



King County

Transit-Oriented Development Bond Allocation Plan

Department of Community and Human Services

May 2016

Executive Summary

In 2015, the Washington Legislature passed Substitute House Bill 1223, which became Chapter 102, Laws of Washington 2015. The act provided King County the authority to bond against future hotel/motel tax revenue for the purpose of creating transit-oriented affordable housing. King County will use these funds, anticipated to be approximately \$48 million, for focused affordable housing investments near high capacity transit nodes. The King County Executive proposes that investments be made countywide and equally shared between South King County, North/East King County and the City of Seattle over time. King County will make funds available through competitive procurement processes, anticipated to occur in 2016 and 2017. Thereafter, the hotel/motel tax revenue is anticipated to be approximately \$7 million per year and will be used to continue support of transit-oriented affordable housing projects countywide.

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 locations served by high capacity transit (defined as fixed rail, bus rapid transit or other high frequency bus stops). 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.

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 one-half of the future hotel/motel tax revenue for the purpose of creating affordable housing near transit. The Office of Performance, Strategy, and Budget estimates that this will generate approximately \$48 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 stop 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). Moreover, beginning in 2021, King County will have access to the other 50 percent of the lodging tax revenue to continue to support transit-oriented affordable housing.

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, a majority will be focused at 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 generally equally shared between 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 and 2017.

Vision and Principles

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

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

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

1. The King County Executive, King County Council, local jurisdictions and other stakeholders will ensure that funds are fairly and equitably distributed throughout King County. Generally, this will mean that funds will be equally distributed between South King County, North/East King County and Seattle (Please refer to Appendix I for geographic boundaries). Also, while taking into consideration subregional differences in land and development costs, King County will also strive to ensure an equitable distribution of funded housing units.
2. Transit-oriented affordable housing investments will be made in high capacity transit areas, defined as locations within one-half mile of a fixed rail station (light rail, Sounder train), bus rapid transit or high frequency transit station.
3. All stakeholders will work in a collaborative manner to identify transit-oriented affordable housing opportunities throughout King County.
4. All stakeholders recognize the importance of timing in order to take advantage of real estate opportunities. Stakeholders agree to work in a timely manner to ensure use of TOD bond funds.
5. All TOD investments will strive to meet the County's racial, ethnic and economic diversity principles at high capacity transit nodes.
6. TOD investments will be integrated with other County initiatives and strategies, including Communities of Opportunities, surplus property opportunities, the Regional Equitable Development Initiative (REDI) and others.

Funding Considerations

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

1. As identified in the Washington state legislation, all housing funded with TOD bond proceeds must be for households earning between 30 percent and 80 percent of King County median income (as defined by the Department of Housing and Urban Development), which is approximately \$27,000 and \$69,000 for a family of four.
2. Similarly, the state legislation restricts TOD bond funds to nonprofit housing developers and local housing authorities. King County strongly encourages partnerships between for-profit and nonprofit entities to create as many affordable housing units as possible.
3. In order to provide the funds to make selected affordable housing transit-oriented investments, King County will issue debt obligations (bonds) against expected future tax revenue. Such debt obligations carry issuance costs as well as long-term interest expenses. In recognition of these costs, King County will determine the timing and manner in which to issue the TOD bonds.
4. Due to the costs and complexity of issuing bonds, King County reserves the right to use interfund borrowing as necessary to provide short-term cash for project development expenses. Short-term loans will be repaid from proceeds of the sale of bonds. Any interfund loans will be coordinated with County Council.
5. As outlined above, a core principle of the TOD bond funds is that they be used in a timely manner to develop projects prior to increased land costs. Consequently, and as to also preserve limited affordable housing funds for non-TOD oriented projects, King County will not fund projects that anticipate either 9 percent Low Income Housing Tax Credits or State of Washington Housing Trust Fund dollars.
6. While King County is being prescriptive in requesting that proposed projects do not pursue the funds identified above, it is anticipated that projects will access other affordable housing programs, such as the 4 percent Low Income Housing Tax Credit Program and certain tax exemption programs. In coordination with sponsors of selected projects, King County will work to issue TOD bonds so that they do not conflict with restrictions or requirements of other funding sources.

