

MOTION NO. M2017-145

Capitol Hill Site D Agreement with Seattle Central College and Capitol Hill Housing

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Board	11/16/2017	Final Action	Don Billen, Acting Deputy Executive Director, PEPD Brooke Belman, Land Use Planning & Development Director Sarah Lovell, Transit Oriented Development Manager

PROPOSED ACTION

Authorizes the chief executive officer to (1) execute a Memorandum of Understanding with Seattle Central College and Capitol Hill Housing to exchange property in order to develop equitable transit-oriented development in the Capitol Hill Station Area, and (2) negotiate a discounted property value in order to achieve affordable housing.

KEY FEATURES SUMMARY

- Seattle Central College (SCC) has a right of first offer for Sound Transit’s Site D TOD property (Site D) at Fair Market Value (FMV).
- SCC would like to acquire Site D from Sound Transit and has offered to provide two parcels that the college owns nearby, collectively known as the Atlas Site, as consideration for the transaction. SCC has identified the Atlas Site as surplus to their educational needs and had previously selected a developer, Capitol Hill Housing (CHH), to construct affordable housing on the property.
- Sound Transit and SCC propose to swap a Sound Transit-owned parcel (Site D) for two parcels (Atlas Site) owned by SCC. The details of the proposed swap are as follows:
 - The Atlas site, owned by SCC, is larger and has a higher unrestricted fair market value than Site D. SCC’s developer, CHH, would pay the difference in the land values (approximately \$2.2 million) to SCC and work with Sound Transit to develop a TOD project on the Atlas site.
 - Sound Transit and CHH will negotiate a land value for the Atlas Site that is less than the fair market value of the property.
 - The acquisition price paid by CHH (approximately \$3.0 - \$4.0 million) aims to facilitate the proposed land swap, set the land value within the competitive range for local affordable housing funding, and achieve fair market financial return to Sound Transit for the commercial component of the Atlas properties.
- Sound Transit, SCC, and CHH will negotiate site specific Purchase and Sale Agreements, which are anticipated to be ready for Board approval in 2019/2020.
- Developing affordable housing on the Atlas properties would result in the creation of approximately 34 additional affordable units beyond what could be accomplished on Site D.
- Site D, as developed by SCC, would be incorporated into an adjacent SCC-owned parcel and redeveloped as a primary entrance to the college and is anticipated to include additional classrooms, student services, bookstore, and faculty space. The SCC project would better connect students and faculty to Capitol Hill Station and support additional ridership as the college continues its growth.

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 Capitol Hill Site D 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 Regional Transit System Plan.

The agreement advances equitable Transit-Oriented Development goals at the Capitol Hill Station producing affordable housing, increasing ridership, and strengthening the physical integration of the station into the neighborhood while facilitating Seattle Central College's campus expansion plan.

Property

Sound Transit owns property (Site D) that consists of approximately 10,383 square feet and is located at 1827 Broadway, Seattle WA, adjacent to the west entrance of the Capitol Hill Station. Sound Transit purchased the properties that comprise Site D in 2007 for the University Link Extension.

Federal Interest

Sound Transit's Site D parcel was acquired with Federal Transit Administration (FTA) funding which includes 86.5 percent federal interest. Sound Transit intends to attribute the fair market value of Site D (\$5.7 million) to another eligible grant and enter into the disposition process with FTA for Site D. This would extinguish the federal interest in Site D and alleviates any need to repay the FTA.

First Right of Offer

Seattle Central College (SCC) is the adjacent property owner to Site D and has a right to negotiate exclusively to purchase the Site D property from Sound Transit at fair market value. This right was obtained through negotiations when Sound Transit obtained tunnel easements from SCC for the University Link Extension.

Development Agreement

Site D is subject to the Development Agreement between Sound Transit and the City of Seattle should SCC not be the ultimate owner of the parcel. If SCC becomes the owner, the college's master plan supersedes the Development Agreement.

The Coordinated Development Plan that was adopted with the Development Agreement showed approximately 44 units of housing could be developed on Site D if developed independently under a Development Agreement between Sound Transit and the City of Seattle should SCC not be the ultimate owner of Site D.

Seattle Central College's Atlas Property

SCC owns two parcels located south of Pine Street that represent a development opportunity in the Capitol Hill Station area, known as the Atlas Properties. SCC has concluded that the Atlas Properties are not ideal for campus expansion.

In early 2017, SCC explored ways to accomplish Sound Transit's affordable housing requirements under RCW 81.112.350 and issued a Request for Interest to developers seeking proposals to develop the Atlas properties and participate in a ground lease.

Through that process, SCC selected Capitol Hill Housing (CHH), who proposed to develop 78 units of workforce housing and ground floor retail on Broadway. In their proposal, CHH valued the commercial condo at \$1 million.

Affordable Housing Requirements

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 non-profit developers.

The statute requires that if a qualified entity accepts the property through the offer, then at least 80 percent of the housing units constructed would need to be affordable to those earning 80 percent of the area median income for the county in which the property is located.

