Resolution No. R2022-24
Overlake Village Station TOD surplus declaration, suitability for housing, and offering strategy

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<thead>
<tr>
<th>Meeting:</th>
<th>Date:</th>
<th>Type of action:</th>
<th>Staff contact:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Committee</td>
<td>08/04/2022</td>
<td>Recommend to Board</td>
<td>Don Billen, PEPD Executive Director</td>
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<td>Board</td>
<td>08/25/2022</td>
<td>Final action</td>
<td>Mara D’Angelo, Manager, TOD</td>
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<td>Jordan Rash, Senior Project Manager</td>
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Proposed action
(1) Approves the chief executive officer’s declaration that a portion of one parcel (“TOD Site”) adjacent to Overlake Village Station is surplus upon completion of East Link construction; (2) declares the TOD Site as suitable for development as housing; (3) authorizes staff to offer the TOD Site first to qualified entities for development of affordable housing; and (4) authorizes staff to offer the TOD Site below market value, including at no cost, to facilitate affordable housing outcomes.

Key features summary
- This set of four proposed actions advances transit-oriented development (TOD) on surplus property adjacent to the Overlake Village Link Light Rail Station (OVS):
  - This action:
    o Approves the chief executive officer’s declaration that the TOD Site is surplus and is no longer be needed for a transit purpose;
    o Declares the TOD Site as suitable for development as housing;
    o Authorizes staff to offer the TOD Site first to qualified entities for development of affordable housing (local governments, housing authorities, and nonprofit developers) for development of affordable housing as defined in RCW 81.112.350; and
    o 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 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. What remains following the capital project will be two future parcels separated by Plaza Street.

The subject property includes approximately 2.75 acres of gross property. The future developer(s) will be required to provide Right of Way (ROW) dedications to the City for expansions to 152nd Avenue NE and NE Shen Street, and other portions of the property will be encumbered by easements or other restrictions limiting the developable space. Once these dedications and encumbrances are in-place, the
The TOD Site will be split into separate tax parcels through a binding site plan led by the East Link capital project. One tax parcel – “TOD A” – will comprise approximately 2.4 acres of gross property area. The smaller parcel – “TOD B” – will comprise approximately 0.4 acres of gross property area. Both sites fall under the City of Redmond’s “Overlake Village” zoning, allowing for residential, commercial, and mixed-use development as of right. Zoning designations for the parcels allow for buildings up to nine stories with generous floor-to-area ratios. A depiction of the site is provided in Exhibit A.

TOD Analysis

Sound Transit staff conducted a TOD assessment of the TOD Site, reflecting anticipated property boundaries, potential development layout and program, market analysis, financial housing pro forma analysis, and community engagement. This work concluded that housing was a suitable use for the site, including housing as part of a mixed-use development (e.g., ground floor commercial with housing above). The feasibility assessment found that 2-3 mid-rise buildings (up to 9 stories) could be supported on the site, delivering 250-350 units of housing in addition to commercial space and amenities, depending on the distribution of unit types, floor plans, and floor-to-area ratio.

TOD Goals

Starting in late 2020, Sound Transit and the City of Redmond have been working collaboratively to explore opportunities to develop the TOD Site with the maximum number of units to the deepest levels of affordability possible. In addition, Sound Transit staff have been working with affordable housing funders to align resources for these sites and characterize affordable housing feasibility.

Drawing on the findings of this work, staff identified the following list of key goals for the Overlake Village Station TOD Site:

- **Mixed-use**: Proposals should include both residential and other uses, such as ground-floor commercial and/or community-serving uses.

- **All-affordable**: Proposals must demonstrate that 100% of the housing units serve families earning 80% of the area median income (AMI) or below. Those proposals that maximize the number of units that serve those earning less than 50%, and wherever possible, 30% of AMI, will be most-competitive in the TOD offering.

- **Maximize site density**: Proposals should seek to maximize the density of the site, while retaining sufficient open space and/or public amenities to support dense development.

- **Serving special populations**: Proposals should pursue the provision of units set aside and designed for special populations including but not limited to veterans, survivors of domestic violence, seniors, and those with intellectual and/or developmental disabilities.
- Community-oriented: Proposals should pursue inclusion of community-oriented uses, reflecting community needs and preferences (as described, for example, in Sound Transit’s community engagement efforts).

Recommended Actions

(1) Approves the CEO’s declaration that the TOD Site adjacent to the Overlake Village Station is surplus upon completion of East Link construction

The CEO has concluded that the portion of the parcel as depicted in Exhibit A can be declared surplus. The property is currently under the management of the capital project construction contractor and will no longer be needed for a transit use following completion of East Link.

(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 the TOD Site is 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 property meets the zoning code’s minimum requirements for constructing housing; and
- The known environmental conditions of the property is not expected to create a barrier to constructing housing.

Discretionary evaluation considerations:
- The City of Redmond is supportive of housing on the site;
- The community is supportive of housing on the site;
- A market and feasibility study identified housing as a viable use on the site; and
- Appraisal identified housing, as part of mixed-use development, as highest and best use of the site.

