



Motion No. M2024-21

Transit-Oriented Development Revolving Loan Fund

| Meeting: | Date: | Type of action: | Staff contact: |
|---------------------|------------|--------------------|--|
| Executive Committee | 05/02/2024 | Recommend to Board | Terri Mestas, Deputy CEO, Chief Mega Capital Programs Officer |
| Board | 05/23/2024 | Final action | Don Billen, PEPD Executive Director Mara D'Angelo, PEPD, Deputy Director, TOD Rennie Elliott, Senior Project Manager, TOD |

Proposed action

Authorizes the chief executive officer to contribute \$20 million to a revolving loan fund held by the Washington State Housing Finance Commission to support the development of affordable housing opportunities related to equitable transit-oriented development within the boundaries of the regional transit authority.

Key features summary

- In 2015 the state legislature adopted RCW 81.112.350, which requires Sound Transit to “contribute at least four million dollars each year for five consecutive years beginning within three years of voter approval of the system plan to a revolving loan fund to support the development of affordable housing opportunities related to equitable transit-oriented development within the boundaries of the regional transit authority.”
- Beginning in 2019, Sound Transit contributed four million dollars per year for five consecutive years to a restricted account for the revolving loan fund. Sound Transit also worked with the Local Initiatives Support Corporation (LISC), a national expert on affordable housing financing, to evaluate and recommend options for the revolving loan fund. LISC identified low-cost loans for acquisition of land for affordable housing as a top funding need.
- After carefully reviewing available options, Sound Transit staff recommends contributing the funds to the Land Acquisition Program (LAP), a revolving loan fund administered by the Washington State Housing Finance Commission (Commission) to assist eligible organizations with purchasing land for affordable housing development.
- This action authorizes the chief executive officer to enter into and subsequently amend as necessary one or more agreements with the Commission to contribute \$20 million to the LAP revolving loan fund to be used for equitable transit-oriented development within the Sound Transit boundaries.
- The proposed action is consistent with staff’s recommendation to contribute to an existing revolving loan fund made during an update at the March 2, 2023, Executive Committee meeting.
- No further Board action is anticipated.

Background

RCW 81.112.350 directs the agency to contribute “at least four million dollars each year for five consecutive years... to a revolving loan fund to support the development of affordable housing opportunities related to equitable transit-oriented development” within the Sound Transit boundaries. A revolving loan fund issues debt to affordable housing projects that repay principal and interest to the fund, which is then recycled by issuing new debt to additional projects. This component of the legislation was prompted by the work of the Growing Transit Communities Partnership, a group convened by the Puget Sound Regional Council, that identified a revolving loan fund supported by public capital as an innovative tool for equitable development to secure sites near transit for affordable housing.

Following the passage of ST3, Sound Transit entered into a multi-year engagement with national affordable housing nonprofit, Local Initiatives Support Corporation (LISC) to identify funding needs and fund structure opportunities for the revolving loan fund contribution. Based on LISC’s work, Sound Transit identified funding for the acquisition of land as a top affordable housing funding need. Sound Transit determined Land Acquisition Program (LAP) revolving loan fund administered by the Washington State Housing Finance Commission (Commission) as the most suitable deployment vehicle. Through the LAP, the Commission provides low-cost loans to eligible developers to purchase land and improved real property for either multi- or single-family affordable housing development. Sound Transit does not have existing infrastructure to develop and operate its own fund and doing so would require significant investment of time and financial resources.

TOD Revolving Loan Fund

The Commission has successfully operated the LAP revolving loan fund since 2007, beginning with a \$1 million contribution from the State. The program was expanded in 2017 with a \$25 million program-related investment from the Commission itself and again in 2020 with a \$25 million investment from Microsoft corporation to expand the program for projects in East King County. The program has a uniquely patient and low-cost structure with a demonstrated ability to successfully expand through third party investments and contributions. The Sound Transit contribution will allow the Commission to expand the program again to create affordable transit-oriented development opportunities within the Sound Transit region.

The Commission will manage day to day operations of the revolving loan fund and provide annual reporting on fund performance. Projects funded by the Sound Transit contribution must remain affordable to those earning 80% or below of area median income (AMI) for the County where the property is located for a period of at least 35 years. The funds may also be used for certain predevelopment costs – an additional need identified by the LISC team – should the Commission find it suitable to underwrite that use as part of an acquisition loan.

Timeline and Schedule

Agreement execution, contribution of funds, and rollout of the fund is anticipated later this year or early next year.

Future Board involvement

No further Board action is anticipated.

Fiscal information

Sound Transit contributed \$4 million per year from 2019 – 2023 to a restricted agency account and is ready to deploy the funds for their intended use. This is a one-time contribution. Sound Transit will have no further financial obligations related to the contribution or deployment of funds.

This action does not have an impact on the affordability of the agency’s Finance Plan.

Public involvement

The LISC consulting team conducted a regional affordable housing finance needs assessment that included stakeholder interviews, focus groups, project finance review, public policy and resource review, and modeling exercises. Following the consulting engagement, Sound Transit conducted presentations to regional housing consortia and the Puget Sound Regional Council. The response from developers, jurisdictions, and other stakeholders has been supportive of the recommended fund deployment approach.

Time constraints

A one-month delay will not significantly impact the agreement.

Prior Board/Committee actions

Resolution No. R2018-10: Adopted an Equitable Transit Oriented Development Policy and superseded Resolution No. R2012-24.

Resolution No. R2016-16: Adopted the Sound Transit 3 Regional Transit System Plan.

Environmental review – KH 4/17/24

Legal review – JV 4/22/24



Motion No. M2024-21

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to contribute \$20 million to a revolving loan fund held by the Washington State Housing Finance Commission to support the development of affordable housing opportunities related to equitable transit-oriented development within the boundaries of the regional transit authority.

Background

RCW 81.112.350 directs the agency to contribute “at least four million dollars each year for five consecutive years... to a revolving loan fund to support the development of affordable housing opportunities related to equitable transit-oriented development” within the Sound Transit boundaries. A revolving loan fund issues debt to affordable housing projects that repay principal and interest to the fund, which is then recycled by issuing new debt to additional projects. This component of the legislation was prompted by the work of the Growing Transit Communities Partnership, a group convened by the Puget Sound Regional Council, that identified a revolving loan fund supported by public capital as an innovative tool for equitable development to secure sites near transit for affordable housing.

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The proposed action is consistent with staff’s recommendation to contribute to an existing revolving loan fund made during an update at the March 2, 2023, Executive Committee meeting.

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Future Board involvement

No further Board action is anticipated.

Motion

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to contribute \$20 million to a revolving loan fund held by the Washington State Housing Finance Commission to support the development of affordable housing opportunities related to equitable transit-oriented development within the boundaries of the regional transit authority.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on May 23, 2024.



Dow Constantine
Board Chair

Attest:



Kathryn Flores
Board Administrator