



TOD Board Workshop

April 21, 2017

 **SOUNDTRANSIT**

A blue-tinted photograph of a Sound Transit bus. The bus is viewed from a front-quarter perspective, showing the windshield, headlights, and the front grille. The words "SOUND TRANSIT" are visible on the top of the windshield and on the front grille. The background is a plain, light-colored wall. Overlaid on the left side of the image is the text "Welcome, Purpose & Overview" in a white, sans-serif font.

Welcome, Purpose & Overview

Workshop Outcomes

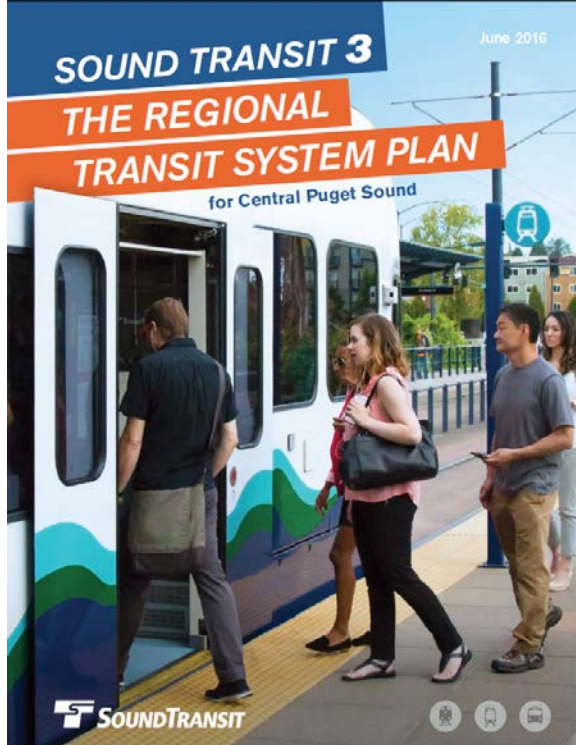
Workshop Outcomes:

- Gain initial direction on how to consider property disposition in 2017 while the Board updates its policy
- Gain a better understanding of equitable TOD and how the agency should update its TOD policy to reflect that understanding
- Discuss questions that the new state statute generates and how to incorporate answers into our processes
- Discuss guiding principles for property disposition decisions
- Understand how staff will work through the criteria for each project and seek Board guidance at key intervals

Background



ST3 System Plan



Construction for Sound Transit 3 will take place during a period of dramatic regional growth, especially among transit-dependent communities. **Under this plan, Sound Transit will implement a regional equitable TOD strategy for diverse, vibrant, mixed-use and mixed-income communities adjacent to Sound Transit stations** that is consistent with transit-oriented development plans developed with the Puget Sound Regional Council (PSRC), the regional transportation planning organization within Sound Transit's boundaries.

Equitable TOD



ST3 Plan Outcome Goals:

- Diverse, vibrant, mixed-use and mixed income communities adjacent to Sound Transit stations
- Reduce affordable housing development costs
- Increase transit ridership
- Provide space for small businesses or other uses that comprise a diverse, vibrant, mixed use, mixed income TOD

PSRC's Growing Transit Communities Strategy

The Growing Transit Communities Strategy

October 2013



The GTC Partnership articulated three goals to direct progress toward creating thriving and equitable transit communities across the region:

1. Attract more of the region's **residential and employment growth** to high capacity transit communities.
2. Provide **housing choices affordable to a full range of incomes** near high-capacity transit.
3. **Increase access to opportunity** for existing and future residents of transit communities.

Enabling State Statute



RCW 81.112.350

- “**Affordable housing**” means long-term housing for persons, families, or unrelated persons living together whose adjusted income is at or below 80% of the median income, adjusted for household size, for the county where the housing is located.
- “**Qualified entity**” means a local government, housing authority, or nonprofit developer.

Statute requirements

- Implement a regional equitable transit-oriented development strategy for diverse, vibrant, mixed-use and mixed-income communities
- Contribute to an affordable housing revolving loan fund
- Offer surplus property suitable for housing first to qualified entities for affordable housing development
- Provide legislature with progress reports

Statute requirements

Revolving loan fund:

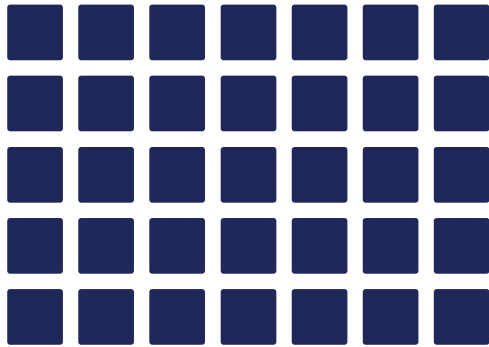
- Contribute at least \$4 million each year for 5 consecutive years beginning within 3 years of voter approval of the system plan.
- Revolving loan fund to support the development of affordable housing opportunities related to equitable TOD within Sound Transit district.

\$20
Million

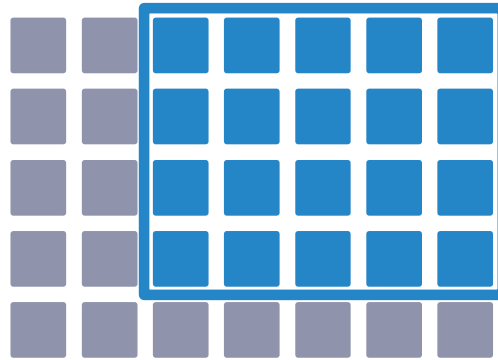


Statute requirements

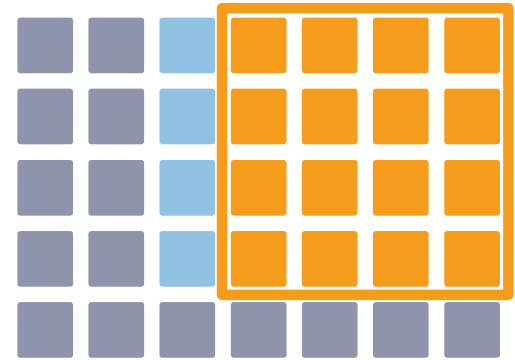
Offering requirements:



All applicable surplus properties



Those determined as suitable for housing



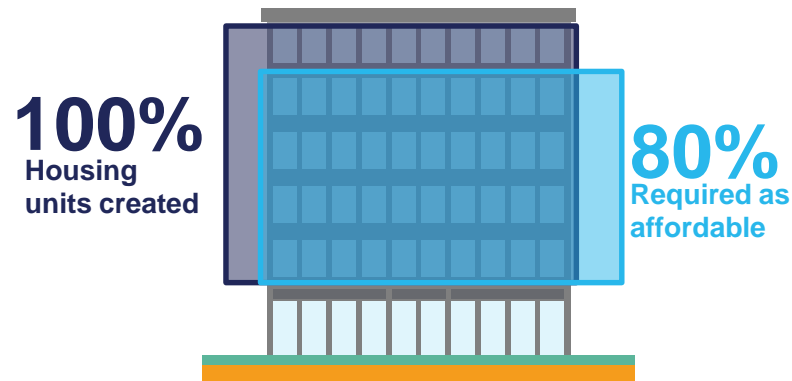
At least 80% of those suitable for housing must be offered to qualified entities for affordable housing development

Conceptual depiction

Statute requirements

Offering requirements (cont'd):

- 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



Housing units created on an offered & accepted surplus property

At least 80% of those housing units must be affordable $\leq 80\%$ AMI

Statute requirements

Offering requirements (cont'd):

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 no more than 80% of area median income

Statute requirements

Quarterly progress reports required to legislature:

- Transfers of property that have occurred in the previous quarter
- Progress in implementing regional eTOD strategy

New tools created in statute

RCW 81.112.350 tools to support affordable housing creation:

- Participating in projects by discounting lease/sale price is a new tool that can be used to accomplish eTOD
- Revolving loan fund

Implementation Framework



Implementation Framework: Board Involvement

- Seek Board input at key decision points
- Present assessment and confirm project goals



1) Pre-Engagement:
Present Board with project assessment

2) Method of Offering:
Present Board with engagement results & offering recommendation prior to RFQ/P release



3) Developer Selected:
Board affirms winning proposer

4) Deal with Developer:
Board approves final deal



A photograph of a white Sound Transit bus, viewed from the front quarter angle. The bus is on a road, and the text "SOUND TRANSIT" is visible on the destination sign above the windshield and on the front grille. The entire image is overlaid with a semi-transparent blue filter.

