



**King County**

# **Transit-Oriented Development Bond Allocation Plan**

**Department of Community and Human Services**

**Updated July 13, 2016**

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## **Introduction**

King County is committed to creating a region where all households have an equitable opportunity to be healthy, happy, self-reliant and connected to community. A key component to that success rests at the intersection of housing and transportation. While there is widespread recognition that housing costs in King County are rising more rapidly than many households can sustain, equally important is the impact of transportation costs, particularly as people seek lower cost housing in more suburban locations. Only by considering housing and transportation together can King County work to ensure that our region is affordable for all residents.

Towards this end, King County is actively working to promote transit-oriented affordable housing. National research and anecdotal evidence show that housing costs rise more quickly near transit stations. And absent focused, direct interventions, affordable housing near these transit nodes will diminish over time as market rate developers seek higher returns. This deprives many households access to quality housing that also brings the monetary advantage of low-cost transportation. For these reasons, transit-oriented affordable housing investment should be prioritized in high capacity transit areas, defined as locations within one-half mile of any Light Rail, RapidRide, Bus Rapid Transit (BRT), Sounder or Sound Transit Express bus station, or a key transfer point for varying transportation modes.

Fortunately, King County has access to housing capital resources designed to address the specific issue of how to create transit-oriented affordable housing. In 2015, the state Legislature provided King County with the authority to bond against 37.5 percent of the County's post-2021 hotel/motel tax revenue for the purpose of creating affordable housing near transit. Based upon current financial forecasts, the County estimates that this will generate approximately \$87 million in bond proceeds to be invested in affordable workforce housing. Under the terms of the state legislation, the housing must be within one-half mile of a transit station and must be designated for households earning between 30 percent and 80 percent of area median income (between approximately \$27,000 and \$69,000 for a family of four). The State law requires that debt service for revenue bonds pledged against these revenues can make up no more than half of the 37.5 percent of post-2021 hotel/motel tax revenues that have been allocated for affordable housing; General Obligation bonds that would pledge the County's full faith and credit, but could also pledge the post-2021 hotel/motel tax revenues are not subject to this limitation.

From the foundational requirements of the state legislation, King County is adding specific parameters to ensure that transit-oriented development (TOD) investments are both strategic and equitable. While a portion of the funds will be made available at partner-identified locations near transit stations, a portion will be focused around specific high capacity transit areas (outlined below) in order to leverage major public investments in transit. King County-owned property in these locations will be specifically targeted.

Investments will be made countywide, in nonprofit-led projects, and will be distributed among South King County, North/East King County and the City of Seattle. King County will make the bond funds available through competitive request for proposal processes, anticipated to occur in 2016, 2017, and beyond.

47 **Vision and Principles**

48 While the general requirements for the funds are broad, King County will work to meet a  
49 focused vision for investments, as stated below.

50  
51 *Create diverse, vibrant, mixed income communities in targeted TOD areas in South  
52 and North/East King County and Seattle*

53  
54 To ensure that projects supported with the TOD funds meet this vision, the following principles  
55 will guide investment decisions.

