



King County

Transit-Oriented Development Bond Allocation Plan

Department of Community and Human Services

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, anticipated to total approximately \$87 million, for
6 focused affordable housing investments within one-half mile of transit stations. These
7 investments will be made countywide and distributed among transit station areas around the
8 county over time. King County will make funds available through competitive procurement
9 processes, anticipated to occur in 2016, 2017, and beyond. These investments will be funded
10 through revenue bonds backed by hotel/motel tax revenues. In addition to the bond funds, it is
11 anticipated that an additional approximately \$7 million per year in hotel/motel tax revenue will
12 be available beginning in 2021 that will also be used to continue support of transit-oriented
13 affordable housing projects countywide.

14
15 **Introduction**

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

23
24 Towards this end, King County is actively working to promote transit-oriented affordable
25 housing. National research and anecdotal evidence show that housing costs rise more quickly
26 near transit stations. And absent focused, direct interventions, affordable housing near these
27 transit nodes will diminish over time as market rate developers seek higher returns. This deprives
28 many households access to quality housing that also brings the monetary advantage of low-cost
29 transportation.

30
31 Fortunately, King County has access to housing capital resources designed to address the specific
32 issue of how to create transit-oriented affordable housing. In 2015, the state Legislature provided
33 King County with the authority to bond against one-half of 37.5 percent of the County's post-
34 2021 hotel/motel tax revenue for the purpose of creating affordable housing near transit. Based
35 upon current financial forecasts, the County estimates that this will generate approximately \$87
36 million in revenue bond proceeds to be invested in affordable workforce housing. Under the
37 terms of the state legislation, the housing must be within one-half mile of a transit station and
38 must be designated for households earning between 30 percent and 80 percent of area median
39 income (between approximately \$27,000 and \$69,000 for a family of four). The State law
40 requires that debt service for these revenue bonds can make up no more than half of the 37.5
41 percent post-2021 hotel/motel tax revenues that have been allocated for affordable housing. As a
42 result, beginning in 2021, King County will have access not only to the bond funds, but also to
43 the other 50 percent of the lodging tax revenue to continue to support transit-oriented affordable
44 housing.

45
46 From the foundational requirements of the state legislation, King County is adding specific
47 parameters to ensure that transit-oriented development (TOD) investments are both strategic and

48 equitable. While a portion of the funds will be made available at partner-identified locations
49 near transit stations, a portion will be focused around specific high capacity transit areas
50 (outlined below) in order to leverage major public investments in transit. King County-owned
51 property in these locations will be specifically targeted.

52
53 Investments will be made countywide, in nonprofit-led projects, and will be generally equally
54 shared between South King County, North/East King County and the City of Seattle. King
55 County will make the bond funds available through competitive request for proposal processes,
56 anticipated to occur in 2016, 2017, and beyond.

57
58 **Vision and Principles**

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

61
62 *Create diverse, vibrant, mixed income communities in targeted TOD areas in South*
63 *and North/East King County and Seattle*

64
65 To ensure that projects supported with the TOD funds meet this vision, the following principles
66 will guide investment decisions.

- 67
- 68 1. The King County Executive, King County Council, local jurisdictions and other
69 stakeholders will ensure that funds are fairly and equitably distributed throughout King
70 County. Generally, this will mean that funds will be equally distributed between South
71 King County, North/East King County and Seattle. Also, while taking into
72 consideration subregional differences in land and development costs, King County will
73 also strive to ensure an equitable distribution of funded housing units.
 - 74
75 2. Transit-oriented affordable housing investments should be prioritized within one-half
76 mile of any Light Rail, RapidRide, Bus Rapid Transit (BRT), Sounder station, or a key
77 transfer point for varying transit modes.
 - 78
79 3. All stakeholders will work in a collaborative manner to identify transit-oriented
80 affordable housing opportunities throughout King County.
 - 81
82 4. All stakeholders recognize the importance of timing in order to take advantage of real
83 estate opportunities. Stakeholders agree to work in a timely manner to ensure use of TOD
84 bond funds.
 - 85
86 5. All TOD investments will strive to meet the County’s racial, ethnic and economic
87 diversity principles at high capacity transit nodes.
 - 88
89 6. TOD investments will be integrated with other County initiatives and strategies,
90 including Communities of Opportunities, surplus property opportunities, the Regional
91 Equitable Development Initiative (REDI) and others.
 - 92
93 7. Preference will be given to project proposals that will serve populations that have
94 been identified as being in particular need, including but not limited to lower income
95 households between 30 and 50 percent of area median income (although projects

96 serving the full range of households permitted by the State law between 30 and 80
97 percent of area median income will be considered), veterans, survivors of domestic
98 violence, people with developmental disabilities, households that are at risk of
99 homelessness, or individuals re-entering the community after incarceration.