Suitability for Housing Development

Suitability

What makes a surplus property suitable for housing development?



Suitability

Threshold Criteria

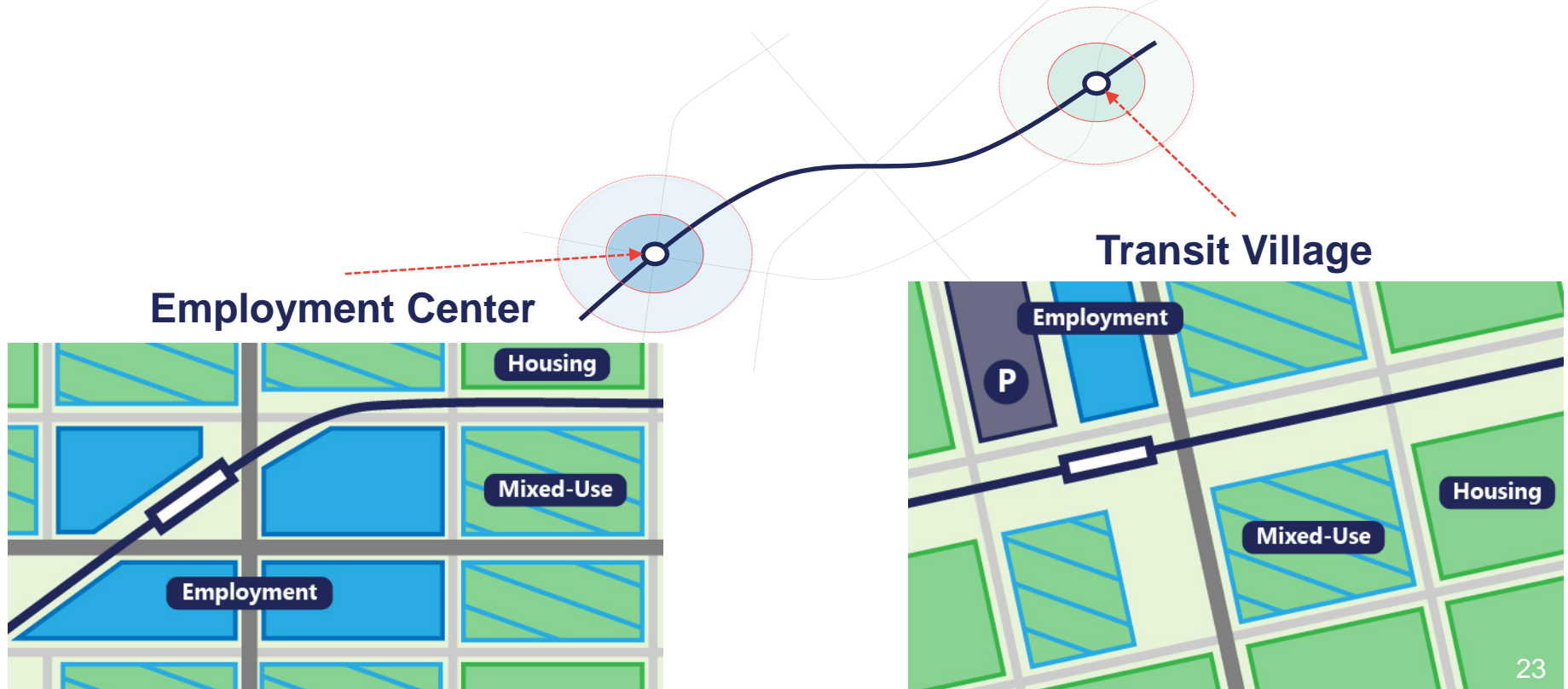
- Could get building permit
 - Housing an allowed zoning use
 - Meets minimum size/shape requirements
 - No major barrier to getting building permit
- Environmentally feasible
 - Conditions acceptable for housing as-is or could be reasonably mitigated or remediated

Suitability

Discretionary Criteria

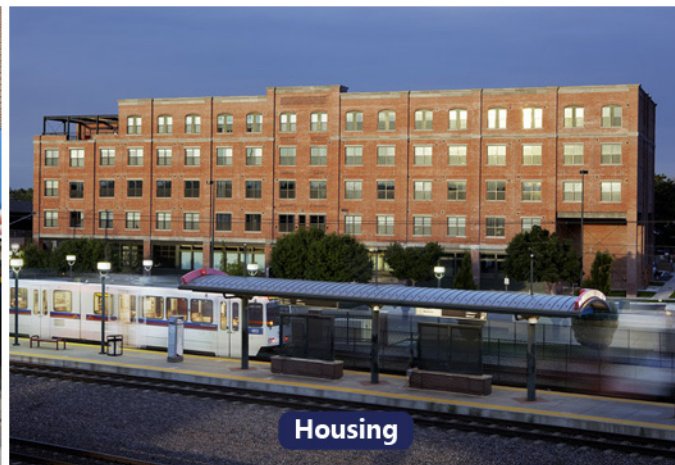
- Targeted use by local jurisdiction
 - Housing as desired outcome
- Satisfactory opportunity cost
 - There are not other eTOD priorities for the property OR
 - Other nearby property could accommodate other priority eTOD uses, such as employment for station area
- Financial viability
 - Market rate housing possible AND/OR
 - Affordable housing funding likely could be assembled for a project on the property

Suitability example



Board Discussion

- What guiding principles should be considered when evaluating suitability?
- Are you comfortable with the approach to suitability?



Financial Considerations & Discounting Property



FTA Participation

- Sound Transit purchases property with federal assistance
- FTA requirements for selling:
 - FTA approval needed
 - Appraisal
 - Competitive procurement
- Reimburse federal share or transfer sale proceeds to another grant

FTA Participation

- FTA requirements designed to maximize ROI to federal government
“best obtainable price”
- Offering property to “qualified entities” for affordable housing does not meet FTA requirement to competitively market and sell the property.
- Agency will need to pay back federal share
Example: Property appraised (unrestricted) at \$1 million.
Sound Transit purchased with 40% federal share.
Sound Transit will need to reimburse FTA \$400,000.

