

TOD: Kent Des Moines and Overlake Village

Surplus, suitability for housing, and offering strategies

*Executive Committee
08/04/22*



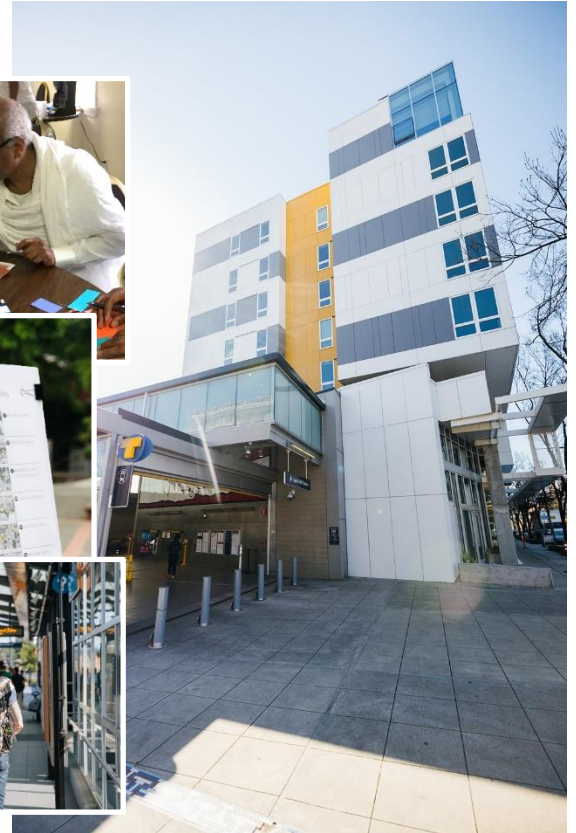
Why we are here

- Seeking actions that would guide the redevelopment of property at Kent Des Moines Station and Overlake Village Station, including the following:
 - Confirm CEO surplus declaration upon completion of transit construction activities
 - Declare the property as suitable for the development of housing
 - Direct staff to first offer the property to qualified entities for affordable housing
 - Direct staff to consider discounting the property to facilitate the affordable housing components

Equitable TOD Policy (2018)

Goals:

- Increase ridership
- Support growth plans
- Engage communities
- Integrate TOD into transit planning
- Create housing, especially affordable housing
- Encourage safe and easy access to transit



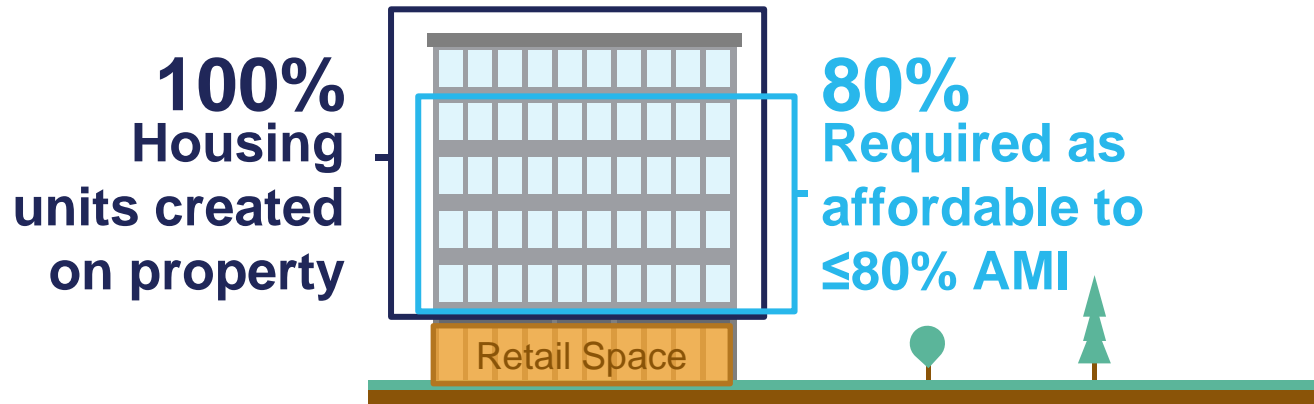
Statute on surplus property



Conceptual depiction

Statute on surplus property

- If a qualified entity receives surplus property through the first offer, then a minimum of 80% of the housing units constructed on that property must be dedicated to affordable housing



Statute on surplus property

80



≥80% of suitable property must be first offered for affordable housing creation

80



≥80% of created units must be affordable

80



Units must serve those earning ≤80% of area median income

Compliance with RCW 81.112.350

94%

≥80%
REQUIRED

% of property suitable for housing offered to Qualified Entities (QE)

