

MOTION NO. M2016-81

Purchase and Sale Agreement for Affordable Housing Development at Capitol Hill Station (Site B-North)

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Board	07/28/16	Final Action	Ric Ilgenfritz, Executive Director Sarah Lovell, TOD Manager

PROPOSED ACTION

Authorizes the chief executive officer to execute a Disposition and Development Agreement and a Purchase and Sale Agreement with Gerding/Edlen Development Company, LLC, an Oregon limited liability company to sell the parcel referred to as Site B-North, located at 923 East John Street, Seattle, WA for the development of a mixed-use affordable housing project at the Capitol Hill light rail station.

KEY FEATURES SUMMARY

- This action seeks Board approval to sell Site B-North to Gerding/Edlen Development Company, LLC, an Oregon limited liability company (GED) for development of affordable housing.
- The purchase price is \$2,652,000, due on closing. GED intends to assign its right to purchase the property to Capitol Hill Housing (CHH). CHH will own and operate the property and GED will act as co-developer. CHH and GED will enter into a co-development agreement that is subject to Sound Transit's approval.
- Closing will occur within 30 days of receipt of a building permit from the City of Seattle. An earnest money deposit of 5% (\$132,600) is due on signing. The purchase price may be reduced by up to \$170,000 for environmental remediation, if remediation is required under state or federal regulations to build the project.
- CHH intends to apply for affordable housing funding from the City of Seattle in the 2016 NOFA (Notice of Funding Availability) round. If CHH is not successful in obtaining funds in 2016, CHH may reapply in the 2017 round, but the purchase price will increase by 4% to \$2,758,080. In addition, CHH will pursue Low Income Housing Tax Credits (LIHTC) for the project. The Agreement allows either party to terminate in the event that funding is not acquired in either 2016 or 2017.
- Assuming CHH is awarded funding in the 2016 round, the parties anticipate closing in spring of 2018 and completion of construction in the fall of 2019.

BACKGROUND

The Sound Transit Board established the TOD Program in 1997. Its mission is to create transit supported development and communities at Sound Transit facilities, stations and station areas by working with local jurisdictions, property owners and developers. In 2012, the Sound Transit Board adopted a comprehensive TOD policy Resolution No. R2012-24. It provides a framework to evaluate, facilitate and implement TOD Strategies as the agency plans, designs, builds and operates the regional transportation system. It also directs the agency to do so through cooperation and partnerships with public and private entities.

Sound Transit began public outreach in 2008 to discuss the eventual development of surplus land anticipated after the completion of the light rail station. In 2010, the City of Seattle kicked off an Urban Design Framework (UDF) process for the station block. The UDF outlined a number of community priorities for the sites including: a commitment to affordable housing, a strong interest in green construction, a home for the Broadway Farmers Market, the inclusion of space for small-format retailers, the provision of family-sized housing units and the inclusion of a community center.

Following the completion of the Urban Design Framework process, the Sound Transit Board directed staff to enter into negotiations with the City of Seattle to regulate development on the Sound Transit-owned parcels at the Capitol Hill Station. Over a two year period, Sound Transit and the City of Seattle completed negotiations on a development agreement that mandated, among other requirements, that site B-North be reserved exclusively for affordable housing. The City of Seattle and Sound Transit signed the Development Agreement in 2013.

The Board approved the surplus of the Capitol Hill TOD sites in January 2013 and in January 2014 Sound Transit issued a Request for Qualifications to develop Sites A, B-south, C and B-north. The Agency received 32 responses from 14 development teams. Nine teams were selected to participate in the Request for Proposals (RFP) issued in June 2014. The RFP asked for proposals on one or more sites and requested sale terms on the affordable housing Site B-North. Four developer teams submitted proposals. One developer proposed just on site B-north. Two teams provided proposals on all four sites.