FTA Participation

Joint Development

- New tool from FTA to support TOD
 - Allows transit agency to keep federal interest in the property
- Sound Transit will need to retain some control over the property
 - Typically accomplished by ground lease rather than sale
- Projected revenue from the joint development must meet or exceed the amount of the initial federal investment.
 - FTA will accept a lower threshold of revenue if property is used for affordable housing or is a community service or publicly operated facility

FTA Participation

Considerations for Joint Development

- Requires FTA approval
- Federal interest must be repaid upon sale or change in use
- Some additional administrative costs associated with carrying a portfolio of leased properties (typically covered by lease revenue in a market rate deal)

Proceeds Assumed in System Plan

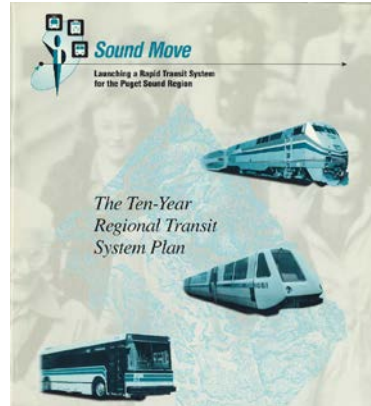
Plan Assumptions

Sound Move: Financial plan anticipates revenues from all surplus property dispositions

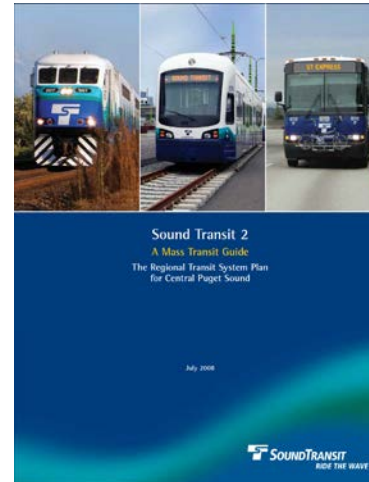
ST2: Financial plan anticipates revenues from certain surplus property dispositions

ST3: Financial plan anticipates no revenue from any surplus property dispositions

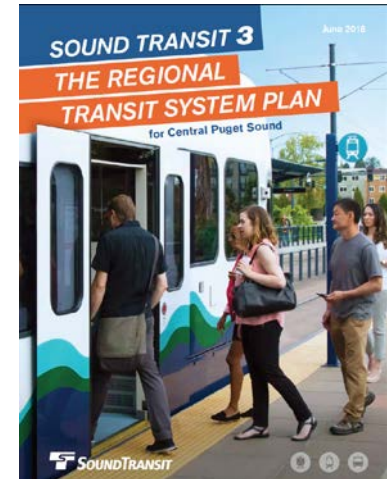
Sound Move



ST2



ST3

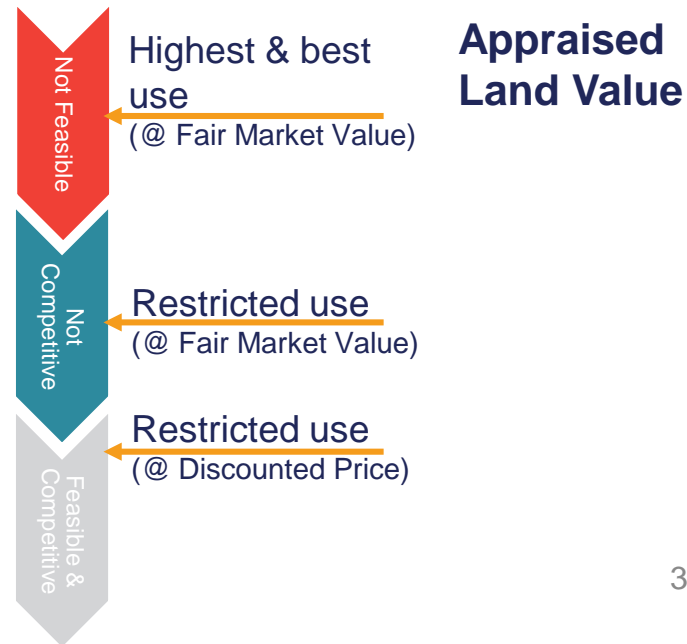


Value – A New Tool

Amended Statute allows the Board to discount land value for long-term affordable housing projects, but there is flexibility in application.

When is discount desirable?

- Functionally allows ST to be a discretionary participant in affordable housing projects.
- Provides a tool to facilitate specific development outcomes



Value – A New Tool

What factors should the Board consider in deciding to discount?

Threshold Requirements

All requirements

- If a property is deemed suitable for housing
- The site's developer is a qualified entity
- The proposed development is housing where 80% of the units are held at rents affordable to households making 80% of AMI



Other Considerations

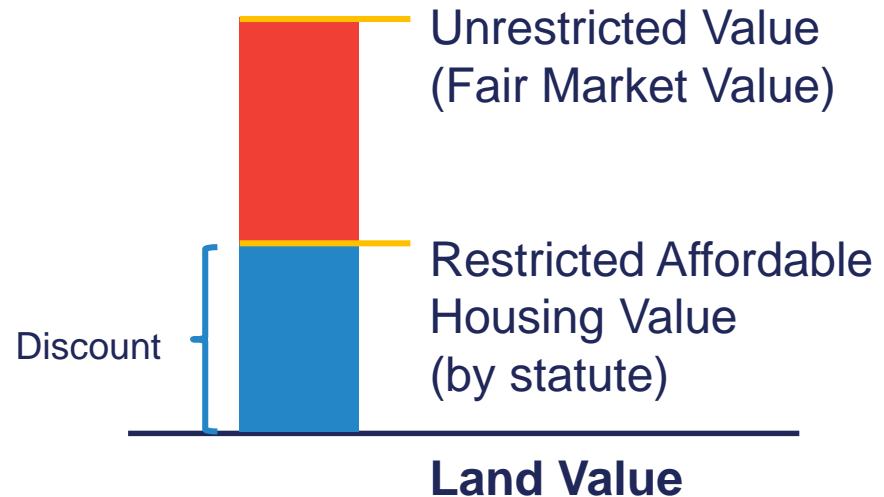
- When the land value is too high to facilitate an affordable housing project
- When other public funders have committed funds to a project
- When federal interest in the land allows Agency to discount the federal share through joint development

Value – A New Tool

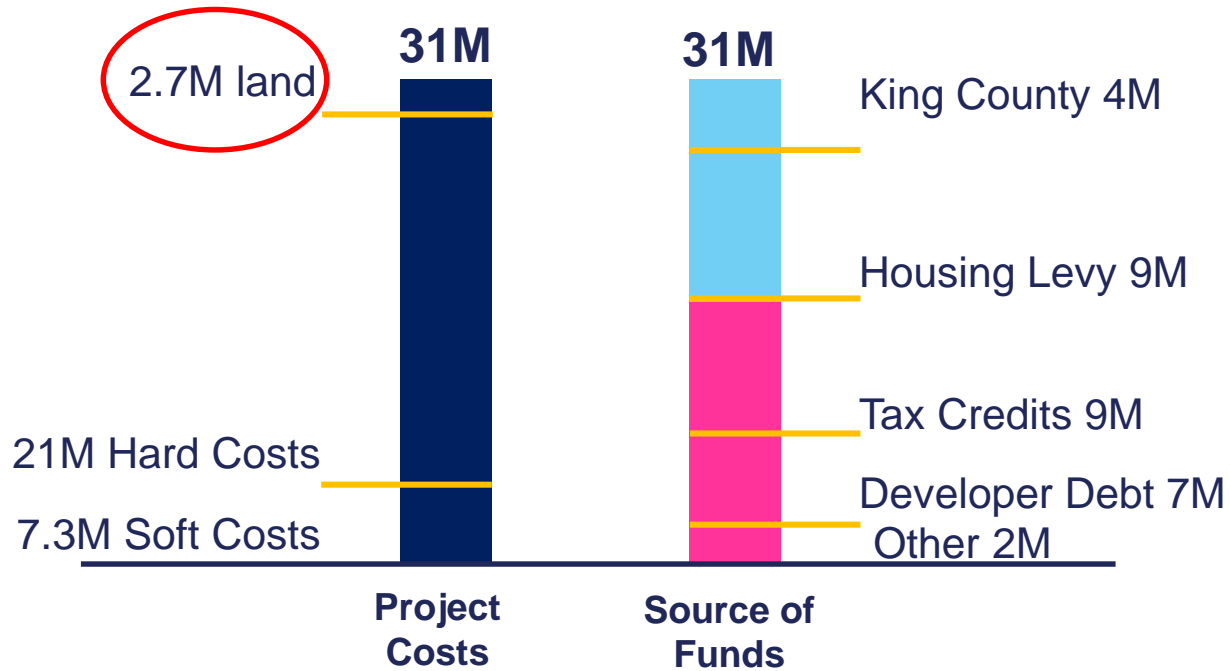
There are multiple paths to discounting:

If a property is suitable for housing the appraisal will restrict the land value based on the statute.

