

Motion No. M2026-17

Revised Key Business Terms for Transit-Oriented Development at the Operations and Maintenance Facility East in Bellevue, WA

Meeting:	Date:	Type of action:	Staff contact:
System Expansion Committee Board	04/09/2026 04/23/2026	Recommend to Board Final Action	Marshall Foster, Chief Planning and Development Officer Mara D'Angelo, Acting Director, CDO Rennie Elliott, Senior Project Manager, TOD

Proposed action

Approves the revised key business terms for a mixed-use transit-oriented development with Touchstone LLC (a URG Company) at the Operations and Maintenance Facility East TOD site in Bellevue, Washington.

Key features summary

- This action advances the development of mixed-use transit-oriented development (TOD) on the remaining portion of approximately 6.88 acres of land (TOD Property) adjacent to the Operations and Maintenance Facility East (OMF East) and near Spring District Station in Bellevue, WA.
- Following a competitive process in 2019, Sound Transit selected a master development team led by BRIDGE Housing to develop the TOD Property.
- In 2021, the Board approved the key business terms of a transaction that included affordable housing, market rate multifamily housing, and office space via Motion No. M2021-65.
- In January 2023, the market-rate multifamily developer exited the project and the remaining developers agreed to work with Sound Transit to shift the location of one of the affordable housing sites in order to expedite the delivery of affordable housing.
- In September 2023 the Board approved Motion No. M2023-93 revising the key terms with BRIDGE Housing for the affordable housing portion of the TOD project. In 2024, BRIDGE Housing broke ground on 234 units of affordable housing at the TOD Property.
- The Staff Report for Motion No. M2023-93 stated that staff would return to the Board at a later date to advance the transaction(s) on the remainder of the development.
- Staff are now seeking approval to amend the key business terms for the remaining components of the project. The revised terms result in additional multifamily units (more than 400 compared to 260), decreased office space, and increased projected ground lease revenue to Sound Transit by an additional \$14.4 million from 2026 to 2046.
- No further Board action is anticipated.

Background

In 2019, Sound Transit released a competitive request for proposals (RFP) for the TOD Property that resulted in the selection of a master development team led by BRIDGE Housing, a nonprofit affordable housing developer and qualified entity as defined in RCW 81.112.350. BRIDGE partnered with an office developer and a market-rate multifamily housing developer (together with BRIDGE Housing, the Development Team) on their proposal for the TOD Property. The Development Team proposed a multi-phased, master-planned, mixed-use development consisting of a mix of office, market-rate and affordable housing, retail, common areas and shared infrastructure.

Revision of Project

In January 2023, the market-rate multifamily developer exited the project. Sound Transit worked with the remaining Development Team to discuss how to advance the TOD Project. The discussions also provided an opportunity to address concerns about the viability of two office buildings, reduce the complexity of the real estate transactions, and expedite the delivery of the affordable housing component.

The Board previously approved the revised key business terms with BRIDGE Housing. The revised key terms presented here provide for Touchstone to construct both the market rate housing and the office components, subject to the change of use terms described below. The revised terms increase the amount of multifamily housing units and decrease the delivery of office space. The revised terms result in increased projected ground lease revenue to Sound Transit from the transaction by approximately \$14.4 million from 2026 to 2046 over the previous Board-approved transaction.

The property was re-appraised in January 2024 and updated in December 2024. The Multifamily portion appraised for \$28 Million, and the Office portion appraised for \$17 Million for a total of \$45 Million. Throughout the Pre-development period, the adjusted land value will escalate at 3% per year.

Change In Use Provision

Following Board approval and entering into Pre-Development Agreements with Touchstone, Sound Transit will subdivide the remaining TOD Property into two or more parcels: a larger parcel or parcels for the multifamily project and a smaller parcel for the office project. During the Pre-Development period, if Touchstone reasonably determines that office is not a commercially feasible use for the site, Touchstone may elect to change the use of the office parcel to multifamily instead. In such event, Sound Transit and Touchstone will conduct a new appraisal to determine the initial land value for the new multifamily (formerly office) parcel. The change of use provision allows Touchstone to remove office as a component of the TOD Project only during the Pre-Development period prior to the start of any construction on the office parcel. It does not allow change in use of buildings already constructed.

