residential population characteristics and the future population projections.
5. Provide a current assessment of the value of the land and buildings of each of the five Residential Habilitation Centers.
6. Develop an analysis of the potential alternative uses for each of the five Residential Habilitation Centers, including the potential revenue generated from such uses.

OVERVIEW OF PROPOSED STUDY APPROACH

- JLARC staff will conduct research to address objectives 1-4 above. This information will assist in addressing objectives 5 and 6.
- JLARC will use appropriated funding of $100,000 to contract with a professional real estate appraisal firm and other consultants, as appropriate, to conduct the value assessment and alternative use analysis described in objectives 5 and 6.

TIMEFRAME FOR THE STUDY

JLARC staff will present the preliminary and proposed final reports at JLARC meetings scheduled for November and December 2002, respectively.

JLARC STAFF CONTACTS FOR THE STUDY

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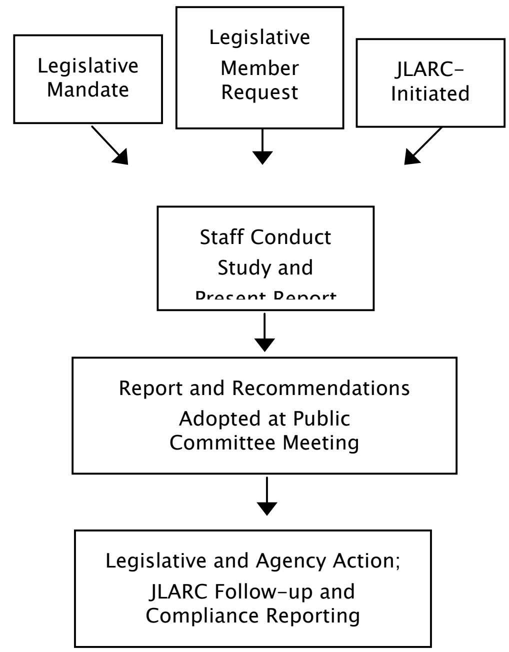
JLARC Study Process



Criteria for Establishing JLARC Work Program Priorities

- Is study consistent with JLARC mission? Is it mandated?
- Is this an area of significant fiscal or program impact, a major policy issue facing the state, or otherwise of compelling public interest?
- Will there likely be substantive findings and recommendations?
- Is this the best use of JLARC resources: For example:
  - Is the JLARC the most appropriate agency to perform the work?
  - Would the study be nonduplicating?
  - Would this study be cost-effective compared to other projects (e.g., larger, more substantive studies take longer and cost more, but might also yield more useful results)?
- Is funding available to carry out the project?

APPENDIX 2 – AGENCY RESPONSES

- Department of Social and Health Services
- Office of Financial Management
- Department of General Administration

JLARC's comments on agency responses are included as Appendix 2A.

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
Olympia, WA 98504-5000

November 8, 2002

RECEIVED
NOV 14 2002
JLARC

Thomas M. Sykes, Legislative Auditor
Joint Legislative Audit and Review Committee
506 16th Avenue Southeast
Olympia, Washington 98501-2323

Dear Mr. Sykes:

Thank you for the opportunity to respond to the October 31, 2002, Preliminary Report on the Capital Study of DDD Residential Habilitation Centers. The Department of Social and Health Services has several comments on the two recommendations in the report and concerns with two other points in the report.

	COMMENTS
Recommendation 1 **Agency Position** Partially Concur	1) The Department would support and participate in a joint review by the Department of General Administration and DSHS of institutional lands for the potential sale of surplus or excess properties. Our review would include consideration of the requirement under RCW 79.01.006 that DSHS identify surplus property and transfer that property to the Charitable, Educational, Penal, and Reformatory Institution trust account managed by the Department of Natural Resources. We have requested a review of the statutory requirements and our available options by our Assistant Attorney General. 2) With regard to the property identified at Yakima Valley School in the report as excess, the Department has been approached with a proposed land swap. This proposal may be to the advantage of the facility by creating a buffer on one side of the campus, which would limit encroachment through future development. The Department is evaluating this proposal. 3) With regard to the property identified at Rainier School in the report as excess, this parcel has been used by Washington State University as a dairy/forage research facility. The University has terminated the project but retains control of the property. The Department and WSU are jointly proposing legislation (Z-0199.1), which would transfer ownership of the land back to DSHS. However, until the bill passes, the land is technically under WSU control and not available for sale.