- Discount the **local share** for projects that produce 80% of units at 80% AMI
- Retain the **federal share** through FTA joint development for affordable housing



Case Study – Capitol Hill Site B-North



Board Discussion

- What are your views on discounting property?
- If Joint Development is possible, is discounting the federal share in a property through FTA JD more attractive than adjusting the local share?
- How should the Agency's larger financial picture impact these determinations?

A blue-tinted photograph of a Sound Transit bus. The bus is viewed from a front-quarter perspective, showing the windshield and the front grille. The words "SOUND TRANSIT" are visible on the windshield and the front grille. The bus is parked on a paved surface. Overlaid on the left side of the image is the text "Considerations for Method of Offer" in a white, sans-serif font.

Considerations for Method of Offer

Method of Offer

The offer structure is flexible and depends on many factors. Importantly, the statute requires us to **FIRST** offer properties suitable for housing to qualified entities: local governments, public housing authorities, non-profit developers

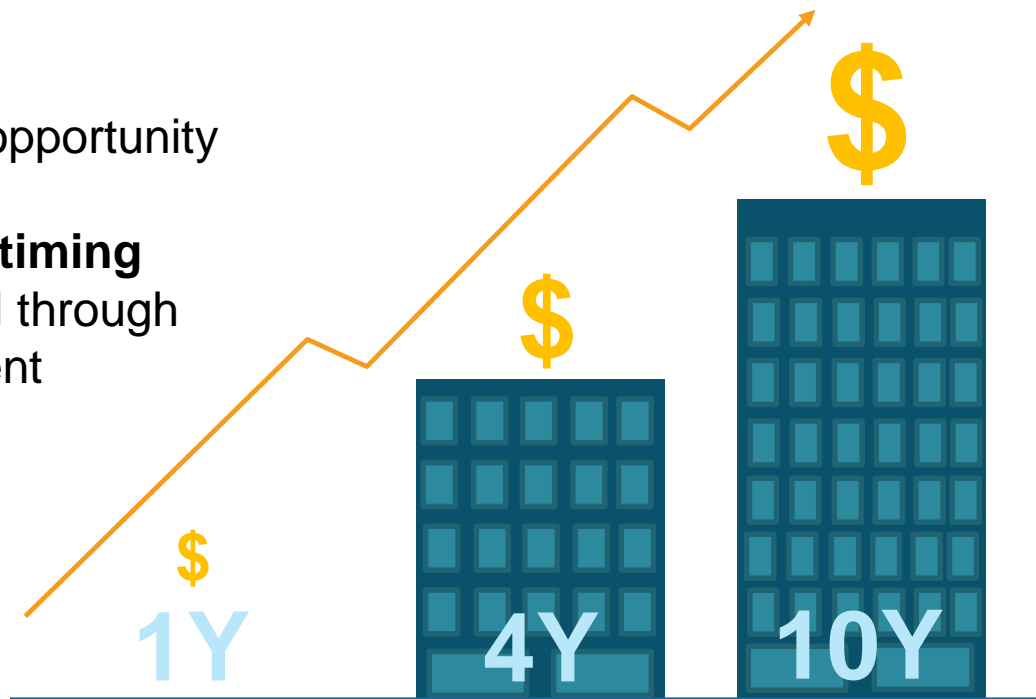


Method of Offer

Primary Considerations:

- **Size** of development opportunity
- Land **value**
- Desired development **timing**
- **Project goals** defined through community engagement

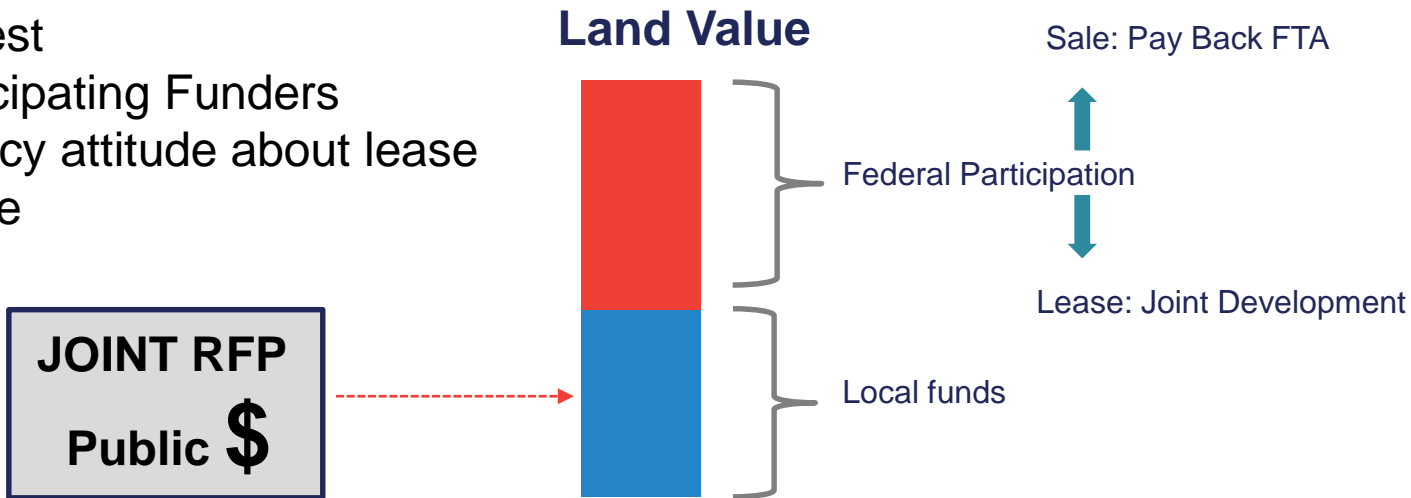
Development costs increase with time, driven by land scarcity and construction prices, and shape what size of project is financially feasible



Method of Offer

Other Considerations:

- Presence of Federal interest
- Participating Funders
- Agency attitude about lease v. sale



Method of Offer

Must-Have

Structure offers to:

- Meet offering requirements
- Meet required timing
- Respond to determined land value
- Comply with requirements of federal interest

Nice-to-Have

Structure offers to:

- Maximize development outcomes
- Maximize Agency returns
- Optimize timing
- Right-size offerings
- Facilitate development partnerships
- Use land value as a tool
- Leverage available funding
- Strategize about best approach to federal interest

Board Discussion

- Is it a good idea as a first step to collect data from the affordable housing community to determine what is possible on a project by project basis?
- What guiding principles should be considered in determining the method of offer?
- Can we confirm you want to be consulted as offers are developed?