An evaluation team made up of Sound Transit and City of Seattle staff and informed by a panel of subject area experts reviewed all aspects of the proposals, including how well the proposed development met community goals and the financial return to the Agency. GED received the highest scored proposal. In April 2015, the Board authorized staff to negotiate a purchase and sale of Site B-north with GED and asked GED to select a non-profit development partner for Site B-north within 60 days. GED selected Capitol Hill Housing as their non-profit partner.

TOD Project Description

The Site B-North project will deliver between 82-86 apartments that will be available for people or families making at or below 60 percent of the area median income (AMI) and contribute to the larger transit oriented development project at the Capitol Hill light rail station. The distribution of income levels served, ranging from 30 to 60 percent of area median income, will be determined based on the financing offered by the City of Seattle's Office of Housing. The project will also include space for a community center and a daycare center, or the developer may elect to construct those amenities on the adjacent Site B-South. Approximately one quarter of the units will be two and three bedrooms, intended to serve low-income families.

In accordance with goals set forth in the Urban Design Framework, Site B-North will be constructed to meet the 2009 LEED for homes Platinum requirements applicable to LEED mid-rise multifamily, and mixed-use policies.

Sound Transit will retain restrictive covenants requiring the property to be used only for TOD purposes and prohibiting activity that would impair the ability of Sound Transit to own, operate, and maintain its transit facilities. Sound Transit will require a construction completion guaranty from a parent entity of developer or person determined to have sufficient net worth and liquidity to guaranty developer's obligation to build and complete the project. Sound Transit will also require a payment and performance bond for completion of construction, or (at Sound Transit's discretion) Subguard Insurance to bond contractor performance. After closing, if the developer fails to commence construction within 180 days, or if developer suspends or abandons construction for 90 or more days, Sound Transit has an option to terminate the sale and retake the property. The lender or equity investor will be given an opportunity to cure the default before Sound Transit exercises this right of reentry.

The purchase price is based on an appraisal of fair market value. The appraisal was performed using the comparable sales method and received FTA approval. Both the original appraisal and the update were based on parcel square footages defined in the coordinated development plan, completed before the lot boundary adjustment (LBA) was finalized. Capitol Hill TOD Site B-North was adjusted in the LBA process to a final gross square footage of 15,878. The adjusted value of the site is \$2,652,000.

Environmental compliance pursuant to the State Environmental Policy Act (SEPA) for the Development Agreement was completed by the City of Seattle with a SEPA checklist and Determination of Non-significance (DNS) in May 2013.

Garage Option

No residential parking is planned for B-North. The developer of the other TOD sites may elect to construct a parking garage under B-North to serve the residents and retail portions of the other sites. If the developer elects to build the garage, the parties may divide B-North into two condominium units: the below-ground portion and the above-ground portion (air rights). Sound Transit will sell the air rights and retain the below-ground portion as part of the leased premises for Sites A, B-South, and C. If only the air rights are sold, the purchase price will be reduced to the appraised fair market value of the air rights. The developer will make a final decision about the parking garage after completion of soils/environmental testing and preliminary design.

FISCAL INFORMATION

Sound Transit's finance plan includes an assumption that agency surplus property, including the subject properties, will be sold or leased after their use is no longer needed for construction or for ongoing operations. These properties were acquired in the North King County subarea for University Link. Revenues from this transaction will be credited back to the North King County subarea. The sale price for Site B-North is \$2,652,000. Sound Transit will follow FTA requirements to reimburse the federal share or use the proceeds to reduce the gross project cost of another FTA eligible capital project.

SMALL BUSINESS/DBE PARTICIPATION AND APPRENTICESHIP UTILIZATION

Not applicable to this action.

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 light rail station. Through that process, the community has clearly articulated their desires for redevelopment and how those desires can build upon their vision for the neighborhood. Sound Transit and the City have used number of innovative techniques to incorporate that vision into the plans for redevelopment

The community's collective vision for the redevelopment opportunities is described in the Urban Design Framework (UDF). This document, and the ideas it represents, played a key role influencing critical documents that govern the redevelopment of the sites.

