

Motion No. M2022-07

Key Business Terms for a Transit Oriented Development adjacent to Angle Lake Station, North TOD Site

Meeting:	Date:	Type of action:	Staff contact:
Executive Committee	02/03/2022	Recommend to Board	Don Billen, PEPD Executive Director
Board	02/24/2022	Final action	Mara D’Angelo, Manager, TOD Jordan Rash, Senior Project Manager

Proposed action

(1) Approves the key business terms of a Joint Development Agreement and Purchase and Sale Agreement with Mercy Housing Northwest for the sale of surplus property adjacent to Angle Lake Station for the creation of affordable housing; and (2) delegates to the chief executive officer the authority to execute and subsequently amend as necessary the Joint Development Agreement and Purchase and Sale Agreement and related covenants, conditions, and easements for the TOD project, all subject to the Board-approved key business terms.

Key features summary

- In September 2020, the Board approved Resolution No. R2020-04, which declared the three-quarter-acre property adjacent to Angle Lake Station to be suitable for development as housing and authorized staff to offer the site to qualified entities for the development of affordable housing. The resolution also authorized staff to offer the North site at a discounted land value price to facilitate affordable housing outcomes. Following a competitive solicitation, Mercy Housing Northwest (Mercy) was identified as the top ranked firm, with Notice of Intent to Award issued in August 2021.
- Mercy proposes an affordable housing project with approximately 85-100 housing units and ground floor commercial or office space. The units will be affordable to households whose annual income (adjusted for family size) is between 30 to 80 percent of Area Median Income (AMI), with average affordability at or below 60 percent of AMI. The units will be a mix of one, two, and three bedroom apartments.
- Mercy will pay a discounted purchase price of between \$300,000 and \$400,000 for the property. The final purchase price depends on Sound Transit’s final review of the development program, funding sources, and project gap that would allow the project to move forward.
- Mercy is pursuing an agreement with the Arc of King County to relocate the Arc’s headquarters to the ground floor space. As part of Mercy’s agreement with the Arc and its commitment to the Washington State Housing Finance Commission, Mercy would set aside approximately 20 units within the affordable housing project for priority to households with developmental or intellectual disabilities. If the Arc is unable to commit to occupying the ground level space, Mercy will seek a similarly qualified nonprofit to occupy and purchase the ground level space or, alternatively, provide the minimum required ground floor commercial space.
- The property is federally funded and Sound Transit intends to apply to the Federal Transit Administration (FTA) for joint development approval or otherwise request FTA to discharge the federal obligation for the provision of affordable housing. Joint development approval will allow

Sound Transit to discount the property for affordable housing without repayment to the federal government and keep revenue received from the sale as unrestricted program income that may be used for either capital or operating expenses.

- No further Board action is anticipated.

Background

Property and TOD

The Angle Lake North transit-oriented development (TOD) Site was acquired by Sound Transit in 2013 and used to construct a new park-and-ride parking garage and plaza supporting the Angle Lake Station. Following construction, a surplus parcel of 33,529 square feet remains on the west side of the parking garage, known as the Angle Lake North TOD Site. The property was purchased with a federal participation rate of 80 percent and requires FTA approval for its reuse or disposition. The Angle Lake North TOD Site was appraised in 2019 for \$2.4 million. ([Correction on 2/18/22: The 2019 Angle Lake North TOD Site appraisal was for \\$2.2 million, not \\$2.4 million.](#)) The property is currently vacant, and is zoned Residential Business Mix (RBX) within the Angle Lake Station Area Overlay District.

Motion No. M2022-08 addresses an additional property, known as Angle Lake South TOD site, which is located across South 200th Street and was advanced in coordination with the Angle Lake North TOD Site.

Offering Process and Development Partner Selection

The Sound Transit Board approved a development strategy for the two TOD sites in September 2020 through Resolution No. R2020-04, which guided the agency on offering the North TOD Site to qualified entities (local governments, housing authorities, or non-profit developers) for affordable housing at a reduced cost and on offering the South TOD Site to the broader market at fair-market value.

In March 2021, Sound Transit released competitive requests for proposals (RFP) for the two TOD sites. Sound Transit identified Mercy as the top-ranked firm for the Angle Lake North TOD Site and subsequently negotiated a term sheet for the real estate transaction. Mercy proposed an affordable housing project with approximately 85 to 100 housing units with street-level commercial space that they intend to partner with Arc of King County for the Arc’s headquarters. Mercy is targeting a 2023 construction start, assuming it secures its building permits and necessary financing.

Key Business Terms

Sound Transit will convey the Angle Lake North TOD Site to Mercy in a transaction intended to comply with RCW 81.112.350. The key business terms negotiated as a part of this transaction include the following:

Category	Agreement
Type of agreement	Joint Development Agreement and Purchase and Sale Agreement
Buyer/Developer	Mercy Housing Northwest, a Washington nonprofit corporation
Purchase price	\$300,000 to \$400,000. The final purchase price will be determined prior to entering into the purchase and sale agreement. Mercy will pay all closing costs. State law allows the Board to authorize a no cost or discounted transfer to qualified entities for the provision of affordable housing.