- 56
- 57 1. The King County Executive, King County Council, local jurisdictions and other  
58 stakeholders will ensure that funds are fairly and equitably distributed throughout King  
59 County. Generally, this will mean that funds will be equally distributed between South  
60 King County, North/East King County and Seattle (Please refer to Appendix I for  
61 geographic boundaries). Also, while taking into consideration subregional differences in  
62 land and development costs, King County will also strive to ensure an equitable  
63 distribution of funded housing units.
  - 64
  - 65 2. Transit-oriented affordable housing investment should be prioritized in high capacity  
66 transit areas, defined as locations within one-half mile of any Light Rail, RapidRide,  
67 Bus Rapid Transit (BRT), Sounder or Sound Transit Express bus station, or a key  
68 transfer point for varying transportation modes.
  - 69
  - 70 3. All stakeholders will work in a collaborative manner to identify transit-oriented  
71 affordable housing opportunities throughout King County.
  - 72
  - 73 4. All stakeholders recognize the importance of timing in order to take advantage of real  
74 estate opportunities. Stakeholders agree to work in a timely manner to ensure use of TOD  
75 bond funds.
  - 76
  - 77 5. All TOD investments will strive to meet the County's racial, ethnic and economic  
78 diversity principles at high capacity transit nodes.
  - 79
  - 80 6. TOD investments will be integrated with other County initiatives and strategies,  
81 including Communities of Opportunities, surplus property opportunities, the Regional  
82 Equitable Development Initiative (REDI) and others.
  - 83
  - 84 7. Preference will be given to project proposals that will serve populations that have  
85 been identified as being in particular need, including but not limited to lower income  
86 households between 30 and 50 percent of area median income (although projects  
87 serving the full range of households permitted by the State law between 30 and 80  
88 percent of area median income will be considered), veterans, survivors of domestic  
89 violence, people with developmental disabilities, households that are at risk of  
90 homelessness, or individuals re-entering the community after incarceration.
  - 91
  - 92 8. King County will strive to ensure equitable geographic distribution when prioritizing  
93 the allocation of funds.
  - 94

95 **Funding Considerations**

96 In making investment decisions, King County will adhere to the following funding  
97 considerations.

- 98
- 99 1. As identified in the Washington state legislation, all housing funded with TOD bond  
100 proceeds must be for households earning between 30 percent and 80 percent of  
101 King County median income (as defined by the Department of Housing and Urban  
102 Development), which is approximately \$27,000 and \$69,000 for a family of four.  
103
- 104 2. Similarly, the state legislation restricts TOD bond funds to nonprofit housing developers  
105 and local housing authorities. King County strongly encourages partnerships between for-  
106 profit and nonprofit entities to create as many affordable housing units as possible.  
107
- 108 3. To minimize the costs of interest and to comply with the timing requirements in State  
109 law, King County may use interfund borrowing or bond anticipation notes, whichever is  
110 less costly, to fund short-term project costs. It is anticipated that the first bond issuance  
111 will likely not occur until 2021.  
112
- 113 4. Interfund borrowing, bond anticipation notes, and bond issuances will be approved  
114 following the procedures outlined in the King County Code.  
115
- 116 5. The County will encourage projects that can leverage other funding sources.  
117

118 **Investment Strategy**

119 Through competitive RFP processes over the next five years, King County will invest  
120 approximately \$87 million in transit-oriented affordable housing projects throughout King  
121 County. The King County Executive and King County Council will collaborate with local  
122 jurisdictions to determine regional funding priorities. A portion of the funds will target  
123 investments in specific locations. The remainder will be awarded to nonprofit and partner agency  
124 proposed projects throughout King County that meet the principles outlined above and the  
125 specific investment criteria identified below. Also, beginning in 2021, the remainder of the  
126 lodging tax that is not reserved for debt service for these bonds (currently estimated at \$7 million  
127 per year) will be available for annual funding awards. While King County may alter the specific  
128 type of requested investment, the general principles and funding considerations will remain in  
129 place.  
130

131 Specific investments concepts are identified below, including a description of the concept, the  
132 amount of funding, location, timing and evaluation process.

134 **A. All-County Agency Proposed Projects**

- 135
- 136 1. King County is seeking nonprofit and partner agency proposed projects that align  
137 with the principles and funding considerations outlined above. The purpose of  
138 requesting agency proposed projects is to receive proposals that respond to unique  
139 opportunities or specific redevelopment goals of local areas. Proposals that  
140 leverage other public investments and/or public property are strongly encouraged.  
141 Specific criteria for agency proposed projects are outlined below.  
142

