

RESOLUTION NO. R2017-20
Establish Conditions for Offering Roosevelt Station – Central Transit-Oriented Development Site

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Board	05/25/2017	Final Action	Ric Ilgenfritz, Executive Director PEPD Brooke Belman, Land Use and Development Director Thatcher Imboden, Senior TOD Analyst

PROPOSED ACTION

(1) Declares that the Roosevelt Station – Central Transit-Oriented Development Site property is suitable for development as housing; (2) directs staff to offer the property first to qualified entities to support affordable housing creation pursuant to RCW 81.112.350; and (3) directs staff to offer the property through a process that prioritizes development of the maximum number of units affordable to those earning no greater than 60 percent of area median income and establish a base price in the offering commensurate to achieving that outcome.

KEY FEATURES SUMMARY

- Recent state law changes and system plan approval triggered new requirements for how Sound Transit offers its surplus properties to the market. The agency will update its Transit-Oriented Development (TOD) policy next spring to reflect both the new statute requirements and Sound Transit 3 Regional Transit System Plan goals, and will use 2017 property offerings to inform the policy update.
- This action will provide direction for how the agency will offer surplus property for TOD at Roosevelt Station.
- This action declares that the property is suitable for development as housing, directs staff to offer the property first to qualified entities, and provides direction on how the agency should price the property in the procurement.
- Offering the property to prioritize serving those not earning more than 60% of area median income would allow the agency to maximize affordable housing creation by reducing acquisition costs, meeting eligibility requirements of housing funding programs, and aligning with the FTA Joint Development program.
- Staff will return to the Board to request Board approval to enter into transaction negotiations with a responding team for their proposed TOD project at the site or to discuss next steps in the event the first offer of the property to qualified entities is unsuccessful.

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 Roosevelt Station – Central TOD Site 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 2017 TOD Work Program identified the Roosevelt Station – Central TOD Site as a property that would apply the new requirements regarding affordable housing and equitable TOD. This action provides direction on how the agency applies new state statute for this property offering prior to the upcoming TOD policy update.

Property

The Roosevelt Station – Central TOD Site consists of an approximately 53,000 SF portion of the property located at 6600 Roosevelt Way NE in Seattle, WA. The property is a single property bound by NE 66th Street, NE 67th Street, Roosevelt Way NE, and 12th Avenue NE. The North Headhouse for Roosevelt Station is located along 12th Avenue NE and would be retained by Sound Transit. The portions west of the North Headhouse will be available for TOD.

The property, formerly a QFC grocery store, was acquired in 2008 for the Northgate Link Extension project for the North Headhouse and construction staging. Federal funds were used to purchase the property, resulting in a federal participation rate of 86.5 percent. Upon completion of construction staging activities from the Central TOD Site, anticipated for 4Q 2019, the non-station portions of the property could be made available for TOD construction. The planned early turnover of the property would allow a TOD project to potentially open in time for Link service commencement at Roosevelt Station, reducing TOD construction and station access impacts on the community.

Two other properties at Roosevelt Station will continue to provide space for construction staging through 2021 as the systems contractor finishes its scope of work for the Northgate Link Extension. Those properties are anticipated to be offered for TOD in future years.

TOD Analysis

Sound Transit staff recently conducted a TOD assessment of the Roosevelt Station – Central TOD Site, including the property's planned turnover conditions, likely development layout and program, and financial viability for TOD. The estimated fair market value of the property in the open market would likely limit the quantity of affordable housing that could be created on the property without an atypical, greater subsidy from local affordable housing funders and/or reduction in property value.

The assessment concluded that approximately 225 to 300 housing units are possible on the property depending on unit size and that ground level commercial space would be required by the city. The property was not identified as a particularly strong location for other commercial uses, as there is limited demand for hotel rooms and rental rates for office space do not yet support new construction.

Suitability for Housing

RCW 81.112.350 directs the agency to determine whether surplus property is suitable for development as housing. Staff completed an evaluation and recommend that the property is suitable for development as housing. The following summarizes the suitability findings.

- Threshold evaluation considerations:
 - Housing is a permitted use within the property's zoning district;
 - The size and shape of the property meet the zoning code's minimum requirements for constructing housing; and

- The known environmental conditions of the property are not expected to act as a barrier to constructing housing.
- Other evaluation considerations:
 - Local land use plans support housing on the property;
 - Other uses, such as office space, are not locally prioritized for the property or likely financially viable; and
 - There is a real estate market for housing in the local trade area.