- 100
101 8. King County will strive to ensure equitable geographic distribution when prioritizing
102 the allocation of funds.
103

104 **Funding Considerations**

105 In making investment decisions, King County will adhere to the following funding
106 considerations.
107

- 108
109 1. As identified in the Washington state legislation, all housing funded with TOD bond
110 proceeds must be for households earning between 30 percent and 80 percent of
111 King County median income (as defined by the Department of Housing and Urban
112 Development), which is approximately \$27,000 and \$69,000 for a family of four.
113
114 2. Similarly, the state legislation restricts TOD bond funds to nonprofit housing developers
115 and local housing authorities. King County strongly encourages partnerships between for-
116 profit and nonprofit entities to create as many affordable housing units as possible.
117
118 3. To minimize the costs of interest and to comply with the timing requirements in State
119 law, King County will use interfund borrowing or bond anticipation notes, whichever is
120 less costly, to fund short-term project costs. It is anticipated that the first bond issuance
121 will not occur until 2021.
122
123 4. Interfund borrowing, bond anticipation notes, and bond issuances will be approved
124 following the procedures outlined in the King County Code.
125
126 5. The County will encourage projects that can leverage other funding sources, including
127 the Regional Equitable Development Initiative (REDI) Fund, the Washington State
128 Housing Finance Commission 4% or 9% Low Income Housing Tax Credits, the
129 Washington State Housing Trust Fund, and other funding sources.
130

131 **Investment Strategy**

132 Through competitive RFP processes over the next five years, King County will invest
133 approximately \$87 million in transit-oriented affordable housing projects throughout King
134 County. The King County Executive and King County Council will collaborate with local
135 jurisdictions to determine regional funding priorities. A portion of the funds will target
136 investments in specific locations. The remainder will be awarded to nonprofit and partner agency
137 proposed projects throughout King County that meet the principles outlined above and the
138 specific investment criteria identified below. Also, beginning in 2021, the remaining 50 percent
139 of the lodging tax that is not reserved for debt service for these bonds (currently estimated at \$7
140 million per year) will be available for annual funding awards. While King County may alter the
141 specific type of requested investment, the general principles and funding considerations will
142 remain in place.

143
144 Specific investments concepts are identified below, including a description of the concept, the
145 amount of funding, location, timing and evaluation process.

146
147 A. All-County Agency Proposed Projects

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149 1. King County is seeking nonprofit and partner agency proposed projects that align
150 with the principles and funding considerations outlined above. The purpose of
151 requesting agency proposed projects is to receive proposals that respond to unique
152 opportunities or specific redevelopment goals of local areas. Proposals that
153 leverage other public investments and/or public property are strongly encouraged.
154 Specific criteria for agency proposed projects are outlined below.

155
156 a. Transit-oriented affordable housing investments should be
157 prioritized within one-half mile of any Light Rail, RapidRide,
158 Bus Rapid Transit (BRT), Sounder station, or a key transfer
159 point for varying transit modes.

160
161 b. Projects can be new construction, acquisition/rehabilitation and/or
162 preservation.

163
164 c. Partnerships between nonprofit and for-profit agencies are strongly
165 encouraged.

166
167 d. Where possible, proposed projects should leverage present or future
168 public investment in transit infrastructure (see Appendix I for a map
169 of Metro Bus Rapid Transit and Sound Transit Light Rail stations.)

170
171 e. Where possible, agencies should work with municipalities and other
172 local governments to take advantage of publicly-owned property and
173 other community assets.

174
175 2. Location: Countywide. Please refer to Appendix I for guidance on transit
176 investment areas. Development sites should adhere to the location guidance
177 identified in the Principles and Funding Conditions identified above.