- 143 a. Transit-oriented affordable housing investments should be  
 144 prioritized within one-half mile of any Light Rail, RapidRide,  
 145 Bus Rapid Transit (BRT), Sounder station, or a key transfer  
 146 point for varying transit modes.  
 147  
 148 b. Projects can be new construction, acquisition/rehabilitation and/or  
 149 preservation.  
 150  
 151 c. Partnerships between nonprofit and for-profit agencies are strongly  
 152 encouraged.  
 153  
 154 d. Where possible, proposed projects should leverage present or future  
 155 public investment in transit infrastructure (see Appendix II for a  
 156 map of Metro Bus Rapid Transit and Sound Transit Light Rail  
 157 stations.)  
 158  
 159 e. Where possible, agencies should work with municipalities and other  
 160 local governments to take advantage of publicly-owned property and  
 161 other community assets.  
 162  
 163 f. The Executive should consider allocating funds to incentivize the  
 164 development of micro-housing projects (multifamily developments  
 165 that may include smaller individual unit sizes and shared common  
 166 areas) so as to provide a lower-cost opportunity to provide  
 167 affordable housing units. The Executive should also partner with the  
 168 building trades and other representatives of organized labor to find  
 169 new ways to support local employment and local workforce training  
 170 opportunities in the construction of micro-housing projects.  
 171  
 172 2. Location: Countywide. Please refer to Appendices I and II for guidance on  
 173 subregional geography and transit investment areas. Development sites should  
 174 adhere to the location guidance identified in the Principles and Funding  
 175 Conditions identified above.  
 176  
 177 3. Amount: Approximately \$32.3 million, distributed equitably throughout the  
 178 region. King County reserves the right to issue debt in a manner to limit cost and  
 179 complexity.  
 180  
 181 4. Timing: The initial RFP soliciting agency proposed projects will be released in  
 182 2016. King County anticipates issuing additional RFPs until investment goals  
 183 are met and all funds are allocated.  
 184  
 185 5. Review Process: Agency proposed projects will be submitted and evaluated as  
 186 part of the standard, annual Housing Finance Program RFP process, beginning in  
 187 2016. King County will determine when to issue interfund loans, bond  
 188 anticipation notes, and bond debt based on King County debt protocols and  
 189 project need.

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B. I-90 Corridor (Issaquah to North Bend) Affordable Housing Projects:

1. King County will seek nonprofit and partner agency proposed projects that align with the principles and funding considerations outlined above. The purpose of requesting these projects is to receive proposals that respond to unique opportunities or specific redevelopment goals of communities along the I-90 Corridor from Issaquah east to North Bend. Proposals that leverage other public investments and/or public property are strongly encouraged. Specific criteria for proposed projects in this category are outlined below.
  - a. Transit-oriented affordable housing investment should be prioritized in high capacity transit areas, defined as locations within one-half mile of any Light Rail, RapidRide, Bus Rapid Transit (BRT), Sounder or Sound Transit Express bus station, or a key transfer point for varying transportation modes.
  - b. Projects can be new construction, acquisition/rehabilitation and/or preservation.
  - c. Partnerships between nonprofit and for-profit agencies are strongly encouraged.
  - d. Where possible, proposed projects should leverage present or future public investment in transit infrastructure (see Appendix II for a map of high capacity transit investments).
  - e. Where possible, agencies should work with municipalities and other local governments to take advantage of publicly-owned property and other community assets.
2. Location: Along the I-90 Corridor from Issaquah through North Bend. Please refer to Appendix II for guidance on existing and planned high capacity transit investment areas and Appendix VII for guidance on existing park and ride facilities in East King County. Development sites should adhere to the location guidance identified in the Principles and Funding Conditions identified above.
3. Amount: \$10 million. King County reserves the right to issue debt in a manner to limit cost and complexity.
4. Timing: The initial RFP soliciting projects in this category is anticipated to be released in 2017. King County anticipates issuing additional RFPs until investment goals are met and all funds are allocated.
5. Review Process: Projects proposed in this category will be submitted and evaluated as part of the standard, annual Housing Finance Program RFP process,

237 beginning in 2017. King County will determine when to issue interfund loans,  
 238 bond anticipation notes, and bond debt based on King County debt protocols and  
 239 project need.