COMMENTS

Recommendation 2

Agency Position
Partially Concur

The Stakeholder Workgroup report will not be published until December 2002, and the Fircrest master plan is not scheduled for completion until June 2003. It is not possible to develop a synthesized report to the Legislature by February 2003. The Department believes that the development of a long- range plan that will address the future of the RHCs is important. We would build from the JLARC Report as well as the other two (2) reports referenced. Such a long-range plan would benefit from an in-depth review of all of the issues, including land value, raised by closure or consolidation. It would also help to have outside consultation available. We believe that the plan could be available by December 2004.

In addition to the comments on the recommendations, the Department has identified two other concerns:

1) Conclusion 2 (Fircrest Market Value): The staff at Fircrest have reviewed the appraisal methodology and have found inconsistencies with the appraisal methodologies used at the other RHCs. In response to this concern, JLARC staff have offered to coordinate a meeting between the firm conducting the appraisal and department staff to discuss the discrepancies.

2) On page 8 of the report is a chart (Figure 5- Comparative Analysis Matrix), which displays the current census of each RHC with the 2001-03 funded capacity. The chart implies that there is funded capacity at each RHC. The census figures do not factor in the use of respite care at each facility and consequently understates the actual census. In addition, the chart does not recognize the ongoing cottage closures or the reduction in FTEs at Fircrest, Rainier, and Yakima Valley directed by the Legislature in the 2001-03 Budget and overstates the funded capacity.

Thank you again for the opportunity to comment on the proposed final report. I also want to commend the efforts of the JLARC staff member, Heather Moss, who wrote the report. Please contact me if you have any questions regarding this response.

Sincerely,

Liz B Dunbar for

DENNIS BRADDOCK
Secretary

cc: Kathy Leitch, Assistant Secretary, DLTCA
Linda Rolfe, Director, DDD
Sherry McNamara
John Reynolds
Ken Harden
RHC Superintendents

STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

November 12, 2002

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NOV 14 2002
JLARC

TO: Thomas M. Sykes, Legislative Auditor
Joint Legislative Audit and Review Committee

FROM: Marty Brown, Director Marty Brown

SUBJECT: **PRELIMINARY REPORT ON THE CAPITAL STUDY OF THE DDD RESIDENTIAL HABILITATION CENTERS**

Thank you for the opportunity to comment on the preliminary report on the Capital Study of the Division of Developmental Disabilities Residential Habilitation Centers (RHC) presented to the Joint Legislative Audit and Review Committee (JLARC) at its October 31 meeting.

This study was a good and unbiased discussion of the alternative uses and land value of the five RHC facilities. I partially concur with its findings and recommendations as noted below.

RECOMMENDATION	AGENCY POSITION	COMMENTS
1 – The Department of General Administration (DGA) should develop options to dispose of excess property at Lakeland Village, Rainier School and Yakima Valley School.	Partially concur	The Office of Financial Management (OFM) agrees that DGA should develop land sales and disposal options. However, those options should be developed only after thorough executive and legislative review of the type of care needed by institutional residents for each RHC campus.
2 – DSHS should synthesize this report with the Stakeholders Workgroup progress report and the Fircrest Campus Master Plan.	Partially concur	Integrating the three reports is important. However, given that the projected completion date for the Fircrest Campus Master Plan is not until June 2003, and given this recommendation is essentially a request that DSHS develop a long-term plan for the RHCs, OFM does not believe February 2003 is a realistic due date. It is critical that capital planning decisions support the underlying state operating priorities.

