



## Motion No. M2023-73

### Key Business Terms for Overlake Village Station Transit Oriented Development

Meeting:	Date:	Type of action:	Staff contact:
Executive Committee	09/07/2023	Recommend to Board	Brooke Belman, Deputy CEO, Chief Expansion Delivery Officer
Board	09/28/2023	Final action	Don Billen, Executive Director, PEPD <b>Mara D'Angelo, Deputy Director, TOD</b> <b>Jordan Rash, Senior Project Manager, TOD</b>

### Proposed action

(1) Approves the key business terms of a real estate purchase and sale agreement with Bellwether Housing for the sale of surplus property adjacent to Overlake Village Station for the creation of a mixed-use project comprised primarily of affordable housing; and (2) delegates to the chief executive officer the authority to execute and subsequently amend as necessary the real estate purchase and sale agreement and related agreements, covenants, conditions, and easements for the transit oriented development project, all subject to the Board-approved key business terms.

### Key features summary

- In August 2022, the Board approved Resolution No. R2022-24, concerning property totaling approximately 2.75 acres adjacent to Overlake Village Station. The resolution approved the CEO's declaration of surplus, declared the property suitable for the development of housing, and authorized staff to offer the property first to qualified entities for the development of affordable housing. The resolution also authorized staff to offer the property below market value, including at no cost, to facilitate affordable housing outcomes.
- Following a competitive solicitation process, Sound Transit selected Bellwether Housing as the top-ranked proposer.
- Bellwether is proposing a mixed-use affordable housing project with a minimum of 300 affordable housing units, as well as a minimum of 10,000 square feet of ground floor commercial space, primarily targeted to non-profit and community-serving uses.
- Bellwether will pay a purchase price of \$250,000.
- No further Board action is anticipated.

### Background

#### Property

Sound Transit acquired a large parcel for the construction of Overlake Village Station, the East Link light rail line, and a street – Plaza Street – for passenger pickup/drop off circulation. Following completion of the capital project, Sound Transit will create two parcels: TOD Parcel A containing approximately

104,341 square feet and TOD Parcel B containing approximately 16,337 square feet. TOD Parcel A and TOD Parcel B are referred to together in this report as the “TOD Site.” The TOD Site was appraised for \$26 million in 2022. There is no federal interest in the TOD Site, and as such, approval from the Federal Transit Administration is not required for this transaction.

Offering Process and Development Partner Selection

The Sound Transit Board approved a development strategy for the Transit Oriented Development (TOD) sites in August of 2022 through Resolution No. R2022-24, which guided the agency to offer the TOD Site first to qualified entities (local governments, housing authorities, and nonprofit developers) for the development of affordable housing, and authorized staff to consider offering a discounted land value price to facilitate affordable housing outcomes.

Following the Board’s approval of Resolution No. R2022-24, Sound Transit issued a request for proposals (RFP) in November 2022 seeking a development partner who could maximize affordable housing, offer the deepest level of affordability possible, and provide other community benefits on the site. The RFP included \$5 million in pre-committed funding from King County and was identified as eligible to participate in the TOD bond allocation for affordable housing on Sound Transit sites through a partnership with the Washington State Housing Finance Commission. In addition, the project may apply for financial support from the Amazon Housing Equity Fund dedicated to affordable housing on Sound Transit TOD sites.

A development team led by Bellwether Housing was selected as the top-ranked firm and Notice of Intent to Award was issued on March 24, 2023.

The project proposed by Bellwether included 333 units of affordable housing targeted at incomes between 30 percent to 80 percent of area median income, and a target of 16,000+ square feet of ground floor uses supporting small businesses and non-profits on TOD Parcel A. TOD Parcel B will be used as open space that may include community events and resident services programming. Bellwether is targeting Q4 2025 construction start, pending financing and permitting.

Staff negotiated the key business terms based on Bellwether’s response to the RFP, seeking to maximize affordable housing and community outcomes.

Key Business Terms

Sound Transit will convey the Overlake Village TOD sites to Bellwether Housing in a transaction intended to comply with RCW 81.112.350. The key business terms negotiated as part of this transaction include the following:

Category	Agreement
<b>Buyer/Developer</b>	Bellwether Housing, a Washington nonprofit corporation
<b>Purchase Price</b>	\$250,000
<b>Number of Housing Units</b>	Buyer will construct a minimum of 300 affordable units, with a target of 333 affordable units.
<b>Percentage of Units That Are Affordable</b>	100% of the housing units (excluding manager units) must serve those earning no greater than 80% of the area median income.
<b>Level of Affordability and Types of Units</b>	The housing units will be offered for lease solely to individuals and households whose annual income (adjusted for family size) at the time of