240

241 C. Northgate Affordable Housing

242

243 1. Description: King County Metro anticipates releasing an RFP for the  
 244 redevelopment of approximately seven acres of surplus County-property located  
 245 at the Northgate Transit Center. The RFP will solicit proposals from developers  
 246 for an overall development plan for all or a portion of the County-owned land.  
 247 Proposals may include both commercial and residential components. There will  
 248 be an expectation for a significant investment in affordable housing using a  
 249 variety of models, including multi-family tax exemption, 4% Low Income  
 250 Housing Tax Credits and direct subsidy. King County will include access to  
 251 bond funding to support the creation of affordable housing as part of the  
 252 Northgate redevelopment plan. Specific criteria for affordable housing at  
 253 Northgate are outlined below.

254

255 a. A key component of any redevelopment proposal will be the inclusion  
 256 of affordable housing. Total number of affordable units as a  
 257 percentage of all units is an important consideration. However, how  
 258 they are included in the overall redevelopment plan is also a  
 259 significant consideration. A broad income range for affordable units is  
 260 also encouraged.

261

262 b. Affordable housing units can be included across the entire site and/or  
 263 within a dedicated affordable housing project.

264

265 c. Partnerships between nonprofit and for-profit agencies are strongly  
 266 encouraged.

267

268 d. Proposed projects should explore the possibility of leveraging other  
 269 affordable housing programs, including the multifamily tax exemption,  
 270 affordable housing bonuses and City of Seattle affordable housing  
 271 funds.

272

273 2. Location: Seattle – Northgate Park and Ride. Please refer to Appendix III for  
 274 more detailed site information.

275

276 3. Amount: Approximately \$10 million.

277

278 4. Timing: King County Metro anticipates releasing the RFP for Northgate  
 279 redevelopment proposals in the fall of 2016.

280

281 5. Review Process: Affordable housing projects will be evaluated as a component of  
 282 the overall Northgate Redevelopment RFP review process. King County reserves  
 283 the right to ask for modifications to any affordable housing proposals to ensure

284 the integrity of the overall site redevelopment plan. King County will determine  
 285 when to issue interfund loans, bond anticipation notes, and bond debt based on  
 286 King County debt protocols and project need.

287

288 **D. South King County Targeted RFP**

289

290 1. Description: In 2017, after working with the King County Council and local  
 291 jurisdictions, King County will solicit proposals for affordable housing projects at  
 292 the Des Moines Link Light Rail Station and the S 272nd Ave Light Rail station in  
 293 Federal Way. These areas represent the opportunity to create affordable housing  
 294 near Highline Community College and light rail in the case of the Kent/Des  
 295 Moines Station and the ability to leverage County-owned property near bus rapid  
 296 transit and light rail at S 272nd Ave. Specific criteria for affordable housing in  
 297 these areas are outlined below.

298

299 a. Proposed projects must be located within one half mile of the Des  
 300 Moines Link Light Rail Station, the 272nd Ave SW Light Rail  
 301 Station or the Bus Rapid Transit station at S 272nd and HWY 99.

302

303 b. Projects can be new construction, acquisition/rehabilitation and/or  
 304 preservation.

305

306 c. Projects will support local redevelopment and planning efforts in  
 307 the two transit areas.

308

309 d. Partnerships between nonprofit and for-profit agencies are strongly  
 310 encouraged.

311

312 e. Where possible, agencies should work with municipalities and  
 313 other local governments to take advantage of publicly-owned  
 314 property and other community assets.

315

316 2. Location: Proposed projects must be located within one half mile of the Des  
 317 Moines Link Light Rail Station, the 272nd Ave SW Light Rail Station or  
 318 the Bus Rapid Transit station at S 272nd and HWY 99. Please refer to  
 319 Appendices IV and V for station area information.

320

321 3. Amount: Approximately \$10 million.

322

323 4. Timing: The initial RFP soliciting agency proposed projects will be released in  
 324 July 2017. King County may issue additional future RFPs until investment goals  
 325 are met and all funds are allocated.

326

327 5. Review Process: Agency proposed projects will be submitted and evaluated as  
 328 part of the standard, annual Housing Finance Program RFP process, beginning  
 329 in July 2017. King County will determine when to issue bond debt based on  
 330 King County debt protocols and project need.