Investment Strategy

Through competitive RFP processes over the next five years, King County will invest approximately \$48 million in transit-oriented projects throughout King County. The Executive proposes to work jointly with King County Council and local jurisdictions to determine regional funding priorities. A portion of the funds will target investments in specific locations. The remainder will be awarded to nonprofit and partner agency proposed projects throughout King County that meet the principles outlined above and the specific investment criteria identified below. Also, beginning in 2021, the remaining 50 percent of the lodging tax (currently estimated at \$7 million per year) will be available for annual funding awards. While King County may alter

the specific type of requested investment, the general principles and funding considerations will remain in place.

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

A. Agency Proposed Projects:

1. King County is seeking nonprofit and partner agency proposed projects that align with the principles and funding considerations outlined above. The purpose of requesting agency proposed projects is to receive proposals that respond to unique opportunities or specific redevelopment goals of local areas. Proposals that leverage other public investments and/or public property are strongly encouraged. Specific criteria for agency proposed projects are outlined below.
 - a. Proposed projects must be located within one-half mile of a high capacity transit area (as previously defined).
 - 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 identification of Metro Bus Rapid Transit and Sound Transit Light Rail stations.)
 - 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: Countywide. Please refer to Appendices I and II for guidance on subregional geography and transit investment areas. Development sites should adhere to the location guidance identified in the Principles and Funding Conditions identified above.
3. Amount: Approximately \$10 million, distributed equitably throughout the region. King County reserves the right to issue debt in a manner to limit cost and complexity.
4. Timing: The initial RFP soliciting agency proposed projects will be released in July 2016. 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 2016. King County will determine when to issue bond debt based on King County debt protocols and project need.

B. Northgate Affordable Housing

1. Description: King County Metro anticipates releasing an RFP for the redevelopment of approximately seven acres of surplus County-property located at the Northgate Transit Center. The RFP will solicit proposals from developers for an overall development plan for all or a portion of the County-owned land. Proposals may include both commercial and residential components. There will be an expectation for a significant investment in affordable housing using a variety of models, including multi-family tax exemption, 4 percent low income housing tax credits and direct subsidy. King County will include access to bond funding to support the creation of affordable housing as part of the Northgate redevelopment plan. Specific criteria for affordable housing at Northgate are outlined below.
 - a. A key component of any redevelopment proposal will be the inclusion of affordable housing. Total number of affordable units as a percentage of all units is an important consideration. However, how they are included in the overall redevelopment plan is also a significant consideration. A broad income range for affordable units is also encouraged.
 - b. Affordable housing units can be included across the entire site and/or within a dedicated affordable housing project.
 - c. Partnerships between nonprofit and for-profit agencies are strongly encouraged.
 - d. Proposed projects should explore the possibility of leveraging other affordable housing programs, including the multifamily tax exemption, affordable housing bonuses and City of Seattle affordable housing funds.
2. Location: Seattle – Northgate Park and Ride. Please refer to Appendix III for more detailed site information.
3. Amount: Approximately \$10 million.
4. Timing: King County Metro anticipates releasing the RFP for Northgate redevelopment proposals in the fall of 2016.

5. Review Process: Affordable housing projects will be evaluated as a component of the overall Northgate Redevelopment RFP review process. King County reserves the right to ask for modifications to any affordable housing proposals to ensure the integrity of the overall site redevelopment plan. King County will determine when to issue bond debt based on King County debt protocols and project need.

C. South King County Targeted RFP

1. Description: In 2017, after working with members of the King County Council and local jurisdictions, King County will solicit proposals for affordable housing projects at the Des Moines Link Light Rail Station and the S 272nd Ave Light Rail station in Federal Way. These areas represent the opportunity to create affordable housing near Highline Community College and light rail in the case of the Kent/Des Moines Station and the ability to leverage County-owned property near bus rapid transit and light rail at S 272nd Ave. Specific criteria for affordable housing in these areas are outlined below.
 - a. Proposed projects must be located within one half mile of the Des Moines Link Light Rail Station, the 272nd Ave SW Light Rail Station or the Bus Rapid Transit station at S 272nd and HWY 99.
 - 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: Please refer to Appendices IV and V 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.

