



King County

Transit-Oriented Development Bond Allocation Plan

RED-LINE

Department of Community and Human Services

May 2016 Updated June 22, 2016

1 **Executive Summary**

2 In 2015, the Washington Legislature passed Substitute House Bill 1223, which became Chapter
3 102, Laws of Washington 2015. The act provided King County the authority to bond against
4 future hotel/motel tax revenue for the purpose of creating transit-oriented affordable housing.
5 King County will use these revenue bonds funds, anticipated to ~~total~~ be approximately \$487
6 million, for focused affordable housing investments ~~near high capacity transit nodes within one-~~
7 ~~half mile of transit stations.~~ ~~These King County Executive proposes that~~ investments will be
8 made countywide and ~~equally shared between South King County, North/East King County and~~
9 ~~the City of Seattle~~ distributed among transit station areas around the county over time. King
10 County will make funds available through competitive procurement processes, anticipated to
11 occur in 2016, ~~and~~ 2017, ~~and beyond.~~ These investments will be funded through ~~Thereafter, the~~
12 revenue bonds backed by hotel/motel tax revenues. In addition to the bond funds, it is
13 anticipated ~~that an additional to be~~ approximately \$7 million per year in hotel/motel tax revenue
14 will be available beginning in 2021 that ~~and~~ will also be used to continue support of transit-
15 oriented affordable housing projects countywide.

16 **Introduction**

17 King County is committed to creating a region where all households have an equitable
18 opportunity to be healthy, happy, self-reliant and connected to community. A key component to
19 that success rests at the intersection of housing and transportation. While there is widespread
20 recognition that housing costs in King County are rising more rapidly than many households can
21 sustain, equally important is the impact of transportation costs, particularly as people seek lower
22 cost housing in more suburban locations. Only by considering housing and transportation
23 together can King County work to ensure that our region is affordable for all residents.
24

25
26 Towards this end, King County is actively working to promote transit-oriented affordable
27 housing. National research and anecdotal evidence show that housing costs rise more quickly
28 near ~~locations served by high capacity transit (defined as fixed rail, bus rapid transit or other high~~
29 ~~frequency bus stops)~~ transit stations. And absent focused, direct interventions, affordable housing
30 near these transit nodes will diminish over time as market rate developers seek higher returns.
31 This deprives many households access to quality housing that also brings the monetary
32 advantage of low-cost transportation.
33

34 Fortunately, King County has access to housing capital resources designed to address the specific
35 issue of how to create transit-oriented affordable housing. In 2015, the state Legislature provided
36 King County with the authority to bond against one-half of 37.5 percent of the County's post-
37 2021 future hotel/motel tax revenue for the purpose of creating affordable housing near transit.
38 The Office of Performance, Strategy, and Budget Based upon current financial forecasts, the
39 County estimates that this will generate approximately \$487 million in revenue bond proceeds to
40 be invested in affordable workforce housing. Under the terms of the state legislation, the housing
41 must be within one-half mile of a transit ~~station~~ op and must be designated for households earning
42 between 30 percent and 80 percent of area median income (between approximately \$27,000 and
43 \$69,000 for a family of four). The State law requires that debt service for these revenue bonds
44 can make up no more than half of the 37.5 percent post-2021 hotel/motel tax revenues that have
45 been allocated for affordable housing. As a result, Moreover, beginning in 2021, King County
46 will have access not only to the bond funds, but also to the other 50 percent of the lodging tax
47 revenue to continue to support transit-oriented affordable housing.

48
49 From the foundational requirements of the state legislation, King County is adding specific
50 parameters to ensure that transit-oriented development (TOD) investments are both strategic and
51 equitable. While a portion of the funds will be made available at partner-identified locations
52 near transit stations, a ~~portion~~majority will be focused ~~around~~at specific high capacity transit
53 areas (outlined below) in order to leverage major public investments in transit. King County-
54 owned property in these locations will be specifically targeted.

55
56 Investments will be made countywide, in nonprofit-led projects, and will be generally equally
57 shared between South King County, North/East King County and the City of Seattle. King
58 County will make the bond funds available through competitive request for proposal processes,
59 anticipated to occur in 2016, ~~and~~ 2017, and beyond.

60 61 **Vision and Principles**

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

64
65 *Create diverse, vibrant, mixed income communities in targeted TOD areas in South*
66 *and North/East King County and Seattle*

67
68 To ensure that projects supported with the TOD funds meet this vision, the following principles
69 will guide investment decisions.

