



King County

Transit-Oriented Development Bond Allocation Plan

Department of Community and Human Services

Updated July 18, 2016

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 public transportation. And absent focused, direct interventions, affordable housing near these public 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 public 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 high capacity transit areas, 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.

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 high capacity transit 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 an illustrative map of 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 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.
3. All stakeholders will work in a collaborative manner to identify transit-oriented affordable housing opportunities throughout King County.
4. All TOD investments will strive to meet the County's racial, ethnic and economic diversity principles at high capacity transit areas.
5. 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.
6. King County's goal with these funds is to meet the intense need for housing by delivering as much transit-oriented affordable housing as quickly as reasonably possible.
7. Preference should be given to project proposals that will serve lower income households between 30 and 60 percent of area median income (although projects serving the full range of households permitted by the State law between 30 and 80 percent of area median income will be considered). Within the context of timely delivery, and for a portion of the bond proceeds, the Executive should give preference to project proposals that serve or integrate units serving populations that have been identified as being in particular need, including but not limited to, families, veterans, survivors of domestic violence, people with developmental disabilities, households that are at risk of homelessness, or individuals re-entering the community after incarceration..

8. King County will strive to ensure equitable geographic distribution when prioritizing the allocation of funds.

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. To minimize the costs of interest and to comply with the timing requirements in State law, King County may use interfund borrowing or bond anticipation notes, whichever is less costly, to fund short-term project costs. It is anticipated that the first bond issuance will likely not occur until 2021.
4. Interfund borrowing, bond anticipation notes, and bond issuances will be approved following the procedures outlined in the King County Code.
5. The County will encourage projects that can leverage other funding sources.

Investment Strategy

Through competitive RFP processes over the next five years, King County will invest approximately \$87 million in transit-oriented affordable housing projects throughout King County. The King County Executive and King County Council will collaborate with 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 remainder of the lodging tax that is not reserved for debt service for these bonds (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. All-County 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. Transit-oriented affordable housing investments 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, agencies should work with municipalities and other local governments to take advantage of publicly-owned property and other community assets.
 - e. The Executive should consider allocating funds to incentivize the development of micro-housing projects (multifamily developments that may include smaller individual unit sizes and shared common areas) so as to provide a lower-cost opportunity to provide affordable housing units. The Executive should also partner with the building trades and other representatives of organized labor to find new ways to support local employment and local workforce training opportunities in the construction of micro-housing projects.
2. Location: Countywide. Please refer to Appendices I and II for an illustration of subregional geography and high capacity transit areas. Development sites should adhere to the location guidance identified in the Principles and Funding Conditions identified above.
3. Amount: Approximately \$32.3 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 2016. King County anticipates issuing additional 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 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. 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 an illustrative 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 illustrative guidance on existing and planned high capacity transit areas and Appendix VII for illustrative 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, beginning in 2017. King County will determine when to issue interfund loans, bond anticipation notes, and bond debt based on King County debt protocols and project need.

C. 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% 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 illustrative 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 interfund loans, bond anticipation notes, and bond debt based on King County debt protocols and project need.

D. 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 high capacity 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. Please refer to Appendices IV and V for illustrative maps with 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. 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 areas 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 high capacity 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 an illustrative map with 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 preservation development authority chartered under RCW 43.167. Other types of bonds, such as General Obligation bonds, do not have this 10 percent requirement, and funds dedicated to a community and preservation development authority chartered under RCW 43.167 would be restricted to affordable housing if made through other types of bonds.

This portion of funds will provide \$8.7 million to support the Historic South Downtown Community and Preservation Development Authority (HSD).

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

2. Location: Seattle: International District, Pioneer Square, Beacon Hill, and/or South Seattle.
3. Amount: Approximately \$14.7 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 and/or bond anticipation notes so as to reduce debt issuance cost and administrative burden. It is anticipated that the first bond issuance will not occur until 2021. Per King County code, debt issuances must be approved by the King County Council. The King County Executive and King County Council will work collaboratively on the preparation and approval of all TOD bond legislation.

Progress Reports

The Executive will provide an annual report to the Council on August 15 of each year, starting in 2017. This annual report will describe progress to date, and will include projects selected for funding, amount of funding recommended for each project, status of each project funded to date, funds expended, and financing mechanisms used to date (including bond anticipation notes, interfund borrowing, and bond issuances). The annual report will be transmitted in the form of a paper original and an electronic copy to the Clerk of the Council, who will retain the original and provide an electronic copy to all Councilmembers, the Council’s Chief of Staff, the Policy Staff Director, and the lead staff for the Budget and Fiscal Management Committee or its successor.

