

MOTION NO. M2017-143
Roosevelt Station – Central TOD Site Property Transaction Agreements

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Board	11/16/2017	Final Action	Don Billen, Acting Executive Director, PEPD Brooke Belman, Director of Land Use and Development Thatcher Imboden, Senior TOD Project Manager

PROPOSED ACTION

Authorizes the chief executive officer to begin negotiations with the joint venture of Bellwether Housing, Inc. and Mercy Housing Northwest, Inc. for land transaction agreements for the approximately 54,000 square foot Roosevelt Station – Central Transit-Oriented Development (TOD) Site located at 6600 Roosevelt Way NE in Seattle for a mixed-use affordable housing transit-oriented development project.

KEY FEATURES SUMMARY

- This action allows the selected development team to begin the design, financing, and due diligence process for the proposed TOD project.
- Sound Transit staff will continue to work with the Federal Transit Administration and the Seattle Office of Housing on transaction structure and alignment with the FTA Joint Development program.
- Bellwether Housing, Inc. and Mercy Housing Northwest, Inc. proposed a preliminary project concept that includes approximately:
 - 245 housing units
 - 100 percent of the housing units affordable long-term to those earning at or below 60 percent of area median income (AMI), with over 40 percent of the units affordable to those earning 30 percent or 50 percent AMI
 - 42 percent of the units sized for larger families (2 and 3 bedroom units)
 - A mix of additional community-serving uses, including retail, daycare, and a community room
 - A through-block pedestrian connection that creates public gathering space, and promotes a high quality pedestrian environment supporting those in the building, community, and accessing the adjacent transit station
 - A \$6.75 million payment to Sound Transit for the land
- The preliminary project concept will evolve during negotiations as the development team will refine the concept to reflect more detailed design considerations, alignment with financing requirements, and non-housing space market considerations, and other customary project refinements. The resulting detailed project description must meet or exceed the TOD Goals established by Sound Transit for the property and must not vary significantly from the project concept.
- Following negotiations, staff will return to the Board with land transaction agreements including the final terms for Board consideration, anticipated by end of 1Q 2018.

BACKGROUND

Sound Transit adopted a TOD Program Strategic Plan in 2010, and adopted a TOD Policy in December 2012 through Resolution No. R2012-24. Sound Transit updated its TOD strategic plan in 2014 to reflect the 2012 TOD Policy. The policy and strategic plan provide the foundation for how the agency approaches integrating transit infrastructure and local and regional land use development.

The Roosevelt Station – Central TOD Site was identified in the 2010 and 2014 strategic plans as a TOD opportunity.

In 2015, the state legislature amended the agency's enabling legislation, directing the agency to advance equitable TOD goals, setting forth specific financial and procedural requirements, and giving new tools to the agency to advance equitable development through prioritizing affordable housing in surplus property disposition. Those statute changes took effect upon the November 2016 voter-approved Sound Transit 3 (ST3) Regional Transit System Plan.

Property

The Roosevelt Station – Central TOD Site consists of an approximately 54,000 Square foot portion of the property located at 6600 Roosevelt Way NE in Seattle, WA. The property is a single property bound by NE 66th Street, NE 67th Street, Roosevelt Way NE, and 12th Avenue NE. The North Headhouse for Roosevelt Station is located along 12th Avenue NE and would be retained by Sound Transit. The portions west of the North Headhouse will be available for TOD.

The property was acquired in 2008 for the Northgate Link Extension project for the North Headhouse and construction staging. Federal funds were used to purchase the property, resulting in a federal participation rate of 86.5 percent. Upon completion of construction staging activities from the Central TOD Site, anticipated for 4Q 2019, the non-station portions of the property could be made available for TOD construction. The planned early turnover of the property would allow a TOD project to potentially open in time for Link service commencement at Roosevelt Station, reducing TOD construction and station access impacts on the community.

