

MOTION NO. M2018-103
Capitol Hill Site D Property Exchange Agreement with State Board for Community and Technical Colleges, Seattle Central College and Capitol Hill Housing

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

PROPOSED ACTION

(1) Approves the key business terms of a Four Party Property Exchange Agreement between Sound Transit, the State Board for Community and Technical Colleges, Seattle Central College, and Capitol Hill Housing Improvement Program for the exchange of properties in order to develop equitable transit-oriented development in the Capitol Hill Station area, and (2) delegates to the chief executive officer the authority to execute and subsequently amend as necessary the Agreement and associated documents, including an exchange agreement and a disposition and development agreement, all subject to the Board-approved key business terms.

KEY FEATURES SUMMARY

- Sound Transit granted Seattle Central College (SCC) a right of first refusal in 2011 for Capitol Hill Site D.
- Seattle Central College owns two contiguous parcels near the Capitol Hill light rail station, located at 1519 and 1515 Broadway (the “Atlas Site”). SCC and the State Board for Community and Technical Colleges (SBCTC), collectively the “College Parties,” approached Sound Transit about exchanging Site D for the Atlas Site.
- In November 2017, Sound Transit entered into a Memorandum of Understanding (MOU) with SCC, SBCTC, and Capitol Hill Housing Improvement Program (CHH) to exchange property in order to develop equitable transit-oriented development in the Capitol Hill Station Area.
- The Four Party Property Exchange Agreement builds on the MOU and contains the following key business terms:
 - Sound Transit will convey Site D to the College Parties in exchange for the Atlas Site. Sound Transit will then convey the Atlas Site to CHH for a mixed-use, affordable housing development that meets the requirements of RCW 81.112.350.
 - CHH will develop no fewer than 70 apartments restricted to households whose annual income (adjusted for family size) does not exceed 60% of the area median income for King County.
 - CHH will pay the College Parties \$2 million, which is the difference between the appraised fair market value of Site D (\$6 million) and the appraised fair market value of the Atlas Site (\$8 million). CHH will pay Sound Transit a minimum of \$700,000 for the appraised fair market value of the proposed commercial/retail space to be developed at the Atlas Site.
 - CHH’s combined acquisition price of \$2.7 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 Site. Sound Transit is discounting the value of the land for the affordable housing component at the Atlas Site, as permitted by RCW 81.112.350.

- The closing date for the property exchange is targeted for Dec. 2, 2019 but may be extended for a year if CHH needs additional time to secure funding.
- Last month the City of Seattle designated the Elridge Tire Company Building at the Atlas Site as a landmark of historical significance. The proposed affordable housing project preserves the façade of the building as required by the landmark designation.
- 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 Capitol Hill Site D was identified in the 2010 and 2014 strategic plans as a TOD opportunity.

In 2015, the Washington 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 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 R2018-10.

The agreement advances equitable TOD goals at the Capitol Hill Station producing affordable housing, increasing ridership, and strengthening the physical integration of the station into the neighborhood while facilitating SCC's campus expansion plan.

Property

Sound Transit owns Capitol Hill 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

Site D was acquired in part with Federal Transit Administration (FTA) funding. Subject to FTA approval, Sound Transit intends to attribute the fair market value of Site D (\$6 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. FTA approval is required for Sound Transit to sell or exchange Site D.

The restricted \$6 million will be applied towards another future grant funded project, such as preventative maintenance. This will reduce the total project cost of that future project, but will not affect the grant revenue received on that project. This will represent the federal interest that was originally part of Site D.

First Right of Refusal

SCC is the adjacent property owner to Site D and has an exclusive right of first refusal to purchase the Site D property from Sound Transit at fair market value. This right was obtained through a settlement reached when Sound Transit acquired tunnel easements from SBCTC, on behalf of SCC, for the University Link Extension.

Development Agreement

Site D is regulated by a Development Agreement between Sound Transit and the City of Seattle signed in 2013. The Development Agreement provides it shall not apply to Site D to the extent it is owned and developed by Seattle Central College pursuant to its Major Institution Master Plan.

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 the Development Agreement.

SCC's Atlas Site

SCC owns the Atlas Site that represents a development opportunity in the Capitol Hill Station area. SCC has concluded that the Atlas Site is not ideal for campus expansion.

In early 2017, SCC explored ways to support affordable housing outcomes on the Atlas Site, while ensuring that its actions would comply with Sound Transit's affordable housing requirements under RCW 81.112.350 should Sound Transit swap properties with SCC, and issued a Request for Interest to developers seeking proposals to develop affordable housing for the Atlas Site.