Appendices (For Illustrative Purposes Only)

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

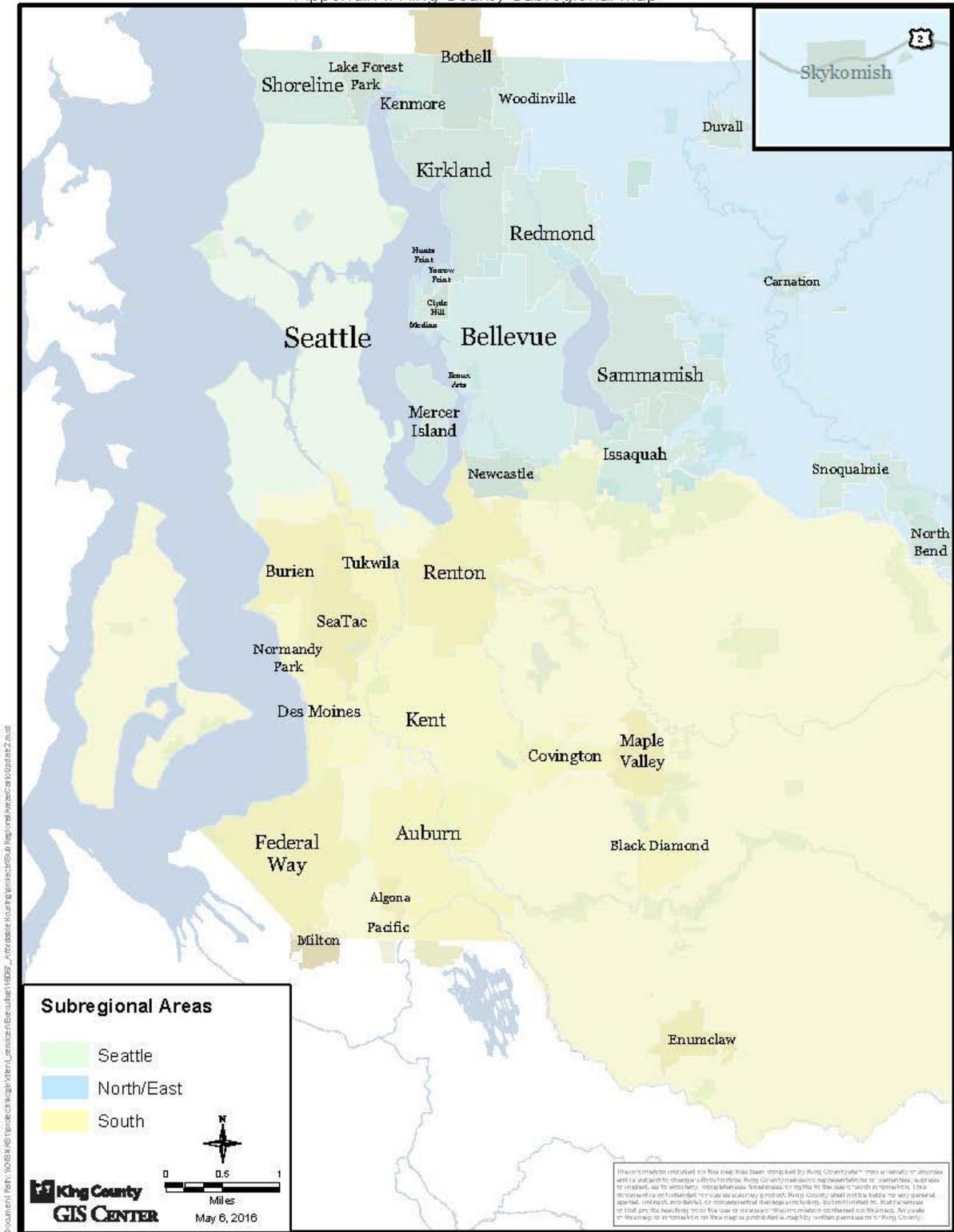
Appendix V: South King County Targeted Investment Area 2