D. East King County Targeted RFP

1. Description: In 2017, after working with members of 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 high capacity transit locations 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: 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.

E. Seattle South Downtown Projects

1. Description: The legislation authorizing the issuance of TOD bonds included a requirement that 10 percent of the bond proceeds must be used to “promote sustainable workplace opportunities near a community impacted by the construction or operation of tourism-related facilities.” This will support the Historic South Downtown Public Development Authority (HSDPDA), as well as

other community organizations. DCHS will work with the HSDPDA, members of the King County Council, as well as the City of Seattle (Office of Housing) to identify suitable investment opportunities. In addition to the 10 percent set aside, \$3 million will be added to support the housing project under development at Pacific Tower.

2. Location: Seattle – International District or Pioneer Square.
3. Amount: Approximately \$8 million.
4. Timing: TBD.
5. Review Process: TBD.

Future Bond Legislation

As previously discussed, King County will determine when to issue debt based on King County debt protocols and specific need. Where appropriate, King County may elect to temporarily fund projects out of interfund borrowing so as to reduce debt issuance cost and administrative burden. In addition, per King County code, debt issuances must be approved by the King County Council. The King County Executive will work collaboratively with the King County Council on the preparation and approval of all TOD bond legislation.

Appendices

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

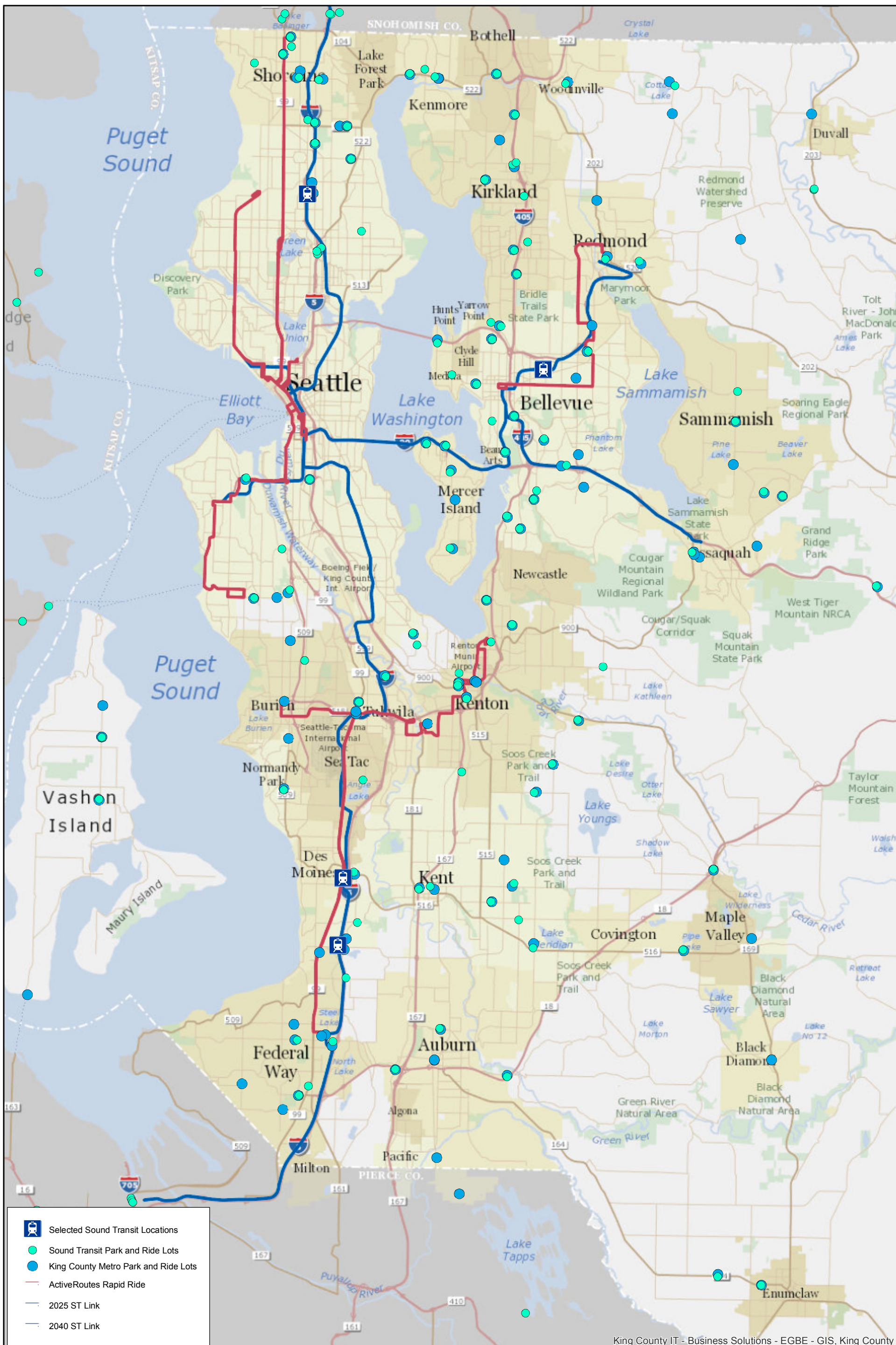
Appendix V: South King County Targeted Investment Area 2