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

Staff recommends pursuing an affordable housing outcome on the site for several reasons:
- The TOD Site is located in an extremely high opportunity area with excellent access to jobs and amenities, including proximity to the Microsoft campus. The area median income of Redmond is higher than surrounding communities, increasing the need for affordable housing options, and the property is zoned for mid-rise buildings up to nine stories with generous floor-to-area ratios, making it attractive for redevelopment as housing.
- The City of Redmond has a goal to maximize affordable housing on the site and such an outcome will support goals established in Redmond’s Housing Action Plan.
- Equitable engagement conducted in 2021/2022 demonstrated strong support from the community for affordable housing outcomes on the site.
• Public funding partners are prepared to align affordable housing resources to the TOD Site through a joint solicitation, with King County offering $5 million in funding. In addition, the Washington State Housing Finance Commission (Commission) will make available affordable housing bond financing to Sound Transit TOD Sites where the Board has authorized a discounted land value for affordable housing.

• While unable to pre-commit resources to the TOD Site, A Regional Coalition for Housing (ARCH) supports affordable housing on the TOD Site and would consider awarding funds, post-developer selection by Sound Transit, to the project. The site is also eligible for the Amazon Housing Equity Fund.

The project will be expected to provide street-level, non-residential space in the building, both due to City of Redmond zoning code and goals identified during the planning process.

(4) **Authorizes staff to offer the 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 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. Without discounting land value, project would likely require additional local subsidy, which is a barrier to affordable housing development.

• The fair market value of the Overlake Village TOD Site is prohibitive to realizing significant affordable housing at this location. Additionally, the cost of land will be a barrier for creating other affordable housing opportunities in the Overlake Village Station area.

• A discounted land value is important to leveraging other affordable housing funding resources. The Commission streamlined process for issuing a bond/tax credit allocations are contingent on Sound Transit providing a significant discount of the land value, and Amazon’s Housing Equity Fund prioritizes investments where Sound Transit is also offering a discount to fair market value for affordable housing.

**Next Steps and Future Board Involvement**

Should the Board approve these actions, Sound Transit will issue a competitive solicitation for the site as soon as fall of 2022. The solicitation will first be offered to qualified entities for the development of affordable housing.

After receiving responses to the solicitation, a review panel comprised of ST staff, external partners, and non-voting technical advisors will evaluate proposals. ST staff will then negotiate the key business terms with the top-ranked proposer. Following negotiations, the key business terms, including but not limited to the the amount of land value discount for affordable housing, number of units, area median incomes served, and TOD amenities, will be brought before the Board for consideration.

**Fiscal information**

A market appraisal in July 2022 valued the TOD Site at $26 million for market-rate development. The proposed actions would direct staff to offer the TOD Sites 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
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 Spring 2022 Financial Plan forecast of the surplus property target does not assume the current July 2022 value ($26 million) for the TOD Site as revenue. Even if this 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, as defined as remaining available debt capacity in the minimum year of constraint.

**Disadvantaged and small business participation**

Not applicable to this action.

**Public involvement**

Sound Transit conducted community engagement around the site starting in July 2021. Engagement included an online survey (July 2021) that collected approximately 1100 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 supports the Board action outlined here.

The final community engagement report will be available to the public on the Sound Transit website.

**Time constraints**

A delay greater than one month would create significant impact to potential affordable housing development. In addition to pre-committed funds from King County and the Washington State Housing Finance Commission, the projects may be eligible for affordable housing funds from the Amazon Housing Equity Fund. The Amazon Housing Equity Fund requires projects to start construction by December 31, 2025. Releasing the solicitation as soon as possible gives proposers more time to determine funding eligibility and conduct necessary due diligence work.

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**Environmental review** – KH 7/25/22  
**Legal review** – JRV 7/29/22
Resolution No. R2022-24

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority (1) Approving 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) declaring the TOD Site as suitable for the development of housing; (3) authorizing staff to offer the TOD Site first to qualified entities for the development of affordable housing; and, (4) authorizing staff to offer the site at a discounted land value in order to facilitate affordable housing.

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 Overlake Village Station Transit Oriented Development Site located at the Northeast corner of 152nd Avenue NE and NE Shen Street Redmond, WA for the Overlake Village Station project in 2015; 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 adjacent to Overlake Village Station is surplus upon completion of East Link construction is approved.

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 at a discounted land value in order to facilitate affordable housing.

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

______________________________
Kent Keel
Board Chair

Attest:

______________________________
Kathryn Flores
Board Administrator
LEGAL DESCRIPTION
LOT J, DON KOLL BUSINESS PARK, ACCORDING TO THE
PLAT RECORDED IN VOLUME 151, PAGES 15 AND 16, IN KING
COUNTY, WASHINGTON. IN SECTION 23, TOWNSHIP 25
NORTH, RANGE 3 EAST, W.W.

SUBJECT TO EASEMENTS PER TITLE REPORT: RECORDING
NUMBERS 7616407937 AND 7616407938.

TAX PARCEL NO. 2609001737
SITE ADDRESS
2601 151ST PLACE NE,
REDMOND, WA 98052.

GENERAL NOTES
1. TOD PARCEL LINES ARE BASED ON EXHIBIT 'C' ROW NO.
   EL-344 PARCEL MAP DATED 01/19/2021.
2. LINEWORK DEPICTING ROAD AND SIDEWALK
   IMPROVEMENTS ON 152ND AVE NE, NE SHEN ST AND THE
   PLAZA ST EXTENSION IS REPRESENTATIVE OF FUTURE
   WORK. SEE OVERLAKE VILLAGE STREET DESIGN
   GUIDELINES FOR REQUIREMENTS.
3. LINEWORK FOR STREETS AND INFRASTRUCTURE ARE AN
   APPROXIMATION BASED ON CONSTRUCTION DOCUMENTS
   PROVIDED BY SOUND TRANSIT AND WSDOT.