Thank you again for the opportunity to comment.

cc: Heather Moss, JLARC
Mike Roberts, OFM

STATE OF WASHINGTON

DEPARTMENT OF GENERAL ADMINISTRATION

200 General Administration Building, P.O. Box 41000 • Olympia, Washington 98504-1000

(360) 902-7300 • TDD (360) 664-3799

November 8, 2002

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NOV 14 2002

JLARC

TO: Thomas M. Sykes, Legislative Auditor

FROM: R. D. Fukai, Director
Department of General Administration

R. D. Fukai

SUBJECT: JLARC Capital Study of DDD Residential Habilitation Centers - Preliminary Report

After reviewing the recent Joint Legislative Audit and Review Committee's Preliminary Report on the Capital Study of DDD Residential Habilitation Centers, we have the following comments:

Recommendation	Agency Position	Comments
Recommendation 1	Concur	N/A
Recommendation 2	Concur	The Stakeholders Work-group process and the Fircrest Master Plan process could serve as models to apply to the other centers.

<u>Additional Comments</u>

1. Please note that the designation in Recommendation 1 of "Real Estate Services Division" is incorrect. The current title is "Real Estate Services, Division of State Services, Department of General Administration".

2. We believe that the Preliminary Report overlooks another option for the State to obtain "added value" from the properties evaluated. That is, the "land exchange" approaches. For example, Fircrest Campus has a significant amount of land zoned as "residential." Instead of attempting to develop this campus into a State office campus, perhaps land could be exchanged (which would not negatively impact the current functions) for land and/or office building(s) in a more appropriate location with the appropriate zoning designation.

If you have any questions please call me at (360) 902-7200.

RDF:ML:kh

cc: Dennis Braddock, Secretary, DSHS
Marty Brown, Director, OFM
Liz Dunbar, Deputy Secretary, DSHS
Kathy Leitch, Assistant Secretary, Aging and Adult Services, DSHS
Linda Rolfe, Director, Division of Developmental Disabilities, DSHS
John Reynolds, Director, Division of Lands and Buildings, DSHS
Pat Buker, Chief, Office of Operations Support, DSHS
Kari Burrell, Executive Policy Advisor, OFM
Tom Lineham, Budget Assistant, OFM
Tom Boyer, Capital Budget Analyst, OFM
Mark Lahaie, Manager, Real Estate Services, Division of State Services, GA

APPENDIX 2A – JLARC'S COMMENTS ON AGENCY RESPONSES

We are pleased that the three responding agencies either concur or partially concur with the report's findings and recommendations. However, some of the comments of both the Department of Social and Health Services (DSHS) and the Office of Financial Management (OFM) warrant additional discussion.

Regarding the DSHS response:

- The agency's comments regarding recommendation 1 provide context to grasp some of the complexities surrounding JLARC's identification of excess property at three of the Residential Habilitation Centers. We welcome the agency's indication that it will be moving forward on identifying viable options for disposition of these excess properties.

- The agency's comments regarding recommendation 2 do provide new information about the timing of the Fircrest master plan. We understand that the plan will not be completed until summer of 2003. However, the December 2004 date proposed by the agency for delivery of their review to the Legislature is not realistic. We have revised our recommendation to request the report by September 2003.

- On the matter of methodology issues raised by Fircrest staff, JLARC staff will be happy to arrange a meeting to discuss this matter. JLARC staff are confident that our consultants will be able to explain their study methodology.

- We have taken the agency's comments regarding respite bed usages into consideration. We have revised the capacity numbers listed in Figure 5 (page 8) to indicate the average census for each facility, **including respite**, for FY2002. We observe further that even with these respite beds included, the average census is still below funded capacity.

Regarding the OFM response:

- OFM's comments regarding the first recommendation may be misleading. JLARC's study finds that these lands and buildings are excess property that can be disposed of with **little or no impact on the current RHC operations**. Waiting for "thorough executive or legislative review of the type of care needed by institutional residents" is not necessary in determining the value of or deciding to dispose of these **excess properties**.

- We have addressed OFM's concern about the due date for the second recommendation, as discussed above in response to DSHS's concerns.

APPENDIX 3 – SUMMARY OF FIVE APPRAISAL REPORTS

Auble, Jolicoeur & Gentry
107 South Howard Street, Suite 300
Spokane, Washington 99201
(509) 747-0999
(509) 747-3559 Fax

Cushman & Wakefield®
Cushman & Wakefield of Washington, Inc.
1420 Fifth Avenue, Suite 2900
Seattle, WA 98101
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Capital Study of the Residential Habilitation Centers
Executive Summary

The Joint Legislative Audit and Review Committee (JLARC) hired Cushman & Wakefield of Washington, Inc. (C&W), as contractor, and Auble, Jolicoeur and Gentry (AJG), as subcontractor, to complete a study of the state's five Residential Habilitation Centers (RHCs). The objective of the study was to estimate the value of these properties to the state of Washington in their current use, identify potential alternative uses, and estimate the potential revenue that could be generated from these alternative uses.