TOD Assessment

Sound Transit conducted a TOD assessment of the Roosevelt Station – Central TOD Site, including the property's planned turnover conditions, likely development layout and program, and financial viability for TOD. The estimated fair market value of the property in the open market would likely limit the quantity of affordable housing that could be created on the property without an atypical, greater subsidy from local affordable housing funders and/or reduction in property value.

Community Engagement on Goals for TOD on the Property

Sound Transit, the City of Seattle and the Roosevelt Neighborhood Association partnered earlier this year to host a series of community engagement events aimed at developing a set of stakeholder priorities to inform Sound Transit's request for proposals.

Offering Process

The 2017 TOD Work Program identified the Roosevelt Station – Central TOD Site as a property that would apply the new requirements regarding affordable housing and equitable TOD. Resolution R2017-20, adopted May 25, 2017, provided direction on how the agency applies new state statute for this property offering prior to the upcoming TOD policy update. 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 nonprofit 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.

Through Resolution No. R2017-20, the Sound Transit Board found and declared that the Roosevelt Station – Central TOD Site property is suitable for development as housing; directed staff to offer the property first to qualified entities to support affordable housing creation pursuant to state law; and directed staff to offer the property through a process that prioritized development of the maximum number of units affordable to those earning no greater than 60 percent of area median income, and establish a base price in the offering commensurate to achieving that outcome.

Transaction Agreements

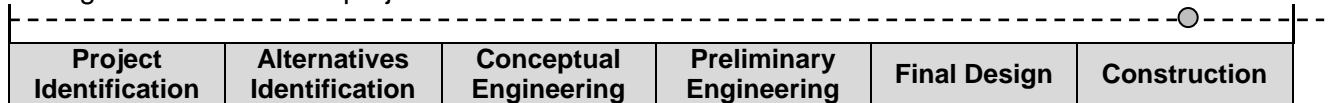
Financing the construction of affordable housing projects typically involves multiple lenders, investors, and ownership entities. Projects constructed on property leased from an unaffiliated party adds additional complexities and challenges that may impact the cost-effectiveness and ease in which to complete the project. The existing FTA interest in the property combined with a high fair market value and targeting affordable housing for the property suggests that Sound Transit will need to enter the TOD project into the FTA Joint Development Program. That program requires ongoing continuing control, most commonly provided for through a ground lease. The joint RFP sought proposals in the form of a ground lease however reserved the right for Sound Transit to negotiate the transaction as a sale that maintains continuing control through easements and/or covenants. Sound Transit expects to submit the project into the FTA Joint Development program, and following this action, will submit a pre-application with the project concept to the FTA for additional discussion. Sound Transit staff will continue to work with the FTA and the Seattle Office of Housing to identify a specific transaction structure that meets the goals and requirements of each respective agency while best positioning the TOD project for successful implementation and ongoing operations.

Future Board Involvement

Staff will seek approval of final agreements with the selected responding team and project. The action is anticipated by end of 1Q 2018.

PROJECT STATUS

Northgate Link Extension project status:



Projected Completion Date for Northgate Link Extension: 3Q 2021

The Northgate Link Extension project is currently under construction. Construction staging is anticipated to be complete for the Roosevelt Station – Central TOD Site by 4Q 2019.

PROCUREMENT INFORMATION

In an effort to best support the affordable housing and TOD goals for the property, Sound Transit and the Seattle Office of Housing partnered in a joint request for proposals (RFP No. RTA/RP 0105-17) where Sound Transit offered its property for long-term affordable housing creation and Seattle Office of Housing made \$15 million available to support such a project that also achieved the city’s affordable housing goals. By responding to the joint RFP, proposers were able to submit

proposed project details that addressed Sound Transit's and the Seattle Office of Housing's goals expressed in the RFP with the option to simultaneously apply for the available Seattle Office of Housing funding. The following evaluation criteria were published in the RFP document: Compliance with ST3 Requirements for Development of Property Leased by Sound Transit including DBE Participation, Apprenticeship Utilization, Jobsite Safety, Area Wage Standards, and Equal Employment Opportunity Law; Experience, Qualifications, and Abilities of the Firm(s) and Key Individuals; Project Concept; and Project Financing.

