

**SOUND TRANSIT
STAFF REPORT**

RESOLUTION NO. R2007-08

**Back-up Purchase and Sale Agreement with KWA for Federal Way Transit-Oriented
Development East Parcel**

| Meeting: | Date: | Type of Action: | Staff Contact: | Phone: |
|-------------------|--------------|--|--|---------------------------------|
| Finance Committee | 5/17/07 | Discussion/Possible Action to Recommend Board Approval | Jim Edwards, Acting Director Capital Projects | (206) 398-5436 |
| Board | 5/24/07 | Action | Vicki Youngs, Community Connections Manager Scott Kirkpatrick, TOD Program Manager | (206) 398-5024 (206)398-5264 |

| Contract/Agreement Type: | <input checked="" type="checkbox"/> | Requested Action: | <input checked="" type="checkbox"/> |
|--------------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Competitive Procurement | | Execute New Contract/Agreement | <input checked="" type="checkbox"/> |
| Sole Source | | Amend Existing Contract/Agreement | |
| Agreement with Other Jurisdiction(s) | | Budget Amendment | |
| Real Estate | <input checked="" type="checkbox"/> | Property Acquisition | |

PROJECT NAME

Federal Way Transit Oriented Development East Parcel Purchase & Sale Agreement

PROPOSED ACTION

Authorizes the chief executive officer to execute a back-up purchase and sale agreement with the Korean Women's Association for the parcel located east adjacent to the Federal Way Transit Center for a proposed low-income senior housing transit-oriented development project.

KEY FEATURES of PROPOSED ACTION

- By previous Board action in March of this year, the chief executive officer was authorized to enter into a Purchase and Sale Agreement with the Korean Women's Association (KWA) so that the KWA can seek 2007 funding from the U.S. Department of Housing and Urban Development (HUD) and others for a 60-unit senior housing development. That purchase and sale agreement was drafted to specifically meet HUD requirements.
- If HUD 202 funding for KWA's project is not available in 2007, it is in Sound Transit's interest to have an on-going relationship with KWA for the eventual development of the east parcel. This on-going relationship can be maintained by entering into a back-up purchase and sale agreement which takes effect if KWA does not receive a 2007 HUD grant.
- This proposed action would authorize the chief executive officer to enter into a future purchase and sale agreement to serve as a substitute, or back-up, agreement that provides KWA the opportunity to develop the property in the event HUD funding is not available in 2007, while also providing Sound Transit with a qualified developer consistent with the Transit-Oriented Development (TOD) Agreement.

- The proposed back-up purchase and sale agreement will include requirements that ensure KWA develops a project in keeping with the TOD Agreement between Sound Transit and the City of Federal Way (City), the city's zoning codes, and with Sound Transit Board policies.
- The proposed back-up purchase and sale agreement will retain the previously approved purchase price at \$600,000, KWA's initial offer.

BUDGET IMPACT SUMMARY

Not applicable for this action.

BUDGET DISCUSSION

The proposed transaction has no direct cost impact. The proceeds of the sale will represent an increase to the South King County subarea resources at the time the transaction is completed.

SMALL BUSINESS PARTICIPATION

Not applicable for this action.

BACKGROUND for PROPOSED ACTION

TOD Agreement

The TOD Agreement encumbers the east parcel by requiring Sound Transit to obtain a commitment from a qualified developer within 18 months from the Federal Way Transit Center certificate of occupancy (by July 2, 2007), and that TOD construction commence within five years of certificate of occupancy (by February 2011). If these requirements are not met, the east parcel is to be conveyed to the City at no cost for a period of seven years, within stipulated terms and conditions. If at the end of that period the City has not completed a TOD project, the City can return the parcel to Sound Transit or purchase it at fair market value.

If HUD 202 funding for KWA's project is not available in 2007 or if KWA does not accept such funding, it is in Sound Transit's interest to have an on-going relationship with KWA for the eventual development of the east parcel. This on-going relationship can be maintained by entering into a back-up purchase and sale agreement which takes the place of the one drafted for the HUD grant competition.