Implementation Framework



Implementation Framework: TOD Assessment

Using the Board's guiding principles, staff will conduct a TOD Assessment for each project

Assessment will consider:



**Property
layout &
urban design**



**Financial
feasibility**



**Housing
opportunities**



**Community
and economic
development**

Implementation Framework: Board Involvement

- Seek Board input at key decision points
- Present assessment and confirm project goals



1) Pre-Engagement:
Present Board with project assessment

2) Method of Offering:
Present Board with engagement results & offering recommendation prior to RFQ/P release



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Board Discussion

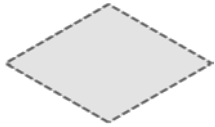
- Is the proposed framework and approach on the right path for implementing an equitable TOD strategy?
- Of the three factors we've discussed, is there one that is most important, or of greatest concern, to you?
- Is there anything missing?

A blue-tinted photograph of a Sound Transit bus. The bus is viewed from a front-quarter perspective, showing the windshield with 'SOUND TRANSIT' written on it, the driver's area, and the front grille. The bus is on a road, and the background is slightly blurred. The overall image has a dark blue overlay.

Sound Transit Inventory Scenarios: How to Consider Scale

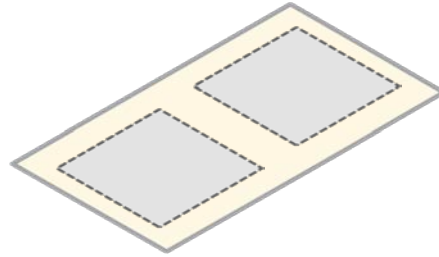
TOD Project Scales

Single Parcel



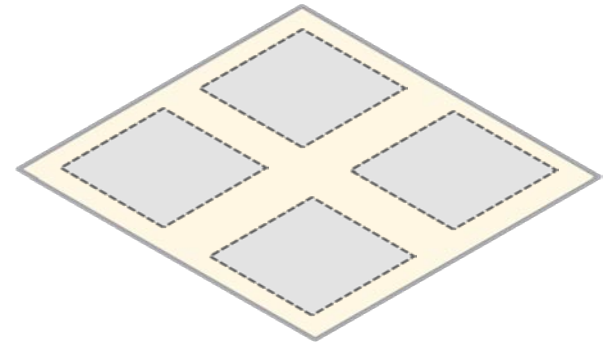
≤ 1 acre

Urban Block



≤ 2 acres

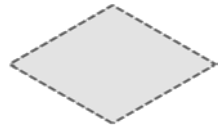
Master Planned Development



> 2 acres

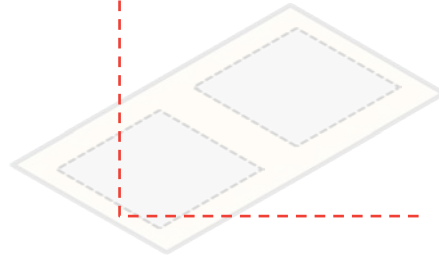
TOD Project Scales

Single Parcel



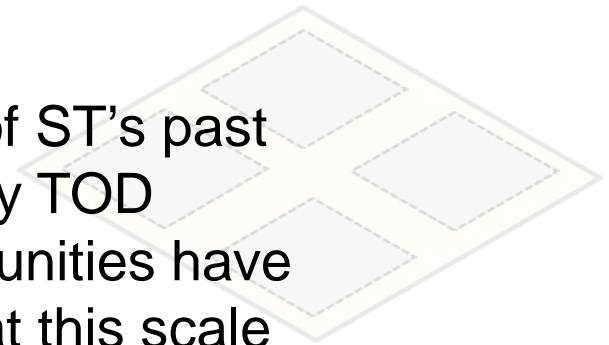
<=1 acre

Urban Block



<=2 acres

Master Planned Development

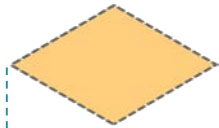


>2 acres

Most of ST's past Agency TOD opportunities have been at this scale

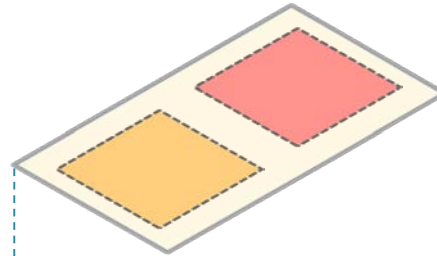
The Effect of Scale: Determining Suitability

Single Parcel ≤ 1 acre



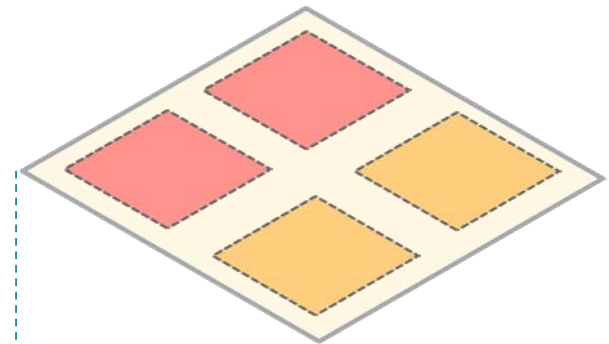
Parcel is either entirely suitable or entirely unsuitable for housing

Urban Block ≤ 2 acres



Block may be entirely suitable for housing, or partially suitable, based on zoning, context, and local planning and policy goals

Master Planned Development > 2 acres



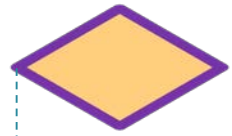
Large master planned development tract may not be suitable for housing in its entirety, based on zoning, context, and broader local and regional policy goals.

Key

- Suitable for housing
- Suitable for other uses (commercial)

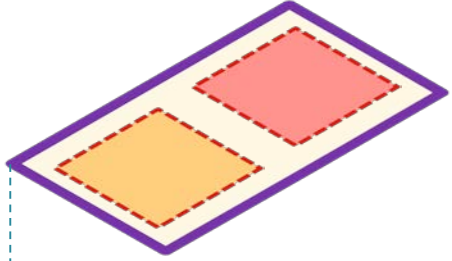
The Effect of Scale: Offering Strategies

Single Parcel
≤1 acre



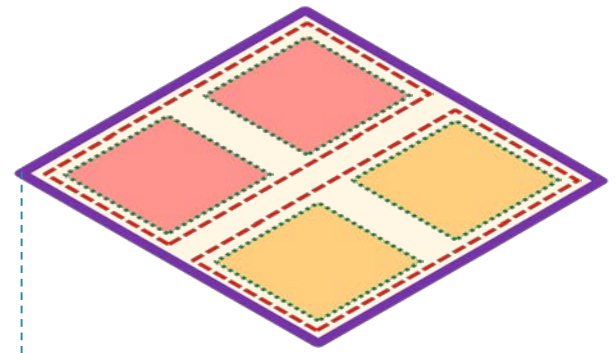
Parcel is offered in entirety to qualified entities

Urban Block
≤2 acres



Block may be offered in entirety (purple), or subdivided into two separate offerings (red)

Master Planned Development
>2 acres



Large master planned development tract may be offered in entirety (purple), or broken into block-scale offerings (red), or subdivided further into individual parcel-scale offerings (green)

Key

- Suitable for housing
- Suitable for other uses (commercial)

