

**MOTION NO. M2018-102**
**First Hill Transit Oriented Development Agreement with Bellwether Housing and Plymouth Housing Group**

<b>MEETING:</b>	<b>DATE:</b>	<b>TYPE OF ACTION:</b>	<b>STAFF CONTACT:</b>
Board	08/23/2018	Final Action	Don Billen, Executive Director, PEPD <b>Brooke Belman, Director of Land Use and Development</b> <b>Thatcher Imboden, TOD Manager</b>

**PROPOSED ACTION**

(1) Approves the key business terms of a Transit Oriented Development Agreement with Bellwether Housing and Plymouth Housing Group for the development of a high-rise, mixed-use affordable housing project on the First Hill Transit Oriented Development Site located at 1400 Madison Street and 1014 Boylston Avenue in Seattle, and (2) delegates to the chief executive officer the authority to execute and subsequently amend as necessary the Transit Oriented Development Agreement and associated documents, including a purchase and sale agreement, all subject to the Board-approved key business terms.

**KEY FEATURES SUMMARY**

- The key business terms contained within a Transit Oriented Development Agreement (TODA) between Sound Transit and the development team of Bellwether Housing and Plymouth Housing Group will result in Sound Transit transferring the property at no cost, in accordance with Board direction provided in November 2017.
- The key business terms include:
  - A high-rise building with a minimum of 12-stories and at least 250 residential units.
  - Achieve a high-density of affordable housing serving a range of incomes. If more than 308 units of housing are constructed, 100 percent of the units must be at or below 80 percent of area median income (AMI) with a project-wide average AMI at or below 60 percent of AMI and at least 250 units serving those earning at or below 60 percent AMI including at least 80 units serving those earning at or below 30 percent of AMI. If fewer than 308 units of housing are constructed, 100 percent of the units must be at or below 60 percent of AMI and at least 80 units shall serve those earning at or below 30 percent of AMI.
  - At least 8 percent of total units sized for larger families (2 and 3 bedroom units).
  - The street-level program will have a minimum of 4,000 square feet of non-residential uses, such as retail, that serve the general public.
  - The project will be designed to meet the Washington State Evergreen Standard.
  - A maximum of 20 parking stalls will be built as a part of the project.
- Schedule milestones are included to manage performance.
- Due to the project's expense, the agreement allows for application in three rounds of city and county funding and two rounds of low income housing tax credit applications. All local, state, and federal funding awards must be made by June 2021 or Sound Transit may terminate the TODA.

- No further Board action is anticipated. Any material changes to the key business terms will be brought to the Board for approval.

## **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 First Hill TOD site was identified in both the 2010 and 2014 strategic plans as a TOD opportunity.

In 2015, the Washington State Legislature amended the agency's enabling legislation, RCW 81.112.350, 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 ST3 Regional Transit System Plan. Sound Transit adopted an Equitable TOD Policy in April 2018 through Resolution No. R2018-10, which superseded the previous TOD Policy. This action is consistent with Resolution No. R2018-10.

The 2017 TOD Work Program identified the First Hill TOD Site as a property that could implement the new requirements regarding affordable housing and equitable TOD. In June 2017, the Board took an action to determine that the property was suitable for housing and that it should first be offered to qualified entities pursuant to RCW 81.112.350.

In July 2017, Sound Transit solicited development proposals to qualified entities for a mixed-use project that maximized affordable housing production and affordability and took advantage of the site's zoning that allows for high-rise construction up to 160 feet. The offering asked proposers to identify a land value that facilitated accomplishing the project goals set forth in the request for proposals (RFP).

In November 2017, The Board authorized staff to negotiate a no-cost transfer to the joint venture of Bellwether and Plymouth in support of their ambitious proposal to build a high-rise mixed-use affordable housing project that served households earning at or below 60 percent of the AMI and included both a significant number of units affordable at or below 30 percent of AMI, but also included some family-sized units and proposed an active ground floor program.

### The Property

The First Hill TOD site consists of approximately 21,600 square feet fronting Boylston Avenue and Madison Street near the intersection of Broadway Avenue E in Seattle, WA. The property is comprised of two unique parcels located at 1014 Boylston Avenue (FH004) and 1400 Madison Street (FH005) and is zoned to accommodate a 160 foot building.