Korean Women's Association Proposal

KWA's proposal to HUD for Section 202 and other funding includes the construction and operation of a mixed-use project of 60 senior rental units and office space on the east parcel. That project complies with Sound Transit's definition of TOD contained in the TOD Agreement, including potential transit-dependent residents and office employees. KWA proposes through this action to retain development rights to the east parcel for a similar project should they not secure or accept 2007 HUD 202 funding. Having invested considerable pre-development funds for the 2007 HUD proposal, KWA would be able to apply that work to a subsequent proposal. Sound Transit and KWA would maintain a mutually beneficial relationship allowing development of a project of a similar nature by February 2011, in keeping with the TOD Agreement.

Purchase and Sale Agreement

The purchase and sale agreement approved by the Board in March 2007 is for a limited term and is funding-specific because of the need to comply with HUD requirements. It will remain in effect only if 2007 HUD funding is received and accepted. Therefore, this action authorizes a substitute back-up purchase and sale agreement to be entered into before July 2, 2007, taking effect following the 2007 HUD process to a new closing date before 2011. KWA will seek funding for a similar project, including the potential of resubmitting for 2008 HUD 202 funds. If that is necessary, KWA will need to demonstrate it has property control, and will do so through an earnest money clause in the back-up agreement.

The proposed back-up agreement may be amended in the future to be responsive to the funding requirements and market conditions affecting the subsequent project. Any proposal materially departing from the original project approved in Resolution No. R2007-07 would return for the Board's consideration.

The back-up purchase and sale agreement retains the previously approved purchase price at \$600,000, KWA's initial offer. The back-up purchase and sale agreement would establish a closing for the east parcel based on a prudent timeframe before February 2011. This purchase and sale agreement takes effect only if the 2007 HUD process is unsuccessful. As in the previously authorized Purchase and Sale Agreement, KWA would indemnify Sound Transit against future loss of the east parcel in the event construction does not begin by February 2011.

Environmental Documentation

Sound Transit, the Federal Transit Administration (FTA), and the Federal Highway Administration (FHWA) completed a National Environmental Protection Agency (NEPA) Environmental Assessment (EA) in 2001 for the Federal Way Transit Center/Parking Structure, and HOV Direct Access Ramp project which included the undeveloped east parcel site. The EA noted that if TOD were proposed later on the east or west parcels adjacent to the parking structure, such TOD would be evaluated as a part of future environmental documentation separate from the EA. The EA was adopted by Sound Transit for purposes of State Environmental Policy Act (SEPA) compliance in 2001. FTA and FHWA approved a FONSI (Finding of No Significant Impact) under NEPA in 2002. It will be the responsibility of the purchaser, KWA, to complete any additional environmental documentation under NEPA or SEPA required for development of the east parcel. The City of Federal Way has adopted a Planned Action SEPA for its downtown which includes environmental review for the TOD parcels.

Prior Board/Committee Actions on this Project

| Motion/Resolution Number and Date | Summary of Action |
|-----------------------------------|--|
| R2007-07 3/22/07 | Authorizes the chief executive officer to enter into a purchase and sale agreement with the Korean Women's Association for acquisition of the east parcel for a 60 unit affordable senior housing project that meets Sound Transit's definition of transit-oriented development. |
| R2004-13 9/23/04 | Repeals authority granting the chief executive officer under Resolution No. R2003-14 to execute an agreement with the City of Federal Way outlining the terms related to the Federal Way Transit Center project; authorizes the chief executive officer to execute a new agreement with the City of Federal Way, and authorizes the chief executive officer to declare, in the future, certain real property adjacent to Sound Transit's Federal Way Transit Center (#53321) project as surplus and to dispose of those properties (without further action required by the Sound Transit Board). |
| R2003-14 7/10/03 | Established an agreement for development of the Federal Way Transit Center and the possible disposition of two parcels of land adjacent to the Federal Way Transit Center. |

CONSEQUENCES of DELAY

A delay in executing the recommended purchase and sale agreement prior to July 2, 2007, may jeopardize Sound Transit's ability to retain control of the east parcel.

PUBLIC INVOLVEMENT

Several public discussions and a project presentation have recently occurred at the Federal Way City Council's Land Use and Transportation Committee.

