

**MOTION NO. M2018-170**
**Beacon Hill Station TOD Property Final Transaction Agreements**

<b>MEETING:</b>	<b>DATE:</b>	<b>TYPE OF ACTION:</b>	<b>STAFF CONTACT:</b>
Board	12/20/2018	Final Action	Don Billen, Executive Director, PEPD <b>Brooke Belman, Director of Land Use and Development</b> <b>Thatcher Imboden, TOD Manager</b> <b>Edward Butterfield, Senior TOD Project Manager</b>

**PROPOSED ACTION**

(1) Declares that an approximately 2,256 square foot parcel owned by Sound Transit adjacent to the Beacon Hill Link Station facilities at approximately 17th Avenue and Lander Street in Seattle is suitable for development as housing; (2) approves the key business terms of a Purchase and Sale Agreement with Pacific Housing Northwest, LLC for the sale of the Purchase Parcel, which will be combined with the Developer’s adjacent 6,431 square foot parcel to facilitate a mixed-use transit oriented development; and (3) delegates to the chief executive officer the authority to execute and subsequently amend as necessary a Purchase and Sale Agreement and associated documents, all subject to the Board-approved key business terms.

**KEY FEATURES SUMMARY**

- This action declares that a parcel owned by Sound Transit adjacent to the Beacon Hill Link Station is suitable for development as housing and approves key business terms with Pacific Housing Northwest, LLC (the “Developer”).
- Sound Transit received an unsolicited proposal in August 2017 through Sound Transit’s unsolicited proposal process, as governed by the agency’s Procurement and Contract Administration Manual, from the Developer to acquire the parcel at approximately 17th Avenue and Lander Street in Seattle (the “Purchase Parcel”).
- After a formal evaluation of the Developer’s proposal and qualifications by a Sound Transit interagency panel, Sound Transit advertised the receipt of the unsolicited proposal and offered the opportunity for other proposals to be submitted, with priority given to any proposals from Qualified Entities (non-profit developers, housing authorities or local jurisdictions) for development as affordable housing. No formal responses were received expressing interest in the Purchase Parcel for affordable housing.
- Sound Transit determined the Purchase Parcel is not required for the operations of the Beacon Hill Link Station and has no future project purposes and completed the unsolicited bid proposal process.
- Sound Transit and the Developer will enter into a Purchase and Sale Agreement with the following key business terms:
  - Sale Price: \$260,000, which is the appraised fair market value of the Purchase Parcel.
  - Reserved Tunnel Easement: Sound Transit will reserve an easement for its Link light rail tunnel running underneath the Purchase Parcel.
  - Improvements to Alley/Parking Stalls: Sound Transit may request that the Developer pave an existing alley and parking stalls serving Sound Transit’s Beacon Hill Link

- Station facilities. If this occurs, a portion of the sale price will be held in escrow, to be released to the Developer upon acceptance of improvements by Sound Transit.
- No-Build, Access, and Related Easements: Sound Transit will grant the Developer two “No-Build” easements, an access easement, and related easements on portions of Sound Transit’s retained property to optimize use and functionality of the retained property and to comply with Seattle City Code requirements.
  - The preliminary TOD Project concept will evolve as the Developer advances the concept to reflect more detailed design considerations, alignment with financing requirements, non-housing space market considerations, and other customary project refinements. Sound Transit and the Developer are engaging in a multi-phase design and development review process to ensure the interface between the Beacon Hill Link Station and the TOD Project are complimentary and that Sound Transit is able to maintain its facilities and maintain the safety of its customers.
  - The transaction is structured as a fee simple sale that is subject to covenants for transit operation and transit-oriented development. Sound Transit will reserve a tunnel easement for the portion of its Link light rail tunnel under the Purchase Parcel.
  - Following approval of this action, Sound Transit will seek formal approval from the Federal Transit Administration (FTA) on the disposition prior to executing the Purchase and Sale Agreement.
  - No further Board action is anticipated. Assuming approval from the FTA, construction of the proposed TOD Project is planned to begin in July 2019 with completion in September 2020.

## **BACKGROUND**

Sound Transit adopted a TOD Program Strategic Plan in 2010, and adopted a TOD Policy in December 2012 through Resolution No. R2012-24. Sound Transit updated its TOD strategic plan in 2014 to reflect the 2012 TOD Policy. The policy and strategic plan provided the foundation for how the agency approached integrating transit infrastructure and local and regional land use development.

In 2015, the state legislature amended the agency’s enabling legislation, directing the agency to advance equitable TOD goals, setting forth specific financial and procedural requirements, and giving new tools to the agency to advance equitable development through prioritizing affordable housing in surplus property disposition. Those statute changes took effect upon the November 2016 voter-approved Sound Transit 3 (ST3) Regional Transit System Plan. Sound Transit adopted an Equitable TOD Policy in April 2018 through Resolution No. R2018-10, which superseded the previous TOD Policy. This action is consistent with R2018-10.

### Property

The Purchase Parcel consists of an approximately 2,256 square feet and is part of a larger Sound Transit parcel at 17th Avenue and Lander Street with a total parcel size of approximately 7,975 square feet. The larger parcel was obtained as part of the Central Link Extension project in 2003 for the Beacon Hill Link Station and construction staging. The larger parcel now includes facilities that support the adjacent Beacon Hill Link Station, including a head house and emergency vent shaft. The remaining balance of the larger parcel, not utilized for station facilities, was left unimproved upon completion of construction of the Beacon Hill Link Station. The Purchase Parcel encompasses the unimproved section of the larger Sound Transit parcel.

