



Resolution No. R2020-04

Angle Lake TOD suitability for housing and offering strategy

Meeting:	Date:	Type of action:	Staff contact:
Executive Committee Board	03/05/2020 09/24/2020	Recommend to Board Final action	Don Billen, Executive Director, PEPD Thatcher Imboden, Deputy Director, TOD Mara D'Angelo, Sr. Project Manager, TOD

Proposed action

(1) Declares the North and South Transit Oriented Development Sites adjacent to the Angle Lake Link light rail station as suitable for development as housing; (2) authorizes staff to offer the North Transit Oriented Development site first to qualified entities for affordable housing development; (3) authorizes staff to offer the North Transit Oriented Development Site at a discounted land value price to facilitate affordable housing outcomes; and (4) authorizes staff to offer the South Transit Oriented Development Site at fair market value to all interested parties.

Key features summary

- This set of four proposed actions advances the development of Transit Oriented Development (TOD) on the Angle Lake North and South TOD Sites adjacent to the Angle Lake Link light rail station. The North TOD Site is 33,529 square feet and was purchased with a federal participation rate of 80%. The South TOD Site is 27,507 square feet and was purchased with a federal participation rate of 86.5%. Both Sites were previously declared surplus and are shown on the attached Exhibit A.
- Action 1 declares the North and South TOD Sites suitable for development as housing.
- Action 2 directs staff to offer the North TOD Site first to qualified entities (local governments, housing authorities, and nonprofit developers) for development of affordable housing as defined in RCW 81.112.350.
- Action 3 authorizes staff to offer the North TOD Site at reduced or no cost to facilitate affordable housing outcomes.
- Action 4 authorizes staff to offer the South TOD Site at full value to all interested parties for the purpose of developing a TOD outcome on the site that maximizes its development potential and economic contribution to the station area.

Background

Property and TOD

The Angle Lake North TOD Site was acquired by Sound Transit in 2013 and used to construct a new 1,160 stall parking garage and plaza supporting the Angle Lake Station; a surplus parcel of 33,529 square feet remains. The property was purchased with a federal participation rate of 80% and requires FTA approval for disposition. The surplus parcel was appraised in 2019 for \$2.4 million. The property is

currently vacant, and is zoned Residential Business Mix (RBX) within the Angle Lake Station Area Overlay District.

The Angle Lake South TOD Site is a 27,507 square foot property on the south side of South 200th Street. It was acquired in 2012 with a federal participation rate of 86.5%, and requires FTA approval for disposition. It was appraised in 2019 for \$1.75 million. The South TOD Site is currently vacant and has the UL-7200 zoning designation, which primarily allows for residential uses. It is also within the Angle Lake Station Overlay District, which permits a wider variety of commercial and multifamily uses, and the City's Comprehensive Plan reflects a future RBX designation. The South TOD Site is surrounded to the south and east by a large property owned by South 200th Street Station, LLC, who also has a right to acquire the City-owned property to the west of the South TOD Site pursuant to a development agreement with the City of SeaTac.

(1) Action to declare the TOD Sites as suitable for development as housing

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 nonprofit developers. Staff completed an evaluation and now recommends that these TOD Sites are suitable for development as housing.

It should be noted that there are several factors presenting challenges for developing housing on these properties, including the neighboring federal correctional facility and proximity to the airport. The sites are within the SeaTac Airport 65 decibel Day Night Level, which means that residential development requires sound insulation components. In addition, SeaTac cargo operations are expected to expand in the next 10-20 years to the site to the north and west of the parcels, which may have significant light, noise, and odor conditions which would need to be addressed by any housing developer. Likewise, in 2018, an agency-commissioned financial feasibility analysis concluded that affordable housing development would be difficult to finance where these sites are located.

However, there are several factors that do support a "suitable for housing" designation. First, the property's zoning and the station area plans allow for housing on both properties. Additionally, appraisals showed mixed-use development as the highest and best use for both sites, the financial feasibility study concluded that housing was possible to accommodate on these sites, and community engagement conducted in 2018 and 2019 showed that Angle Lake residents, station users, and stakeholders preferred TOD outcomes including affordable and market-rate housing. In the summer of 2019, Sound Transit released a Request for Information (RFI) seeking potential developer's input on the highest and best uses for the sites and the likely uses they would propose in a future request for proposals (RFP) response. In spite of clearly outlining the adjacent use concerns associated with the sites, Sound Transit received three responses from reputable entities; each response included housing components.

While these sites present challenges for the development of housing, it has been the working interpretation that property minimally meeting the criteria needed to provide housing stock to the region should be offered for that purpose whenever possible. Given the factors outlined above, staff recommends that the sites be declared suitable for housing. However, RFP respondents will be required to show how they will address site factors as well as how they will structure any financing associated with affordable housing outcomes. Unsatisfactory solutions to these barriers may result in respondents not being selected.

The below summarizes the evaluation of these sites for housing:

Evaluation considerations

- Housing is a permitted use within the properties' zoning district;
- The size and shape of the properties meet the zoning code's minimum requirements for constructing housing;
- The known environmental conditions of the properties are not expected to act as a functional barrier to constructing housing (although conditions may warrant addressing).

Discretionary evaluation considerations

- Local land use plans support housing on the property;
- The community is supportive of housing on these sites;
- Reputable RFI respondents proposed housing as a use for these sites;
- The adjacent correctional facility may reduce market support for, but does not prevent, the development of housing on these sites.

