

**SOUND TRANSIT
STAFF REPORT**

RESOLUTION NO. R2007-07

**Federal Way Transit-Oriented Development East Parcel
Purchase and Sale Agreement**

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	3/15/07	Discussion/Possible Action to Recommend Board Approval	Jim Edwards, Acting Director Capital Projects	(206) 398-5436
Board	3/22/07	Action	Vicki Youngs, Community Connections Manager Scott Kirkpatrick, TOD Program Manager	(206) 398-5024 (206)398-5264

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	✓
Sole Source		Amend Existing Contract/Agreement	
Agreement with Other Jurisdiction(s)		Budget Amendment	
Real Estate	✓	Property Acquisition	

PROPOSED ACTION

Authorizes the chief executive officer to execute a purchase and sale agreement with the Korean Women's Association for the parcel located east adjacent to the Federal Way Transit Center for a proposed low-income senior housing transit-oriented development project.

KEY FEATURES of PROPOSED ACTION

- The east parcel has been declared surplus by previous Board action and the project proposed by the Korean Women's Association (KWA) is in keeping with the Transit-Oriented Development (TOD) Agreement between Sound Transit and the City of Federal Way.
- Approving the Purchase and Sale Agreement (PSA) supports the KWA's efforts to secure funding from the U.S. Department of Housing and Urban Development (HUD) and others by demonstrating it has site control.
- Closing the Purchase and Sale Agreement will be dependent on the KWA's successful receipt of a 2007 HUD 202 Program grant, providing them the funding to purchase the property.
- The proposed senior housing project is consistent with City-approved definition of TOD in the TOD Agreement, and is consistent with City zoning and with Board policies.

BUDGET IMPACT SUMMARY

Not applicable for this action.

BUDGET DISCUSSION

The proposed transaction has no direct cost impact. The proceeds of the resultant sale will represent an increase to the South King County sub-area resources which was not included in the Adopted 2007 Budget.

SMALL BUSINESS PARTICIPATION

Not applicable for this action.

BACKGROUND for PROPOSED ACTION

TOD Agreement

Both the City and Sound Transit worked throughout the transit center development process to incorporate transit oriented development on the project site. The results of this effort culminated with Board action on Resolution No. R2004-13. The resolution authorized the chief executive officer to:

- 1) Execute an agreement with the city which defined terms and conditions for TOD on the east and west parcels; and
- 2) Declare the east and west parcels ("certain real property") adjacent to the Federal Way Transit Center as surplus and to dispose of those properties.

The TOD Agreement encumbers the east parcel by requiring Sound Transit to obtain a commitment from a qualified developer within 18 months from the Federal Way Transit Center certificate of occupancy (by July 2, 2007), and that TOD construction commence within five years of certificate of occupancy (by February 2011). If these requirements are not met, the east parcel is to be conveyed to the City at no cost for a period of seven years, within stipulated terms and conditions. If at the end of that period the City has not completed a TOD project, it can return the parcel to Sound Transit or purchase it at full market value.

Korean Women's Association Proposal

Following ten months of consideration by the King County Library System to acquire either of the parcels, Sound Transit issued a Request for Proposals (RFP) for the use of the east and west parcels in June 2006. In August 2006 the Korean Women's Association (KWA), a non-profit organization, submitted a qualifying proposal and was the only respondent. KWA proposed to fund, construct and own a mixed use project of 60 senior rental units, a daycare facility, and office space on the east parcel. At a density of 87 units per acre, KWA's proposed project complies with Sound Transit's definition of TOD contained in the TOD Agreement, including providing potential transit-dependent residents. Those utilizing the office space are also expected to benefit from the extensive bus service available at the Federal Way Transit Center, further reducing single occupancy auto dependency. The daycare facility originally proposed has been determined infeasible.

Purchase and Sale Agreement

In order to finance the project, KWA will apply for federal HUD 202 Program funds in June 2007. If approved, KWA will receive a notification of award by November 2007. At this time, KWA is also soliciting for additional affordable housing funds which require (as does HUD) that KWA

has demonstrated site control. The approval of the Purchase and Sale Agreement (PSA) will accomplish this requirement. A 2007 HUD funding award would allow design, construction, and occupancy within the following 24 months, meeting the TOD Agreement requirement of a 2011 start of construction.