- 70
71 1. The King County Executive, King County Council, local jurisdictions and other
72 stakeholders will ensure that funds are fairly and equitably distributed throughout King
73 County. Generally, this will mean that funds will be equally distributed between South
74 King County, North/East King County and Seattle ~~(Please refer to Appendix I for~~
75 ~~geographic boundaries)~~. Also, while taking into consideration subregional differences in
76 land and development costs, King County will also strive to ensure an equitable
77 distribution of funded housing units.
- 78
79 2. Transit-oriented affordable housing investments ~~should be prioritized will be made in~~
80 ~~high capacity transit areas, defined as locations~~ within one-half mile of any fixed rail
81 station (Light Rail, RapidRide, Bus Rapid Transit (BRT), Sounder station, or a key
82 transfer point for varying transit modes-Sounder train), bus rapid transit or high-
83 frequency transit station.
- 84
85 3. All stakeholders will work in a collaborative manner to identify transit-oriented
86 affordable housing opportunities throughout King County.
- 87
88 4. All stakeholders recognize the importance of timing in order to take advantage of real
89 estate opportunities. Stakeholders agree to work in a timely manner to ensure use of TOD
90 bond funds.
- 91
92 5. All TOD investments will strive to meet the County's racial, ethnic and economic
93 diversity principles at high capacity transit nodes.

94
95 6. TOD investments will be integrated with other County initiatives and strategies,

96 including Communities of Opportunities, surplus property opportunities, the Regional
97 Equitable Development Initiative (REDI) and others.

98
99 7. Preference will be given to project proposals that will serve populations that have
100 been identified as being in particular need, including but not limited to lower income
101 households between 30 and 50 percent of area median income (although projects
102 serving the full range of households permitted by the State law between 30 and 80
103 percent of area median income will be considered), veterans, survivors of domestic
104 violence, people with developmental disabilities, households that are at risk of
105 homelessness, or individuals re-entering the community after incarceration.

106
107 6.8. King County will strive to ensure equitable geographic distribution when prioritizing
108 the allocation of funds.

109 110 **Funding Considerations**

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

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114
115 1. As identified in the Washington state legislation, all housing funded with TOD bond
116 proceeds must be for households earning between 30 percent and 80 percent of
117 King County median income (as defined by the Department of Housing and Urban
118 Development), which is approximately \$27,000 and \$69,000 for a family of four.
119
- 120 2. Similarly, the state legislation restricts TOD bond funds to nonprofit housing developers
121 and local housing authorities. King County strongly encourages partnerships between for-
122 profit and nonprofit entities to create as many affordable housing units as possible.
123
- 124 3. ~~In order to provide the funds to make selected affordable housing transit-oriented~~
125 ~~investments, King County will issue debt obligations (bonds) against expected future tax~~
126 ~~revenue. Such debt obligations carry issuance costs as well as long-term interest~~
127 ~~expenses. In recognition of these costs, King County will determine the timing and~~
128 ~~manner in which to issue the TOD bonds. To minimize the costs of interest and to~~
129 ~~comply with the timing requirements in State law, King County will use interfund~~
130 ~~borrowing or bond anticipation notes, whichever is less costly, to fund short-term~~
131 ~~project costs. It is anticipated that the first bond issuance will not occur until 2021.~~
132
- 133 4. ~~Due to the costs and complexity of issuing bonds, King County reserves the right to use~~
134 ~~interfund borrowing as necessary to provide short-term cash for project development~~
135 ~~expenses. Short-term loans will be repaid from proceeds of the sale of bonds. Any~~
136 ~~interfund borrowing, bond anticipation notes, and bond issuances loans will be~~
137 ~~approved/ordinated following the procedures outlined in the with King County~~
138 ~~Code/council.~~
139
- 140 5.—The County will encourage projects that can leverage other funding sources, including
141 the Regional Equitable Development Initiative (REDI) Fund, the Washington State
142 Housing Finance Commission 4% or 9% Low Income Housing Tax Credits, the

143 ~~Washington State Housing Trust Fund, and other funding sources. As outlined above, a~~
144 ~~core principle of the TOD bond funds is that they be used in a timely manner to~~
145 ~~develop projects prior to increased land costs. Consequently, and as to also preserve~~
146 ~~limited affordable housing funds for non TOD-oriented projects, King County will not~~
147 ~~fund projects that anticipate either 9 percent Low Income Housing Tax Credits or State~~
148 ~~of Washington Housing Trust Fund dollars.~~

149 ~~6.—~~

150 ~~7.5. While King County is being prescriptive in requesting that proposed projects do not~~
151 ~~pursue the funds identified above, it is anticipated that projects will access other~~
152 ~~affordable housing programs, such as the 4 percent Low Income Housing Tax Credit~~
153 ~~Program and certain tax exemption programs. In coordination with sponsors of selected~~
154 ~~projects, King County will work to issue TOD bonds so that they do not conflict with~~
155 ~~restrictions or requirements of other funding sources.~~

