



## Motion No. M2023-107

### Key Business Terms for Kent Des Moines North Transit Oriented Development

Meeting:	Date:	Type of action:	Staff contact:
Executive Committee	12/07/2023	Recommend to Board	Brooke Belman, Deputy CEO, Chief Expansion Delivery Officer
Board	12/15/2023	Final action	Don Billen, Executive Director, PEPD <b>Mara D'Angelo, Deputy Director, TOD</b> <b>Heather Burns, Senior Project Manager, TOD</b>

### Proposed Action

(1) Approves the key business terms of a real estate purchase and sale agreement with Mercy Housing Northwest for the sale of surplus property adjacent to Kent Des Moines Station for the creation of a mixed-use project comprised primarily of affordable housing; and (2) delegates to the chief executive officer the authority to execute and subsequently amend as necessary the real estate purchase and sale agreement and related deeds, covenants, conditions, and easements for the TOD project, all subject to the Board-approved key business terms.

### Key Features Summary

- In August 2022, the Board approved Resolution No. R2022-23, concerning two transit-oriented development (TOD) sites (North and South) totaling approximately four acres adjacent to Kent Des Moines Station. The TOD sites were comprised of portions of sixteen parcels. The Resolution declared portions of fifteen parcels as surplus, declared the TOD sites as suitable for the development of housing, and authorized staff to offer them first to qualified entities for the development of affordable housing.
- Resolution No. R2022-23 authorized staff to offer the TOD sites at a discounted land value purchase price to facilitate affordable housing outcomes and noted that the CEO may declare one additional parcel surplus at a later date. The action for that additional parcel is concurrently before the Executive Committee for consideration through Resolution No. R2023-38.
- Following a competitive solicitation for the North TOD site, Sound Transit selected Mercy Housing Northwest (Mercy) as the top-ranked proposer.
- Mercy partnered with Open Doors for Multicultural Families to propose a mixed-use affordable housing project with a minimum of 175 affordable housing units, a minimum of 15,000 square feet of commercial space primarily targeted to non-profit and community-serving uses, and a minimum of 1,500 square feet of ground floor, neighborhood focused retail space.
- Mercy will pay a discounted purchase price of \$250,000.
- The property is federally funded and Sound Transit will coordinate with the Federal Transit Administration (FTA) for disposition approval.
- No further Board action is anticipated for the North TOD site.

## **Background**

### Property and TOD

Sound Transit acquired multiple parcels for the construction of Kent Des Moines Station, the Federal Way Link Extension, a parking garage and street improvements. What remains following the capital project will be two TOD sites (North and South) separated by S. 236th Street, representing approximately four acres that will be developable following easements and restrictions. The sites were appraised for \$6.7 million (TOD North) and \$6.4 million (TOD South) in 2022.

### Offering Process and Development Partner Selection

The Sound Transit Board approved a development strategy for the TOD North and TOD South sites in August of 2022 through Resolution No. R2022-23, which guided the agency to offer the TOD sites first to qualified entities (local governments, housing authorities, and nonprofit developers) for development of affordable housing as defined in RCW 81.112.350. It was anticipated that qualified entities would partner with for-profit developers to achieve mixed-use, mixed-income goals for the TOD sites. R2022-23 further authorized staff to offer the TOD sites at a discounted land value price to facilitate affordable housing outcomes.

Following the Board's approval of Resolution No. R2022-23, Sound Transit staff issued two separate requests for proposals (RFP) in December 2022 seeking development partners who could create mixed-use, mixed-income projects that would maximize affordable housing, offer the deepest level of affordability possible, and provide other community benefits on the site. The RFPs highly prioritized but did not require the provision of market-rate housing. The RFPs each included \$5 million in pre-committed funding from King County and were identified as eligible to participate in the TOD bond allocation for affordable housing on Sound Transit sites through a partnership with the Washington State Housing Finance Commission. In addition, the projects on TOD North and TOD South are eligible to apply for financial support from the Amazon Housing Equity Fund dedicated to affordable housing on Sound Transit TOD sites.

Sound Transit closed the North TOD RFP first in March 2023. We did not receive any proposals that included market rate housing. A development team partnership between Mercy Housing Northwest and Open Doors for Multicultural Families (ODMF) was selected as the top-ranked firm and Notice of Intent to Award was issued on June 21, 2023. Staff negotiated the key business terms based on Mercy and ODMF's response to the TOD North RFP, seeking to maximize affordable housing and community outcomes.

