

## Resolution No. R2020-17

### Authority to negotiate a no cost property transfer with the City of Seattle's Office of Housing for 10 Transit Oriented Development sites in the Rainier Valley

Meeting:	Date:	Type of action:	Staff contact:
Executive Committee Board	10/01/2020 10/22/2020	Recommend to Board Final action	Don Billen, PEPD Executive Director <b>Thatcher Imboden, PEPD Deputy Director, TOD</b> Mara D'Angelo, Senior Project Manager, TOD

### Proposed action

(1) Declares 10 Transit Oriented Development sites in the Rainier Valley to be suitable for development as housing; and (2) authorizes staff to negotiate an agreement to transfer those sites at no cost to the City of Seattle for affordable housing development.

### Key features summary

- This action advances the development of equitable Transit Oriented Development (TOD) on 16 surplus parcels that have been grouped into 10 development sites near the Othello, Columbia City, and Mt. Baker Link light rail stations.
- The 10 development sites are each between 2,300 and 14,000 square feet and were purchased with a federal participation rate of between 0 and 60 percent, as shown in further detail in Exhibit A.
- If approved, Sound Transit would finalize negotiations with the City of Seattle's Office of Housing (OH) to transfer the parcels to the City of Seattle to be used for affordable housing, with a goal of creating affordable homeownership units across the sites. Staff would return to the Board to seek approval to enter into a binding site transfer agreement.
- The agreement would allow Sound Transit to transfer the sites at no cost to the City of Seattle for affordable housing, with a focus on long-term affordable homeownership. Sound Transit has received approval from the FTA to utilize a disposition method that allows Sound Transit to transfer these sites to the City of Seattle for affordable housing with no further obligation to repay the federal interest.
- As with any TOD property, Sound Transit has the option to competitively market these sites, either for private development, or to achieve affordable outcomes. This action recommends pursuing a partnership with the City of Seattle because it creates the greatest efficiencies in achieving a critical priority for the community: affordable homeownership opportunities that help combat displacement in a rapidly gentrifying area. The city has committed [approximately \\$10 \\$11](#)-million to construct affordable homeownership units on the sites and provide the staff resources to manage a competitive request for proposals process to bring on development entities that will ultimately create these homeownership units. Further, FTA has approved a disposition method that allows Sound Transit to transfer these parcels at no cost to the City of Seattle for affordable housing without repaying the federal interest.

## Background

### Property and TOD

Sound Transit purchased a number of parcels in Seattle's Rainier Valley to construct the Central Link light rail transit project and widen the street right-of-way. When the Central Link project was completed in 2009, several small parcels remained, including those that comprise the sites that are the subject of this proposed resolution. The sites are between 2,300 and 14,000 square feet and are located within a half mile or less from the Othello, Columbia City, and Mt. Baker Link light rail stations. The sites were appraised together in 2019 for a total value of \$9.4 million. The individual parcels were purchased with a federal participation rate of between 0 and 60 percent, and their disposition requires federal approval. Site specific details are provided in Exhibit A.

#### (1) Action to declare the TOD sites 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 a qualified entity as a local government, housing authority, and nonprofit developer. Staff completed an evaluation and now recommends that these properties are suitable for development as housing.

In addition to the fact that these sites minimally meet the qualifications required to develop housing, appraisals for the sites, community input collected through Sound Transit's equitable engagement process, and local land use plans also support a housing outcome for these properties. This initiative would help address the finding by the King County Regional Affordable Housing Task Force that there will be a need for 244,000 additional affordable homes in the greater Seattle area by the year 2040.

#### Evaluation considerations

- Housing is a permitted use within the properties' 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 a barrier to constructing housing.

#### Discretionary evaluation considerations

- Local land use plans support housing on the property;
- The community is supportive of housing on these sites; and
- Appraisals identified housing as the highest and best use of these sites.

#### (2) Action to offer the properties to the City of Seattle's Office of Housing, a qualified entity, at a no cost for the development of affordable housing

As shared in a Board presentation in June of 2019, Sound Transit and OH have had ongoing discussions about the disposition of these sites to the City of Seattle for the development of affordable housing, particularly for the creation of affordable homeownership opportunities. These sites are zoned for residential use and are accessible to transit, but for the most part are too small to accommodate the scale necessary to support affordable multifamily rental housing. For years, the Rainier community requested more affordable homeownership opportunities; these sites due to their size and public ownership are good candidates to realize that outcome.

