

MOTION NO. M2012-04
TOD Joint Development Feasibility Negotiating Agreements & Surplus Property Declaration

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:	PHONE:
Capital Committee	2/9/2012	Deferred	Ahmad Fazel, DECM Executive Director	(206) 398-5389
Capital Committee	3/8/2012	Recommendation to Board	Roger Hansen, Real Estate Director Ric Ilgenfritz, PEPD Executive Director	(206) 689-3366 (206) 398-5239
Board	3/22/2012	Final Action	Scott Kirkpatrick, TOD Manager	(206) 398-5264

PROPOSED ACTION

(1) Approves the chief executive officer's declaration of surplus real property acquired for the Central Link project and (2) Authorizes the chief executive officer to negotiate and execute two Transit Oriented Development joint development feasibility agreements with Catholic Housing Services / Washington Housing Equity Alliance and Centioli Family LLC, to investigate the feasibility of a potential transit-oriented, affordable housing project.

KEY FEATURES

- Approves the declaration by the chief executive officer that the three parcels located at 5701, 5707, and 5715 Martin Luther King Jr. Way S., Seattle, WA owned by Sound Transit are no longer required for a project purpose and are declared surplus.
- Authorizes negotiating and executing joint development feasibility agreements with two abutting property owners adjacent to properties owned by Sound Transit. Work would take place to determine the feasibility of a potential public/private affordable housing partnership using Sound Transit and federal Joint Development methodology.
- The joint development feasibility agreements will allow the parties to conduct necessary due diligence tasks, such as obtaining appraisals, applying for affordable housing funding, and preparing to seek City of Seattle approval to vacate up to two shared alleys. Completion of the due diligence tasks will determine if the properties are feasible for redevelopment.
- Sound Transit would incur no loss of actual control of its property through the joint development feasibility agreement process with Catholic Housing Services (CHS) or Centioli. Completed agreements between the parties would facilitate CHS's affordable housing funding process, which is crucial to project feasibility and consideration of future real estate transactions.

PROJECT DESCRIPTION

Sound Transit's Transit Oriented Development (TOD) program preserves development opportunities on Sound Transit property; promotes TOD in the acquisition, use or disposition of excess land; preserves options through local station area plan and project reviews; and provides internal and external TOD technical support. The program direction includes the use of the Federal Transit Administration's Joint Development methodology for evaluating and advancing potential TOD projects.

FISCAL INFORMATION

The Adopted 2012 Budget includes funding for the TOD Due Diligence program for appraisals, a survey and lot boundary adjustment, , any necessary additional environmental assessment, and other costs associated with preparing alley vacation applications and preparing the surplus property for a potential transaction.

The Adopted 2012 budget related to this project is \$326,470 in total.

SMALL BUSINESS PARTICIPATION

Not applicable to this action.

EQUAL EMPLOYMENT WORKFORCE PROFILE

Not applicable to this action.

BACKGROUND

Sound Transit TOD Program

The Sound Transit Board established the TOD Program in 1997. Its mission is to create transit supported development and communities at Sound Transit facilities, station and station areas by working with local jurisdictions, property owners and developers. TOD Motion No. M99-25 states that "Sound Transit should use *all* its own sites to demonstrate good transit-oriented design and land use mixes that are appropriate to their setting, transit mode, and market conditions." Section I.B.3. of the Motion allows Sound Transit to provide incentives to assure that desired types of development are built on surplus land.

Resolution No.R99-35, The Real Property Disposition Policy, Procedures and Guidelines, includes as a policy goal: "Utilize the disposition of Sound Transit Real Property to encourage Transit Oriented Development, Joint Development and public and private projects at and around Sound Transit facilities to build transit ridership, enhance communities and aid economic development".

Background for the Joint Development Feasibility Agreements

Sound Transit acquired three parcels in 2003 and 2004 for the Central Link light rail alignment at the corner of Martin Luther King, Jr. Way S. and S. Orcas Street. In 2005, the agency worked with CHS to coordinate contiguous construction of the light rail project and CHS's Katharine's Place, a 25 unit residential building. At the time CHS expressed interest in the agency's future property disposition plans. In 2011, after analyzing the Sound Transit parcels' potential for redevelopment, TOD staff facilitated a discussion with CHS and Centioli LLC to consider assembling the abutting properties to increase the development capacity of the agency's property.

CHS is a not-for-profit organization which provides housing for some of the community's most vulnerable populations, in partnership with local, state and federal government agencies, public funders and private lenders, and dedicated staff and volunteers. CHS housing programs serve low-income individuals, families, seniors, and persons with special physical and mental needs. The programs provide resident support services and a clean and safe place to live. Along with its companion organization Catholic Community Services, these entities provide a full spectrum of housing with 22 shelters, 17 transitional housing facilities and 45 permanent housing properties in Western Washington.

Centioli Family LLC represents a long-time Rainier Valley family with whom Sound Transit has previously had a number of real property transactions for Central Link right-of-way purposes. A former single family residence, this abutting property has been vacant for some time and efforts to sell the property have been unsuccessful. Incorporating the Centioli property into the potential TOD project nearly doubles the number of residential units and substantially improves the immediate neighborhood.

The CEO has determined that the three parcels are no longer needed for current or future project uses. The boards of CHS and Washington Housing Equity Alliance (WHEA) have adopted resolutions to pursue project development and to enter into agreements with Sound Transit. Centioli Family LLC has also indicated in writing its desire to participate as a party to the proposed feasibility agreements.

Proposed Joint Development Feasibility Agreements

By acting as a catalyst for joint development, Sound Transit would fulfill its TOD policies to demonstrate good TOD appropriate to setting, transit mode and market conditions, and to build transit ridership, enhance communities and aid economic development.