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E. Bel-Red Targeted RFP

1. Description: In 2017, after working with the King County Council and local jurisdictions, King County will solicit proposals for affordable housing projects near high capacity transit locations in the Bel-Red Corridor. This area represents the opportunity to take advantage of existing and new investments in transit, coupled with publicly-controlled property. Specific criteria for affordable housing in this area are outlined below.
  - a. Proposed projects must be located within one-half mile of transit stations in the Bel-Red Corridor.
  - b. Projects can be new construction, acquisition/rehabilitation and/or preservation.
  - c. Projects will support local redevelopment and planning efforts in the two transit areas.
  - d. Partnerships between nonprofit and for-profit agencies are strongly encouraged.
  - e. Where possible, agencies should work with municipalities and other local governments to take advantage of publicly-owned property and other community assets.
2. Location: Proposed projects must be located within one-half mile of transit stations in the Bel-Red Corridor. Please refer to Appendix VI for station area information.
3. Amount: Approximately \$10 million.
4. Timing: The initial RFP soliciting agency proposed projects will be released in July 2017. King County may issue additional future RFPs until investment goals are met and all funds are allocated.
5. Review Process: Agency proposed projects will be submitted and evaluated as part of the standard, annual Housing Finance Program RFP process, beginning in July 2017. King County will determine when to issue bond debt based on King County debt protocols and project need.

F. Seattle South Downtown Projects

1. Description: The legislation authorizing the issuance of TOD bonds included a requirement that 10 percent of revenue bond proceeds must be used to “promote sustainable workplace opportunities near a community impacted by the construction or operation of tourism-related facilities” by a community and

378 preservation development authority chartered under RCW 43.167. Other types  
 379 of bonds, such as General Obligation bonds, do not have this 10 percent  
 380 requirement, and funds dedicated to a community and preservation  
 381 development authority chartered under RCW 43.167 would be restricted to  
 382 affordable housing if made through other types of bonds.

383  
 384 This portion of funds will provide \$8.7 million to support the Historic South  
 385 Downtown Public Development Authority (HSDPDA).

386  
 387 In addition, \$3 million will be dedicated to support the housing project under  
 388 development at Pacific Tower, and \$3 million will be dedicated to support  
 389 affordable housing development near the Othello Station in South Seattle.

- 390  
 391 2. Location: Seattle: International District, Pioneer Square, Beacon Hill, and/or  
 392 South Seattle.  
 393  
 394 3. Amount: Approximately \$14.7 million.  
 395  
 396 4. Timing: TBD.  
 397  
 398 5. Review Process: TBD.  
 399

400 **Future Bond Legislation**

401 As previously discussed, King County will determine when to issue debt based on King County  
 402 debt protocols and specific need. Where appropriate, King County may elect to temporarily fund  
 403 projects out of interfund borrowing and/or bond anticipation notes so as to reduce debt issuance  
 404 cost and administrative burden. It is anticipated that the first bond issuance will not occur until  
 405 2021. Per King County code, debt issuances must be approved by the King County Council. The  
 406 King County Executive and King County Council will work collaboratively on the preparation  
 407 and approval of all TOD bond legislation.

408  
 409 **Progress Reports**

410 The Executive will provide an annual report to the Council on August 15 of each year. This annual  
 411 report will describe progress to date, and will include projects selected for funding, amount of  
 412 funding recommended for each project, status of each project funded to date, funds expended, and  
 413 financing mechanisms used to date (including bond anticipation notes, interfund borrowing, and  
 414 bond issuances). The annual report will be transmitted in the form of a paper original and an  
 415 electronic copy to the Clerk of the Council, who will retain the original and provide an electronic  
 416 copy to all Councilmembers, the Council’s Chief of Staff, the Policy Staff Director, and the lead  
 417 staff for the Budget and Fiscal Management Committee or its successor.