Appendix VI: Bel-Red Targeted Investment Area

Appendix VII: East King County Park and Ride Facilities

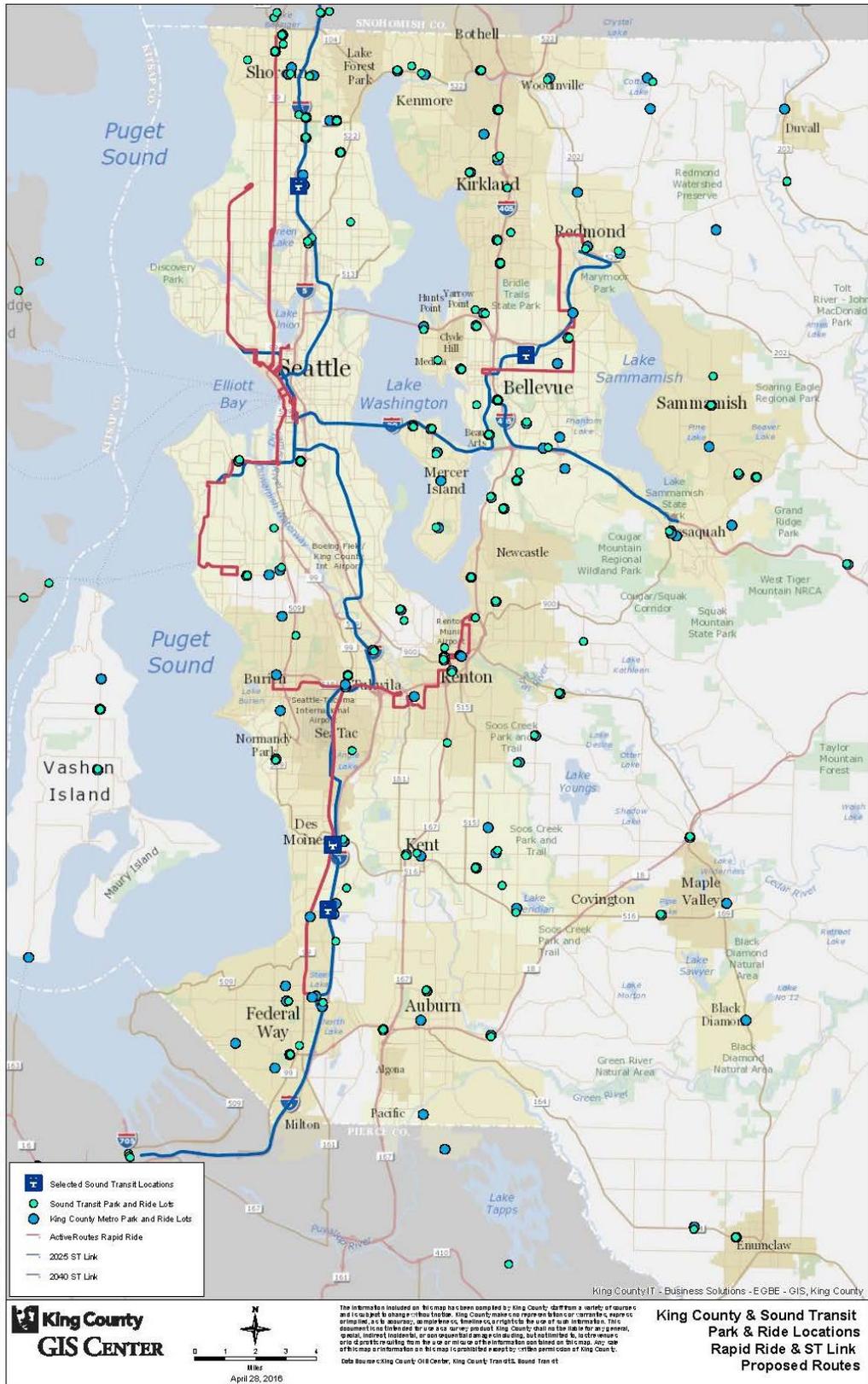
Maps are for illustrative purposes only

Appendix I: King County Subregional Map



Maps are for illustrative purposes only

Appendix II: King County High Capacity Transit Investments



Maps are for illustrative purposes only

Appendix III: Northgate Redevelopment Site



Maps are for illustrative purposes only

Appendix V: South King County Targeted Investment Area 2



Maps are for illustrative purposes only

Appendix VI: Bel-Red Targeted Investment Area



Maps are for illustrative purposes only

Appendix VII: East King County Park and Ride Facilities