157 **Investment Strategy**

158 Through competitive RFP processes over the next five years, King County will invest
159 approximately \$487 million in transit-oriented affordable housing projects throughout King
160 County. The King County Executive proposes to work jointly with and King County Council
161 will collaborate with and local jurisdictions to determine regional funding priorities. A portion of
162 the funds will target investments in specific locations. The remainder will be awarded to
163 nonprofit and partner agency proposed projects throughout King County that meet the principles
164 outlined above and the specific investment criteria identified below. Also, beginning in 2021, the
165 remaining 50 percent of the lodging tax that is not reserved for debt service for these bonds
166 (currently estimated at \$7 million per year) will be available for annual funding awards. While
167 King County may alter the specific type of requested investment, the general principles and
168 funding considerations will remain in place.

169
170 Specific investments concepts are identified below, including a description of the concept, the
171 amount of funding, location, timing and evaluation process.

172 173 A. All-County Agency Proposed Projects:

- 174
175 1. King County is seeking nonprofit and partner agency proposed projects that align
176 with the principles and funding considerations outlined above. The purpose of
177 requesting agency proposed projects is to receive proposals that respond to unique
178 opportunities or specific redevelopment goals of local areas. Proposals that
179 leverage other public investments and/or public property are strongly encouraged.
180 Specific criteria for agency proposed projects are outlined below.

181
182 a. Transit-oriented affordable housing investments should be
183 prioritized within one-half mile of any Light Rail, RapidRide,
184 Bus Rapid Transit (BRT), Sounder station, or a key transfer
185 point for varying transit modes~~Proposed projects must be~~
186 ~~located within one-half mile of a high-capacity transit area (as~~
187 ~~previously defined).~~

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189 b. Projects can be new construction, acquisition/rehabilitation and/or
190 preservation.

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- 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 H for a map 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 \$42.310 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 anticipates may issuinge 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 interfund loans, bond anticipation notes, and 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

239 percentage of all units is an important consideration. However, how
240 they are included in the overall redevelopment plan is also a
241 significant consideration. A broad income range for affordable units is
242 also encouraged.

- 243
- 244 b. Affordable housing units can be included across the entire site and/or
- 245 within a dedicated affordable housing project.
- 246
- 247 c. Partnerships between nonprofit and for-profit agencies are strongly
- 248 encouraged.
- 249
- 250 d. Proposed projects should explore the possibility of leveraging other
- 251 affordable housing programs, including the multifamily tax exemption,
- 252 affordable housing bonuses and City of Seattle affordable housing
- 253 funds.
- 254

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

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258 3. Amount: Approximately \$10 million.

259

260 4. Timing: King County Metro anticipates releasing the RFP for Northgate

261 redevelopment proposals in the fall of 2016.

262

263 5. Review Process: Affordable housing projects will be evaluated as a component of

264 the overall Northgate Redevelopment RFP review process. King County reserves

265 the right to ask for modifications to any affordable housing proposals to ensure

266 the integrity of the overall site redevelopment plan. King County will determine

267 when to issue interfund loans, bond anticipation notes, and bond debt based on

268 King County debt protocols and project need.

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271 C. South King County Targeted RFP

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273 1. Description: In 2017, after working with ~~members of~~ the King County Council

274 and local jurisdictions, King County will solicit proposals for affordable housing

275 projects at the Des Moines Link Light Rail Station and the S 272nd Ave Light

276 Rail station in Federal Way. These areas represent the opportunity to create

277 affordable housing near Highline Community College and light rail in the case of

278 the Kent/Des Moines Station and the ability to leverage County-owned property

279 near bus rapid transit and light rail at S 272nd Ave. Specific criteria for affordable

280 housing in these areas are outlined below.

- 281
- 282 a. Proposed projects must be located within one half mile of the Des
- 283 Moines Link Light Rail Station, the 272nd Ave SW Light Rail
- 284 Station or the Bus Rapid Transit station at S 272nd and HWY 99.
- 285