Through that process, SCC selected CHH, which proposed to develop 78 units of workforce housing and ground floor retail on Broadway.

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 shall be affordable to those earning 80 percent or below of the area median income for the county in which the property is located.

The key business terms negotiated as a part of the Four-Party Property Exchange Agreement include the following:

Category	Agreement
General terms	
Exchange of value	Site D conveyed by Sound Transit to the College Parties in exchange for the Atlas Site; Atlas Site conveyed by Sound Transit to CHH; At least \$700,000 paid by CHH to Sound Transit; \$2,000,000 paid by CHH to the College Parties;
Closing date	Anticipated closing date of December 2, 2019 but may be extended until December 1, 2020.
Termination of Agreement	Performance milestones, including those related to land use approvals, financing, and transaction closing
Atlas Site terms	
Number of Housing units	Target of 78 units, but no fewer than 70. Units will consist of a mix of studio, 1BR, and 2BR units.
Percentage of units that are affordable	100% of the units must serve those earning 60% of AMI or below
Sustainability	Designed to meet or exceed Washington State Evergreen Standard
Commercial space	Street-level commercial/retail space
Preservation	Preservation of the Eldridge Tire Building exterior as a Designated Landmark
Site D terms	
Restrictions	On-going transit operations covenant to protect Capitol Hill Station West Entrance
Interim improvements	If building construction on Site D has not commenced within five years of conveyance, SBCTC on behalf of SCC will construct and maintain a plaza that promotes use of the transit facility

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 Site D property is \$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. Pursuant to Motion No. M2017-145, Sound Transit will receive a minimum of \$700,000 from the sale of Site D as the purchase price for the commercial component of the proposed development.

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.

PUBLIC INVOLVEMENT

Sound Transit and the City of Seattle have been working collaboratively with the community since 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. This vision was formalized in the creation of an Urban Design Framework (UDF) for the Capitol Hill Station Area. The community specifically expressed strong interest, cited in the UDF, for including Site D as a part of the SCC's campus with development guidance that includes:

- Providing uses affiliated with the SCC according to the needs of the college.
- Engaging 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.

Additional public outreach has been conducted by CHH on the development program for the Atlas Site with key community stakeholders and groups. These included a meeting with the Pike Pine Urban Neighborhood Council (PPUNC) to seek community input on the unit mix, building orientation to the street, and the composition of the commercial space facing Broadway. Other meetings have been held with Capitol Hill Community leaders to obtain additional input on the project. The information and feedback collected from the community has been integrated into the proposed project design and includes increasing the number of 2 and 3 bedroom units and using an L shaped building layout on place of a rectangular layout resulting in the creation of a courtyard behind the historic Eldridge Tire Building façade. CHH will be conducting additional community engagement as the project plans continue to develop.

TIME CONSTRAINTS

A one-month delay in negotiations could impact the timing for CHH to apply for funding to the Seattle Office of Housing resulting in potentially a one-year delay in start of construction on the Atlas Site affordable housing development.

PRIOR BOARD/COMMITTEE ACTIONS

Motion No. M2017-145: Authorized 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.

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 certain 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 8/16/18

LEGAL REVIEW

JV 8/18/18

MOTION NO. M2018-103

A motion of the Board of the Central Puget Sound Regional Transit Authority (1) approving the key business terms of a Four Party Property Exchange Agreement between Sound Transit, the State Board for Community and Technical Colleges, Seattle Central College, and Capitol Hill Housing Improvement Program for the exchange of properties in order to develop equitable transit-oriented development in the Capitol Hill Station area, and (2) delegating to the chief executive officer the authority to execute and subsequently amend as necessary the Agreement and associated documents, including an exchange agreement and a disposition and development agreement, all subject to the Board-approved key business terms.

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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 to (1) approve the key business terms of a Four Party Property Exchange Agreement between Sound Transit, the State Board for Community and Technical Colleges, Seattle Central College, and Capitol Hill Housing Improvement Program for the exchange of properties in order to develop equitable transit-oriented development in the Capitol Hill Station area, and (2) delegate to the chief executive officer the authority to execute and subsequently amend as necessary the Agreement and associated documents, including an exchange agreement and a disposition and development 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.



John Marchione
Board Vice Chair

ATTEST:



Kathryn Flores
Board Administrator