The Rainier Valley Affordable Housing sites are primarily located along Martin Luther King Junior Way South within a half mile of Link light rail stations. The smallest site can accommodate up to 2 homes, and the largest can accommodate 40 homes. Three of the sites allow for nonresidential ground-floor spaces as well, enabling businesses or community spaces to be built alongside housing.

In Seattle, affordable homes for ownership are typically matched to families at 65-80% of area median income. In 2019, a family of four earning at or below \$88,250 would be eligible. As part of this proposed initiative, housing would be “permanently affordable”, with houses reselling to qualifying families at affordable prices. Through partnerships with various stewardship entities, the City invests in this type of permanently affordable homeownership to create a supplemental market of homes that are affordable to today’s income-eligible homebuyers and for future generations of income-eligible homebuyers.

In 2020, Sound Transit worked with FTA to pursue a disposition method that would allow Sound Transit to transfer the properties to a local governmental authority to be used for a public purpose with no further repayment obligation to FTA. Sound Transit has received approval from FTA to transfer these parcels to the City of Seattle for affordable housing without repayment to FTA.

#### Considerations for a No Cost Transfer

The Seattle Office of Housing has agreed to commit ~~no less than \$11~~ approximately \$10 million in local funding to this project. Additional funding will be leveraged from state and private sources approximating \$20-30 million. Land costs are a significant barrier to creating affordable housing, particularly affordable homeownership products. In one of the most high value housing markets in the country, the cost to create an affordable homeownership unit is \$350,000 - \$500,000. Eligible households, by contrast, can afford a purchase price (affordable mortgage plus down payment) of \$200,000 - \$300,000. This leaves a funding gap of at least \$100,000 per unit, often more, that requires public funding to fill, and makes every dollar saved on land costs critical to achieving the goals set out for these sites.

At the same time, affordable housing is an extremely important outcome for this Seattle community. There have been substantial changes in the Rainier Valley since Link light rail began serving the area in 2009. National trends consistently show that housing price increases are correlated with major infrastructure investments such as light rail, and this area is no exception. While home prices and rents have risen exponentially across Seattle, they’ve risen more notably in South Seattle. The City’s Displacement Risk Index analysis gives this area the highest rating possible, and a report by the Puget Sound Regional Council showed assessed values for certain parcels around one Rainier Valley station rose by an average of 513% between 1999 and 2013. Likewise, while South Seattle remains by far Seattle’s most racially diverse area, it has gentrified; for the first time 2013-2017 Census data shows that white people comprise its largest racial/ethnic group.

By helping build equity and credit, affordable homeownership can be a stepping stone to increased financial security for the low-income families it benefits, and is a critical policy tool for helping temper the effects of gentrification. Access to affordable homeownership keeps families from being displaced as rental prices rise. Facilitating transit oriented development that achieves these outcomes would be an important public benefit realized via this disposition. It is also worth highlighting that extensive community outreach over the summer of 2019 shows that affordable homeownership is the preferred outcome for these sites from community members in the Rainier Valley.

Given the unique opportunity, the high community need, and the significant matching investment committed by the City of Seattle, staff recommend considering a no cost transfer of these sites.

This initiative would make possible the creation of affordable housing opportunities on these sites, with a focus on developing affordable homeownership units. Should this action be approved, Sound Transit would return for Board approval of the terms of an agreement with OH, including restrictive covenants to ensure the properties remain affordable long-term. OH would use a competitive Request for Proposals

process to select the development entities that would ultimately create these affordable homeownership units.

## **Fiscal information**

The agency's long-range financial plan assumes \$93.8 million (2016\$) from the sale of the agency's surplus real estate. To date the agency has received or has under contract approximately \$39.1 million through property sales and ground leases. The Board approved other development strategies that are out for bid that are expected to generate an additional \$24 million in revenue.

Market appraisals in 2019 valued the 10 Rainier Valley sites together at \$9.4 million. These actions would authorize the agency to offer the properties to the City of Seattle at no cost.

## **Public involvement**

Sound Transit and OH committed to advancing an inclusive community outreach process around the proposed affordable homeownership initiative in the Rainier Valley. This meant proactively seeking voices from long-standing, historically underrepresented communities and using an array of outreach methods.

Sound Transit and the Office of Housing contracted with Puget Sound Sage, a nonprofit organization that seeks to turn community visioning into policy through community-based participatory research, to hold six in-person community meetings with Limited English Speaking and historically underrepresented groups. In addition, Sound Transit offered an online survey, available in six languages, sent letters to neighboring properties, posted signage, and staffed community fairs and festivals. In total, nearly 1,500 people received letters; nearly 1,000 took our survey; more than 200 spoke with us at community events, and we met directly with more than 100 community members.