These values were defined as "Use Value" and "Go Dark Value", as defined below.

Use Value

Use Value is the value a specific property has for a specific use, or to a specific user. In this case the use value is based on how each facility is currently being used, with an emphasis on the current population and services provided. This value should not be confused with market value, which would be the value to a typical user of this type of facility. The services provided at these RHCs are far different than the typical services provided in private care facilities, therefore, the use value for these properties is indeed unique to the current user. Use Value can be estimated two ways: the cost to build a duplicate facility, less all forms of depreciation; or the cost to acquire a similar facility through purchase.

The primary determinant of Use Value for each campus is utilization. For example, the Rainier School residential units were valued at $50,000 per occupied bed. If 10 residents were added the Use Value would increase by $500,000. Utilization would also counteract functional obsolescence, in part. Our Use Value methodology put a zero value on a vacant building, and took a 50 percent deduction for a half-used structure. More residents would generate a greater demand for, and usage of, program space and support space. We should note Use Value is somewhat hypothetical, since it is only the value to the state (and only as a DDD institution), not the value to anyone else, and therefore, could never be tested by sale. It is intended to be a measure of the utility the lands and buildings have to the state.

Go Dark Value

Go Dark Value is the value a property has under the requirement the current user must vacate the property. This value assumes that the property is totally vacant, but not mothballed, and available for immediate occupancy by a purchaser. A key factor to be considered in this value is the highest and best use of the facility if it were vacant. Go Dark Value is estimated by comparing the RHC lands and buildings to other sold properties – what can we get selling this property off, in whole or in parts? Go Dark Value is intended to reflect the reality of putting a “for sale” sign up on a property after the campus is vacated. What are the potential uses for the property and how much would these various users be willing to pay?

Methodology

In order to estimate the above values we inspected each facility, interviewed on-site staff, collected all relevant data on the property and researched the market. This market research entailed interviewing regional and local government agencies, realtors, buyers and sellers. We applied typical appraisal techniques to identify and analyze trends in the market, as well as sales of land and improvements that provided indications of value under both value scenarios. We then separately analyzed each facility, producing a complete report on each.

Appraisal Concepts and Definitions

In order to interpret our summary of conclusions located in the Valuation Summary Table on page 5, some definitions and concepts need to be introduced.

Core Site Area is defined as the number of acres that are currently being used at a facility to accomplish its mission. In some cases this is the entire site, while in others there is substantial excess site area.

Excess Site Area is defined as the number of acres that are not currently used or necessary at a facility for it to accomplish its mission. This land could likely be sold off without negatively affecting the facility.

Number of Residents is defined as the number of residents housed at the institution at the date of our inspection. This should be differentiated from a facility’s capacity or an average yearly population.

Base Conclusion is the total value estimate of the property including all lands and buildings.

Outleased or Segregated Improvements is the value of any component of the improved property (buildings) that is currently leased to another entity, or buildings that could be sold off or leased separately without impacting the facility’s ability to accomplish its mission.

Use Value Excluding Land, Outleased or Segregated Improvements is the indicator of use value for the improvements that directly contribute to the facility’s ability to accomplish its mission. Since we presume these institutions are able to serve their purpose independent of location we have deducted land value, as land value is primarily determined by location.

Net Use Value per Resident is the above value divided by the number of residents served, and is an indication of the functional efficiency of an individual facility. The higher the use value per resident, the more functional the facility for its current use.

Remaining Economic Life is the likely timeframe for which the improvements will remain economically viable without a substantial influx of capital. (This is calculated as the depreciated improvement value divided by cost new, multiplied by 50 years.) Remaining economic life is different than remaining physical life, which measures how long the improvements could physically function. For example, many of the vacant structures on the Rainier Campus could physically keep out the rain and be heated and contain residents for several more decades. However, changes in care standards have made their remaining economic life zero, while physical life remains in these buildings.