- The Coordinated Development Plan is Sound Transit's effort to describe for developers how they could address the physical design elements of the community's vision
- Sound Transit and the City have responded to the vision described in the UDF by incorporating many of those elements into a Development Agreement that codifies many aspects of the development on the site.
- Sound Transit and the City also incorporated many of the elements identified in the community's vision into the scoring process for the development proposals.

A community organization known as the Capitol Hill Champion was formed in 2010 out of the Capitol Hill Chamber and the Capitol Hill Community Council to advocate for the community desires throughout the developer selection, design review, and construction of the site. Sound Transit has met monthly with the Capitol Hill Champion for the past several years to share ideas, information and keep them up to date on progress. Following the April 2015 Board meeting where GED was identified as the selected developer partner, GED has attending the Capitol Hill Champion monthly meetings.

There have been numerous public meetings about this issue, including several meetings co-hosted by Sound Transit in collaboration with the Capitol Hill Champion.

- A series of stakeholder meetings with the Capitol Hill Chamber of Commerce Sub Committee on TOD (2008)
- 4 community forums, each seeking input on a different topic: Community Uses (3/25/09), Housing and Retail (6/24/2009), Nagle Place, Farmer's market and parking (10/27/2009) and a summary of findings on (2/23/2010).
- A public workshop to discuss redevelopment options for Nagle Place (8/3/2010)
- A series of three public workshops to create the Urban Design Framework for Capitol Hill (2011)

TIME CONSTRAINTS

A delay in authorizing this action could delay CHH's application to the City of Seattle Office of Housing for funding. Failure to meet the Office of Housing's funding deadline could delay the project by an additional year.

PRIOR BOARD/COMMITTEE ACTIONS

Motion No. M2015-34: Authorized the chief executive officer to enter into negotiations with Gerding/Edlen for (1) a purchase and sale agreement for the parcel referred to as Site B-North located at 923 East John Street, Seattle, WA for a mixed-use affordable housing transit-oriented development project and (2) a long-term ground lease on the parcels referred to as Sites A, B-South and C, located at 118 Broadway East, 123 10th Avenue East and 1830 Broadway respectively for a mixed-use market rate housing transit-oriented development project that includes a 20 percent affordable housing requirement, a public plaza and other amenity spaces.

Motion No. M2013-79: Authorized the chief executive officer to execute a Capitol Hill Station TOD Development Agreement with the City of Seattle, specifying the terms and conditions for implementing transit-oriented development on surplus property at the Capitol Hill Link Station.

Resolution No. R2013-30: Adopted a Real Property Excess, Surplus, and Disposition Policy and superseding Resolution No. R99-35.

Resolution No. R2013-02: Approved the chief executive officer's declaration of surplus real property acquired for the University Link Extension.

Resolution No. R2012-24: Established a policy to guide assessment and facilitation of transit-oriented development (TOD) during planning, design, construction and operation of the high-capacity transit system and supersedes Motion No. M99-60 and Motion No. 98-25.

Resolution No. R99-35: Adopted the Real Property Disposition Policy, Procedures and Guidelines for the disposition of surplus real property.

ENVIRONMENTAL REVIEW

Jl 7/26/2016

LEGAL REVIEW

JV 7/25/2016

MOTION NO. M2016-81

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a Disposition and Development Agreement and a Purchase and Sale Agreement with Gerding/Edlen Development Company, LLC, an Oregon limited liability company to sell the parcel referred to as Site B-North, located at 923 East John Street, Seattle, WA for the development of a mixed-use affordable housing project at the Capitol Hill light rail station.

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MOTION:

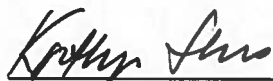
It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a Disposition and Development Agreement and a Purchase and Sale Agreement with Gerding/Edlen Development Company, LLC, an Oregon limited liability company to sell the parcel referred to as Site B-North, located at 923 East John Street, Seattle, WA for the development of a mixed-use affordable housing project at the Capitol Hill light rail station.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on July 28, 2016.



Pat McCarthy
Board Chair Pro Tem

ATTEST:



Kathryn Flores
Board Administrator