TOD Project Pipeline by Scale Type

Project	Corridor	Parcel	Block (< 2 acres)	Master (> 2 acres)	Approximate Timing for Offer
Roosevelt Station – Central TOD site	Central		+		2017
First Hill – TOD site	Central	+			2017
Capitol Hill Station – TOD Site D	Central	+			2017
Columbia City Station – TOD sites	Central	+			2017
Angle Lake Station – TOD site	South	+			2017
Airport Kiss & Ride Station – TOD air space opportunity	South	+			2017
OMF East – TOD sites	East			+	2018
Redmond Technology Center Station – TOD site	East	+			2018
Mount Baker Station – TOD sites	Central		+		2018
Overlake Village Station – TOD site	East		+		2018-2019
Shoreline/185 th Station – TOD site	North	+			2018-2019
U District Station – Roosevelt Way site	Central	+			2018-2019
Kent Sounder Station – Potential TOD site	South	+			2018-2019
Pine Street Triangle – TOD site	Central	+			2018-2019
Roosevelt Station – North and South TOD sites	Central	+			2019
Rainier Beach Station – TOD sites	Central		+		2019-2020
Northgate Station – Potential TOD site	Central		+		2019-2020
Lynnwood Transit Center – Potential TOD sites	North			+	2019-2020
Kent-Des Moines Station – Potential TOD sites	South			+	2019-2020
Federal Way Transit Center – Potential TOD sites	South			+	2019-2020
Southeast Redmond Station – Potential TOD sites	East			+	2019-2020

Board Discussion

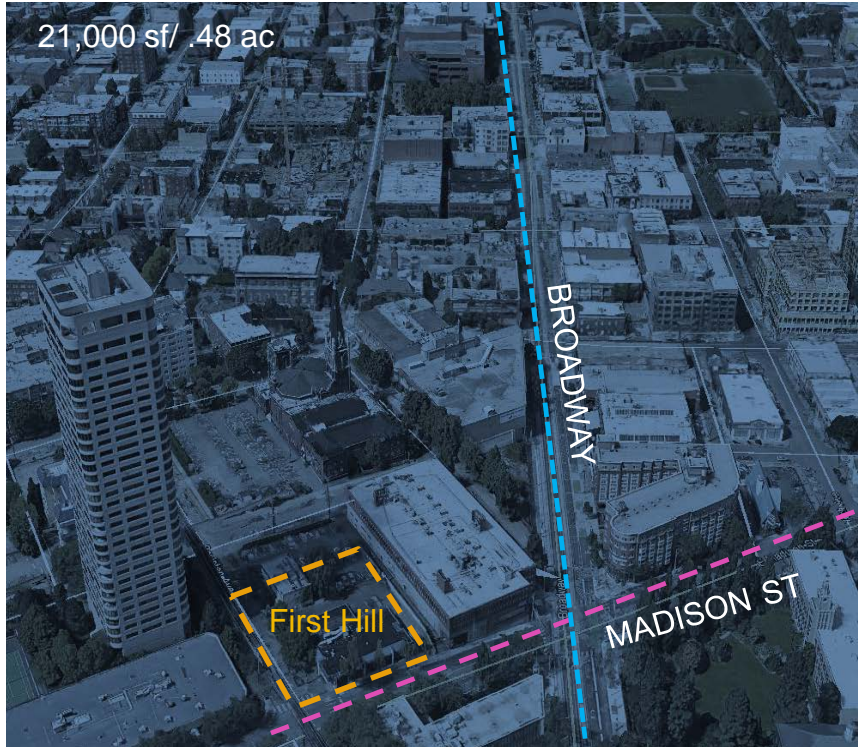
- Given the diversity of the TOD portfolio, does it make sense to factor scale into the framework for working through questions of suitability, land value and offer, function for properties at all scales?
- What guiding principles should be considered when contemplating scale?

First Hill TOD Site

Single Parcel



First Hill Overview



Zoning	NC3-P-160 Supports housing
Size	± 21,000 sf
Development Capacity	120 - 250 units
Land value (2014)	± \$8 Million
Federal participation	0%
Timing	2017: RFP 2019: TOD construction 2020/2021: TOD Open

TOD analysis



Property layout & urban design



Financial feasibility



Housing opportunities



Community and economic development

- Property large enough for one building
- High market demand, high land value
- Substantial gap funding needed for affordable housing
- 120 - 250 housing units anticipated
- Storefronts required on Madison

Suitability analysis

Threshold Criteria

- Zoning supports housing
- Property size and shape supports housing development
- Environmental conditions conducive for housing

Discretionary Criteria

- Land use vision supports housing
- Strong community support for housing, especially affordable
- Market rate housing is financially viable
- Land value is too high to make affordable housing feasible.

Valuation and Offering

Outcome Trade Offs

	Density	Affordability	Subsidy Needed
Prioritize Affordable Housing	Moderate	High	Moderate
Prioritize Density	High	Low	Low
Prioritize Both	High	High	High

Board Direction in June

Preview of upcoming issues for direction:

- How does the Board wish to balance the interest in both density and affordable housing production on this site?
- What information does the Board need to decide about land value?
- Can the Board confirm that the property is suitable for housing?
What information would the Board like to help make that determination?



Roosevelt Station TOD Site

Development Block

Roosevelt overview



Zoning	NC3-P-85 5.75 FAR Supports housing
Size	± 53,000 sf
Development Capacity	225 - 300 units
Land value (2016)	± \$14 Million
Federal participation	86.5%
Timing	2017: RFP 2020: TOD construction 2021: Station opening

TOD analysis



Property layout & urban design



Financial feasibility



Housing opportunities



Community and economic development

- Property large enough for one or two buildings
- 225-300 housing units anticipated
- Strong real estate market
- Land value may present challenges for affordable housing creation
- Storefronts possible but financially challenging for some retailers

Suitability analysis

Threshold Criteria

- Zoning supports housing
- Property size and shape supports housing development
- Environmental conditions conducive for housing

Discretionary Criteria

- Land use vision supports housing
- No significant opportunity cost identified
- Strong community support for housing, especially affordable
- Market rate and affordable housing are both financially viable

Valuation and Offering

Outcome Trade Offs

	Density	Affordability	Subsidy Needed
Prioritize Affordable Housing	High	High	High
Balanced Housing Program	High	Medium	Medium

Board Direction in May

Preview of upcoming issues for direction:

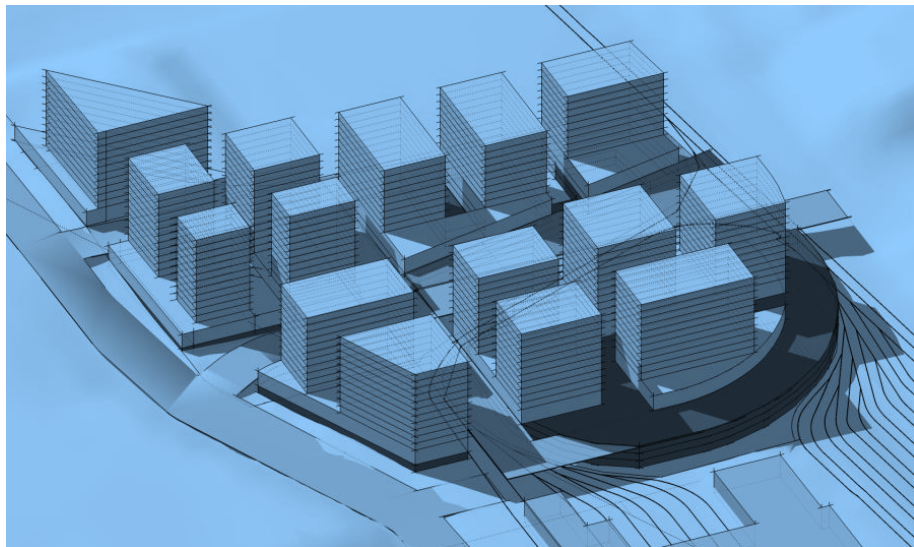
- Confirmation that the property is suitable for housing
- Confirmation of the proposed TOD goals
- How Sound Transit will approach valuing the property
- Confirmation of the proposed offering and transaction approach