Affordable Housing Covenant	A restrictive covenant will be recorded on title at closing, restricting the housing use on the property for affordable housing for a period of 50 years.
Number of housing units and affordability	A minimum of 85 units will be created. All of the units (excluding manager units) will be affordable to households whose annual income adjusted for family size is between 30% and 80% of area median income (AMI), with affordability averaging below 60% of AMI.
Sustainability	The Project developed on the site will be required to meet one of the following conditions: <ul style="list-style-type: none"> • Evergreen Sustainable Development Standard v4, OR • LEED Mid-rise v4 or LEED Residential v4.1 Gold level, and meet ESDS requirement: 5.1A Building Performance Standard – New Construction
Joint Access and Utility Easement	A private roadway/alley between the TOD property and the west side of the Angle Lake garage will provide access to the TOD project. Sound Transit will convey a permanent access and utility easement for the portion of the alley on the garage parcel.

Future Board Involvement

No further Board action is anticipated for this development. Any material changes to the key business terms will be brought to the Board for approval.

Fiscal information

The TOD project is projected to bring in between \$300,000 and \$400,000 in sale proceeds at closing, which is anticipated for 2023. The sale proceeds are included in the 2022 Financial Plan and Budget. Because this revenue is already assumed in the most current long-range financial plan, this motion will not produce an additional fiscal impact.

The 2021 unrestricted property value for the Angle Lake North TOD site, as determined by an appraisal, was \$2.4 million. [\(Correction on 2/18/22: The 2019 Angle Lake North TOD Site appraisal was for \\$2.2 million, not \\$2.4 million.\)](#) This action would result in the agency selling the site below fair market value in order to achieve the affordable housing outcome.

Disadvantaged and small business participation

Sound Transit promotes and encourages small business participation, which also includes disadvantaged business enterprises (DBEs). Small business and DBE goals are based upon an examination of subcontracting opportunities contained in the work of this contract and the number of small businesses/DBEs available to perform such subcontracting work.

Sound Transit determined that there were few small business and DBE subcontracting opportunities based upon the work described in this contract, so small business/DBE goals were not established.

Workforce utilization

The construction labor performance standards for this transaction include workforce utilization goals (21% for labor hours for People of Color and 12% for Women), apprenticeship opportunities (20% of all labor hours), and paying prevailing wage. Mercy will use best efforts to hire or cause to be hired construction workforce meeting the workforce utilization goals.

Public involvement

Sound Transit conducted public outreach around this site – in conjunction with the surplus property to the south of the subject property, known as Angle Lake South – in Spring of 2018 and Summer of 2019, engaging with more than 200 people at multiple drop-in tabling events at Angle Lake Station, attending community events, and holding briefing events with community organizations. Feedback received through that outreach process supports the Board action outlined here.

Time constraints

Mercy intends to submit a funding application to the Washington State Housing Finance Commission by March 9, 2022 in order to qualify for bond and tax credit allocation consistent with the project schedule. Board authorization is a component in allowing Mercy to submit a complete and competitive application. As such, a one-month delay could impact their project schedule.

Prior Board/Committee actions

Resolution No. R2020-04: (1) Declared the North and South Transit Oriented Development Sites adjacent to the Angle Lake Link light rail station as suitable for development as housing; (2) authorized staff to offer the North Transit Oriented Development site first to qualified entities for affordable housing development; (3) authorized staff to offer the North Transit Oriented Development Site at a discounted land value price to facilitate affordable housing outcomes; and (4) authorized staff to offer the South Transit Oriented Development Site at fair market value to all interested parties.

Resolution No. R2019-01: Approved the chief executive officer's declaration that certain real property acquired for the South 200th Link Extension Light Rail Project is surplus and is no longer needed for a transit purpose.

Resolution No. R2018-12: Approved the chief executive officer's declaration of surplus real estate property originally acquired for the South 200th Link Extension is surplus and is no longer needed for a transit purpose.

Environmental review – KH 1/25/22

Legal review – JV 1/28/22

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A motion of the Board of the Central Puget Sound Regional Transit Authority to (1) approve the key business terms of a Joint Development Agreement and Purchase and Sale Agreement with Mercy Housing Northwest for the sale of surplus property adjacent to Angle Lake Station for the creation of affordable housing; and (2) delegate to the chief executive officer the authority to execute and subsequently amend as necessary the Joint Development Agreement and Purchase and Sale Agreement and related covenants, conditions, and easements for the TOD project, all subject to the Board-approved key business terms.

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Motion

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority to (1) approve the key business terms of a Joint Development Agreement and Purchase and Sale Agreement with Mercy Housing Northwest for the sale of surplus property adjacent to Angle Lake Station for the creation of affordable housing; and (2) delegate to the chief executive officer the authority to execute and subsequently amend as necessary the Joint Development Agreement and Purchase and Sale Agreement and related covenants, conditions, and easements for the TOD project, all subject to the Board-approved key business terms.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on _____.

Kent Keel
Board Chair

Attest:

Kathryn Flores
Board Administrator