100%

≥80%
REQUIRED

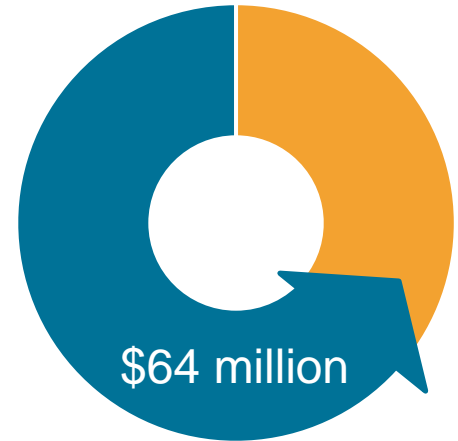
% of units on property transferred to QEs for affordable housing serving households at or below 80% AMI

Meeting financial plan targets and facilitating affordable housing creation

- State statute directs the agency to prioritize affordable housing on property and enables the agency to discount price of property
- Property value is often a barrier to creating affordable housing and affordable housing typically requires significant local subsidy
- The ST3 financial plan assumed the existing surplus property revenue target from Sound Move and ST2 would be met, but not further expanded (\$93.8 million in 2016\$), with revenues going back into subarea where a property is located

Progress towards financial targets

- To date, Sound Transit has approximately \$64 million in surplus property accounted for through sales and leases
- Seeking to meet target by maximizing revenues from market-rate transactions and minimizing cost of creating affordable housing
- Property pipeline provides multiple opportunities to meet financial plan target



Aligning affordable housing resources

Sound Transit partners with others to maximize affordable housing outcomes

- Pairing local affordable housing funding with Agency TOD sites (King County, A Regional Coalition for Housing, Seattle Office of Housing)
- \$200 million Washington State Housing Finance Commission partnership
- \$100 million Amazon Housing Equity Fund partnership



Complying with federal rules

Often, Sound Transit acquired property with federal funding and requires federal approvals for disposition and Joint Development

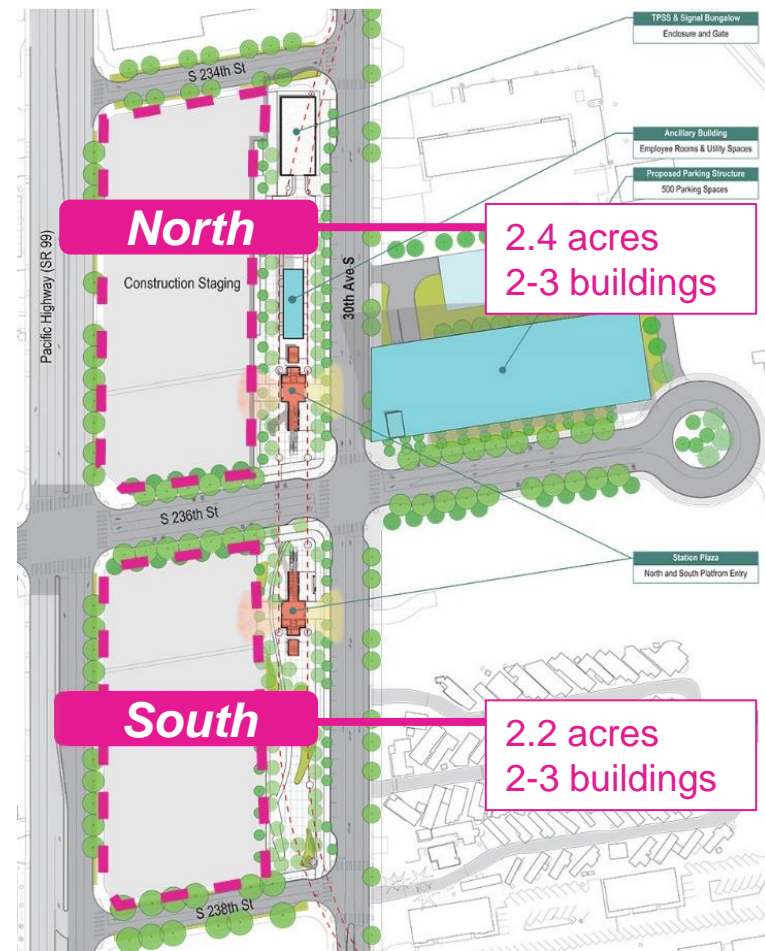
- Recent federal policy changes expand options for transit agencies to facilitate affordable housing outcomes
- Sound Transit works closely with federal agencies to use tools that facilitate affordable housing outcomes without penalty

Kent Des Moines Station TOD

Planning for TOD

TOD outcomes have been an important consideration since project development

- Station design and construction staging
- Investments in street & pedestrian infrastructure
- Partnership with City of Kent