OMF East TOD Site

Master Development Tract

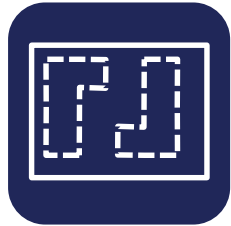


OMF East TOD



Zoning	BR-OR-2 (125')
Size	± 300,000 GSF (approx.)
Development Capacity	1.0 – 1.2 million GSF / up to 1,200 units
Land value (forecast)	± \$30 million (est.)
Federal participation	TBD
Timing	2017: MDP submittal 2018: RFP 2020: Construction 2022/2023: Opening

TOD analysis



Property layout & urban design



Financial feasibility



Housing opportunities



Community and economic development

- Land values increasing in Bel-Red as Spring District continues to build out
- Property large enough for multiple buildings and phases; IA and MOU stipulated goal of 1.2 million GSF
- At least 20% of development must be housing
- At least 50,000 GSF of development must be active ground floor uses

OMF East TOD Analysis

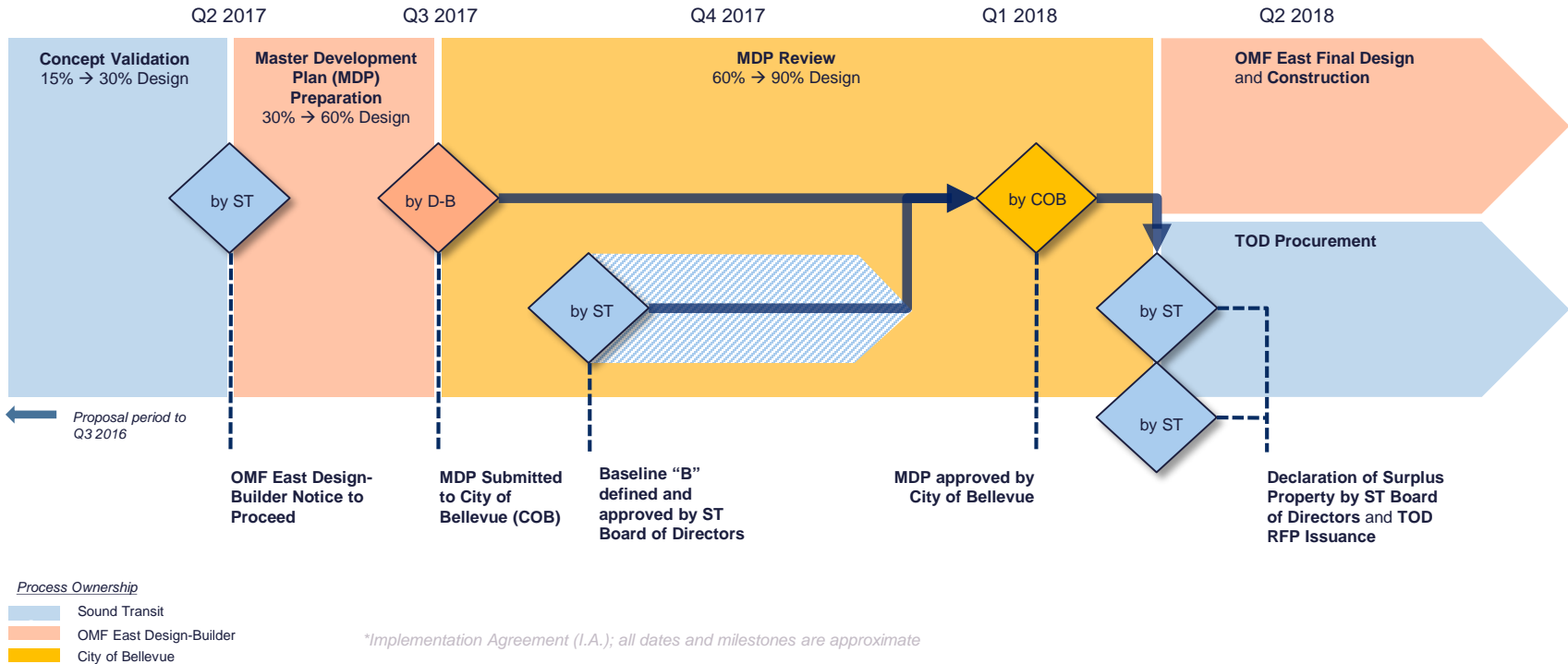
Threshold Criteria

- Zoning supports housing
- Property size and shape supports housing development on at least 50% of site
- Environmental conditions conducive for housing on at least 50% of site

Discretionary Criteria

- Land use vision supports housing
- Property size and value could partially offset funding gap
- Market rate housing is financially viable
- Property size too large to be exclusively composed of affordable housing

OMF East Master Planning Process

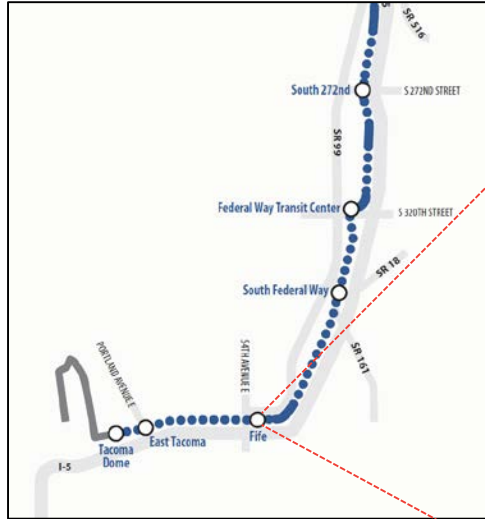


Board Direction in late 2017 and early 2018

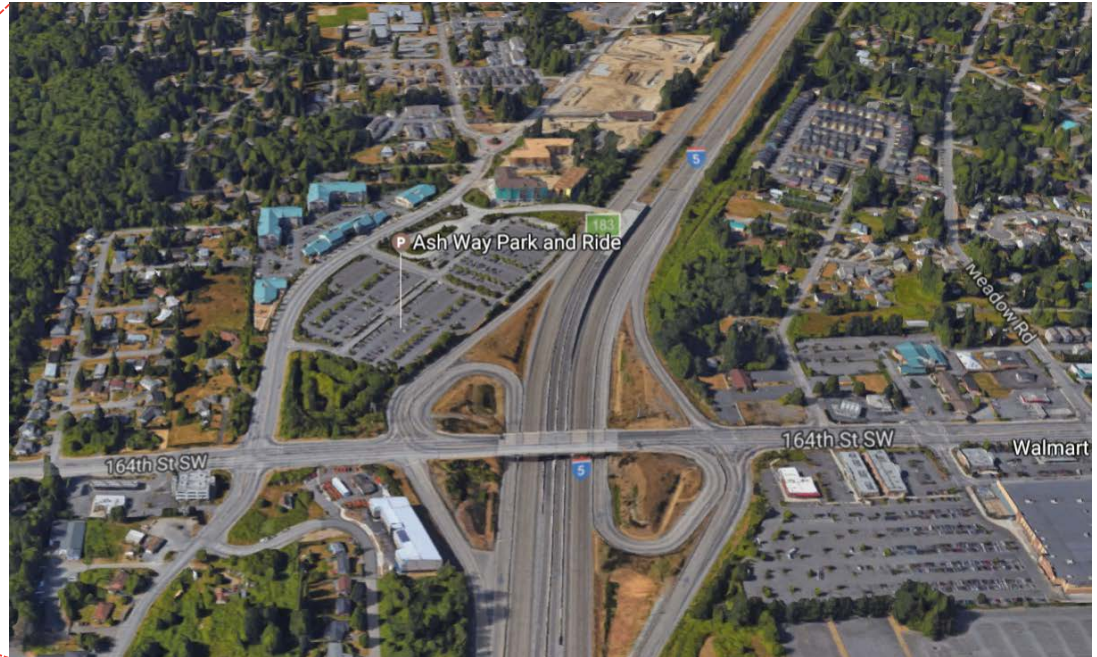
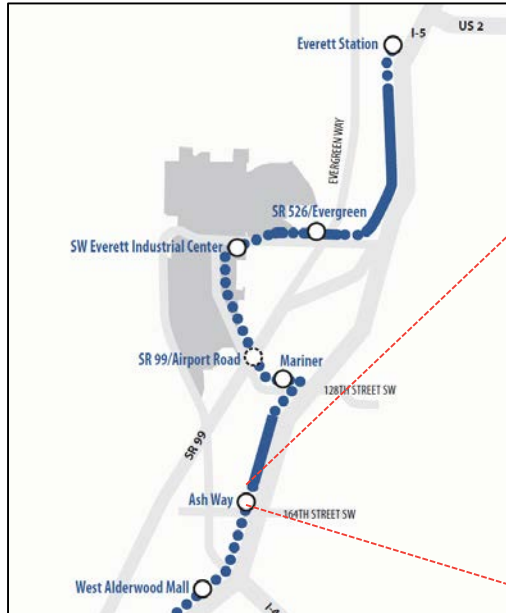
Preview of upcoming issues for direction:

