



## Resolution No. R2022-31

### U District 45th & Roosevelt TOD surplus declaration, suitability for housing, and offering strategy

Meeting:	Date:	Type of action:	Staff contact:
Executive Committee	11/03/2022	Recommend to Board	Bria Knowles, PEPD Acting Executive Director
Board	11/17/2022	Final action	<b>Mara D'Angelo, Manager, Transit-Oriented Development</b> <b>Tim Bates, Senior Project Manager</b>

### Proposed action

(1) Approves the chief executive officer's declaration that the U District 45th & Roosevelt TOD Site is surplus; (2) declares the TOD Site as suitable for development as housing; (3) authorizes staff to offer the TOD Site first to qualified entities to create affordable housing; (4) authorizes staff to offer the TOD Site at below market value to facilitate affordable housing outcomes.

### Key features summary

- This set of four proposed actions advances transit-oriented development (TOD) on the U District 45th & Roosevelt TOD Site located at 1000 NE 45<sup>th</sup> Street, Seattle, WA.
- This action:
  - Approves the chief executive officer's (CEO's) declaration that the TOD Site is surplus and is no longer needed for a transit purpose;
  - Declares the TOD Site as suitable for development as housing;
  - Authorizes staff to offer the TOD Site first to qualified entities (local governments, housing authorities, and nonprofit developers) for development of affordable housing as defined in RCW 81.112.350; and
  - Authorizes staff to offer the TOD Site at a discounted land value, including at no cost, to facilitate affordable housing outcomes.
- The real property identified in this requested action is depicted in Exhibit A.

### Background

#### Property

Sound Transit acquired the property comprising the TOD Site in 2001. The parcel was used as construction offices supporting the construction of the Northgate Link Extension. The site is located northwest of U District Station and is bounded by NE 45<sup>th</sup> Street, Roosevelt Way NE, and 11<sup>th</sup> Ave NE. It consists of one tax parcel (773360-0155), which is bisected by a public alley. Exhibit A illustrates this parcel and its surroundings.

The property was acquired without federal funding and its disposition does not require federal approval.

The TOD Site is 17,815 square feet (~0.41 acres) and has an appraised value of \$6.8 million (2022). It is zoned for mixed-use development as-of-right, which allows for high-rise development of up to 320 feet with incentives. However, this is a small, constrained site, and high-rise development is likely not feasible as currently configured due to the alley (which splits the site into two building pads) and setback requirements from a proposed high-rise project on the northwest property boundary. Reflecting this, the appraised value is based on highest and best use as mid-rise construction of multifamily/mixed-use development.

While working to prepare for permanent development on the TOD Site, Sound Transit has leased the property to the City of Seattle for use as a temporary tiny house village. The village, which provides 36 furnished residential units, is overseen by the King County Regional Homelessness Authority and operated by the Low Income Housing Institute. The lease may be extended annually to 2024.

### TOD Analysis

Sound Transit staff conducted a TOD assessment of the TOD site, reflecting property boundaries, likely development layout and program, market analysis, and community engagement efforts. This work concluded housing was a suitable use for the site, accompanied by ground-floor uses such as retail, commercial, and/or community uses. Based on the site conditions and city regulations, the assessment found that mid-rise development (6-8 stories) is achievable with the site as configured today with approximately 77 residential units. If the existing public alley were reconfigured and vacated to create a consolidated building pad site, a high-rise building could be physically feasible, potentially accommodating over 200 units.

Community feedback, as gathered through Sound Transit's community engagement work, indicated that there is strong support for maximizing affordable housing outcomes on this site, including constructing a high-rise building and reconfiguring the alley to maximize the development footprint. Reconfiguring the alley would require completing the City of Seattle's street vacation process, which could be completed by Sound Transit or a future developer. Typically, a street vacation is pursued in the context of a specific project proposal, which will not be available until Sound Transit has selected a development partner for the site. However, leaving the alley vacation for a future developer to complete after a competitive solicitation is less ideal because it is unlikely that developers would incorporate an alley vacation into their proposals due to the schedule and budget risks that the vacation process introduces and would introduce solicitation risk for Sound Transit.