	<p>initial occupancy is between 30% and 80% of area median income (“AMI”), excluding manager units, with an affordability averaging 50% AMI or below.</p> <p>The units will consist of a mix of studio, 1, 2, and 3-bedroom apartments. Approximately 1/3 of units will be family-sized (2 or 3-bedrooms). At least 10 units will be reserved for intellectually and developmentally disabled adults if Buyer secures funding to serve this population.</p> <p>The final number and configuration of units is contingent on Buyer achieving a variance from any conflicting City of Redmond code requirements, including parking requirements. The number of units will not fall below 300 units without additional Sound Transit Board approval.</p>
<b>Commercial/Retail Uses</b>	<p>Buyer will construct a minimum of 10,000 square feet of ground floor commercial space, with a target of 16,300 square feet. The ground floor commercial space uses may include offices for small businesses and non-profits, a shared commercial kitchen and food hall, childcare, women’s working wear closet, digital literacy resources and neighborhood-serving retail.</p>
<b>Bicycle Parking</b>	<p>Buyer will provide secure bike storage for residents and a secure bike storage area for retail staff. Bike racks will be installed at building entries around the site perimeter.</p>
<b>Sustainability</b>	<p>The Project will be constructed to meet or exceed 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.</p>
<b>Affordable Housing Covenant</b>	<p>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.</p>

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 agency’s long-range financial plan assumes \$130M (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 \$56.4M through property sales and ground leases. The long-range financial plan includes a forecast for the remainder of the target, including \$18.4M awarded but not yet contracted projects.

A market appraisal in July 2022 valued the TOD Site at \$26 million. The sale of this property was already assumed in the long-range financial plan, and this action will result in \$250,000 in proceeds to the agency bringing the total progress towards the target to \$56.7M out of \$130M (YOES). As a result, this action does not have an impact on the affordability of the Financial Plan. This below market transaction is necessary to facilitate affordable housing outcomes, and is consistent with RCW 81.112.350, Sound Transit's Equitable TOD Policy, and Resolution No. R2022-24.

## **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 State Residential Prevailing Wage Rates to construction workers according to their trade, unless a project funder requires a higher minimum rate.

## **Public involvement**

Sound Transit conducted community engagement around the site starting in July 2021. Engagement included an online survey that collected approximately 1,100 responses, as well as two separate rounds of workshops and direct engagement with community-based organizations operating in the Redmond area. Feedback received through that outreach process informed the agency's offering strategy, the RFP issued in November 2022, and the proposed disposition for development of affordable housing.

## **Time constraints**

A one-month delay may jeopardize the development team's ability to apply for funding sources with time-sensitive commitment deadlines, including the Amazon Housing Equity Fund.

## **Prior Board/Committee actions**

Resolution No. R2022-24: (1) Approved the chief executive officer's declaration that the transit-oriented development (TOD) Site adjacent to Overlake Village Station depicted on Exhibit A is surplus upon completion of East Link construction; (2) declared the TOD Site as suitable for the development of housing; (3) authorized staff to offer the TOD site first to qualified entities for the development of affordable housing; and, (4) authorized staff to offer the site at a discounted land value in order to facilitate affordable housing.

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**Environmental review – KH 8/16/23**

**Legal review – JV 8/24/23**



## Motion No. M2023-73

A MOTION of the Board of the Central Puget Sound Regional Transit Authority (1) approving the key business terms of a real estate purchase and sale agreement with Bellwether Housing for the sale of surplus property adjacent to Overlake Village Station for the creation of a mixed-use project comprised primarily of affordable housing; and (2) delegating to the chief executive officer the authority to execute and subsequently amend as necessary the real estate purchase and sale agreement and related agreements, covenants, conditions, and easements for the TOD project, all subject to the Board-approved key business terms.

### Background

#### Property

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#### Offering Process and Development Partner Selection

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A development team led by Bellwether Housing was selected as the top-ranked firm and Notice of Intent to Award was issued on March 24, 2023.

The project proposed by Bellwether included 333 units of affordable housing targeted at incomes between 30 percent to 80 percent of area median income, and a target of 16,000+ square feet of ground floor uses supporting small businesses and non-profits on TOD Parcel A. TOD Parcel B will be used as open space that may include community events and resident services programming. Bellwether is targeting Q4 2025 construction start, pending financing and permitting.

Staff negotiated the key business terms based on Bellwether’s response to the RFP, seeking to maximize affordable housing and community outcomes.

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<b>Commercial/Retail Uses</b>	Buyer will construct a minimum of 10,000 square feet of ground floor commercial space, with a target of 16,300 square feet. The ground floor commercial space uses may include offices for small businesses and non-profits, a shared commercial kitchen and food hall, childcare, women’s working wear closet, digital literacy resources and neighborhood-serving retail.
<b>Bicycle Parking</b>	Buyer will provide secure bike storage for residents and a secure bike storage area for retail staff. Bike racks will be installed at building entries around the site perimeter.

**Sustainability**

The Project will be constructed to meet or exceed 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.

**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.

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.

**Motion**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority (1) approving the key business terms of a real estate purchase and sale agreement with Bellwether Housing for the sale of surplus property adjacent to Overlake Village Station for the creation of a mixed-use project comprised primarily of affordable housing; and (2) delegating to the chief executive officer the authority to execute and subsequently amend as necessary the real estate purchase and sale agreement and related agreements, 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 September 28, 2023.



Dow Constantine  
Board Chair

**Attest:**



Kathryn Flores  
Board Administrator