### Federal Interest

No federal funds were used to acquire or improve the property. The disposition of the property does not require FTA approval.

## 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.

Both Bellwether and Plymouth are qualified entities and will meet the affordable housing state-mandated requirements on the Property for properties offered first to qualified entities.

## Key business terms

The key business terms negotiated for the First Hill TOD project include the following:

<b>Category</b>	<b>Term</b>
Number of Housing units	Target of 308 units, but no fewer than 250
Percentage of units that are affordable	If 308 units or more are constructed, 100% of the units must serve those earning 80% of AMI or below, with the average AMI served across all units of 60% or below and provide at least 250 units serving those earning at or below 60 percent AMI including at least 80 units serving those earning at or below 30% of AMI. If fewer than 308 units are constructed, 100% of the units must be affordable at or below 60% of AMI and provide at least 80 units serving those earning at or below 30% AMI.
Family sized units	Target of 10% of units, sized 2+BR, but no fewer than 8%
Active street-level uses	At least 4,000 SF of street-level non-residential space serving the general public
Sustainability	Designed to meet or exceed Washington State Evergreen Standard
Parking	A maximum of 20 parking stalls.
Sale Price	No cost transfer
Termination of Agreement	Performance milestones, including those related to land use approvals, financing, and transaction closing.

## Income Averaging

The Consolidated Appropriations Act of 2018, enacted in March 2018, allows affordable housing projects using Low Income Housing Tax Credit (LIHTC) financing to average the incomes of households within the project so long as the average is at or below 60 percent of AMI and no individual household earns greater than 80 percent of AMI. Previously, all the affordable housing units within a project had to each serve households earning at or below 60 percent of AMI. While income averaging is now allowed by the federal government, individual states administer the LIHTC allocations within their state and have their own policies. The Washington State Housing Finance Commission, which administers LIHTC allocations in Washington State, will release its

2019 tax credit policies and applications in October 2018. Additionally, affordable housing projects often seek local funding that may have restrictions on the ability to use income averaging on the units funded by local sources.

The key business terms allows the project to use income averaging in an effort to provide flexibility to the development team as affordable housing funders respond to the new federal policy and to allow the project the opportunity to build more affordable housing units than otherwise possible.

#### Future Board Involvement

No further Board action is anticipated for this development. Any material changes to the key business terms will be brought to the Board for approval.

### **FISCAL INFORMATION**

The current fair market value (FMV) of the First Hill property is \$8.6 million for unrestricted use. However, restricting the land use to affordable housing significantly reduces the income potential and therefore the value of the property.

Resolution No. R2017-23 directed the agency to solicit development proposals to optimize both density and affordability on the site. Following proposal review, agency staff have deemed it necessary to establish a land price below fair market value in order to achieve program goals. Motion No. M2017-144 directed staff to negotiate to transfer the property at no cost in support of the selected project proposal.

Sound Transit's financial plan assumes \$93.8 million (2016\$) of sales revenue from selected surplus real estate parcels of which approximately \$41.8 million (2016\$) is anticipated from the sale or lease of properties to date, including Roosevelt, and Capitol Hill parcels A, B-South, B-North, C and D.

### **PROCUREMENT INFORMATION**

A request for proposals (RFP) was issued on July 31, 2017. The RFP required that proposers be a "qualified entity" as defined by RCW 81.112.350. The following evaluation criteria were published in the RFP document: Experience, Qualifications, and Abilities of the Firm(s) and Key Individuals; Project Concept; and Project Financing; and Transaction Structure. The RFP requested that proposers respond with development concepts that balanced the site's allowable zoning, maximized affordability and addressed the TOD goals stated in the RFP and met the requirements of RCW 81.112.350, delivering 80 percent of the units at 80 percent of AMI. An evaluation team reviewed and ranked the proposals, and determined that the proposal submitted by the joint venture of Bellwether Housing and Plymouth Housing Group meets the expressed TOD goals and statutory requirements of the RFP.