Sound Transit and the Developer have applied for a Lot Boundary Adjustment with the City of Seattle Department of Construction and Inspections to segregate the Purchase Parcel from the larger Sound Transit parcel and to annex it to the Developer’s adjacent parcel. Once approved, the Lot Boundary Adjustment will not be recorded unless and until the parties close on the property transaction.

The CEO has declared the Purchase Parcel to be surplus property, and a resolution approving that declaration was approved by the Capital Committee at its December 13, 2018 meeting (R2018-43).

Suitability for Housing

RCW 81.112.350 directs the agency to determine whether surplus property is suitable for development as housing. Staff completed an evaluation and recommend that the Purchase Parcel is suitable for development as housing. The following summarizes the suitability findings:

- Threshold evaluation considerations:
  - Housing is a permitted use within the Purchase Parcel’s zoning district;
  - The size and shape of the Purchase Parcel meet the zoning code’s minimum requirement for constructing housing; and
  - The known environmental conditions of the Purchase Parcel are not expected to act as a barrier to constructing housing.
- Other evaluation considerations:
  - Local land use plans support housing on the Purchase Parcel;
  - The size and location of the Purchase Parcel are less conducive for other uses; and
  - There is a real estate market for housing in the local trade area.

Transaction Agreements

The key business terms negotiated as a part of the Purchase and Sale Agreement include the following:

Category	Agreement
Sale price	\$260,000, which is the appraised fair market value
Unpaved alley and parking improvements	There is an unpaved alley with adjacent parking stalls between the Beacon Hill Link Station and the Purchase Parcel that is used by Sound Transit maintenance and operations vehicles. Sound Transit may request the Developer to pave the Sound Transit portion of the alley and parking stalls when it paves the Developer’s portion off the alley. Should Sound Transit elect to have the Developer pave Sound Transit’s portion of the unpaved areas, a holdback agreement will be used to escrow a portion of the purchase price at closing, to be released back to the Developer once the improvements have been made and accepted by Sound Transit. An Independent Cost Estimate prepared by Sound Transit estimates the value of the improvements at approximately \$43,302.
Sustainability	The TOD Project shall be designed to meet or exceed the Leadership in Energy and Environmental Design (LEED) Silver standard.
Reserved Tunnel Easement	Sound Transit will reserve an easement for its Link light rail tunnel running underneath the Purchase Parcel.
Development Program	The Developer will construct a minimum of 125 residential units.

No-Build, Access, and Related Easements	Sound Transit will grant the Developer two permanent “No-Build” easements on Sound Transit-owned adjacent parcels to meet setback requirements in the Seattle City Code. The larger No-Build easement will be on the north and east sides of the Purchase Parcel and consists of approximately 1,302 square feet. The smaller No-Build easement consists of approximately 378 square feet and is located directly east of the Beacon Hill Link Station. Sound Transit will grant a permanent access easement and related easements to access the Purchase Parcel from Lander Street and the adjacent alley and to optimize use and functionality of the retained property.
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Federal Interest

The Purchase Parcel was acquired in part with FTA funding with FTA interest at 24.16 percent. Following approval of this action, Sound Transit will follow FTA’s disposition procedures and will obtain formal FTA approval prior to executing the Purchase and Sale Agreement.

Future Board Involvement

No further Board action is anticipated relating to the Purchase Parcel or the TOD Project. Any material changes to the key business terms will be brought to the Board for approval.

**PROCUREMENT INFORMATION**

Sound Transit received an unsolicited proposal in August 2017 from the Developer to buy the Purchase Parcel to incorporate it into the Developer’s TOD Project on the adjacent lot. The proposed development scope encompasses the construction of two separate buildings with ground level retail and a combined 136 residential units. Sound Transit can receive unsolicited proposals for the purchase or lease of Sound Transit property as part of Sound Transit’s approved Unsolicited Proposal Policy and Procedures.

After a formal evaluation of the Developer’s proposal and qualifications, Sound Transit advertised the receipt of the unsolicited proposal and offered the opportunity for other proposals to be submitted, with priority given to any proposals from Qualified Entities (non-profit developers, housing authorities or local jurisdictions) for development as affordable housing, per RCW 81.112.350. No responses were received from Qualified Entities expressing interest in the property for affordable housing. The conclusion of the unsolicited proposal review process was authorization from the Sound Transit’s CEO to have staff negotiate the terms and conditions for a purchase and sale agreement between Sound Transit and the Developer subject to final approval by the Sound Transit Board and FTA.

Sound Transit issued a Predictive Control Letter to the Developer in February 2018, allowing the Developer to begin the permitting process with the City of Seattle at the Developer’s risk.

**FISCAL INFORMATION**

The current fair market value of the Purchase Parcel is \$260,000 for unrestricted use.

## **PUBLIC INVOLVEMENT**

Staff has coordinated with the Developer on public outreach efforts including Early Design Guidance meetings with the City of Seattle and community members on the TOD Project.

## **TIME CONSTRAINTS**

A one month delay would not create a significant impact on the TOD Project's timeline.

## **PRIOR BOARD/COMMITTEE ACTIONS**

Resolution No. R2018-43: Approved the CEO's declaration that certain real property acquired for the Central Link Extension light rail project is surplus and is no longer needed for a transit purpose.

## **ENVIRONMENTAL REVIEW**

KH 12/10/18

## **LEGAL REVIEW**

NM 12/14/18