Appendix VI: East King County Targeted Investment Area



Document Path: \\GIS\NAS1\projects\kgis\client_services\Executive\16067_AffordableHousing\projects\SubRegionalAreas\Carto\update2.mxd

The information included on this map has been compiled by King County staff from a variety of sources and is subject to change without notice. King County makes no representations or warranties, express or implied, as to accuracy, completeness, timeliness, or rights to the use of such information. This document is not intended for use as a survey product. King County shall not be liable for any general, special, indirect, incidental, or consequential damages including, but not limited to, lost revenues or lost profits resulting from the use or misuse of the information contained on this map. Any sale of this map or information on this map is prohibited except by written permission of King County.



King County IT - Business Solutions - EGBE - GIS, King County



The information included on this map has been compiled by King County staff from a variety of sources and is subject to change without notice. King County makes no representations or warranties, express or implied, as to accuracy, completeness, timeliness, or rights to the use of such information. This document is not intended for use as a survey product. King County shall not be liable for any general, special, indirect, incidental, or consequential damages including, but not limited to, lost revenues or lost profits resulting from the use or misuse of the information contained on this map. Any sale of this map or information on this map is prohibited except by written permission of King County.

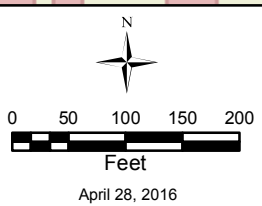
Data Sources: King County GIS Center, King County Transit & Sound Transit

**King County & Sound Transit
Park & Ride Locations
Rapid Ride & ST Link
Proposed Routes**

File Name: \\GISNAS1\projects\kcg\client_services\Executive\16067_AffordableHousing\projects\SoundTransit\KCRapidRide.mxd



File Name: IGSR\NAS\T\projects\legislative\client_services\cas\Executive\Northgate\Parcels\ipdate.mxd