The PSA sets the purchase price at \$600,000, KWA's initial offer. The PSA would establish a closing for the east parcel based on HUD's grant guidelines. The PSA is effective only for the 2007 HUD process and terminates if no award is made.

Purchase Price Justification

The land in question was purchased for the Federal Way Transit Center in 2003 for \$15.00 a square foot. The 2006 East Parcel appraisal determined the fair market value at \$617,000 (\$20.00 per square foot) based on retail or commercial use as the highest and best use. However, no retail or commercial projects were proposed in response to Sound Transit's RFP. The appraisal noted that retail uses on this site would be affected by restricted access as there is no curb cut from 23rd Avenue South. The appraisal also notes that multifamily housing would require an atypical urban density and design solution, increasing the development cost, while decreasing the per unit value of the land. The appraisal sets the low end of the potential range at \$10,000 per unit, consistent with KWA's offer of \$600,000. This offer is less than 3% below the appraisal value, within the accepted industry standard. These several factors suggest this is the appropriate sales price for the East Parcel at this time, especially considering the timing constraints set by the TOD agreement.

Further, Sound Transit's disposition policy adopted by Resolution No. R99-35 allows for a sale of property for less than appraised fair market value when the agency will realize a greater non-monetary benefit, such as achieving a successful TOD project near a transit facility. The proposed mixed use project meets Sound Transit's evaluative criteria for TOD established in Motion No. M99-60 and also Sound Transit's TOD definition, as previously approved by the City. The proposed project includes 60 units and 2,000 square feet of office space. KWA employees and visitors will have extensive transit choices due to the Transit Center's proximity. Therefore, while increased ridership cannot be predicted with precision, the project will create additional transit riders due to HUD requiring that the senior residents will have incomes at 30% of the County median. The proposed offer should make KWA's HUD proposal competitive based on land price, allowing the sole proposer for a project on the east parcel to proceed with a valuable TOD project.

Contingency Plan

As to the potential outcome that KWA does not receive 2007 HUD funding, staff intends to negotiate a "developer's agreement" to present to the Board in April. This agreement would provide for alternative financing methods to allow the proposed project to proceed and would designate KWA as the developer to complete an affordable housing project on the East Parcel by 2011. This alternative agreement would meet the TOD Agreement requirement for having a qualified developer capable of beginning construction by 2011 to be named by July 2007.

Environmental Documentation

Sound Transit, the Federal Transit Administration (FTA), and the Federal Highway Administration (FHWA) completed a NEPA Environmental Assessment (EA) in 2001 for the Federal Way Transit Center/Parking Structure, and HOV Direct Access Ramp project which

included the undeveloped East Parcel site. The EA noted that if TOD were proposed later on the east or west parcels adjacent to the parking structure, such TOD would be evaluated as a part of future environmental documentation separate from the EA. The EA was adopted by Sound Transit for purposes of SEPA compliance in 2001. FTA and FHWA approved a FONSI (Finding of No Significant Impact) under NEPA in 2002. It will be the responsibility of the purchaser, KWA, to complete any additional environmental documentation under NEPA or SEPA required for development of the East Parcel. The City of Federal Way has adopted a Planned Action SEPA for its downtown which includes environmental review for the TOD parcels.

Prior Board/Committee Actions on this Project

Motion/Resolution Number and Date	Summary of Action
R2004-13 9/23/04	Repeals authority granting the Chief Executive Officer under Resolution No. R2003-14 to execute an agreement with the City of Federal Way outlining the terms related to the Federal Way Transit Center project; authorizes the Chief Executive Officer to execute a new agreement with the City of Federal Way, and authorizes the Chief Executive Officer to declare, in the future, certain real property adjacent to Sound Transit's Federal Way Transit Center (#53321) project as surplus and to dispose of those properties (without further action required by the Sound Transit Board).
R2003-14 7/10/03	Established an agreement for development of the Federal Way Transit Center and the possible disposition of two parcels of land adjacent to the Federal Way Transit Center.
M2001-28 4/21/01	Entered into an agreement describing roles and responsibilities for development of the transit center and parking facility.
R99-35 1/13/00	Established Real Property disposition policy, procedures, and guidelines.
M99-60 9/23/99	Established criteria for evaluation of Transit Oriented Development (TOD).
M45 11/13/97	Establishing a mission statement to guide the Transit Oriented Development (TOD) work program and setting forth principles related to land use and transit work activities of the RTA.