As a result, Sound Transit staff have been working with Seattle's Office of Housing and Department of Transportation to identify a path to vacating the portion of the alley bisecting the TOD Site earlier than in the development process than is typically done. After briefings with city staff and with support from adjacent property owners, Sound Transit submitted a petition to vacate the alley in July 2022 and introduced the topic at a Seattle City Council Transportation and Seattle Public Utilities Committee meeting on July 19<sup>th</sup>. Sound Transit and the city are working collaboratively to analyze the feasibility of the vacation and city staff will ultimately recommend a set of conditions for approval to the Seattle City Council. City staff have indicated that approval of the vacation will be contingent on both maintaining alley function for existing and future users (via a turnaround or realignment east or west) and Sound Transit pursuing an affordable housing project on the site. Additionally, recent changes to city policy now waive the real property compensation requirement for vacations that support affordable housing outcomes. This process is likely to advance in the first half of 2023, culminating in a public hearing and ultimately the city council's vote to approve or reject the proposed vacation.

### TOD Goals for the Site

Sound Transit has been working to develop TOD goals for the site based on community and stakeholder input. Sound Transit staff have also been working with the Seattle Office of Housing to align resources

and characterize affordable housing feasibility. Drawing on these efforts, staff identified the following list of key goals:

- Maximize affordable housing: Proposals should maximize affordable housing outcomes achieved on the site, seeking to maximize the number of units delivered and for all units to be affordable to those earning 80% or less of Area Median Income (AMI). Proposals should seek to provide deeper affordability (60% AMI or less).
- Active ground-floor uses: Proposals should incorporate ground-floor commercial and/or community-serving uses. The property's location in the heart of the University District and on the busy NE 45<sup>th</sup> Street corridor means that an active ground floor that supports a busy pedestrian environment will be an important aspect of the project.
- Safe and comfortable streetscape: The project should support the creation of a safe and comfortable pedestrian environment, which could include elements such as wider sidewalks, street trees, and safety buffers such as landscaping or green stormwater features.

### Recommended Actions

#### (1) Approves the CEO's declaration that the U District 45th & Roosevelt TOD Site is surplus

The TOD Site is depicted in Exhibit A. The CEO has determined that this property can be declared surplus and is no longer needed for a transit purpose.

#### (2) Declares the TOD Site as suitable for development as housing

RCW 81.112.350(b)(i) states that, unless certain exceptions apply, "a minimum of eighty percent of [Sound Transit's] surplus property to be disposed or transferred, including air rights, that is suitable for development as housing, must be offered for either transfer at no cost, sale, or long-term lease first to qualified entities that agree to develop affordable housing on the property, consistent with local land use and zoning laws." The statute defines qualified entities as local governments, housing authorities, and nonprofit developers.

Staff recommends that these properties are suitable for development as housing.

Threshold evaluation considerations:

- Housing is a permitted use within the property's zoning district
- The size and shape of the properties meet the zoning code's minimum requirements for constructing housing; and
- The known environmental conditions of the properties are not expected to create an unsurmountable barrier to constructing housing.

Discretionary evaluation considerations:

- The City of Seattle is supportive of housing on this site;
- The community is supportive of housing on this site;
- A market and feasibility study identified housing as a viable use on this site; and
- Sound Transit's appraisal identified housing, as part of mixed-use development, as a highest and best use of the site.

(3) Authorizes staff to offer the TOD Site first to qualified entities for the development of affordable housing

Staff recommends pursuing an affordable housing outcome on the TOD site for several reasons:

- Development of an affordable housing project with active ground floor uses, such as retail, responds to community engagement feedback and is compatible with the city's planning efforts in this neighborhood.
- Community, city, and state stakeholders and policymakers strongly support affordable housing on this site. Local stakeholders have identified affordable housing as a missing element in the U District's dramatic growth in recent years. Despite being one of the city's most active development markets in recent years, very little affordable housing has been built in the neighborhood recently. Stakeholders support using this publicly owned property, located in a high opportunity area and with a prime location at the heart of the neighborhood, to achieve as much affordable housing as possible.
- Funding partners are prepared to align affordable housing funding for this site. Seattle's Office of Housing will partner with Sound Transit on a joint solicitation, and will pre-commit affordable housing funding to the project through that solicitation. The site may further be eligible for the Washington State Housing Finance Commission affordable housing bond financing and for Amazon Housing Equity Fund dollars, dedicated to affordable housing projects on Sound Transit TOD sites.