Functional/External Obsolescence is a combination of two appraisal concepts. These two concepts have been combined, as it was not possible to isolate the two in the marketplace. What is most important is that these factors have been recognized and analyzed. Functional obsolescence is defined as a flaw in the structure, materials, or design that diminishes the function, utility, and value of the improvement. The closed Rainier School buildings provide a clear example of how changes in care standards have functionally depreciated the former residence halls. External obsolescence is a decrease in demand for a building due to factors outside the building. This obsolescence is present in all campuses due to the fact there is an overabundance of supply (physical capacity – not funded capacity) relative to demand (residents).

Proposed Capital Requirements is a list of potential capital projects for each facility as provided to us by institution staff.

Go Dark Value/Use Value Ratio reflects the difference or loss in value between the Value in Use and Go Dark Value. This ratio indicates the relative loss in value under a Go Dark scenario. Those facilities with the highest Go Dark Value/Use Value ratio will lose the least value due to closure. The lower the ratio, the more that would be lost in value from its Value in Use, if the property were sold under the Go Dark Scenario.

Qualitative Comparison Matrix

The second table included in this Executive Summary, on page 6, is a matrix of the site potentials, site constraints, and alternative uses for each facility.

Key Findings

Our key findings are briefly summarized in the paragraphs to follow, and discussed in greater detail within the body of the five facility-specific reports (available by request).

1) Most Functional Facilities:

The Rainier School appears most functional of the five campuses as reflected in the Net Use Value per Resident figures. Although there are many unused and underutilized buildings on campus, the remaining ones are in good condition and are reasonably functional. Despite the presence of the underutilized main hospital building, the Yakima Valley School was second most functional. The Fircrest School is the least functional of the five, due mostly to the advanced age of the program buildings and the older cottages.

Note that the functional obsolescence calculated for the properties is highest at the Lakeland Village and Yakima Valley School facilities. This is due to these facilities having a higher percentage of partially used buildings as compared to buildings that are totally unused or mothballed. In our methodology, we physically depreciated by 100 percent all vacant buildings. This left zero functional obsolescence in those buildings. The overall valuation is accurate, but it slightly skews the functional obsolescence figures for a facility like the Rainier School, which has a large number of vacant buildings (assigned 100 percent physical depreciation but zero functional obsolescence).

2) Highest Go Dark Value/Use Value Ratio:

Not surprisingly, the two facilities in the most urbanized markets (Fircrest and Frances Haddon Morgan) have the highest Go Dark Value relative to their Use Value as reflected in the Go Dark Value/Use Value Ratios. This indicates these campuses are in locations with a relative scarcity of land. Potential users will either convert existing buildings to other uses (Frances Haddon Morgan Center), or redevelop the land and buildings (Fircrest). The other locations had much lower population densities and an adequate supply of inexpensive land.

Given that conversions are typically more costly and less effective than new construction, there is little demand in these markets for obsolete buildings. Zoning also had a significant impact on Go Dark Value at the Yakima Valley School. This facility might have better prospects for re-use with more permissive zoning. However, it is in an entirely residential area where more intensive uses have not been approved by the city in the past and would not likely be welcome in the future.

3) Excess Land and Improvements:

A number of the campuses had excess land and improvements. We defined “excess” as meaning these lands and improvements could be segregated and sold or leased without impacting the operations or programming at each campus. In some cases, disposing of these excess properties could improve the operations at the campus, as the excess properties create a management burden for the school.

At the **Rainier School,** the former WSU dairy and other surrounding agricultural and timber lands are not necessary to the school operations and could be sold or traded. The school also runs its own wastewater treatment facility and shares in the operation of the Buckley municipal water supply. These operations are costly, distracting, and create long-term capital expenditure liabilities for the school. These properties have an estimated value of **$5,608,925**.

At **Francis Haddon Morgan Center** other DSHS entities lease excess office space. This space could not be easily segregated and sold, but we have estimated a value for this space of **$790,425**, excluding land value.