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 421 **Appendices**

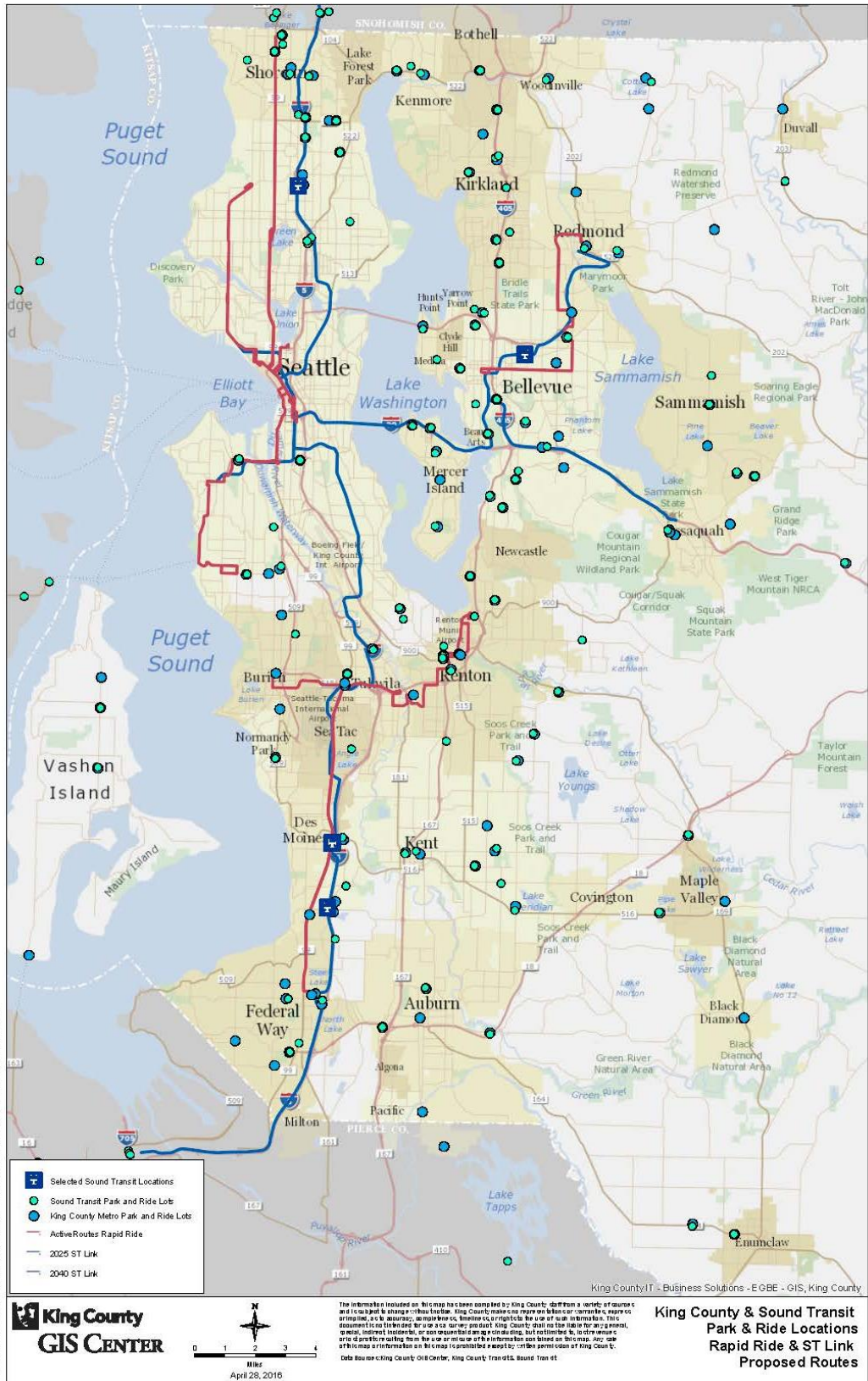
- 422 Appendix I: King County Subregional Map  
 423 Appendix II: King County High Capacity Transit Investments  
 424 Appendix III: Northgate Redevelopment Site

- 425 Appendix IV: South King County Targeted Investment Area 1
- 426 Appendix V: South King County Targeted Investment Area 2
- 427 Appendix VI: Bel-Red Targeted Investment Area
- 428 Appendix VII: East King County Park and Ride Facilities