(4) Authorizes staff to offer the TOD Site below market value to facilitate affordable housing outcomes

Consistent with RCW 81.112.350, the Sound Transit Board can discount property to facilitate affordable housing outcomes. Staff recommends a discount for the TOD Site for the following reasons:

- Most affordable housing projects serving area median incomes of at or below 60% of area median income typically require public subsidy in the form of low-cost, subordinate debt, low income housing tax credit allocations, discounted land value, and/or grants. Land cost is typically 5-15% of a project budget, and without discounting land value, would likely require additional local subsidy, which is likely to be a barrier to the project.
- The appraised value of the TOD Site is \$6.8 million. The cost of land may be a barrier for realizing significant affordable housing outcomes at this site. This is particularly the case if high-rise development, which has a higher construction cost than mid-rise, is pursued to maximize the affordable housing outcomes on the site.
- A discounted land value helps unlock other affordable housing funding resources. The Washington State Housing Finance Commission has implemented a streamlined process for issuing bond/tax credit allocations to finance affordable housing on Sound Transit TOD sites where the agency has provided a significant discount of the land value. The site is also eligible for Amazon's Housing Equity Fund.

Staff is seeking authorization to offer a discount, including a no cost transfer, for the TOD Site to seek the maximum amount of affordable housing produced through a competitive solicitation process. The final amount of discount is subject to future Board approval, once the amount of achievable affordable housing has been determined through a competitive offering process.

Next Steps and Future Board Involvement

Should the Board approve these actions, Sound Transit begin the competitive solicitation process for the TOD Site, likely in Q2 2023. This will allow time for the alley vacation process to conclude. The solicitation will be offered to qualified entities in accordance with RCW 81.112.350.

After receiving responses to the solicitation, staff will evaluate them and negotiate a term sheet with the top ranked proposer. Following negotiations, the key business terms, including the amount of land value

discount for affordable housing and number of units proposed, will be brought before the Board for consideration.

## **Fiscal information**

A 2022 market appraisal valued the U District 45th & Roosevelt TOD Site at \$6.8 million for market-rate development. The proposed actions would direct staff to offer the TOD Site first to qualified entities and would authorize staff to discount land value for affordable housing that meets the requirements of RCW 81.112.350.

The Long-Range Financial Plan includes a forecasted goal to meet the ST3-assumed target of \$93.8 million (2016\$) for surplus property revenues over the lifetime of the plan (2017-2046) that includes assumptions on properties that could be used to reach this target and when the revenue will be received. Since 2016, the agency has achieved approximately \$64 million in property sales and ground leases.

Due to Sound Transit's affordable housing goals and requirements (as included in ST3), the forecast does not assume that all surplus properties will be sold for fair market value. The agency has multiple future opportunities to achieve the revenue target, including those from future ST3-acquired property that will be determined as transit projects progress through the final design and construction phases. Additionally, property values have escalated faster than originally assumed, which results in the potential for higher revenues than planned. As a result, discounting a property does not necessarily result in a negative impact on the affordability of the Financial Plan.

The Fall 2022 Financial Plan forecast of the surplus property target does not assume the identified value (\$6.8 million) for the TOD Site as revenue. Even if the site is discounted, the agency believes that the Financial Plan target can still be achieved within the same timeframe. As a result, there would not be a negative impact to the affordability of the Financial Plan.

## **Disadvantaged and small business participation**

Not applicable to this action.

## **Public involvement**

Sound Transit conducted community engagement for the U District 45th & Roosevelt TOD Site in 2021. Early engagement efforts included meeting with stakeholders to identify goals and help shape community engagement efforts. Sound Transit then held two online surveys to receive community feedback on the site. Participants submitted over 1,800 comments, and key takeaways include:

- Affordable housing is the top priority for this site
- Maximizing the number of housing units, while accommodating a range of household sizes, is also important
- The project should improve the street-level and pedestrian environment

The final community engagement report is available to the public here:

<https://www.soundtransit.org/sites/default/files/documents/university-district-tod-engagement-report-05162022.pdf>.