Community engagement



How we listened

- Local and regional stakeholder conversations
- Community preferences/interests survey
- Online open house & forum



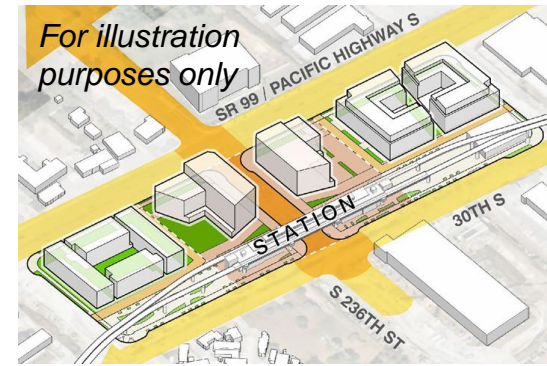
What we heard

- Support for housing, including affordable
- Interest in space for local businesses
- Interest in partnering with & reflecting diverse community

TOD approach

Actions intended to support growth of a mixed-use, mixed-income neighborhood

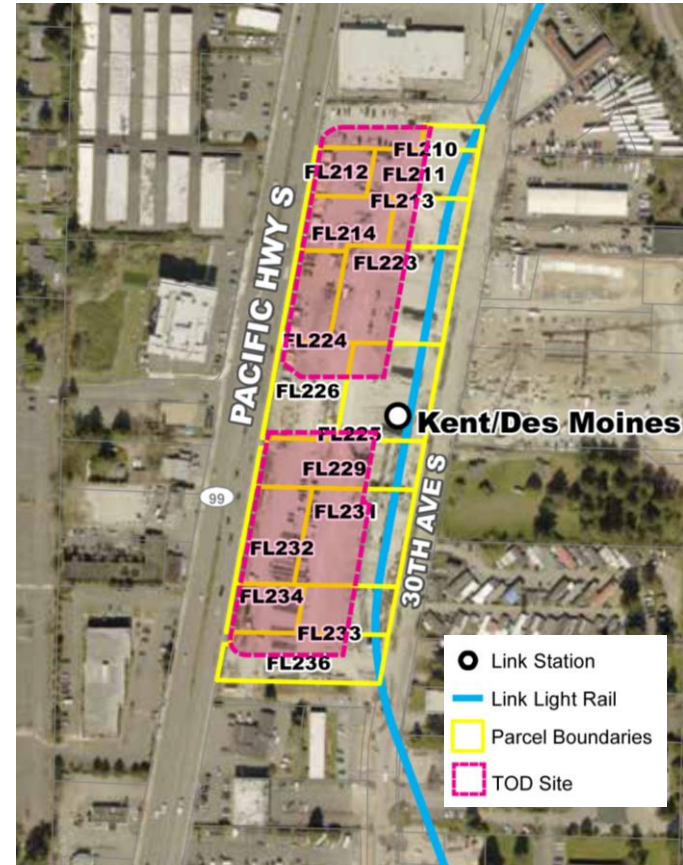
- Support mixed-use, transit-oriented vision
- Maximize development capacity
 - 6-8 stories of primarily residential development
 - Approximately 500 residential units
- Maximize affordable housing outcomes, within funding constraints
 - Anticipate 150-300 units, targeting at or below 60% AMI
- Realize community-oriented project



Action 1 – Declare surplus

Fifteen parcels are surplus, contingent on completion of FWLE

- Sites are currently used for construction staging
- Transit project has accounted for property needed for operation



Action 2 – Suitability for housing

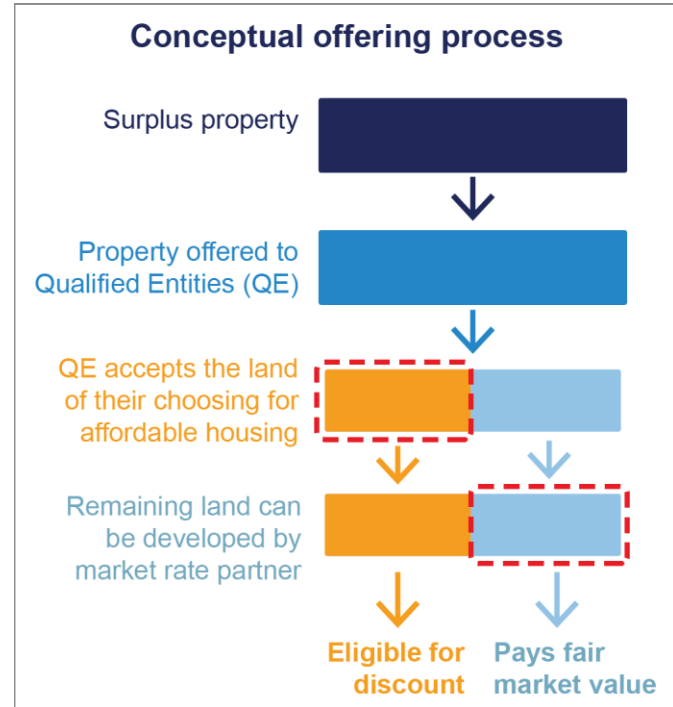
Sites are suitable for the development of housing