Capitol Hill Housing is a qualified entity and will meet the affordable housing requirements on the Atlas Site.

Future Board Involvement

Staff will seek Board approval of Purchase and Sale Agreements with Seattle Central College and Capitol Hill Housing, which are anticipated to be ready for Board approval in 2019/2020.

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 all of the Capitol Hill properties is \$24.9 million (2020\$). Based on two transactions that have been authorized on Sites A, B-south, B-north, and C, the remaining value attributable to the Capitol Hill Site D property is \$2.2 - \$4.2 million.

The current fair market value (FMV) of the Site D property is \$5.7 million (2017\$) for unrestricted use. However, restricting the land use to affordable housing significantly reduces the income potential and therefore the value of the property.

In reducing the Capitol Hill Site D property value to facilitate affordable housing, the agency would need to realize approximately \$57.5 million in future surplus real estate sales to achieve the forecast in the financial plan.

SMALL BUSINESS/DBE PARTICIPATION AND APPRENTICESHIP UTILIZATION

Not applicable to this action.

PUBLIC INVOLVEMENT

Sound Transit and the City of Seattle working collaboratively with the community beginning in 2008 to carefully consider the opportunities and constraints for the redevelopment at the Capitol Hill Link light rail station. Through that process, the community articulated desires for redevelopment and how those desires can build upon their vision for the neighborhood. Sound Transit and the City used a number of innovative techniques to incorporate that vision into the plans for redevelopment.

The community's collective vision for the redevelopment opportunities is described in the Urban Design Framework (UDF). The Urban Design Framework "provides a tool for the City and the Capitol Hill Community to work together with Sound Transit, Seattle Central Community College and other partners to leverage public and private actions to achieve the community's overall vision for the immediate Broadway Station area." This document, and the ideas it represents, played a key role influencing critical documents that govern the redevelopment of the sites.

- Sound Transit's Coordinated Development Plan described for developers how to address the physical design elements of the community's vision.
- Sound Transit and the City responded to the vision described in the UDF by incorporating many of those elements into a Development Agreement that codifies many aspects of the development on the site.

Throughout the engagement process there was strong community support to include Site D as part of SCC's master plan. The UDF includes specific development guidance for Site D:

- Provide uses affiliated with the College according to the needs of the college.
- Engage the Broadway street frontage by locating pedestrian-generating active uses on the ground floor facing Broadway. Provide ground floor transparency along the Broadway frontage so as to further activate the street.

A community organization known as the Capitol Hill Champion was formed in 2010 out of the Capitol Hill Chamber and the Capitol Hill Community Council to advocate for the community desires throughout the developer selection, design review, and construction of the sites.

Numerous public meetings were held about the sites, including several meetings co-hosted by Sound Transit in collaboration with the Capitol Hill Champion.

- A series of stakeholder meetings with the Capitol Hill Chamber of Commerce Sub Committee on TOD (2008).
- Four community forums, each seeking input on a different topic: Community Uses (3/25/09), Housing and Retail (6/24/2009), Nagle Place, Farmer's market and parking (10/27/2009), and a summary of findings on (2/23/2010).
- A public workshop to discuss redevelopment options for Nagle Place (8/3/2010).
- A series of three public workshops to create the Urban Design Framework for Capitol Hill (2011).

TIME CONSTRAINTS

A one-month delay would not create a significant impact to the project schedule, but would delay the three parties from entering into negotiations. Delay in negotiations could impact the timing for Capitol Hill Housing to apply for funding and could delay SCC's redevelopment plan.

PRIOR BOARD/COMMITTEE ACTIONS

Resolution No. R2013-02: Approved the chief executive officer's declaration of surplus real property, including the method of disposition of selling the property and using the proceeds for the open University Link Extension Project, or other capital projects.

Motion No. M2011-22: Authorized the chief executive officer to execute an exclusive negotiating agreement for a future purchase and sale agreement with the State Board of Community and Technical Colleges for a college related proposed transit oriented development project on potential future surplus property near the Capitol Hill Station

Resolution No. R2010-17: Authorized the chief executive officer to acquire, dispose, or lease certain real property interests by negotiated purchase, by condemnation (including settlement), by condemnation litigation, or by administrative settlement; and to pay eligible relocation and reestablishment benefits to affected parties as necessary for construction, maintenance and operation of a light rail tunnel and stations between the University of Washington Station and the Pine Street Stub Tunnel and between the University of Washington Station and Northgate.

Resolution No. R2007-19: Authorized the chief executive officer to acquire, dispose, or lease certain real property interests by negotiated purchase, by condemnation (including settlement), by condemnation litigation, or by administrative settlement; and to pay eligible relocation and reestablishment benefits to affected parties as necessary for construction, maintenance and operation of a light rail tunnel between the University of Washington Station and the Pine Street Stub Tunnel.