ENVIRONMENTAL COMPLIANCE

SSK 3-06-07

LEGAL REVIEW

JB 5/10/07

SOUND TRANSIT

RESOLUTION NO. R2007- 08

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a back-up purchase and sale agreement with the Korean Women's Association for the parcel located east adjacent to the Federal Way Transit Center for a proposed low-income senior housing transit-oriented development project.

WHEREAS, a Regional Transit Authority, hereinafter referred to as Sound Transit, has been created for the Pierce, King, and Snohomish County region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, on November 5, 1996, at a general election held within the Central Puget Sound Regional Transit Authority district, the voters approved local funding for high capacity transit in the Central Puget Sound Region; and

WHEREAS, the Sound Transit Board adopted Resolution No. R2003-14 on July 10, 2003, establishing an agreement for the development of the Federal Way Transit Center and the possible disposition of two parcels of land adjacent to the transit center; and

WHEREAS, the Sound Transit Board adopted Resolution No. R2004-13 on September 23, 2004, repealing the authority granted to the chief executive officer in Resolution No. R2003-14 and authorizing the chief executive officer to enter into an agreement with the City of Federal Way that addressed each party's obligations regarding potential transit-oriented development ("TOD") opportunities, funding obligations for the TOD opportunities, and potential future transfer of surplus real property from Sound Transit to the City (the "TOD Agreement"), and also authorizing the chief executive officer to declare, in the future, certain real property adjacent to the Federal Way Transit Center project as surplus and to dispose of those properties; and

WHEREAS, through Resolution No. R99-35 the chief executive officer may, in the best interests of Sound Transit, negotiate the sale of Sound Transit surplus property based on the appraised value of the east parcel in an effort to maintain property control of the east parcel for future senior housing development and the conveyance of such property interests; and

WHEREAS, in August 2006 the Korean Women's Association, a non-profit organization, submitted a proposal for a low-income senior housing TOD project to be located on the east parcel adjacent to the Federal Way Transit Center which met the Sound Transit Board adopted TOD evaluation criteria established in Motion No. M99-60, as well as the definition of TOD in the City of Federal Way agreement approved by Resolution R2004-13; and

WHEREAS, by Resolution R2007-07 the Sound Transit Board found that the sale of the east parcel to the Korean Women's Association will provide Sound Transit a substantial benefit in the form of a successful TOD project adjacent to the Federal Way Transit Center; and

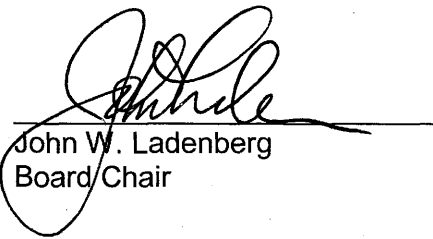
WHEREAS, the Korean Women's Association intends to seek in 2007 federal funds in order to finance the project having negotiated and signed a purchase and sale agreement with Sound Transit that will satisfy the requirements of demonstrating site control; and

WHEREAS, this Resolution authorizes a Supplemental purchase and sale agreement of substantially similar terms to be entered into prior to July 1, 2007 to allow for a continuing relationship with the Korean Women's Association as Sound Transit's qualified developer of the east parcel in the event the 2007 federal funding is not awarded or accepted; and

WHEREAS, a supplemental purchase and sale agreement between Sound Transit and the Korean Women's Association is consistent with Sound Transit's obligations under the TOD agreement with the City of Federal Way.

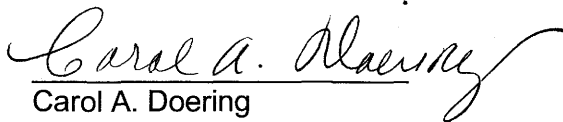
NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a surplus property sale by a supplemental purchase and sale agreement with the Korean Women's Association for the parcel located east adjacent to the Federal Way Transit Center for a proposed low-income senior housing transit-oriented development project.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on May 24, 2007.



John W. Ladenberg
Board Chair

ATTEST:



Carol A. Doering
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Acting Board Administrator