At **Lakeland Village** there are three apartment buildings and two single-family residences that are located across the street from the main campus and could be sold of separately. There would be a programmatic impact of selling the apartment buildings, since residents of these buildings receive free rent in exchange for volunteering their time at Lakeland. We are unable to evaluate the impact of this loss in volunteers and the reduced maintenance and management burden. These improvements have an estimated value of $**650,000**. Lakeland Village also has approximately 566.28 acres of excess land valued at $**1,189,000**. Much of this land is contiguous with the larger state campus; therefore, any disposition would need to be weighed against any state interest in maintaining a contiguous larger parcel.

Yakima Valley School has approximately 9 acres of land that could be sold for residential subdivision development, which has an estimated value of $**207,000**. The sale of this property should be weighed against the loss of privacy for the facility.

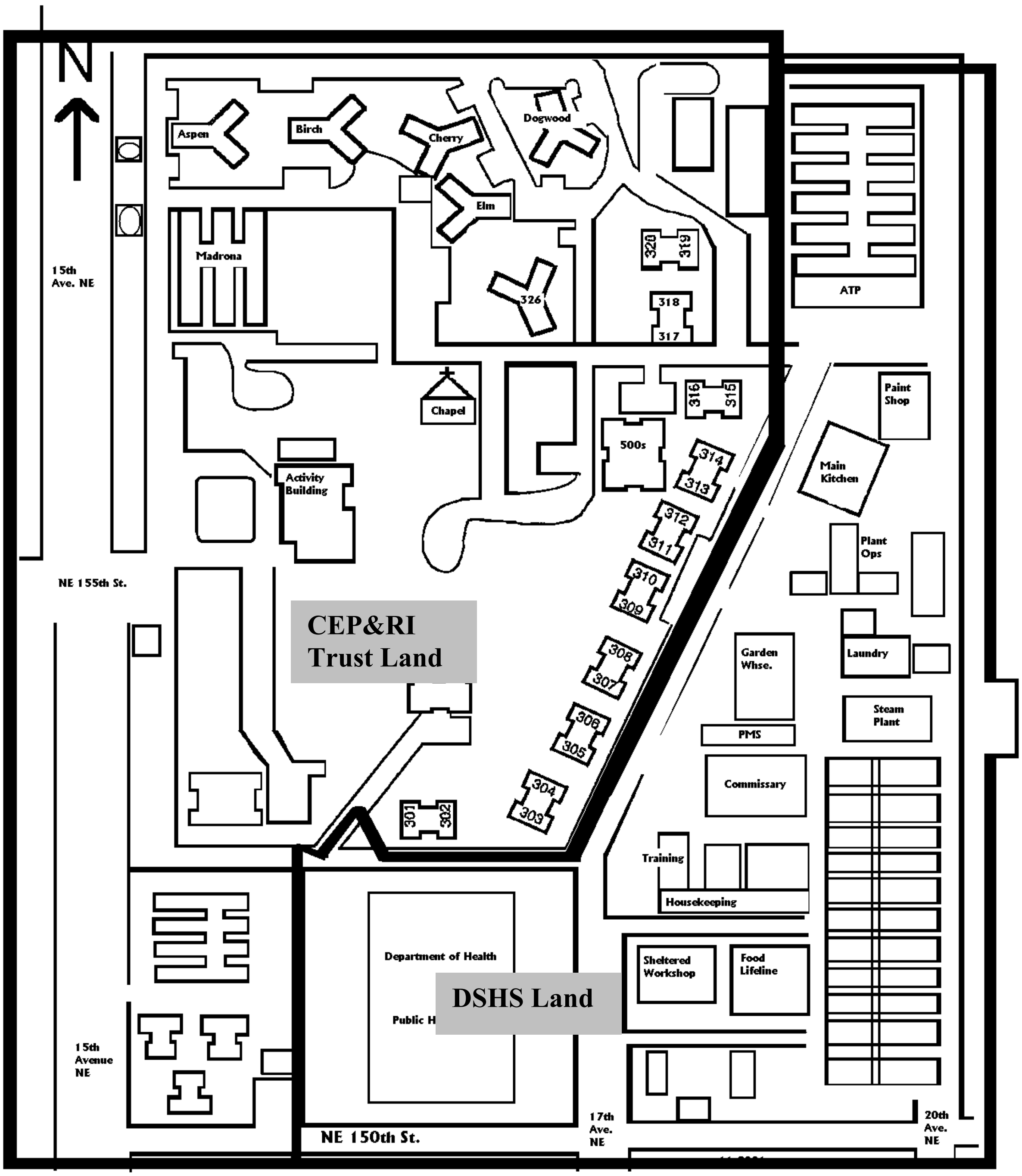
Valuation Summary Table

	Rainier School	Fircrest School	Frances Haddon Morgan Center	Lakeland Village	Yakima Valley School
Core Site Area (acres)	105.00	79.28	12.15	70	21.98
Excess Site Area (acres)	1,003.06	0	0	566.28	9
Total Site Area (acres)	1,108.06	79.28	12.15	636.28	30.98
Building Square Footage	863,681	700,367	97,461	492,938	144,860
Predominant Dates of Construction	1938-1982	1942-1972	1944-1985	1914-1983	1947-1982
Number of Residents	418	275	53	259	107
Use Value					
Base Conclusion	$40,000,000	$38,000,000	$5,500,000	$17,000,000	$8,000,000
Land Value	$6,395,000	$25,900,000	$650,000	$1,343,000	$690,000
Outleased Improvements (non-segregable)	None		$2,083,286		
Segregated Improvements	$683,925	None	None	$650,000	None
Use Value Excluding Land, Outleased or Segregated Improvements	$32,921,075	$12,100,000	$2,766,714	$15,007,000	$7,310,000
Net Use Value per Resident	$78,759	$44,000	$52,202	$57,942	$68,318
Remaining Economic Life (years)	16.4	11.0	20.7	18.3	16.5
Functional/External Obsolescence %	15.5%	15.5%	15.4%	29.8%	28.3%
Proposed Capital Requirements	$25,817,660	$25,338,800	$5,948,000	$7,500,000	$3,700,000
Go Dark Value	$6,700,000	$32,700,000	$2,900,000	$3,168,000	$1,480,000
Land Value	$6,395,000	$25,900,000	$650,000	$1,343,000	$690,000