TOD Goals for Property

Sound Transit, the City of Seattle and the Roosevelt Neighborhood Association partnered earlier this year to host a series of community engagement events aimed at developing a set of stakeholder priorities to inform Sound Transit’s upcoming request for proposals on this site. The full list of priorities is provided in the Roosevelt Station Transit-Oriented Development – Summary of Community Engagement report dated March 24, 2017. A summary of those priorities are as follows:

- The project should serve a range of people with varying incomes at or below 80 percent of the area median income, people with special needs, and families;
- The project should seek to provide deep affordability and serve households at or below 60 percent of the area median income;
- The project should maximize the achievable density of site;
- The project should maximize its orientation to pedestrians;
- The project should minimize its orientation to automobiles; and
- The project should incorporate active ground floor uses and is encouraged to provide space for small business or community serving users.

In addition to the goals set forth by community stakeholders, Sound Transit will also seek to meet agency objectives:

- The project should be completed as expeditiously as possible, preferably by the opening day of service at Roosevelt Station;
- The project must meet or exceed sustainability standards of LEED (Leadership in Energy and Environmental Design) Silver or the City of Seattle or State of Washington’s Evergreen standard;
- The project is encouraged to provide private and public amenities that support transit use and active transportation.

Property offering

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. For the Roosevelt Station – Central TOD site, 80 percent of the King County area median income in 2017 for a family of four is \$76,800.

In order to offer a property with a federal interest to qualified entities, the agency must either buy out the FTA interest or obtain joint development approval from FTA. The recent Capitol Hill TOD transaction was approved by the FTA as Joint Development and the agency will work with FTA to determine if joint development is appropriate for the Roosevelt site. Should the FTA not approve a joint development for the project, staff may need to return to the Board to discuss next steps.

Partner Funding

The City of Seattle Office of Housing has long supported affordable housing at strategic, transit-oriented locations, including investing in developments at three other Sound Transit properties. The city recently proposed new policies that would allow site-specific investments through request for proposals, and indicated strong interest in piloting this method at the Roosevelt Station - Central TOD Site. Key policy objectives cited by the city for this approach are to take advantage of well-located publicly owned properties, particularly near transit, and to achieve cost savings for affordable housing development through favorable purchase terms and efficient funding/disposition processes. In addition to the ability to meet these underlying objectives, the city has cited that it must consider the overall availability of resources, and weigh potential opportunities against the range of incoming proposals at other locations throughout the city. Staff from both agencies are collaborating to maximize the outcomes for each agency.

King County Department of Community and Human Services has expressed interest in providing funding to supporting an affordable housing project on the property. Staff are working to identify a potential funding approach and partnership.

Property Pricing Options

The agency has flexibility in how it prices property in its offering, as recently authorized in RCW 81.112.350. Staff have analyzed three pricing models to establish a base price through an appraisal process:

- Fair Market Value – Unrestricted (highest and best use): This model is standard practice to identify the likely price for a property in a competitive and open market. This model is how Sound Transit typically prices its surplus property for sale or lease.
- Restricted Value – Statute Minimums (80% AMI): This model prices the property with the state statute requirements that 80 percent of the units be made affordable to those earning 80 percent of the area median income. There are not comparable projects in the market that could be used to establish value, which also indicates there is greater likelihood that the agency will not receive a viable proposal for a project reflecting these requirements.
- Restricted Value – Aligned with Housing Funding Programs (60% AMI): This model prices the property with restrictions that 100 percent of the units be made available to those earning no more than 60 percent of the area median income. This model is better aligned with existing affordable housing funding programs and the FTA Joint Development program, which establishes 60 percent of area median income as the highest income threshold for affordable housing eligibility. By pricing the property to reflect alignment with existing funding programs, the high fair market value is adjusted downward to reduce the price premium present in the Roosevelt trade area, increasing the viability of affordable housing creation.

Criteria the Board may want to evaluate when considering whether to set the offer price using one of the above pricing models or offer a further discount include, but are not limited to:

- Maximizing the total number of affordable housing units produced or level of affordability provided;
- Improved project viability due to reduced project costs and therefore higher leverage for other local funders;

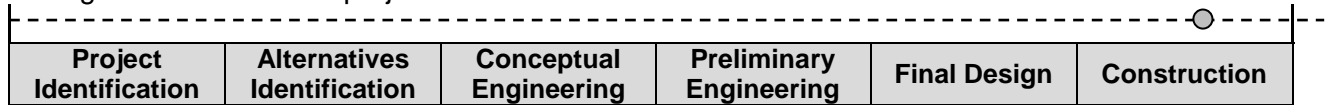
- Public amenities and infrastructure required of the affordable housing project by Sound Transit or local permitting authorities, such as higher quality pedestrian spaces, plazas, new streets and utilities, etc.; and
- The availability of other local or federal affordable housing funding.

Future Board Involvement

- Staff will seek authorization to enter into transaction negotiations with a responding team for their proposed project. The action is anticipated by end of 3Q 2017.
- Staff will seek approval of final agreements with the selected responding team and project. The action is anticipated by end of 1Q 2018.

