



## Motion No. M2020-57

### Extending the Four Party Property Exchange Agreement for Capitol Hill Site D and Atlas Site Transit Oriented Developments

Meeting:	Date:	Type of action:	Staff contact:
Executive Committee Board	10/01/2020 10/22/2020	Recommend to Board Final action	Don Billen, Executive Director, PEPD <b>Thatcher Imboden, Acting Director of Land Use and Development</b> <b>Edward Butterfield, Senior TOD Project Manager</b>

#### Proposed action

Approves the extension of the closing date from December 2, 2020 to December 2, 2021 in the Four Party Property Exchange Agreement between Sound Transit, the State Board for Community and Technical Colleges, Seattle Central College, and Community Roots Housing (formerly Capitol Hill Housing) and related agreements for the exchange of properties in order to develop equitable transit oriented development in the Capitol Hill station area.

#### Key features summary

- In December 2019, Sound Transit entered into a Four Party Property Exchange Agreement with Seattle Central College (SCC), the State Board for Community and Technical Colleges, and Capitol Hill Housing Improvement Program (now called Community Roots Housing) for transit oriented development in the Capitol Hill station area.
  - The Property Exchange Agreement provides for Sound Transit to convey Capitol Hill Site D to the College Parties (Seattle Central College and the State Board for Community and Technical Colleges) in exchange for two contiguous parcels known as the “Atlas Site” owned by the College Parties. Site D is located next to the Capitol Hill Station west entry. The Atlas Site is located at 1515 and 1519 Broadway.
  - Upon the exchange of Site D, Sound Transit will immediately convey the Atlas Site to Community Roots Housing for a mixed-use, affordable housing development that meets the requirements of RCW 81.112.350.
  - Community Roots Housing will pay to the College Parties the fair market value of the difference between the value of Site D and the Atlas Site (approximately \$2 million). Community Roots Housing will pay to Sound Transit a minimum of \$735,000 for the appraised fair market value of the proposed commercial/retail space to be developed at the Atlas Site.
- The Property Exchange Agreement gave Community Roots Housing until December 2020 to secure financing and permits for its mixed-use affordable housing development at the Atlas Site. The agreement is set to expire on December 2, 2020 unless the parties enter into an extension agreement. Community Roots Housing has requested an extension to allow it additional time to secure financing and permits. The parties want to extend the agreement by one year.
- No further Board action is anticipated.

## **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 Capitol Hill Site D was identified in the 2010 and 2014 strategic plans as a TOD opportunity.

In 2015, the Washington 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 ST3 Regional Transit System Plan. Sound Transit adopted an Equitable TOD Policy in April 2018 through Resolution No. R2018-10, which superseded the previous TOD Policy. This action is consistent with Resolution No. R2018-10.

Community Roots Housing has advanced the mixed-use affordable housing development at the Atlas Site and reached several key development milestones that include completion of the schematic design phase in September 2019, early funding approval and commencement of the design development phase in January 2020. Unfortunately delays in confirmation of zoning requirements and other entitlements with the City of Seattle have impacted the project's timeline and as a result, the building permit application submittal and has been moved to October 2020 with likely an approved permit in March 2021. These design and entitlement delays also factored into the need to push the application for low income housing tax credits from the June 2020 bond round to the December round, meaning the bond and tax credit financing will not be confirmed until early 2021. The Property Exchange Agreement requires Community Roots Housing to have a completed financing package and an approved building permit as prerequisites to closing on the land exchange. Therefore, it is not possible for the parties to close on the property exchange prior to the current December 2, 2020 deadline.

A one-year extension of the closing date for the Property Exchange Agreement advances equitable TOD goals at the Capitol Hill Station by producing affordable housing, increasing ridership, and strengthening the physical integration of the station into the neighborhood while facilitating SCC's campus expansion plan.

### Site D

Sound Transit owns Capitol Hill Site D that consists of approximately 10,383 square feet and is located at 1827 Broadway, Seattle WA, adjacent to the west entrance of the Capitol Hill Station. Sound Transit purchased the properties that comprise Site D in 2007 for the University Link Extension.

### Federal Interest

Site D was acquired in part with Federal Transit Administration (FTA) funding. Subject to FTA approval, Sound Transit intends to attribute the fair market value of Site D (approximately \$6 million) to another eligible grant and enter into the disposition process with FTA for Site D. This will extinguish the federal interest in Site D. FTA approval is required for Sound Transit to sell or exchange Site D.

The restricted dollars will be applied towards another future grant funded project, such as preventative maintenance. This will reduce the total project cost of that future project, but will not affect the grant revenue received on that project. This will represent the federal interest that was originally part of Site D.

### First Right of Refusal

SCC is the adjacent property owner to Site D and has an exclusive right of first refusal to purchase the Site D property from Sound Transit at fair market value. This right was obtained through a settlement

reached when Sound Transit acquired tunnel easements from SBCTC, on behalf of SCC, for the University Link Extension.

### Atlas Site

The College Parties previously determined that Site D is a preferable site for SCC's campus expansion rather than the Atlas Site. In 2017, SCC issued a Request for Interest to developers seeking proposals to develop affordable housing for the Atlas Site. Through that process, SCC selected Capitol Hill Housing (now Community Roots Housing), which proposed to develop approximately 70 units of workforce housing and ground floor retail on Broadway.