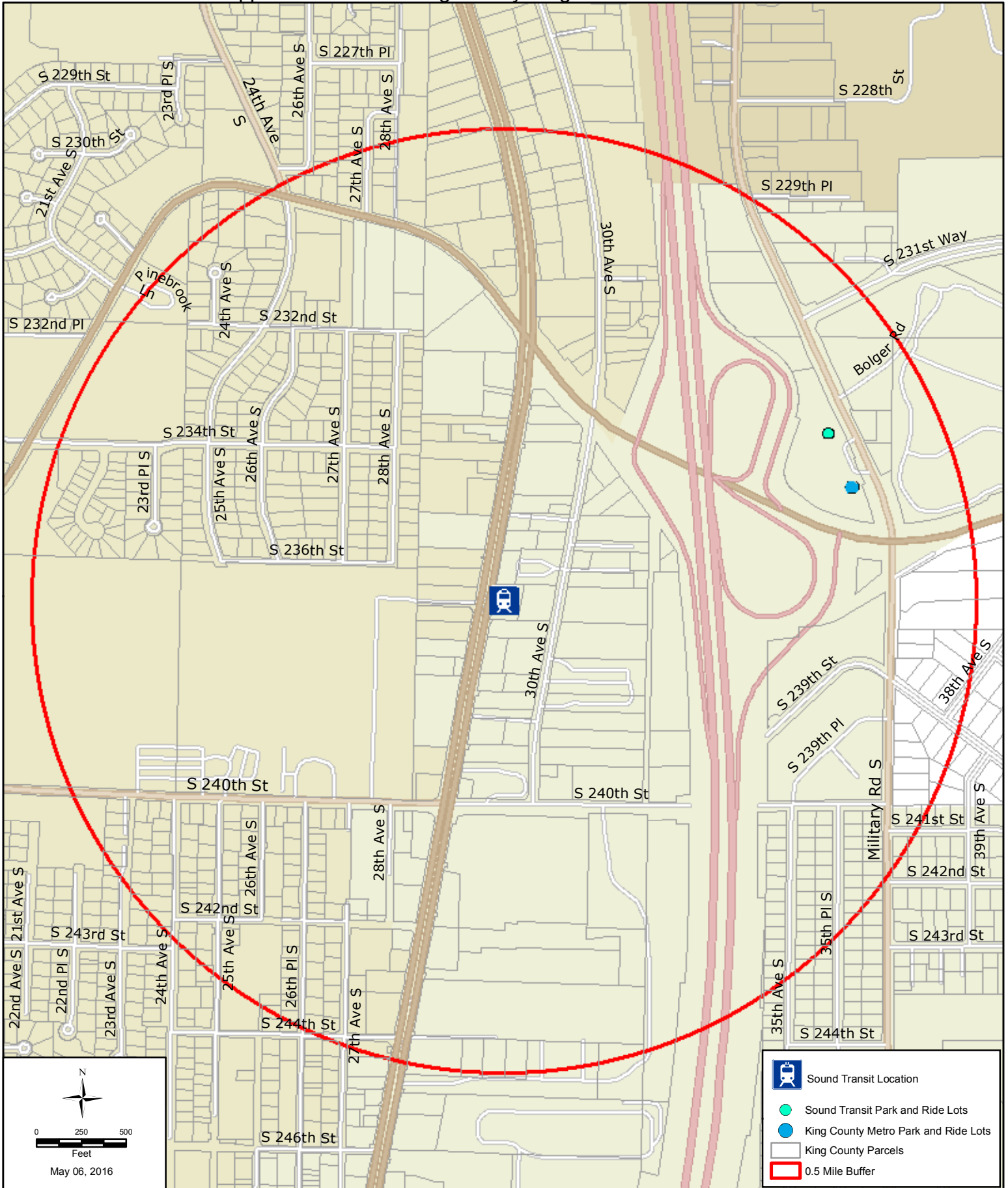







 **King County**
GIS CENTER

The information included on this map has been compiled by King County staff from a variety of sources and is subject to change without notice. King County makes no representations or warranties, express or implied, as to accuracy, completeness, timeliness, or rights to the use of such information. This document is not intended for use as a survey product. King County shall not be liable for any general, special, indirect, incidental, or consequential damages including, but not limited to, lost revenues or lost profits resulting from the use or misuse of the information contained on this map. Any sale of this map or information on this map is prohibited except by written permission of King County.

Data Source: King County & Sound Transit

Northgate Station
King County, Washington



-  Sound Transit Location
-  Sound Transit Park and Ride Lots
-  King County Metro Park and Ride Lots
-  King County Parcels
-  0.5 Mile Buffer