Key Business Terms

Market-Rate Multifamily Housing Transaction

The revised key business terms of the market rate housing transaction are as follows:

Provision	Terms
Type of Agreement	One or two 99-year ground lease(s), with the combined terms below:
Developer/ Initial Ground Lessee	Touchstone LLC (a URG Company), a Washington limited liability company or special purpose entity created and controlled by Touchstone
Number of housing units	A minimum of 411 market-rate housing units, with a goal of 500 units.

Commercial retail space	The greater of Bellevue Code or updated/revised Master Development Permit requirements.
Ground Lease Terms	<ul style="list-style-type: none"> • Initial Land Value: \$22,800,000 • Ground Lease Rent Return: 5.25% • Initial ground lease rent: An amount equal to the Ground Lease Rent Return multiplied by the then Adjusted Land Value, payable in 12 equal monthly installments. • Annual CPI adjustments starting on the first lease year anniversary by the lesser of: (a) the corresponding annual change in the Consumer Price Index for All Urban Consumers Seattle–Tacoma–Bremerton, Washington, All Items (1982-1984 = 100) of the Bureau of Labor Statistics of the United States Department of Labor (the “CPI”) and (b) 3%. • Land contribution value (fair market value) adjustments in years 30 and 60 (40% cap) payable over five years. • Ramp-up ground rent: 50% of then calculated Ground Lease Rent for Lease Years 1-3.
Predevelopment Terms	<ul style="list-style-type: none"> • 48-month predevelopment period • Annual 3% land value escalation (adjusted land value) • Pre-development fees paid to Sound Transit: \$100,000 payable in each of years 3 and 4 (year 4 credited toward lease commencement fee) • \$500,000 lease commencement fee paid to Sound Transit
Sustainability	<p>Designed to meet or exceed:</p> <p>LEED Mid Rise v4, or LEED Residential v4.2 Silver and meet ESDS requirement 5.1A Building Performance – New Construction.</p>

Commercial Office Transaction

The revised key business terms of the office transaction are as follows:

Provision	Terms
Type of Agreement	99-year ground lease
Developer/Initial Ground Lessee	Touchstone LLC (a URG Company), a Washington limited liability company, or a special purpose entity created and controlled by Touchstone
Office building square feet	A minimum of 190,000 gross square feet, with a goal of 225,000 gross square feet.
Commercial retail	The greater of Bellevue Code or updated/revised Master Development Permit requirements.
Ground Lease Terms	<ul style="list-style-type: none"> • Initial Land Value: \$17,000,000* • Ground lease rent return: 5.25% • Initial ground lease rent: An amount equal to the Ground Lease Rent Return multiplied by the then Adjusted Land Value, payable in 12 equal monthly installments. • Annual CPI adjustments starting on the first lease year anniversary by the lesser of: (a) the corresponding annual change in the Consumer Price Index for All Urban Consumers Seattle–Tacoma–Bremerton, Washington, All Items (1982-1984 = 100) of the Bureau of Labor Statistics of the United States Department of Labor (the “CPI”) and (b) 3%. • Land contribution value (fair market value) adjustments in years 30 and 60 (40% cap) payable over five years. • Ramp-up ground rent: 50% of then calculated Ground Lease Rent for Lease Years 1-3. <p>*Initial Land Value subject to re-appraisal for change in use (described below).</p>
Predevelopment Terms	<ul style="list-style-type: none"> • 48-month predevelopment period • Annual 3% land value escalation (adjusted land value) • Pre-development fees paid to Sound Transit: \$50,000 payable in each of years 3 and 4

	<ul style="list-style-type: none"> • Two (2) one-year extensions for years 5 and 6 at \$150,000/year, each credited toward lease commencement fee • \$400,000 lease commencement fee paid to Sound Transit
Developer's Option to Change Use from Office to Multifamily (to occur during planning/pre-development phase)	The developer has a one-time option after the first two (2) years of the Pre-Development Period to revise the commercial office transaction to a multifamily transaction, subject to a new fair market value appraisal to determine initial land value. Developer must elect change in use prior to start of construction on the office parcel.
Sustainability	Designed to meet or exceed: LEED for New Construction or Core & Shell (as applicable) v4 or v4.1 Silver.