## **Time constraints**

A delay greater than one month could delay the alley vacation process with the City of Seattle, and thus delay Sound Transit's competitive solicitation process for the site. Staff are seeking Board approval now

because the alley vacation process depends on the agency's commitment to offering this site for affordable housing.

### **Prior Board/Committee actions**

Resolution No. R2018-10: Adopted an Equitable Transit Oriented Development Policy to reflect ST3 and RCW 81.112.350 direction to implement a regional equitable TOD strategy during planning, design, construction and operation of the high-capacity transit system and supersedes Resolution No. R2012-24.

Resolution No. R2000-14: Authorized the Executive Director to acquire, dispose, or lease certain real property interests by negotiated purchase, by condemnation, by settling condemnation litigation or entering administrative settlements, and to pay eligible relocation and re-establishment benefits to affected parties as necessary for the Central Link Light Rail project (Design-Build Contract Segment, from NE 45<sup>th</sup> St. to Convention Place Station).

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**Environmental review** – LS 10/25/2022

**Legal review** – JV 10/28/22



## Resolution No. R2022-31

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority (1) Approving the CEO's declaration that the U District 45th & Roosevelt TOD Site is surplus; (2) declaring the TOD Site as suitable for development as housing; (3) authorizing staff to offer the TOD Site first to qualified entities for the development of affordable housing; (4) authorizing staff to offer property within the TOD Site below market value to facilitate affordable housing outcomes.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under chapters 81.104 and 81.112 of the Revised Code of Washington (RCW) for the Pierce, King, and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Sound Transit district on November 5, 1996, November 4, 2008, and November 8, 2016, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, Sound Transit acquired the subject property, currently identified as the U District Transit Oriented Development Site located in Seattle, WA for the Central Link Light rail project in 2001; and

WHEREAS, RCW 81.112.350 requires Sound Transit to "develop and seek voter approval for a system plan, ... to implement a regional equitable transit-oriented development strategy for diverse, vibrant, mixed-use and mixed-income communities consistent with transit-oriented development plans developed with community input by any regional transportation planning organization within the regional transit authority boundaries"; and

WHEREAS, on June 23, 2016 the Sound Transit Board adopted Resolution No. R2015-16 approving the Sound Transit 3 Regional Transit System Plan (the "ST3 Plan") and on November 8, 2016 the voters approved the ST3 Plan. The ST3 Plan provides (at page 12), "Sound Transit will implement a regional equitable TOD strategy for diverse, vibrant, mixed-use and mixed income communities adjacent to Sound Transit stations that are consistent with transit oriented development plans developed with the community by the regional transportation planning organization within Sound Transit's boundaries. ... Sound Transit will use such plans as the 2013 Growing Transit Communities Strategy to inform the content and implementation of its TOD strategy"; and

WHEREAS, unless certain exceptions apply, RCW 81.112.350 requires that the agency offer for transfer at no cost, sale, or long-term lease at least 80 percent of its surplus properties that are suitable for housing first to qualified entities (local governments, housing authorities, and non-profit developers) that agree to develop affordable housing on the property, and if accepted, at least 80 percent of the housing units created on the property must serve those whose adjusted income is no more than 80 percent of the adjusted median income for the county in which the property is located; and

WHEREAS, on April 26, 2018, the Sound Transit Board adopted Resolution No. R2018-10 adopting an Equitable TOD Policy to reflect the ST3 Plan and RCW 81.112.350 direction to implement a regional equitable TOD strategy during planning, design, construction and operation of the high-capacity transit system; and

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that:

Section 1. The chief executive officer's declaration that the TOD Site is surplus and is no longer needed for a transit purpose.

Section 2. The TOD site is suitable for development as housing.

Section 3. Staff is hereby authorized to offer the TOD Site first to qualified entities for the development of affordable housing.

Section 4. Staff is hereby authorized to offer the TOD Site below market value to facilitate affordable housing.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on November 17, 2022.



Kim Roscoe  
Board Chair Pro Tem

**Attest:**



Kathryn Flores  
Board Administrator

U District 45th & Roosevelt TOD

Exhibit A – TOD Site Boundaries



This map is accompanied by no warranties.