### **PUBLIC INVOLVEMENT**

Sound Transit partnered with the First Hill Improvement Association (FHIA) on a community meeting to discuss Sound Transit's First Hill TOD opportunity. The meeting built on work completed by the First Hill Improvement Association's Land Use and Public Space committee who previously had developed a short list of development priorities for the site. The public meeting, held on June 5, 2017, was well attended and provided an opportunity to discuss Sound Transit's TOD program, educate the community about the process, and collect feedback from a larger

stakeholder group than FHIA's land use and open space committee about the identified priorities for the site. The stated FHIA development goals for the site included:

- 100 percent affordable housing
- Affordability set at 60 percent of area median income or below
- Family-sized units
- Inclusion of retail and community space

The outcome of the event is summarized in the First Hill Transit Oriented Development Summary of Community Engagement report.

## **TIME CONSTRAINTS**

A one-month delay in the Board considering key business terms may jeopardize Bellwether and Plymouth's ability to apply for funding in the 2018 rounds for both Seattle's Housing Levy and King County's available funding, both of which have mid-September application deadlines. Missing the 2018 application deadlines would likely cause the project to miss an opportunity to deliver the project earlier than what is otherwise allowed under the key business terms.

## **PRIOR BOARD/COMMITTEE ACTIONS**

Resolution No. R2018-10: Adopted an Equitable Transit Oriented Development Policy and superseded Resolution No. R2012-24.

Motion No. R2017-144: Authorized the chief executive officer to (1) direct staff to enter into negotiations with Bellwether Housing, Inc. and Plymouth Housing Group, Inc. (a joint venture) for land transaction agreements that will result in the development of a mixed-use, high-rise affordable housing project compliant with the requirements described in RCW 81.112.350, and (2) directed staff to negotiate to transfer the property at no cost in support of the selected project proposal.

Resolution No. R2017-23: (1) Declared that the First Hill Transit-Oriented Development Site property is suitable for development as housing, (2) directed staff to offer the property first to qualified entities as described in RCW 81.112.350; and (3) directed staff to offer the property through a process that seeks to maximize affordability and density and reflects the goals of the agency, local municipality, and community.

Resolution No. R2016-06: Approved the Chief Executive Officer's declaration of surplus real property originally acquired for the Central Link Light Rail Project (now part of the University Link Extension) is surplus and is no longer needed for a transit purpose.

Resolution No. R2012-24: Established a policy to guide evaluation, facilitation, and implementation of transit-oriented development during planning, designing, building and operating the high-capacity regional transit system, and superseding Motion No. M99-60 and Motion No. 98-25.

Resolution No. R2000-04: Authorized the Executive Director to acquire, dispose, or lease certain real property interests by negotiated purchase, by condemnation, by settling condemnation litigation or entering administrative settlements, and to pay eligible relocation and re-establishment benefits to affected parties as necessary for the central Link light rail project (Design-Build Contract Segment, from NE 45th St. to Convention Place Station).

## **ENVIRONMENTAL REVIEW**

KH 8/15/18

## **LEGAL REVIEW**

JV 8/17/18

## **MOTION NO. M2018-102**

A motion of the Board of the Central Puget Sound Regional Transit Authority (1) approving the key business terms of a Transit Oriented Development Agreement with Bellwether Housing and Plymouth Housing Group for the development of a high-rise, mixed-use affordable housing project on the First Hill Transit Oriented Development Site located at 1400 Madison Street and 1014 Boylston Avenue in Seattle, and (2) delegating to the chief executive officer the authority to execute and subsequently amend as necessary the Transit Oriented Development Agreement and associated documents, including a purchase and sale agreement, all subject to the Board-approved key business terms.

### **BACKGROUND:**

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### Future Board Involvement

No further Board action is anticipated for this development. Any material changes to the key business terms will be brought to the Board for approval.


### **MOTION:**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority to (1) approve the key business terms of a Transit Oriented Development Agreement with Bellwether Housing and Plymouth Housing Group for the development of a high-rise, mixed-use affordable housing project on the First Hill Transit Oriented Development Site located at 1400 Madison Street and 1014 Boylston Avenue in Seattle, and (2) delegate to the chief executive officer the authority to execute and subsequently amend as necessary the Transit Oriented Development Agreement and associated documents, including a purchase and sale agreement, all subject to the Board-approved key business terms.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on August 23, 2018.

  
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John Marchione  
Board Vice Chair

ATTEST:

  
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Kathryn Flores  
Board Administrator