- Legally permissible to build housing
- Physically possible to build housing
- Environmental conditions don't preclude housing
- Economically reasonable to construct housing
- City and community support for housing

Action 3 – Offering strategy

Offer each site first to Qualified Entities for mixed-use, mixed-income outcomes with affordable housing component

- Qualified Entities may form teams with for-profit developers
- Seek to maximize feasible affordable housing outcomes
- Seek to include community-oriented component



Action 4 – Pricing approach

Authorize staff to offer property within the TOD Sites below market value for affordable housing

- Land appraised at \$13.1 million (market-rate development)
 - Discount for affordable housing; others pay fair market value
 - Authorization to consider discount up to full value of property
- Discounting aligns with affordable housing funding sources
 - Funding partnerships: King County Washington State Housing Finance Commission
 - Eligible for Amazon Housing Equity Fund (ST sites)
- Amount of discount subject to Board approval after negotiations

Recommended actions in summary

Seeking approval to:

1. Declare surplus
2. Declare suitable for housing
3. Offer each site first to qualified entities
4. Allow for discounting of property value for affordable housing



Next steps

- Issue request for proposals for sites (anticipated Q4 2022)
- Return to Board with development proposal and key business terms (anticipated 2023)

Overlake Village Station TOD

Planning for TOD

A growing community

- Adjacent to Esterra Park, 30-acre master plan community
- City of Redmond planning for more growth in Overlake area
- Two future development parcels



Partnership with City of Redmond

Vision

- Explore opportunities to develop max number of units to deepest level of affordability possible
- Feasibility informed by Agency ETOD policy, City planning efforts



Engagement outcomes

How we listened

- Local and regional stakeholder conversations
- Community preferences/ interests survey

What we learned

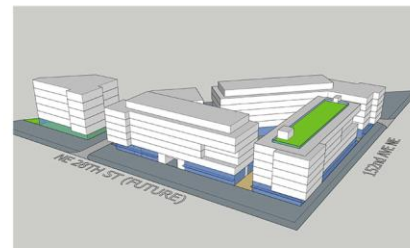
- Strong support for affordable housing, with units serving special populations
- Community-oriented uses and amenities needed to support TOD and transit users
- Interest in co-locating services (e.g., childcare, small businesses)



TOD feasibility study

Realizing affordable housing

- Mid-rise development most feasible outcome
- Analysis suggests site could support 250-350 housing units
- Incentivize outcomes (e.g., reduce parking requirements) to reduce cost and increase affordability



SOUTHEAST AERIAL VIEW



NORTHEAST VIEW



OV STREET DESIGN GUIDELINES



OVERLAKE VILLAGE

Option 1

ZGF HATCH

Action 1 – Declare surplus

A portion of one parcel is surplus, contingent on completion of East Link

- Sites were used for construction staging
- Transit project has accounted for property needed for station operation and commitments

Action 2 – Suitability for housing

Sites are suitable for the development of housing

- Legally permissible to build housing
- Physically possible to build housing
- Environmental conditions don't preclude housing
- Economically reasonable to construct housing
- City and community support for housing

Action 3 – Offering strategy

Offer the site to Qualified Entities for development as affordable housing

- Site size could accommodate a fully affordable outcome
- City of Redmond and local funders strongly support affordable outcomes

Action 4 – Pricing approach

Authorize staff to offer the TOD Site below market value

- Land appraised at \$26 million (market-rate development, 2022)
 - High opportunity area with fast-rising property values
 - Authorization to consider discount up to full value of property
- Discounting aligns with several affordable housing funding sources:
 - Funding partnerships: King County, Washington State Housing Finance Commission
 - Eligible for Amazon Housing Equity Fund (ST sites), ARCH
- Amount of discount subject to Board approval after negotiations

Recommended actions in summary

Seeking approval to:

1. Declare surplus
2. Declare suitable for housing
3. Offer the site first to qualified entities
4. Allow for discounting of property value for affordable housing



Next steps

- Issue request for proposals for sites (anticipated Q4 2022)
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Thank you.



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