Building/Improvement Value	$305,000	$6,800,000	$2,250,000	$1,825,000	$790,000
Go Dark Value/Use Value Ratio	16.8%	86.1%	52.7%	18.6%	18.5%

Qualitative Comparison Matrix

	Frances Haddon Morgan Center	Fircrest School	Lakeland Village	Rainier School	Yakima Valley School
Site Opportunities	Pleasant setting Adequate infrastructure for small expansion Large local workforce Average access DSHS demand for office space	Central Puget Sound location Adequate infrastructure for expansion Large local workforce Excellent access High local demand for land and buildings Master plan requirement may make zoning flexible Community acceptance of difficult to site public facilities	Large site provides flexibility Adequate infrastructure for expansion Part of a larger institutional campus Average access Well buffered from other area uses	Large site provides flexibility Adequate infrastructure for expansion Pleasant campus near foothills Fair access Adequate program area for expansion Siting provides good buffer from other area uses	Attractive small-town campus Adequate infrastructure for small expansion Adequate local workforce Average access Well-maintained and attractive buildings Good demand for excess land
Site Constraints	Zoning will limit users Older office space not competitive	Low quality program buildings Oldest cottages Ownership of land split between DSHS and DNR Long-term tenant leases limit campus redevelopment options	Zoning would most likely convert to residential Many older buildings are of lower utility Low demand for most uses	Zoning requires City over-view of all development Potentially costly participation in water supply with city Costly ownership of wastewater treatment plant	Residential zoning constrains alternative uses Large main building difficult to utilize Steep topography Single point of access
Potential Alternative Uses	Parks and recreation use City or State offices	Single-family residential development Alcohol/drug rehab. facility Cottage campus for government and non-profit residence programs	No alternative uses other than small alcohol/drug rehab. facility Sell surplus lands and improvements	No alternative uses other than small alcohol/drug rehab. facility Sell surplus lands and improvements	No alternative use other than small private nursing facility Sell surplus lands

APPENDIX 4 – FIRCREST SCHOOL CAMPUS MAP



Source: Lands & Buildings Division of DSHS.