- Determination of suitability for housing on a large development tract
- Options for offering of surplus property or joint development opportunity on a large development tract that satisfy statute
- Additional investments might Sound Transit make in the site (Baseline B), and how that affects understanding of land value

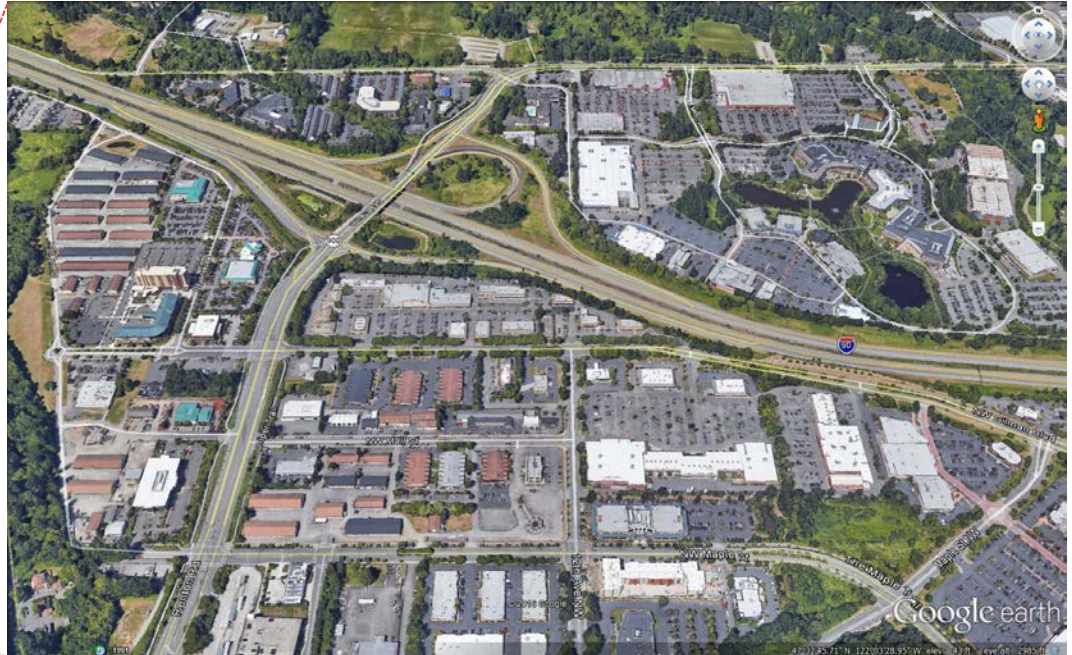
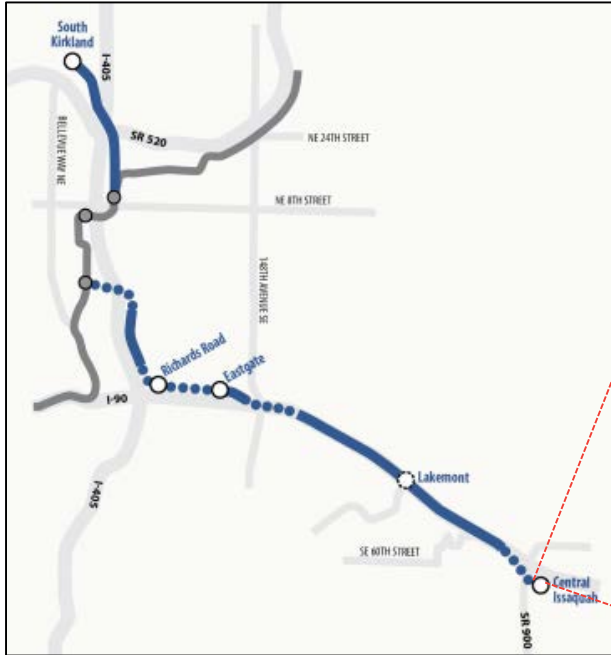
ST3 Sample Project Site: Fife/South



ST3 Sample Project Site: Ash Way/North



ST3 Sample Project Site: Issaquah/East



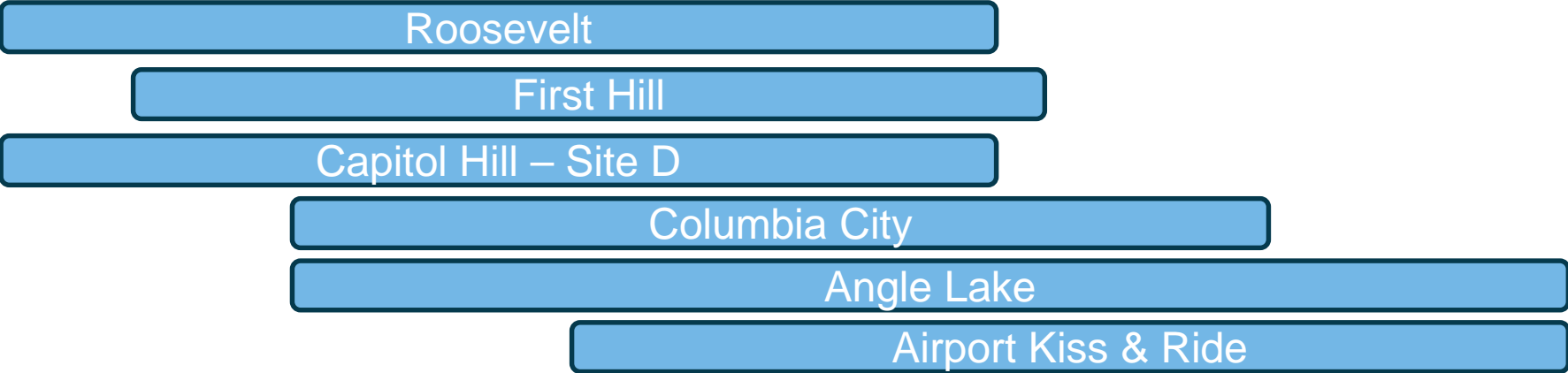
Board Discussion

- Are the paths for First Hill, Roosevelt and OMFE clear?
- Based on the case studies presented earlier, is it clear how scale will be considered as we prepare offerings?

Summary & Next Steps



Schedule



----- Board Briefings on policy content ----- Policy Updated



Next Steps:

May

- Summarize Guiding Principles & Present to Board in May
- Roosevelt Offer

June

- First Hill
- Policy Update Plan