Timeline and Schedule

Construction of the sites is expected to begin in 2028 at the earliest. Project milestone dates will be included as part of the transaction agreements.

Future Board involvement

No further Board action is anticipated. Any material changes proposed to the key business terms will be brought to the Board for consideration.

Fiscal information

The agency's long-range financial plan assumes \$130 million (YOES) from the sale and lease of the agency's surplus real estate and joint development property. Due to Sound Transit's affordable housing goals and requirements (as included in ST3), the financial plan does not assume that all surplus properties will be sold for fair market value. To date, the agency has received or contracted \$88 million through property sales and ground leases. The long-range financial plan includes a forecast for the remainder of the target.

This deal is estimated to generate \$45.5 million in lease revenue from 2026-2046. This amount is \$14.4 million more in lease revenue than the previous Board-approved terms for the OMFE market rate transactions. If this motion is not approved and negotiations are terminated, the agency would need to determine how to utilize remaining surplus property to achieve the \$130M revenue target.

Disadvantaged and small business participation

Not applicable.

Public involvement

The vision for OMF East TOD was informed through planning processes that included public involvement, such as the City of Bellevue Bel-Red Subarea Plan, the City of Bellevue Affordable Housing Strategy, and the MOU. The OMF East planning and design process included public outreach activities including stakeholder meetings and the environmental outreach process. The stakeholder engagement process for the OMF East included input into the TOD opportunity. Sound Transit engaged

the development community through the Housing Development Consortium of King County TOD Committee as well as held a developer forum in June 2019 to receive feedback on the potential development strategy.

Time constraints

A one-month delay could delay execution of agreements and start date of pre-development period.

Prior Board/Committee actions

Motion M2023-93: Approved revising two key business terms of an affordable housing transaction with BRIDGE Housing at the Operations and Maintenance Facility East in Bellevue, Washington

Motion M2021-65: Approved Key Business Terms of a transaction for transit-oriented development within a master development team led by BRIDGE Housing at the Operations and Maintenance Facility East in Bellevue, WA.

Resolution R2019-21: (1) Approved the key business terms of a Property Exchange Agreement between the City of Bellevue and Sound Transit; (2) approved the chief executive officer's declaration that certain property adjacent to the Operations and Maintenance Facility East is surplus and available for disposition or redevelopment upon completion of construction, (3) declared the TOD Property as suitable for development as housing; (4) authorized staff to offer the TOD Property first to qualified entities to create a mixed-use, mixed-income project outcome, and (5) authorized staff to offer property within the TOD Site at a discounted price to facilitate affordable housing outcomes.

Motion M2016-73: Authorized the chief executive officer to execute an Implementation Agreement with the City of Bellevue regarding the Link Operations and Maintenance Satellite Facility.

Motion M2015-33: Authorized the chief executive officer to (1) execute amendments to the Umbrella Memorandum of Understanding and Transit Way Agreement with the City of Bellevue to address permitting, project coordination, a potential Bellevue OMSF, financial terms, and maintenance of the East Link project; and (2) execute a new Three Party Agreement with the City of Bellevue and King County to collaboratively plan and determine the feasibility of a potential city project to re-align 120th Avenue NE.

Environmental review – KH 3/18/26

Legal review – JV 4/3/26



Motion No. M2026-17

A motion of the Board of the Central Puget Sound Regional Transit Authority approving the revised key business terms for a mixed-use transit-oriented development with Touchstone LLC (a URG Company) at the Operations and Maintenance Facility East TOD site in Bellevue, Washington.

Background

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No further Board action is anticipated.

Motion

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the revised key business terms for a mixed-use transit-oriented development with Touchstone LLC (a URG Company) at the Operations and Maintenance Facility East TOD site in Bellevue, Washington are approved.

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

Dave Somers
Board Chair

Attest:

Kathryn Flores
Board Administrator