The project proposed by Mercy and ODMF includes a goal of 220 units of affordable housing targeted at a range of incomes up to and between 30%-80% of area median income, and a mix of uses including commercial space supporting community facilities, small businesses and non-profits. Mercy is targeting a Q3 2025 construction start, pending financing and permitting.

Sound Transit and the City of Kent are parties to a Development Agreement for the Federal Way Link Extension Project Development Agreement which committed Sound Transit to "include a mix of uses consistent with Sound Transit's Equitable TOD Policy and the City's vision for a "compact, mixed-use, and mixed-income walkable urban center" at the TOD sites. To better achieve the goal of realizing a mixed-use and mixed-income urban center, following selection of the Mercy project, Sound Transit issued an addendum to the South TOD site requiring market rate housing on the South TOD site. No responses sufficiently fulfilling the RFP requirements for the South site were received. Staff will return to the Board at a later date with a proposed revised offering strategy for the South TOD site that considers the outcomes achieved on the North site and the agency's commitment to creating a "compact, mixed-use and mixed-income walkable urban center" at the station.

Key Business Terms

Sound Transit will convey the North TOD site to Mercy in a transaction intended to comply with RCW 81.112.350. The key business terms negotiated as part of this transaction include the following:

<b>Category</b>	<b>Agreement</b>
<b>Buyer/Developer</b>	Mercy Housing Northwest, a Washington nonprofit corporation
<b>Purchase Price</b>	\$250,000
<b>Number of Housing Units</b>	Buyer will construct a minimum of 175 affordable units, with a target of 220 affordable units.
<b>Percentage of Units That Are Affordable</b>	100% of the housing units (excluding manager units) must serve those earning no greater than 80% of the area median income.
<b>Level of Affordability</b>	The housing units will be offered for lease solely to individuals and households whose annual income (adjusted for family size) at the time of initial occupancy is no more than 80% of area median income (“AMI”), excluding manager units, with an affordability averaging 60% AMI or below.
<b>Commercial/Retail Uses</b>	Buyer will construct a minimum of 15,000 square feet of commercial space, with a target of 35,000 square feet plus a minimum of 1,500 square feet of ground floor neighborhood retail space. The commercial space uses may include, but are not limited to, offices for small businesses and non-profits across South King County, a multicultural community center, early learning center, and neighborhood-serving retail.
<b>Sustainability</b>	The Project will be constructed to meet or exceed Evergreen Sustainable Development Standard v4 or LEED Mid-rise v4 or LEED Residential v4.1 Gold level and meet ESDS requirement: 5.1A Building Performance Standard – New Construction, or substantially equivalent.
<b>Affordable Housing Covenant</b>	A restrictive covenant will be recorded on title at closing, restricting the housing use on the property for affordable housing for a period of at least 50 years.

Future Board Involvement

No further Board action for the North TOD site is anticipated for this development. Any material changes to the key business terms will be brought to the Board for approval. Staff will engage with the Board further about the South TOD site.

## **Fiscal Information**

The agency's long-range financial plan assumes \$130 million (in year of expenditure dollars) from the sale and lease of the agency's surplus real estate and joint development property. Due to Sound Transit's affordable housing goals and requirements (as included in ST3), the financial plan does not assume that all surplus properties will be sold for fair market value. To date, the agency has received or contracted \$56.9 million through property sales and ground leases. The long-range financial plan includes a forecast for the remainder of the target, including \$17.9 million of awarded but not yet contracted projects. Market appraisal in June 2022 valued the TOD Site at \$6.7 million.

The proposed sale would provide \$250 thousand in revenue to the agency. This below market transaction is necessary to facilitate affordable housing outcomes, and is consistent with RCW 81.112.350, Sound Transit's Equitable TOD Policy, and Resolution No. R2022-23.

## **Disadvantaged and Small Business Participation**

Not applicable to this action.

### Workforce utilization

The construction labor performance standards for this transaction include workforce utilization goals (21% for labor hours for People of Color and 12% for Women), apprenticeship opportunities (20% of all labor hours), and paying State Residential Prevailing Wage Rates to construction workers according to their trade, unless a project funder requires a higher minimum rate.