Feedback received through this process overwhelmingly supported affordable homeownership outcomes on all of the proposed sites in this action. The agency received feedback around other community priorities for other sites in Rainier Valley, which will be considered as a part of future Board action pertaining to those properties. Community members also communicated clear preferences for site prioritization, unit size, and programming for non-residential spaces, which Sound Transit and the Office of Housing are committed to pursuing.

## **Time constraints**

A one-month delay would not create a significant impact to the project schedule.

## **Prior Board/Committee actions**

Resolution No. R2015-07: Approved the CEO's Declaration of Surplus for three of the Rainier Valley Affordable Housing Project parcels.

Resolution No. R2003-04: 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 a portion of the Central Link Light Rail.

Resolution No. R2002-03: 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 a portion of the Central Link Light Rail.

**Environmental review – KH 9/22/20**

**Legal review – JV 9/28/20**



## Resolution No. R2020-17

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority (1) Declaring 10 Transit Oriented Development sites in the Rainier Valley to be suitable for development as housing; and (2) authorizing staff to negotiate an agreement to transfer those sites at no cost to the City of Seattle for affordable housing development.

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 sites, located near the Othello, Columbia City, and Mt. Baker Link light rail stations, for construction of the Central Link Light Rail Project; and

WHEREAS, the majority of the Rainier Valley surplus sites were acquired using Federal Transit Administration (FTA) financial assistance and are subject to federal interest. As such, Sound Transit is required to consult with FTA regarding the manner of disposition; and

WHEREAS, the Sound Transit Board by Resolution No. R2015-07 and R2020-xx approved the Chief Executive Officer's declaration of surplus for these sites; 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;

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

Section 1. The Sound Transit Board finds and declares that the Rainier Valley surplus sites are suitable for development as housing.

Section 2. Staff is hereby authorized to negotiate the terms of an agreement to transfer the Rainier Valley surplus sites at no cost to the City of Seattle for affordable housing development consistent with the requirements of RCW 81.112.350.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on \_\_\_\_\_.

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Kent Keel  
Board Chair

**Attest:**

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Kathryn Flores  
Board Administrator



## Resolution No. R2020-17

### Exhibit A

Authority to negotiate a discounted property transfer with the City of Seattle's Office of Housing for 10 Transit Oriented Development sites in the Rainier Valley

Site #	Parcel ID	ROW No	Site Address, Seattle WA	Closest Light Rail Station	FTA Interest	Square Footage	2019 Appraised Value
2	1756700015-02	RV093	4851 MLK Jr. Way S.	Columbia City	60.00%	2,184	\$1,110,000
	1756700010-07	RV094	4853 MLK Jr. Way S.	Columbia City	60.00%	1,744	
	1756700005-04	RV095	4859 MLK Jr. Way S.	Columbia City	60.00%	4,631	
4	5414100205-00	RV079	4733 MLK Jr. Way S.	Columbia City	60.00%	1,815	\$1,010,000
	5414100220-01	RV082	4735 MLK Jr. Way S.	Columbia City	60.00%	1,428	
	5414100230-09	RV083	4741 MLK Jr. Way S.	Columbia City	60.00%	4,522	
5	4006000319-00	RV246	4203 S. Kenyon St.	Othello	60.00%	4,526	\$1,240,000
	4006000322-00	RV247	7908 MLK Jr. Way S.	Othello	24.16%	5,892	
6	3333002640-00	RV192	6740 MLK Jr. Way S.	Othello	24.16%	8,439	\$1,390,000
7	1426300125-00	RV032	3601 MLK Jr Way S.	Mount Baker	24.16%	13,164	\$1,350,000
8	4281400385-00	RV243	7860 MLK Jr. Way S.	Othello	N/A	3,797	\$460,000
9	1756700110-06	RV096	4865 MLK Jr. Way S.	Columbia City	60.00%	3,292	\$690,000
	1756700120-04	RV097	3112 S. Ferdinand St.	Columbia City	24.16%	1,845	
10	1703400990-00	RV099	3201S. Ferdinand St.	Columbia City	24.16%	3,776	\$560,000
11	2660500259-00	RV112	5042 MLK Jr. Way S.	Columbia City	60.00%	2,387	\$420,000
12	1662500061-00	RV185	6701 MLK Jr. Way S.	Othello	24.16%	8,341	\$1,150,000
<b>10</b>						<b>71,783</b>	<b>\$9,380,000</b>