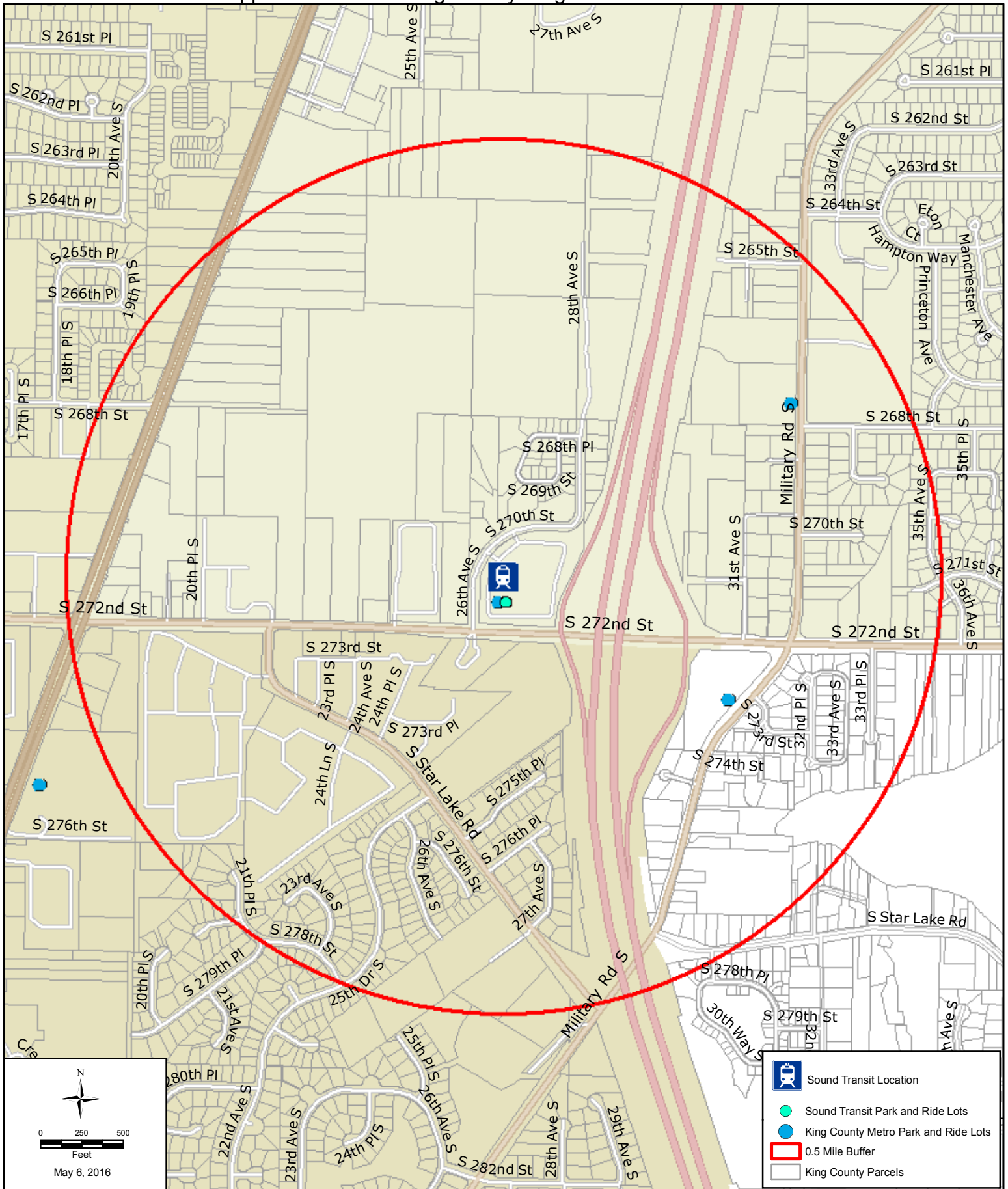


The information included on this map has been compiled by King County staff from a variety of sources and is subject to change without notice. King County makes no representations or warranties, express or implied, as to accuracy, completeness, timeliness, or rights to the use of such information. This document is not intended for use as a survey product. King County shall not be liable for any general, special, indirect, incidental, or consequential damages including, but not limited to, lost revenues or lost profits resulting from the use or misuse of the information contained on this map. Any sale of this map or information on this map is prohibited except by written permission of King County.