## **Public Involvement**

Sound Transit conducted community engagement around the North and South TOD sites starting in spring 2020. Engagement included two online surveys (May 2021 and November 2021) that collected approximately 1,350 responses, roundtable discussions and direct engagement with community-based organizations operating in the Kent Des Moines area, as well as a virtual open house focused on topics identified in earlier surveys. Feedback received through that outreach process informed the agency's offering strategy, the RFP issued in December 2022, and the proposed disposition for development of affordable housing.

## **Time Constraints**

A one-month delay may jeopardize Mercy's ability to apply for and secure financing. For example, the Amazon Housing Equity Fund allocation must be awarded to TOD projects by the end of 2023, thus delay may preclude the development partner from applying for this funding source.

## **Prior Board/Committee Actions**

Resolution No. R2023-38: Approved the chief executive officer's declaration that a portion of one parcel as part of the Kent Des Moines station is surplus and available for disposition or redevelopment upon completion of Federal Way Link Extension construction.

Resolution No. R2022-23: (1) Approved the chief executive officer's declaration that fifteen parcels, as part of the Kent Des Moines Transit Oriented Development Sites, are surplus upon completion of the Federal Way Link Extension construction; (2) declared the TOD Sites as suitable for development as housing; (3) authorized staff to offer the TOD Sites first to qualified entities to create mixed-use, mixed-income project outcomes that prioritize and maximize affordable housing; (4) authorized staff to offer property within the TOD Sites at below market value to facilitate affordable housing outcomes.

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**Environmental Review** – KH 11/20/23

**Legal Review** – JV 11/29/23



## Motion No. M2023-107

A motion of the Board of the Central Puget Sound Regional Transit Authority (1) approving the key business terms of a real estate purchase and sale agreement with Mercy Housing Northwest for the sale of surplus property adjacent to Kent Des Moines Station for the creation of a mixed-use project comprised primarily of affordable housing; and (2) delegating to the chief executive officer the authority to execute and subsequently amend as necessary the real estate purchase and sale agreement and related deeds, covenants, conditions, and easements for the TOD project, all subject to the Board-approved key business terms.

### Background

#### Property and TOD

Sound Transit acquired multiple parcels for the construction of Kent Des Moines Station, the Federal Way Link Extension, a parking garage and street improvements. What remains following the capital project will be two TOD sites (North and South) separated by S. 236th Street, representing approximately four acres that will be developable following easements and restrictions. The sites were appraised for \$6.7 million (TOD North) and \$6.4 million (TOD South) in 2022.

#### Offering Process and Development Partner Selection

The Sound Transit Board approved a development strategy for the TOD North and TOD South sites in August of 2022 through Resolution No. R2022-23, which guided the agency to offer the TOD sites first to qualified entities (local governments, housing authorities, and nonprofit developers) for development of affordable housing as defined in RCW 81.112.350. It was anticipated that qualified entities would partner with for-profit developers to achieve mixed-use, mixed-income goals for the TOD sites. R2022-23 further authorized staff to offer the TOD sites at a discounted land value price to facilitate affordable housing outcomes.

Following the Board's approval of Resolution No. R2022-23, Sound Transit staff issued two separate requests for proposals (RFP) in December 2022 seeking development partners who could create mixed-use, mixed-income projects that would maximize affordable housing, offer the deepest level of affordability possible, and provide other community benefits on the site. The RFPs highly prioritized but did not require the provision of market-rate housing. The RFPs each included \$5 million in pre-committed funding from King County and were identified as eligible to participate in the TOD bond allocation for affordable housing on Sound Transit sites through a partnership with the Washington State Housing Finance Commission. In addition, the projects on TOD North and TOD South are eligible to apply for financial support from the Amazon Housing Equity Fund dedicated to affordable housing on Sound Transit TOD sites.

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property for affordable housing for a period of at least 50 years.

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### **Motion**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority (1) approving the key business terms of a real estate purchase and sale agreement with Mercy Housing Northwest for the sale of surplus property adjacent to Kent Des Moines Station for the creation of a mixed-use project comprised primarily of affordable housing; and (2) delegating to the chief executive officer the authority to execute and subsequently amend as necessary the real estate purchase and sale agreement and related deeds, covenants, conditions, and easements for the TOD project, 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 December 15, 2023.

  
Dow Constantine  
Board Chair

**Attest:**

  
Kathryn Flores  
Board Administrator