CONSEQUENCES of DELAY

A delay in executing the recommended Purchase and Sale Agreement will jeopardize the project's current funding opportunities which are necessary for making the HUD 202 application competitive and potentially leading to a circumstance where Federal Way is entitled to the conveyance of the East Parcel at no cost.

PUBLIC INVOLVEMENT

Several public discussions and a project presentation have recently occurred at the Federal Way City Council's Land Use and Transportation Committee.

ENVIRONMENTAL COMPLIANCE

SSK 3-06-07

LEGAL REVIEW

JB 3-8-07

SOUND TRANSIT

RESOLUTION NO. R2007-07

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a purchase and sale agreement with the Korean Women's Association for the parcel located east adjacent to the Federal Way Transit Center for a proposed low-income senior housing transit-oriented development project.

WHEREAS, a Regional Transit Authority, hereinafter referred to as Sound Transit, has been created for the Pierce, King, and Snohomish County region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, on November 5, 1996, at a general election held within the Central Puget Sound Regional Transit Authority district, the voters approved local funding for high capacity transit in the Central Puget Sound Region; and

WHEREAS, the Sound Transit Board adopted Resolution No. R2003-14 on July 10, 2003, establishing an agreement for the development of the Federal Way Transit Center and the possible disposition of two parcels of land adjacent to the transit center; and

WHEREAS, the Sound Transit Board adopted Resolution No. R2004-13 on September 23, 2004, repealing the authority granted to the chief executive officer in Resolution No. R2003-14 and authorizing the chief executive officer to enter into an agreement with the City of Federal Way that addressed each party's obligations regarding potential transit-oriented development ("TOD") opportunities, funding obligations for the TOD opportunities, and potential future transfer of surplus real property from Sound Transit to the City (the "TOD Agreement"), and also authorizing the chief executive officer to declare, in the future, certain real property adjacent to the Federal Way Transit Center project as surplus and to dispose of those properties; and

WHEREAS, in August 2006 the Korean Women's Association, a non-profit organization, submitted a proposal for a low-income senior housing TOD project to be located on the east parcel adjacent to the Federal Way Transit Center; and

WHEREAS, through Motion No. M99-60, the Sound Transit Board adopted evaluation criteria to be used in evaluating proposed development opportunities around Sound Transit facilities; and

WHEREAS the Sound Transit Board hereby finds that the project proposed by the Korean Women's Association for development on the east parcel meets important evaluative criteria adopted in Motion No. M99-60, including that the proposed project has an ownership and a real estate development and management plan; and

WHEREAS, the Sound Transit Board hereby finds that the sale of the east parcel to the Korean Women's Association will provide Sound Transit a substantial benefit in the form of a successful TOD project adjacent to the Federal Way Transit Center; and

WHEREAS, the Sound Transit Board hereby finds that the sale of the east parcel to the Korean Women's Association will provide Sound Transit a substantial benefit in the form of a successful TOD project adjacent to the Federal Way Transit Center;

WHEREAS, through Resolution No. R99-35 the chief executive officer may, in the best interests of Sound Transit, negotiate the sale of Sound Transit Surplus Property; and

WHEREAS, Sound Transit has appraised the value of the east parcel and has negotiated in good faith with the owners of the property and reached agreement on the purchase price and other terms and conditions of the conveyance of such property interests; and

WHEREAS, the Korean Women's Association intends to seek federal funds in order to finance the project and is required to demonstrate that it has site control in order to qualify for these funds; and

WHEREAS, a Purchase and Sale Agreement between Sound Transit and the Korean Women's Association will satisfy the requirements of demonstrating site control; and

WHEREAS, a Purchase and Sale Agreement between Sound Transit and the Korean Women's Association is consistent with Sound Transit's obligations under the TOD agreement with the City of Federal Way.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a purchase and sale agreement with the Korean Women's Association for the parcel located east adjacent to the Federal Way Transit Center for a proposed low-income senior housing transit-oriented development project.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on March 22, 2007.



Mark Olson
Board Vice Chair

ATTEST:



Marcia Walker
Board Administrator