PROJECT STATUS

Northgate Link Extension project status:



Projected Completion Date for Northgate Link Extension: 3Q 2021

The Northgate Link Extension project is currently under construction. Construction staging is anticipated to be complete for the Roosevelt Station – Central TOD Site by 4Q 2019. As determined by the Board in R2017-09, upon completion of construction staging, the Central TOD Site will no longer be needed for capital project construction or operation purposes.

FISCAL INFORMATION

Financial Plan Assumptions

The agency’s long-term financial plan assumes \$92 million of revenue the sale of excess real estate for selected parcels, including \$19.1 million (2020\$) for sale of the Roosevelt property. The current estimate of the value of the excess property range from approximately \$18.5 million for unrestricted use and \$6.75 to \$9 million for sale with 60% AMI affordable housing restrictions. Should the Board elect to offer the property with affordable housing restrictions (60% AMI), the lost revenue vs. the assumption ranging from \$10.1 to \$12.4 million in the financial plan would not materially impact the ability of the subarea to complete its capital program, assuming existing revenues and costs remain unchanged. However, the \$9.5 to \$11.75 million lower cost (compared to \$18.5 Fair Market Value - Unrestricted value) for selling the property with 60% AMI restriction does represent an opportunity cost to the North King subarea, as those amounts could be used in future years to offset lower revenue, loss of federal funds, higher project costs, or additional scope elements for North King County subarea.

The following table summarizes potential impacts of the proposed Roosevelt Station – Central TOD Site on the financial capacity for the North King County subarea. Please note the table uses estimated value ranges based on a number of factors such as market conditions, comparable projects, and number of housing units. The financial information will be updated prior to the Board meeting.

Estimate	FMV - Unrestricted	Restricted Value – State Minimums (80% AMI)		Restricted Value – Aligned with Housing Funding Programs (60% AMI)	
		Low	High	Low	High
Potential Sales Price	\$18,500,000	\$11,500,000	\$16,000,000	\$6,750,000	\$9,000,000
Financial Plan assumption (1)(2)	\$19,143,216	\$19,143,216	\$19,143,216	\$19,143,216	\$19,143,216
Net Gain (Loss) Vs. Financial Plan	(\$643,216)	(\$7,643,216)	(\$3,143,216)	(\$12,393,216)	(\$10,143,216)
Net Gain (Opportunity Cost) Vs. FMV – Unrestricted	-	(\$7,000,000)	(\$2,500,000)	(\$11,750,000)	(\$9,500,000)
Notes (1) Assumed sale price in Financial Plan is adjusted to 2020 dollars, as the transaction is expected to close in 2020, but could close as late as 2022. (2) Originally assumed to be sold in 2025 in the Financial Plan.					

PROCUREMENT INFORMATION

A request for proposals (RFP) will be released to qualified entities soliciting proposals for an experienced development team and a development project concept that deliver on the TOD goals for the property. The RFP is expected to be released in June with selection in 3Q 2017.

SMALL BUSINESS/DBE PARTICIPATION AND APPRENTICESHIP UTILIZATION

Not applicable to this action.

PUBLIC INVOLVEMENT

Sound Transit collaborated with the City of Seattle and the Roosevelt Neighborhood Association on a community engagement plan for Sound Transit's Roosevelt Station – Central TOD Site. The plan utilized a focused series of stakeholder workshops to develop a set of community stakeholder principles that would inform Sound Transit's TOD goals for the property. A public open house and survey kicked off the engagement to provide the community stakeholders and Sound Transit with the broader community's insights prior to establishing principles. The outcome of the engagement effort, including a set of principles adopted by community stakeholders, is summarized in the Roosevelt Station Transit-Oriented Development – Summary of Community Engagement report dated March 24, 2017.

The Roosevelt Neighborhood Association received a grant in late 2016 from Enterprise Community Partners to support the organization's efforts to engage, educate, and communicate in support of a community-oriented affordable housing TOD for the property. The grant-supported work provided the Roosevelt Neighborhood Association with additional background on affordable housing, such as successful models from around the region, balancing affordable housing funding resources with the level of public amenities, and implementation challenges and opportunities. The outcome of the effort was that many of the community stakeholders participating in the Sound Transit workshops had a high-degree of understanding around affordable housing development issues.

TIME CONSTRAINTS

A one-month delay would delay issuance of the RFP, which could result in reduced time for the selected respondent team to prepare their projects for construction prior to the agency's anticipated January 2020 turnover of the property. A turnover after January 2020 would likely result in additional time that TOD construction impacts the quality of pedestrian access to the Roosevelt Station, once operational, as well as delays the benefits to the agency and community that the TOD project will provide.