- 286 b. Projects can be new construction, acquisition/rehabilitation and/or
- 287 preservation.
- 288
- 289 c. Projects will support local redevelopment and planning efforts in
- 290 the two transit areas.
- 291
- 292 d. Partnerships between nonprofit and for-profit agencies are strongly
- 293 encouraged.
- 294
- 295 e. Where possible, agencies should work with municipalities and
- 296 other local governments to take advantage of publicly-owned
- 297 property and other community assets.
- 298
- 299
- 300 2. Location: Proposed projects must be located within one half mile of the Des
- 301 Moines Link Light Rail Station, the 272nd Ave SW Light Rail Station or
- 302 the Bus Rapid Transit station at S 272nd and HWY 99~~Please refer to-~~
- 303 ~~Appendices IV and V for station area information.~~
- 304
- 305 3. Amount: Approximately \$10 million.
- 306
- 307 4. Timing: The initial RFP soliciting agency proposed projects will be released in
- 308 July 2017. King County may issue additional future RFPs until investment goals
- 309 are met and all funds are allocated.
- 310
- 311 5. Review Process: Agency proposed projects will be submitted and evaluated as
- 312 part of the standard, annual Housing Finance Program RFP process, beginning
- 313 in July 2017. King County will determine when to issue bond debt based on
- 314 King County debt protocols and project need.
- 315

316 D. Bel-Red~~East King County~~ Targeted RFP

- 317
- 318 1. Description: In 2017, after working with ~~members of~~ the King County Council
- 319 and local jurisdictions, King County will solicit proposals for affordable housing
- 320 projects near high capacity transit locations in the Bel-Red Corridor. This area
- 321 represents the opportunity to take advantage of existing and new investments in
- 322 transit, coupled with publicly-controlled property. Specific criteria for affordable
- 323 housing in this area are outlined below.
- 324
- 325 a. Proposed projects must be located within one-half mile of ~~high-~~
- 326 ~~capacity transit location~~transit stations in the Bel-Red
- 327 Corridor.
- 328
- 329 b. Projects can be new construction, acquisition/rehabilitation and/or
- 330 preservation.
- 331
- 332 c. Projects will support local redevelopment and planning efforts in
- 333 the two transit areas.

- 334
- 335 d. Partnerships between nonprofit and for-profit agencies are strongly
- 336 encouraged.
- 337
- 338 e. Where possible, agencies should work with municipalities and
- 339 other local governments to take advantage of publicly-owned
- 340 property and other community assets.
- 341
- 342 2. Location: Proposed projects must be located within one-half mile of transit
- 343 stations in the Bel-Red Corridor. Please refer to Appendix VI for station-
- 344 area information.
- 345
- 346 3. Amount: Approximately \$10 million.
- 347
- 348 4. Timing: The initial RFP soliciting agency proposed projects will be released in
- 349 July 2017. King County may issue additional future RFPs until investment goals
- 350 are met and all funds are allocated.
- 351
- 352 5. Review Process: Agency proposed projects will be submitted and evaluated as
- 353 part of the standard, annual Housing Finance Program RFP process, beginning in
- 354 July 2017. King County will determine when to issue bond debt based on King
- 355 County debt protocols and project need.

356

357 E. Seattle South Downtown Projects

358

- 359 1. Description: The legislation authorizing the issuance of TOD bonds included a
- 360 requirement that 10 percent of the bond proceeds must be used to “promote
- 361 sustainable workplace opportunities near a community impacted by the
- 362 construction or operation of tourism-related facilities.” by a community and
- 363 preservation development authority chartered under RCW 43.167. This portion
- 364 of funds will provide \$8.7 million to support the Historic South Downtown
- 365 Public Development Authority (HSDPDA), ~~I, as well as other community~~
- 366 organizations. ~~DCHS will work with the HSDPDA, members of the King~~
- 367 County Council, as well as the City of Seattle (Office of Housing) to identify
- 368 suitable investment opportunities. In addition to the 10 percent set aside,
- 369
- 370 In addition, \$3 million will be ~~dedicated~~ to support the housing project
- 371 under development at Pacific Tower, and \$3 million will be dedicated to support
- 372 affordable housing development near the Othello Station in South Seattle.
- 373
- 374 2. Location: Seattle: ~~—~~ International District, ~~or~~ Pioneer Square, Beacon Hill,
- 375 and/or South Seattle.
- 376
- 377 3. Amount: Approximately \$14.78 million.
- 378
- 379 4. Timing: TBD.
- 380