### Affordable Housing Requirements

RCW 81.112.350 requires 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 shall be affordable to those earning 80 percent or below of the area median income for the county in which the property is located. Both Site D and the Atlas Site have been determined to be suitable for development as housing. Community Roots Housing is a qualified entity under RCW 81.112.350.

## **Fiscal information**

The current fair market value (FMV) of the Site D property is approximately \$6 million for unrestricted use. However, restricting the land use to affordable housing significantly reduces the income potential and therefore the value of the property. Sound Transit will receive a minimum of \$735,000 from the sale of Site D as the purchase price for the commercial component of the proposed development. The proposed extension of the Four Party Property Exchange Agreement will not change the financial assumptions including Sound Transit's expected revenue from the sale of Site D.

Sound Transit's financial plan assumes \$93.8 million (2016\$) of sales revenue from selected surplus real estate parcels of which approximately \$41.8 million (2016\$) is anticipated from the sale or lease of properties to date, including Roosevelt and Capitol Hill parcels A, B-South, B-North, C and D.

## **Disadvantaged and small business participation**

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 Link light rail station. Through that process, the community articulated desires for redevelopment and how those desires can build upon their vision for the neighborhood. This vision was formalized in the creation of an Urban Design Framework (UDF) for the Capitol Hill Station Area. The community specifically expressed strong interest, cited in the UDF, for including Site D as a part of the SCC's campus with development guidance that includes:

- Providing uses affiliated with the SCC according to the needs of the college.

- Engaging the Broadway street frontage by locating pedestrian-generating active uses on the ground floor facing Broadway. Provide ground floor transparency along the Broadway frontage so as to further activate the street.

Additional public outreach has been conducted by Community Roots Housing on the development program for the Atlas Site with key community stakeholders and groups. These included a meeting with the Pike Pine Urban Neighborhood Council (PPUNC) to seek community input on the unit mix, building orientation to the street, and the composition of the commercial space facing Broadway. Other meetings have been held with Capitol Hill community leaders to obtain additional input on the project. The information and feedback collected from the community has been integrated into the proposed project design and includes increasing the number of 2 and 3 bedroom units and using an L shaped building layout on place of a rectangular layout resulting in the creation of a courtyard behind the historic Eldridge Tire Building façade. Community Roots Housing will be conducting additional community engagement as the project plans continue to develop.

## **Time constraints**

A one-month delay could impact amending the Four Party Property Exchange Agreement with the extended closing date and potentially result in the agreement expiring.

## **Prior Board/Committee actions**

Motion No. M2018-103: Approved the key business terms of a Four Party Property Exchange Agreement between Sound Transit, the State Board for Community and Technical Colleges, Seattle Central College, and Capitol Hill Housing Improvement Program for the exchange of properties.

Motion No. M2017-145: Authorized the chief executive officer to (1) execute a Memorandum of Understanding with Seattle Central College and Capitol Hill Housing to exchange property in order to develop equitable transit-oriented development in the Capitol Hill Station Area, and (2) negotiate a discounted property value in order to achieve affordable housing.

Resolution No. R2013-02: Approved the chief executive officer's declaration of surplus real property, including the method of disposition of selling the property and using the proceeds for the open University Link Extension Project, or other capital projects.

Motion No. M2011-22: Authorized the chief executive officer to execute an exclusive negotiating agreement for a future purchase and sale agreement with the State Board of Community and Technical Colleges for a college related proposed transit oriented development project on certain potential future surplus property near the Capitol Hill Station.

Resolution No. R2010-17: Authorized the chief executive officer to acquire, dispose, or lease certain real property interests by negotiated purchase, by condemnation (including settlement), by condemnation litigation, or by administrative settlement; and to pay eligible relocation and reestablishment benefits to affected parties as necessary for construction, maintenance and operation of a light rail tunnel and stations between the University of Washington Station and the Pine Street Stub Tunnel and between the University of Washington Station and Northgate.

Resolution No. R2007-19: Authorized the chief executive officer to acquire, dispose, or lease certain real property interests by negotiated purchase, by condemnation (including settlement), by condemnation litigation, or by administrative settlement; and to pay eligible relocation and reestablishment benefits to affected parties as necessary for construction, maintenance and operation of a light rail tunnel between the University of Washington Station and the Pine Street Stub Tunnel.

**Environmental review – KH 9/17/20**

**Legal review – JV 9/18/20**

## Motion No. M2020-57

A motion of the Board of the Central Puget Sound Regional Transit Authority approving the extension of the closing date from December 2, 2020 to December 2, 2021 in the Four Party Property Exchange Agreement between Sound Transit, the State Board for Community and Technical Colleges, Seattle Central College, and Community Roots Housing (formerly Capitol Hill Housing) and related agreements for the exchange of properties in order to develop equitable transit oriented development in the Capitol Hill station area.

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**Motion**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the extension of the closing date from December 2, 2020 to December 2, 2021 in the Four Party Property Exchange Agreement between Sound Transit, the State Board for Community and Technical Colleges, Seattle Central College, and Community Roots Housing (formerly Capitol Hill Housing) and related agreements for the exchange of properties in order to develop equitable transit oriented development in the Capitol Hill station area are approved.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on \_\_\_\_\_.

\_\_\_\_\_  
Kent Keel  
Board Chair

**Attest:**

\_\_\_\_\_  
Kathryn Flores  
Board Administrator