The joint RFP was issued on August 4, 2017. The RFP required that proposers be a "qualified entity" as defined by RCW 81.112.350. Four development teams submitted proposals. The evaluation committee determined the proposal submitted by the joint venture of Bellwether Housing, Inc. and Mercy Housing Northwest, Inc. to be the top ranked proposal.

FISCAL INFORMATION

The agency's financial plan assumes \$93.8 million of sales revenue from selected surplus real estate parcels of which approximately \$32.1 million has been realized to date from the sale or lease of properties. The forecasted sales proceeds from the Roosevelt Station – Central TOD Site is \$19.1 million (2020\$). The current fair market value (FMV) of the property is \$18.5 million (2017\$). However, restricting the land use to affordable housing significantly reduces the income potential and therefore the value of the property.

Through adoption of Resolution No. R2017-20, the Board directed staff to offer the property to qualified entities (as defined by RCW 81.112.350) at a price intended to facilitate development of the maximum number of units affordable to those earning no greater than 60 percent of area median income. Staff established a minimum price in the RFP of \$6.75 million, which is consistent with the fiscal information provided to the Board in Resolution R2017-20.

If the transaction results in the Roosevelt property value being reduced to the minimum RFP price of \$6.75 million, the agency will need to realize approximately \$55.0 million in future surplus real estate sales to achieve the forecast in the financial plan.

Funding Commitments and Outstanding Funding Gaps

Seattle Office of Housing has offered \$15 million in support of affordable housing on the Roosevelt site. The funding commitment is contingent upon the selected proposer meeting all funding conditions. A more detailed funding commitment will be provided if the Board authorizes the agency to move forward with negotiation of transaction agreements.

The proposed project will require additional public funding and the availability of such funding is likely to be constrained. Both the \$15 million commitment from Seattle Office of Housing plus the land price reduction offered by Sound Transit demonstrate local support and provide leverage to the project in seeking additional funding. However, if the necessary additional funding is not secured, the proposed project may require either a significant reduction in scope or cost in order to proceed. A substantial scope and/or land price change would be subject to Sound Transit Board review and approval.

DBE PARTICIPATION, APPRENTICESHIP UTILIZATION, AND OTHER REQUIREMENTS FOR PROPERTY LEASED BY SOUND TRANSIT

Consistent with the approved Sound Transit 3 Regional Transit System Plan, should Sound Transit lease property around stations for transit-oriented development, the lessee must agree to comply with the following requirements in the construction of the development:

Participation Disadvantaged Business Enterprises (DBEs)

Sound Transit promotes and encourages a workforce that is reflective of the diversity in the tri-county region. In recognition of the underrepresentation of People of Color (POC) and Women in the construction industry, Sound Transit established a project-wide workforce goal where POC shall work 21 percent and women shall work 12 percent of the total labor hours worked on the construction project. The lessee shall require its contractor, and its subcontractors to exercise good faith and affirmative efforts to achieve the minimum workforce utilization goals in constructing the development. Sound Transit will retain the right to approve or disapprove the plan.

Apprentice Utilization Commitment

Sound Transit expects its lessee to require its contractors and its subcontractors to submit a plan to the lessee on how they will utilize apprentices and create work-training opportunities that will increase the skill of the Puget Sound region's work force, specifically women, POC, and individuals who are low income or under-represented in the workforce. Sound Transit will retain the right to approve or disapprove the plan. The lessee shall require the contractor to use good faith and affirmative efforts to utilize apprentices registered with the Washington State Apprenticeship and Training Council ("SAC"), for 20 percent of the total contract labor hours utilized in constructing the project. Good faith efforts also apply if Sound Transit approves an Apprenticeship Utilization Goal that is less than 20 percent of all labor hours. The lessee will require its contractor and its subcontractors to also exercise good faith, collaborative and affirmative efforts to remove barriers that prevent women, POC, and individuals who are low-income or under-represented from entering into apprenticeship programs.