PRIOR BOARD/COMMITTEE ACTIONS

Resolution No. R2017-09: Approved the chief executive officer's declaration that certain real properties acquired for the Northgate Link Extension will be surplus and no longer needed for a transit purpose upon completion of construction staging activities.

ENVIRONMENTAL REVIEW

JI 5/11/2017

LEGAL REVIEW

JRV 5/22/2017

RESOLUTION NO. R2017-20

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority (1) declaring that the Roosevelt Station – Central Transit-Oriented Development Site property is suitable for development as housing, (2) directing staff to offer the property first to qualified entities to support affordable housing creation pursuant to RCW 81.112.350, and (3) directing staff to offer the property through a process that prioritizes development of the maximum number of units affordable to those earning no greater than 60 percent of area median income and establish a base price in the offering commensurate to achieving that outcome.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under chapters 81.104 and 81.112 RCW for the Pierce, King, and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Central Puget Sound Regional Transit Authority district on November 5, 1996, November 4, 2008, and November 8, 2016, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, Sound Transit acquired the subject property, currently identified as the Roosevelt Station Transit-Oriented Development Central Site and located at 6600 Roosevelt Way NE in Seattle WA, for Northgate Link Extension Project purposes in 2008; and

WHEREAS, the Roosevelt Station – Central Transit-Oriented Development property was acquired using Federal Transit Administration (FTA) financial assistance and is subject to federal interest. As such, Sound Transit is required to consult with FTA regarding the manner of disposition and/or the use of the property for joint development; and

WHEREAS, the Sound Transit Board by Resolution No. R2017-09 declared the subject real property surplus upon completion of construction staging; and

WHEREAS, RCW 81.112.350 requires Sound Transit to “develop and seek voter approval for a system plan, ... to implement a regional equitable transit-oriented development strategy for diverse, vibrant, mixed-use and mixed-income communities consistent with transit-oriented development plans developed with community input by any regional transportation planning organization within the regional transit authority boundaries”; and

WHEREAS, on June 23, 2016 the Sound Transit Board adopted Resolution R2015-16 approving the Sound Transit 3 Regional Transit System Plan (the “ST3 Plan”) and on November 8, 2016 the voters approved the ST3 Plan. The ST3 Plan provides (at page 12), “Sound Transit will implement a regional equitable TOD strategy for diverse, vibrant, mixed-use and mixed income communities adjacent to Sound Transit stations that are consistent with transit oriented development plans developed with the community by the regional transportation planning organization within Sound Transit’s boundaries. ... Sound Transit will use such plans as the 2013

Growing Transit Communities Strategy to inform the content and implementation of its TOD strategy”; and

WHEREAS, The Growing Transit Communities Strategy includes “Strategy 16: Make Surplus Public Lands Available for Affordable Housing” that calls on Sound Transit to “Develop policies and best practices related to the disposition of properties that support affordable housing production on surplus sites” (Strategy 16.3); and

WHEREAS, unless certain exceptions apply, RCW 81.112.350 requires that the agency offer for transfer at no cost, sale, or long-term lease at least 80 percent of its surplus properties that are suitable for housing first to qualified entities (local governments, housing authorities, and non-profit developers) that agree to develop affordable housing on the property, and if accepted, at least 80 percent of the housing units created on the property must serve those whose adjusted income is no more than 80 percent of the adjusted median income for the county in which the property is located; and

WHEREAS, affordable housing projects developed in Seattle that provide at least 80 percent of the housing units affordable to those earning no more than 80 percent of the area median income generally require significant financial assistance from local governments; and

WHEREAS, the FTA permits a joint development project utilizing property purchased with federal assistance greater flexibility in disposition pricing if such project provides affordable housing projects for those earning no more than 60 percent of the area median income; and

WHEREAS, the City of Seattle provides significant financial assistance to affordable housing projects that serve those no greater than 60 percent of the area median income; and

WHEREAS, the agency’s long term financial plan has assumed the sale of this property at an unrestricted fair market value and considered it as a source of additional revenue to the subareas and proceeds from this transaction would be recorded as miscellaneous revenue in the North King County subarea; and

WHEREAS, negotiation with potential developers for the transit-oriented development project on this property will determine the final development program requirements for these properties in advance of disposition; and

WHEREAS, Board approval will be sought for any future agreements related to the subject real property.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority:

Section 1. The Sound Transit Board finds and declares that the Roosevelt Station – Central Transit-Oriented Development Site property is suitable for development as housing.

Section 2. Staff is hereby directed to offer the property first to qualified entities for support affordable housing creation pursuant to state law.

Section 3. Staff is hereby directed to offer the property through a process that prioritizes development of the maximum number of units affordable to those earning no greater than 60 percent of area median income, and establish a base price in the offering commensurate to achieving that outcome.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on May 25, 2017.



Dave Somers
Board Chair

ATTEST:


Kathryn Flores
Board Administrator