Catholic Housing Services (CHS) and its partner Washington Housing Equity Alliance (WHEA) propose to build a TOD project with approximately 60 units of affordable family housing. Combining Sound Transit's 11,659 square feet and Centioli's approximate 6,000 square feet, plus alleys, would increase the potential residential units from 37 to 60.

To determine the potential TOD project's feasibility, the abutting property owners must conduct separate and joint due diligence activities before any decision to further commit their real estate assets. In order for the parties to move forward with pre-development activities, Sound Transit proposes entering into a joint development feasibility agreement with each abutting property owner. The proposed joint development feasibility agreements provide the basis for a cooperative approach to potential property redevelopment consistent with local land use policies, Sound Transit TOD policies, and federal law.

The three property owners share two alleys owned by the City of Seattle. One of the alleys requires vacation by the City of Seattle to allow construction of the project. The alleys affect the eventual size, value and access to the TOD site and City vacation requirements which must be incorporated into project. The City does not accept vacation petitions without a related development project, and would not accept the TOD development application without a well-developed alley vacation petition. Any amount paid by Sound Transit to the City for its share of an alley vacation would be recovered in a future Fair Market Value surplus property transaction.

The CHS-Sound Transit joint development feasibility agreement would outline due diligence roles and responsibilities, outline the method for sharing feasibility costs, prepare an alley vacation application to the City, and conduct a Fair Market Value appraisal. A project description and predevelopment schedule would be included in the agreement, as well as identification of Sound Transit and federal terms and conditions for any potential future surplus property transaction.

The Centioli-Sound Transit joint development feasibility agreement would address responsibilities for the alley vacation application to the City, the appraisal of the properties, other due diligence issues, and the method for sharing costs associated with feasibility activities.

Agreements between the parties would facilitate CHS's affordable housing funding process, which is crucial to project feasibility and consideration of future real estate transactions, reinforcing cooperation among the parties by ensuring that no other potential transactions might occur in the interim. The agreements will set an end date for a reasonable period of time necessary to complete all activities necessary to determining the feasibility of the proposed TOD joint development project and interest in moving forward.

By the three parties working together to explore project feasibility, the proposed approach accomplishes what none of the parties could do individually. A cooperative and coordinated relationship is the most efficient and cost effective method of assembling the abutting public and private parcels, including resolving disposition of the shared alleys. If at the completion of due diligence activities the project is feasible, the abutting property owners may prepare real property transaction agreements, for consideration by the FTA and the several boards.

Sound Transit incurs no loss of control of its property by entering into the joint development feasibility agreement process with CHS or Centioli.

Requirements for Joint Development on Federally-Assisted Property

FTA joint development encompasses commercial, residential, industrial, or mixed-use developments that are induced by or enhance the effectiveness of transit projects. Joint Development requirements apply to the properties acquired by Sound Transit for the Central Link Project because they were acquired in part with federal funds. The FTA joint development procedures are congruous with Sound Transit procurement and

real property disposition policies. An FTA joint development approach allows the joining of federally-assisted surplus property with that of private parties provided two tests are met. First, the statutory definition requires enhanced effectiveness of the mass transit system, and second, the financial return must provide “a fair share of revenue for mass transportation and other transportation”.

The proposed TOD project could accomplish the first test due to increased transit ridership from the project location, as there will be no residential vehicular parking and the project would encourage the use of transit passes for residents. The location is served by King County Metro Route 8 that provides connections to the Link light rail Columbia City Station (.6 miles away) and Othello Station (1.1 miles away), east-west Metro routes, and transfer options at the Mount Baker Transit Center. The Othello Station neighborhood provides numerous services, including grocery, medical, dental and banking.

The proposed project could meet the second test because any future Sound Transit real property transaction would occur at Fair Market Value. Under federal law, Sound Transit would retain those proceeds for use in an eligible capital project or to support transit operations.

An FTA-approved joint development project also must either induce private investment, or enhance local economic development. The proposed TOD project could accomplish both by use of conventional construction and mortgage financing, and by improving the economic well being of the future residents of the project and the community, including the redevelopment of the Centioli property.

If a future property transfer to CHS/WHEA occurred under federal joint development process, Sound Transit would retain the fair market value proceeds, to be used for an eligible transit capital project or operating expenses.

The proposed TOD joint development project is neither a construction or revenue contract. No FTA funds would be used for construction of the proposed TOD project. Sound Transit would retain appropriate continuing control over the property by including title encumbrances to ensure the transit-supportive nature of the proposed project.

ENVIRONMENTAL COMPLIANCE

Any future action to transfer title of real property by the Board of Directors will be preceded by environmental review, as necessary.

Jl 1/30/2012

PRIOR BOARD/COMMITTEE ACTIONS

None.

TIME CONSTRAINTS

A delay of one month in authorizing the joint development feasibility agreements and the surplus real property declaration may impact a CHS funding application to the State Housing Finance Agency.

PUBLIC INVOLVEMENT

An outreach program to the immediate neighborhood and Southeast Seattle organizations will begin when joint development agreements are executed.

LEGAL REVIEW

JB 2/3/12

MOTION NO. M2012-04

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MOTION:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the (1) chief executive officer's declaration of surplus real property acquired for the Central Link project is approved and (2) the chief executive officer is authorized to negotiate and execute two Transit Oriented Development joint development feasibility agreements with Catholic Housing Services / Washington Housing Equity Alliance and Centioli Family LLC, to investigate the feasibility of a potential transit-oriented, affordable housing project.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on March 22, 2012.



Pat McCarthy
Board Chair

ATTEST:



Marcia Walker
Board Administrator