381 5. Review Process: TBD.
382
383

384 **Future Bond Legislation**

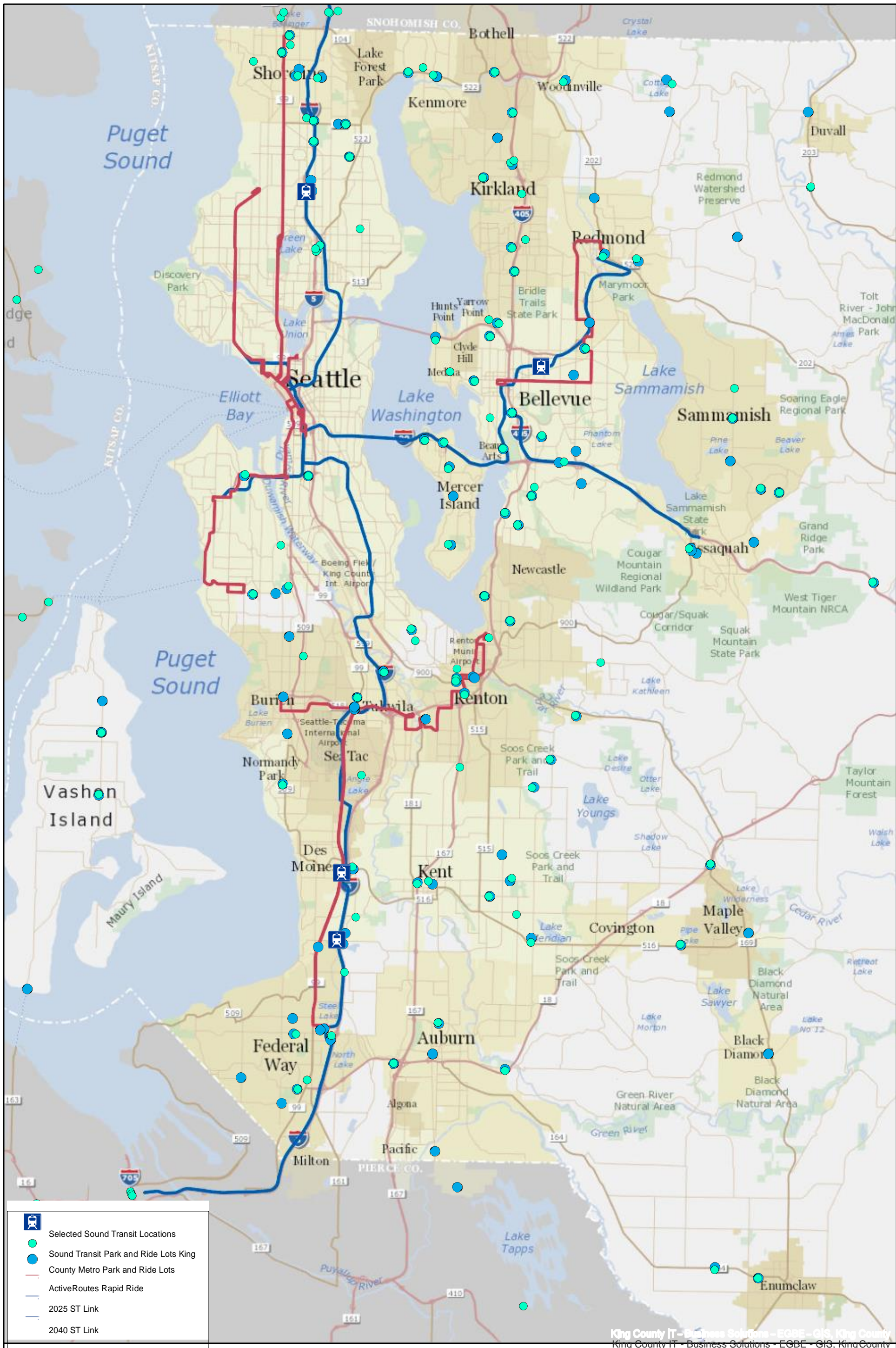
385 As previously discussed, King County will determine when to issue debt based on King County
386 debt protocols and specific need. Where appropriate, King County may elect to temporarily fund
387 projects out of interfund borrowing and/or bond anticipation notes so as to reduce debt issuance
388 cost and administrative burden. It is anticipated that the first bond issuance will not occur until
389 2021.~~In addition, p~~ Per King County code, debt issuances must be approved by the King County
390 Council. The King County Executive ~~will work collaboratively with the~~and King County
391 Council will work collaboratively on the preparation and approval of all TOD bond legislation.
392

393
394 **Appendices**

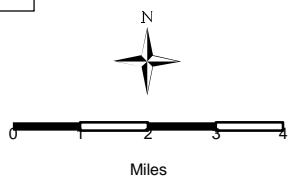
395 Appendix I: ~~King County Subregional Map~~

396 ~~Appendix II: King County High Capacity Transit Investments Appendix III: Northgate-~~
397 ~~Redevelopment Site~~

398 ~~Appendix IV: South King County Targeted Investment Area 1 Appendix V: South King County-~~
399 ~~Targeted Investment Area 2 Appendix VI: East King County Targeted Investment Area~~



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

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