Additional Requirements of Property Leased by Sound Transit

Consistent with the approved Sound Transit 3 Regional Transit System Plan, the following additional requirements applicable to the construction of the development will be incorporated into any Sound Transit lease at the property:

- Job Site Safety: A completed safety action plan submitted by the lessee's contractor will be required to be approved by Sound Transit.
- Area Standards for Wages and Benefits, and Equivalent Pay for Equivalent Work for All Workers: Lessee shall require its contractors and subcontractors to pay, at minimum, the State Residential Prevailing Wage Rates to construction workers according to their trade, unless a higher minimum rate applies.
- Equal Employment Opportunity: Lessee's contractors and subcontractors will be required to adhere to non-discrimination provisions.

PUBLIC INVOLVEMENT

Sound Transit collaborated with the City of Seattle and the Roosevelt Neighborhood Association on a community engagement plan for Sound Transit's Roosevelt Station – Central TOD Site. The plan utilized a focused series of stakeholder workshops to develop a set of community stakeholder principles that would inform Sound Transit's TOD goals for the property. A public open house and survey kicked off the engagement to provide the community stakeholders and Sound Transit with the broader community's insights prior to establishing principles. The outcome of the engagement

effort, including a set of principles adopted by community stakeholders, is summarized in the Roosevelt Station Transit-Oriented Development – Summary of Community Engagement report dated March 24, 2017.

TIME CONSTRAINTS

Multi-month delays in starting negotiations with the selected developer for the Roosevelt Station – Central Transit-Oriented Development Site would result in reduced time for the selected developer to prepare their projects for construction prior to the agency’s anticipated January 2020 turnover of the property to the TOD developer. A later turnover would likely result in additional time that TOD construction impacts the quality of pedestrian access to the Roosevelt Station, once operational, as well as delay the benefits to the agency and community that the TOD project will provide.

PRIOR BOARD/COMMITTEE ACTIONS

Resolution No. R2017-20: Declared that the Roosevelt Station – Central Transit-Oriented Development Site property is suitable for development as housing; directed staff to offer the property first to qualified entities to support affordable housing creation pursuant to RCW 81.112.350; and directed staff to offer the property through a process that prioritizes development of the maximum number of units affordable to those earning no greater than 60 percent of area median income and establish a base price in the offering commensurate to achieving that outcome.

Resolution No. R2017-09: Approved the chief executive officer's declaration that certain real properties acquired for the Northgate Link Extension will be surplus and no longer needed for a transit purpose upon completion of construction staging activities.

ENVIRONMENTAL REVIEW

KH 11/8/17

LEGAL REVIEW

JB 11/13/17

MOTION NO. M2017-143

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to begin negotiations with the joint venture of Bellwether Housing, Inc. and Mercy Housing Northwest, Inc. for land transaction agreements for the approximately 54,000 square foot Roosevelt Station – Central Transit-Oriented Development (TOD) Site located at 6600 Roosevelt Way NE in Seattle for a mixed-use affordable housing transit-oriented development project.

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Future Board Involvement

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MOTION:

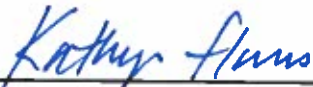
It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to begin negotiations with the joint venture of Bellwether Housing, Inc. and Mercy Housing Northwest, Inc. for land transaction agreements for the approximately 54,000 square foot Roosevelt Station – Central Transit-Oriented Development (TOD) Site located at 6600 Roosevelt Way NE in Seattle for a mixed-use affordable housing transit-oriented development project.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on November 16, 2017.



Dave Somers
Board Chair

ATTEST:



Kathryn Flores
Board Administrator