(2)(3)(4) Actions to authorize staff to offer the North TOD Site first to qualified entities with the option to discount to facilitate affordable housing outcomes, and the South TOD Site to all interested parties

Sound Transit is now well-positioned to begin the RFP process for these properties. While coupling the North and South TOD Sites was previously discussed with the Board, for several reasons, staff now recommends offering separate RFPs for the two sites, with the North TOD Site being offered first to qualified entities to create affordable housing, and the South TOD Site being offered to all interested parties with priority to those who can maximize development potential and realize economic impact. The reasons for this recommendation are as follows:

- Regional financing limitations indicate it is extremely unlikely that affordable housing projects could be financed on both the North and the South Site.
- While the North Site appears to offer a viable opportunity for affordable housing, the South Site is smaller and narrower, making it more difficult to develop.
- The North Site has a lower federal participation rate and is directly adjacent to Sound Transit facilities, which allows Sound Transit to pursue FTA Joint Development and retain the federal interest in the property.
- The agency's financial plan assumes approximately \$94 million in surplus property revenue. In this case, where financing and environmental issues make it unlikely to realize affordable housing outcomes on both the North and South Sites, we believe it is expedient to strike a balance between affordable housing and market rate outcomes.
- The City of SeaTac has expressed an interest in realizing tax revenues from the development of these sites, and support for affordable housing. Balancing affordable housing outcomes with market rate outcomes aligns with the City's goals.

Future Board engagement

If this action is approved, staff will develop and issue RFPs for each site and negotiate term sheets with the top ranked proposers. The key business terms would be brought before the Board for consideration, including any potential discount on the North TOD Site for affordable housing.

Fiscal information

The agency's long-range financial plan assumes \$93.8 million (2016\$) from the sale of the agency's surplus real estate. To date the agency has achieved approximately \$39.1 million through property sales and ground leases.

Market appraisals in 2019 valued the South TOD Site at \$1.75 million and the North TOD Site at \$2.4 million. The proposed action would direct staff to offer the South TOD Site for fair market value and to offer the North TOD Site at a discount from fair market value as necessary to achieve affordable housing outcomes, which could be as much as the full value. With federal funds in the properties, Sound Transit may need to seek entering the North TOD Site into the FTA Joint Development program to facilitate a property discount.

The net proceeds from these transactions would be recorded as miscellaneous revenue in the South King County subarea.

Disadvantaged and small business participation

Not applicable to this action.

Public involvement

Sound Transit conducted public outreach around these TOD sites in Spring of 2018 and summer of 2019, engaging with more than 200 people at multiple drop-in tabling events at the station, attending community events, and holding briefing events with community organizations. Feedback received through that outreach process supports the Board action outlined here.

Time constraints

In order to best serve the needs of the City of SeaTac and as follow up to the public outreach process, it is staff's goal to begin the RFP process for these sites as soon as possible. However, a short delay would not create a significant impact.

Prior Board/Committee actions

Resolution R2018-12: Approved the chief executive officer's declaration of surplus real estate property originally acquired for the South 200th Link Extension is surplus and is no longer needed for a transit purpose.

Resolution R2019-01: Approved the chief executive officer's declaration that certain real property acquired for the South 200th Link Extension Light Rail Project is surplus and is no longer needed for a transit purpose.

Environmental review – KH 2/24/20

Legal review – JV 2/27/20



Resolution No. R2020-04

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority (1) declaring the North and South Transit Oriented Development Sites adjacent to the Angle Lake Link light rail station as suitable for development as housing; (2) authorizing staff to offer the North Transit Oriented Development site first to qualified entities for affordable housing development; (3) authorizing staff to offer the North Transit Oriented Development Site at a discounted price to facilitate affordable housing outcomes; and (4) authorizing staff to offer the South Transit Oriented Development site to all interested parties with priority to those who can maximize development potential using Sound Transit's property.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under chapters 81.104 and 81.112 of the Revised Code of Washington (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 permanently 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 Sound Transit 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 Angle Lake North Transit Oriented Development Site located at the Northeast corner of S. 200th Street and 26th Avenue in SeaTac, WA for the Angle Lake Station project in 2013; and

WHEREAS, Sound Transit acquired the subject property, currently identified as the Angle Lake South Transit Oriented Development Site located at the Southeast corner of S. 200th Street and 26th Avenue in SeaTac, WA, for the Angle Lake Station project in 2012; and

WHEREAS, the Angle Lake North Transit Oriented Development property and the Angle Lake South Transit Oriented Development property were acquired using Federal Transit Administration (FTA) financial assistance and are 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 properties for joint development; and

WHEREAS, the Sound Transit Board by Resolution No. R2018-12 declared the Angle Lake North Transit Oriented Development site real property surplus; and

WHEREAS, the Sound Transit Board by Resolution No. R2019-01 declared the Angle Lake South Transit Oriented Development site real property surplus; 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 No. 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, 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, on April 26, 2018, the Sound Transit Board adopted Resolution No. R2018-10 adopting an Equitable TOD Policy to reflect the ST3 Plan and RCW 81.112.350 direction to implement a regional equitable TOD strategy during planning, design, construction and operation of the high-capacity transit system; 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 South King County subarea; and

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

Section 1. The Sound Transit Board finds and declares that the Angle Lake North Transit Oriented Development Site and Angle Lake South Transit Oriented Development Site properties are suitable for development as housing.

Section 2. Staff is hereby directed to offer the North Angle Lake property to qualified entities for development of affordable housing creation pursuant to state law.

Section 3. Staff is hereby authorized to offer the North Angle Lake Transit Oriented Development Site property at reduced cost to facilitate affordable housing outcomes.

Section 4. Staff is hereby authorized to offer the South Angle Lake Transit Oriented Development Site property to all interested parties for the purpose of developing a TOD outcome on the site that maximizes its development potential and economic contribution to the station area.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on September 24, 2020.

Kent Keel
Board Chair

Attest:

Kathryn Flores
Board Administrator

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Exhibit A

Angle Lake TOD suitability for housing and offering strategy