Appendix I: King County Subregional Map



Appendix II: King County High Capacity Transit Investments





Appendix III: Northgate Redevelopment Site



Appendix IV: South King County Targeted Investment Area 1



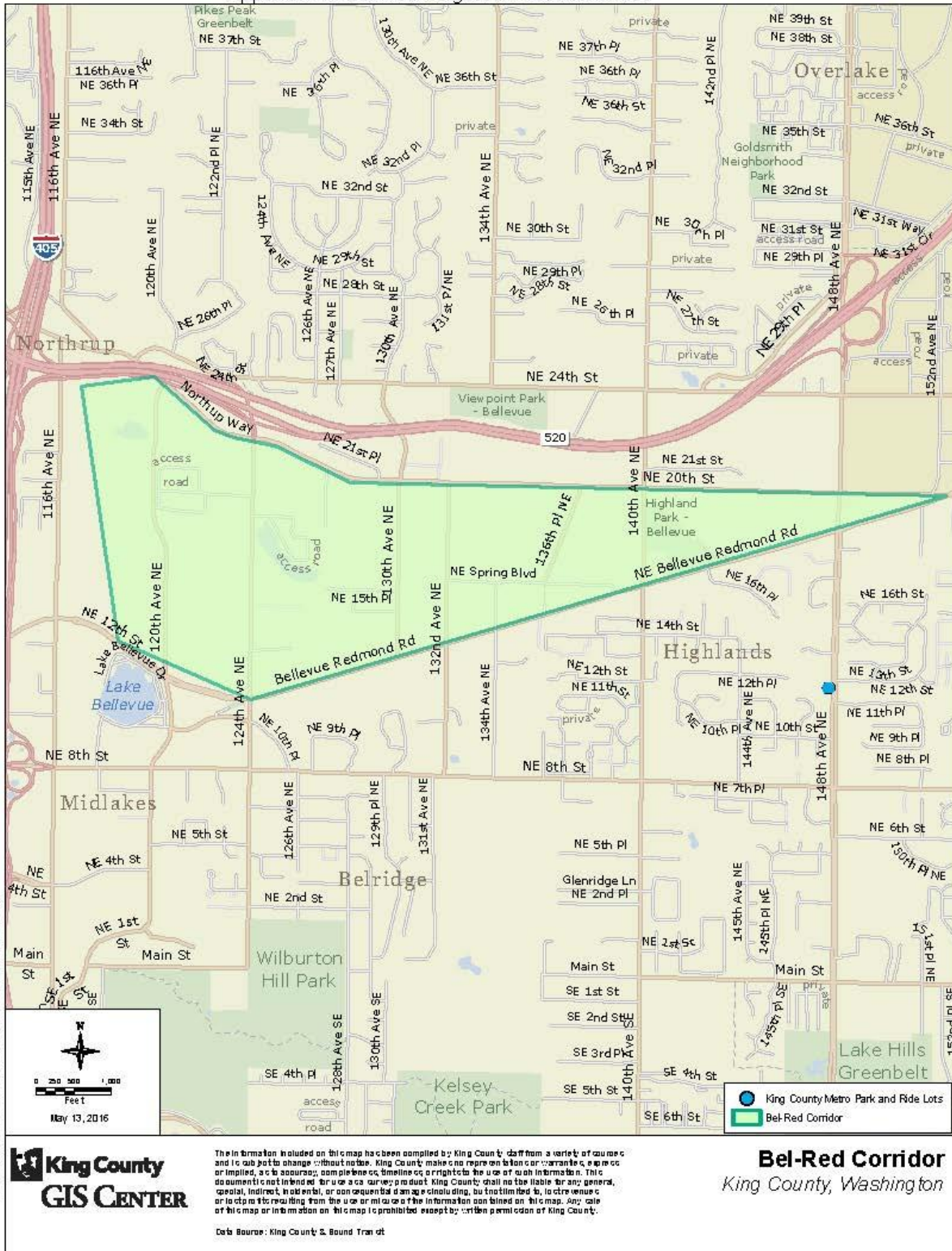


Appendix V: South King County Targeted Investment Area 2





Appendix VI: Bel-Red Targeted Investment Area



# Appendix VII: East King County Park and Ride Facilities