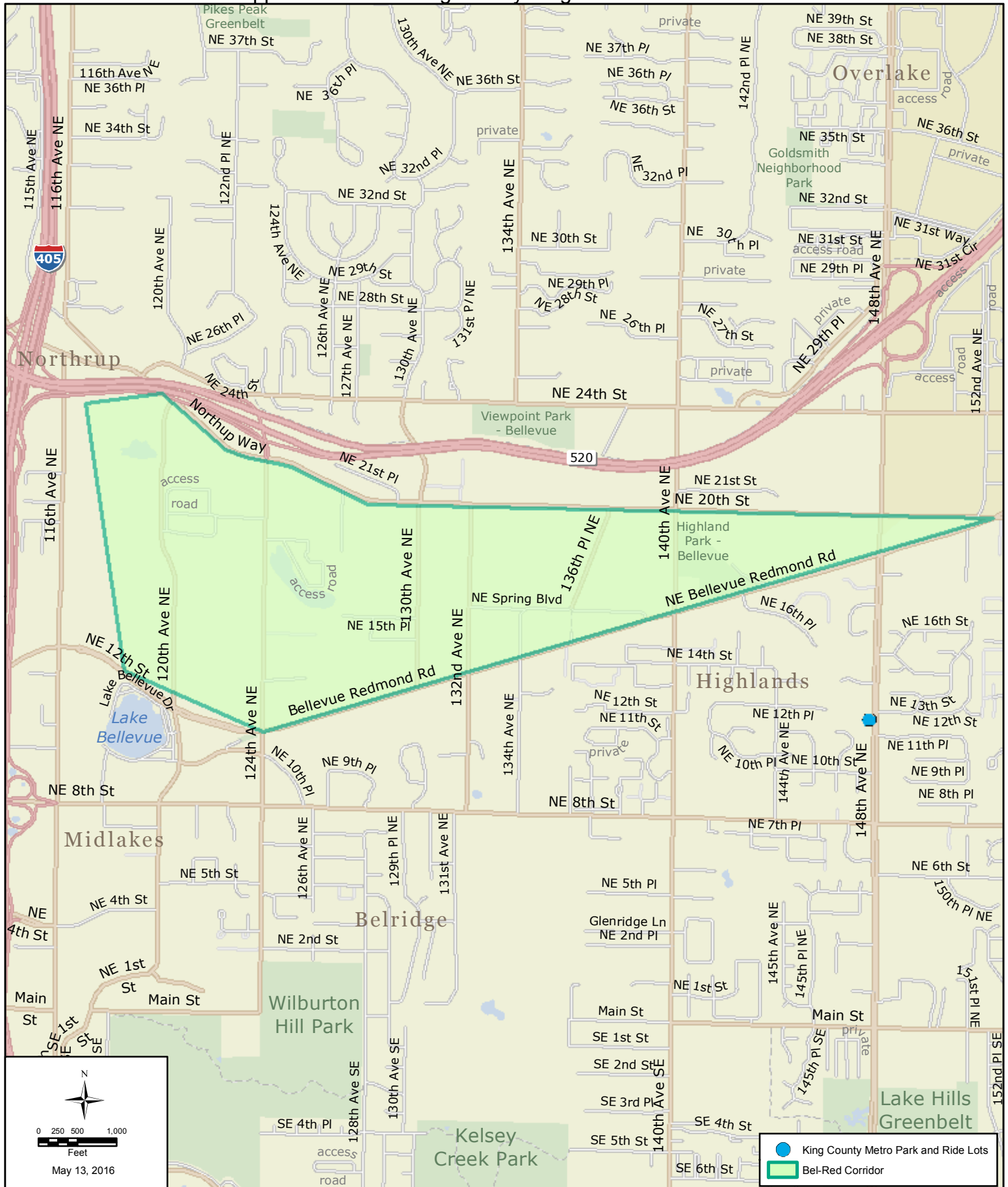
Des Moines Station
King County, Washington

Data Source: King County & Sound Transit

File Name: \GIS\NAS1\projects\kcgisclient_services\ecr\cuh\16067_AffordableHousing\projects\KendDesMoinesParcels.mxd



Appendix VI: East King County Targeted Investment Area



File Name: \\GISNAS1\proj\cas\gis\client_services\Executive\Bel_Red_130thStation_Parcels.mxd



The information included on this map has been compiled by King County staff from a variety of sources and is subject to change without notice. King County makes no representations or warranties, express or implied, as to accuracy, completeness, timeliness, or rights to the use of such information. This document is not intended for use as a survey product. King County shall not be liable for any general, special, indirect, incidental, or consequential damages including, but not limited to, lost revenues or lost profits resulting from the use or misuse of the information contained on this map. Any sale of this map or information on this map is prohibited except by written permission of King County.

Bel-Red Corridor King County, Washington

Data Source: King County & Sound Transit