178
179 3. Amount: Approximately \$42.3 million, distributed equitably throughout the
180 region. King County reserves the right to issue debt in a manner to limit cost and
181 complexity.

182
183 4. Timing: The initial RFP soliciting agency proposed projects will be released in
184 2016. King County anticipates issuing additional RFPs until investment goals
185 are met and all funds are allocated.

186
187 5. Review Process: Agency proposed projects will be submitted and evaluated as
188 part of the standard, annual Housing Finance Program RFP process, beginning in
189 2016. King County will determine when to issue interfund loans, bond
190 anticipation notes, and bond debt based on King County debt protocols and

191 project need.

192
193 B. Northgate Affordable Housing
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- 195 1. Description: King County Metro anticipates releasing an RFP for the
196 redevelopment of approximately seven acres of surplus County-property located
197 at the Northgate Transit Center. The RFP will solicit proposals from developers
198 for an overall development plan for all or a portion of the County-owned land.
199 Proposals may include both commercial and residential components. There will
200 be an expectation for a significant investment in affordable housing using a
201 variety of models, including multi-family tax exemption, 4% Low Income
202 Housing Tax Credits and direct subsidy. King County will include access to
203 bond funding to support the creation of affordable housing as part of the
204 Northgate redevelopment plan. Specific criteria for affordable housing at
205 Northgate are outlined below.
206
- 207 a. A key component of any redevelopment proposal will be the inclusion
208 of affordable housing. Total number of affordable units as a
209 percentage of all units is an important consideration. However, how
210 they are included in the overall redevelopment plan is also a
211 significant consideration. A broad income range for affordable units is
212 also encouraged.
213
 - 214 b. Affordable housing units can be included across the entire site and/or
215 within a dedicated affordable housing project.
216
 - 217 c. Partnerships between nonprofit and for-profit agencies are strongly
218 encouraged.
219
 - 220 d. Proposed projects should explore the possibility of leveraging other
221 affordable housing programs, including the multifamily tax exemption,
222 affordable housing bonuses and City of Seattle affordable housing
223 funds.
224
- 225 2. Location: Seattle – Northgate Park and Ride.
226
- 227 3. Amount: Approximately \$10 million.
228
- 229 4. Timing: King County Metro anticipates releasing the RFP for Northgate
230 redevelopment proposals in the fall of 2016.
231
- 232 5. Review Process: Affordable housing projects will be evaluated as a component of
233 the overall Northgate Redevelopment RFP review process. King County reserves
234 the right to ask for modifications to any affordable housing proposals to ensure
235 the integrity of the overall site redevelopment plan. King County will determine
236 when to issue interfund loans, bond anticipation notes, and bond debt based on
237 King County debt protocols and project need.

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C. South King County 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 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: 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.
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.

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D. 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.
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” by a community and preservation development authority chartered under RCW 43.167. This portion of funds will provide \$8.7 million to support the Historic South Downtown

331 Public Development Authority (HSDPDA). I

332
333 In addition, \$3 million will be dedicated to support the housing project under
334 development at Pacific Tower, and \$3 million will be dedicated to support
335 affordable housing development near the Othello Station in South Seattle.

336
337 2. Location: Seattle: International District, Pioneer Square, Beacon Hill, and/or
338 South Seattle.

339
340 3. Amount: Approximately \$14.7 million.

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342 4. Timing: TBD.

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344 5. Review Process: TBD.

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347 **Future Bond Legislation**