ENVIRONMENTAL REVIEW

KH 11/9/17

LEGAL REVIEW

JB 11/13/17

MOTION NO. M2017-145

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to (1) execute a Memorandum of Understanding with Seattle Central College and Capitol Hill Housing to exchange property in order to develop equitable transit-oriented development in the Capitol Hill Station Area, and (2) negotiate a discounted property value in order to achieve affordable housing.

BACKGROUND:

Sound Transit adopted a Transit-Oriented Development (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 Capitol Hill Site D 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 Regional Transit System Plan.

The agreement advances equitable Transit-Oriented Development goals at the Capitol Hill Station producing affordable housing, increasing ridership, and strengthening the physical integration of the station into the neighborhood while facilitating Seattle Central College's (SCC) campus expansion plan.

SCC would like to acquire Site D from Sound Transit and has offered to provide two parcels that the college owns nearby, collectively known as the Atlas Site, as consideration for the transaction. SCC has identified the Atlas Site as surplus to their educational needs and had previously selected a developer, Capitol Hill Housing (CHH), to construct affordable housing on the property. Sound Transit and SCC propose to swap a Sound Transit-owned parcel (Site D) for two parcels (Atlas Site) owned by SCC. The details of the proposed swap are as follows:

- The Atlas site, owned by SCC, is larger and has a higher unrestricted fair market value than Site D. SCC's developer, CHH, would pay the difference in the land values (approximately \$2.2 million) to SCC and work with Sound Transit to develop a TOD project on the Atlas site.
- Sound Transit and CHH will negotiate a land value for the Atlas Site that is less than the fair market value of the property.
- The acquisition price paid by CHH (approximately \$3.0 - \$4.0 million) aims to facilitate the proposed land swap, set the land value within the competitive range for local affordable housing funding, and achieve fair market financial return to Sound Transit for the commercial component of the Atlas properties.

Developing affordable housing on the Atlas properties would result in the creation of approximately 34 additional affordable units beyond what could be accomplished on Site D. Site D, as developed by SCC, would be incorporated into an adjacent SCC-owned parcel and redeveloped as a primary entrance to the college and is anticipated to include additional classrooms, student services,

bookstore, and faculty space. The SCC project would better connect students and faculty to Capitol Hill Station and support additional ridership as the college continues its growth.

Property

Sound Transit owns property (Site D) that consists of approximately 10,383 square feet and is located at 1827 Broadway, Seattle WA, adjacent to the west entrance of the Capitol Hill Station. Sound Transit purchased the properties that comprise Site D in 2007 for the University Link Extension.

Federal Interest

Sound Transit's Site D parcel was acquired with Federal Transit Administration (FTA) funding which includes 86.5 percent federal interest. Sound Transit intends to attribute the fair market value of Site D (\$5.7 million) to another eligible grant and enter into the disposition process with FTA for Site D. This would extinguish the federal interest in Site D and alleviates any need to repay the FTA.

First Right of Offer

Seattle Central College (SCC) is the adjacent property owner to Site D and has a right to negotiate exclusively to purchase the Site D property from Sound Transit at fair market value. This right was obtained through negotiations when Sound Transit obtained tunnel easements from SCC for the University Link Extension.

Development Agreement

Site D is subject to the Development Agreement between Sound Transit and the City of Seattle should SCC not be the ultimate owner of the parcel. If SCC becomes the owner, the college's master plan supersedes the Development Agreement.

A recent market study showed that approximately 44 units of housing could be developed on Site D if developed independently under a Development Agreement between Sound Transit and the City of Seattle should SCC not be the ultimate owner of Site D.

Seattle Central College's Atlas Property

SCC owns two parcels located south of Pine Street that represent a development opportunity in the Capitol Hill Station area, known as the Atlas Properties. SCC has concluded that the Atlas Properties are not ideal for campus expansion.

In early 2017, SCC explored ways to accomplish Sound Transit's affordable housing requirements under RCW 81.112.350 and issued a Request for Interest to developers seeking proposals to develop the Atlas properties and participate in a ground lease.

Through that process, SCC selected Capitol Hill Housing (CHH), who proposed to develop 78 units of workforce housing and ground floor retail on Broadway. In their proposal, CHH valued the commercial condo at \$1 million.

Affordable Housing Requirements

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 non-profit developers.

The statute requires that if a qualified entity accepts the property through the offer, then at least 80 percent of the housing units constructed would need to be affordable to those earning 80 percent of the area median income for the county in which the property is located.

Capitol Hill Housing is a qualified entity and will meet the affordable housing requirements on the Atlas Site.

Future Board Involvement

Staff will seek Board approval of Purchase and Sale Agreements with Seattle Central College and Capitol Hill Housing, which are anticipated to be ready for Board approval in 2019/2020.

MOTION:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to (1) execute a Memorandum of Understanding with Seattle Central College and Capitol Hill Housing to exchange property in order to develop equitable transit-oriented development in the Capitol Hill Station Area, and (2) negotiate a discounted property value in order to achieve affordable housing.

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