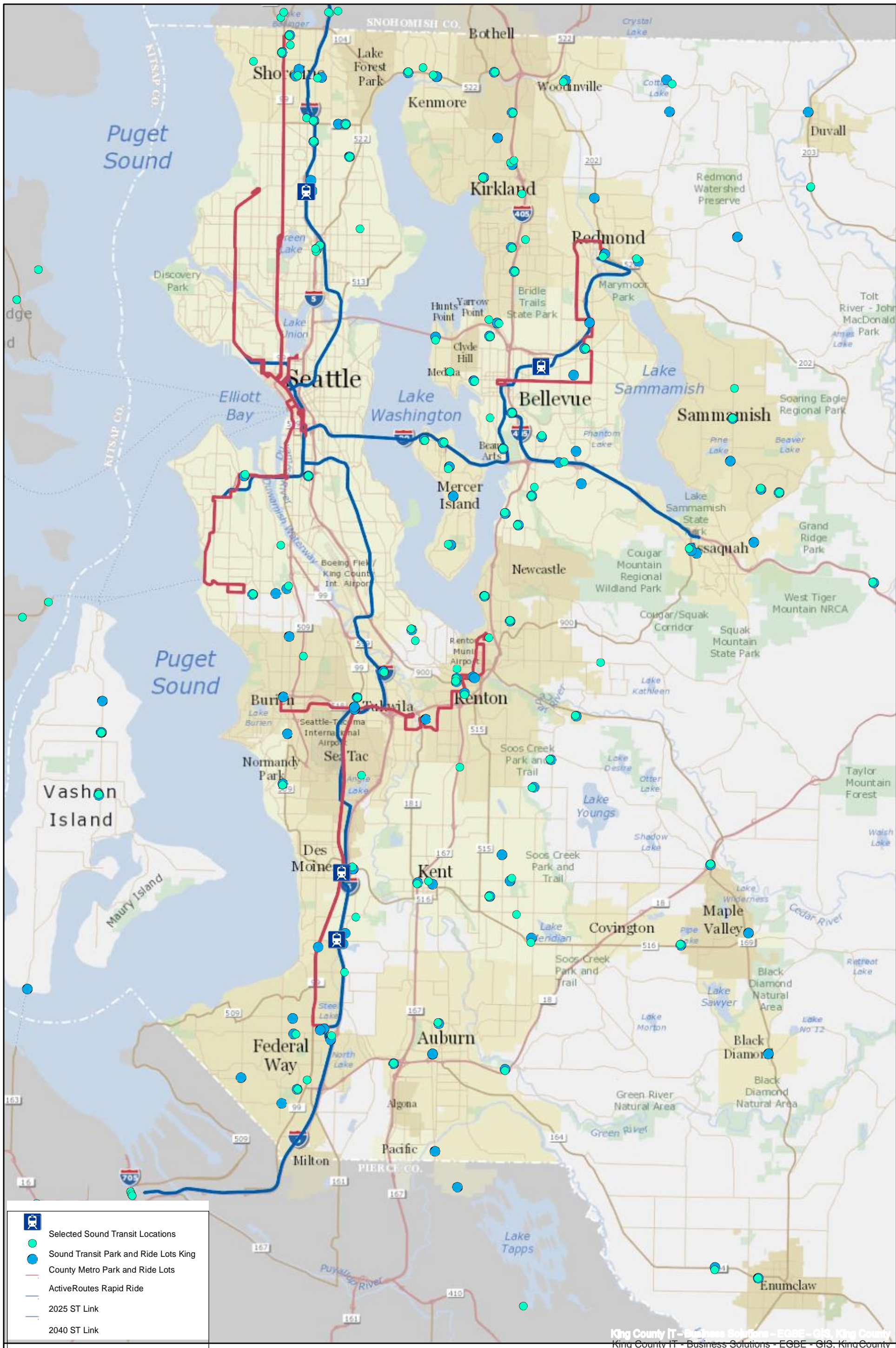
348 As previously discussed, King County will determine when to issue debt based on King County
349 debt protocols and specific need. Where appropriate, King County may elect to temporarily fund
350 projects out of interfund borrowing and/or bond anticipation notes so as to reduce debt issuance
351 cost and administrative burden. It is anticipated that the first bond issuance will not occur until
352 2021. Per King County code, debt issuances must be approved by the King County Council. The
353 King County Executive and King County Council will work collaboratively on the preparation
354 and approval of all TOD bond legislation.

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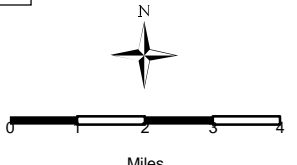
357 **Appendices**

358 Appendix I: King County High Capacity Transit Investments



- Selected Sound Transit Locations
- Sound Transit Park and Ride Lots
- County Metro Park and Ride Lots
- ActiveRoutes Rapid Ride
- 2025 ST Link
- 2040 ST Link

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

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

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