



King County

Budget and Fiscal Management Committee

STAFF REPORT

Agenda Item:	5 and 6	Name:	Paul Carlson
Proposed No.:	2012-0214 2012-0215	Date:	June 28, 2012
Invited:	Gary Prince, Special Project/Economist, King County Transit Division		

SUBJECT

1. Proposed Ordinance 2012-0214 – AN ORDINANCE relating to transit oriented development of a portion of the county-owned park-and-ride lot located partially in Kirkland and partially in Bellevue, approving two ground leases of the site to Kirkland Park & Ride, LLC, and two project leases from Kirkland Park & Ride, LLC, back to the county of a new transit facility and a commuter parking garage to be constructed on the site; conveying a surplus portion of the site to Kirkland Park & Ride, LLC, and authorizing the county executive to execute final forms of the ground leases and project leases, and approving certain other provisions of the lease, lease-back transaction.
2. Proposed Ordinance 2012-0215 – AN ORDINANCE relating to the South Kirkland Park-and-Ride transit oriented development project; making an appropriation of \$1,199,582; and amending the 2012 Budget Ordinance, Ordinance 17232, Section 136, as amended, and Attachment H, as amended.

SUMMARY

These two ordinances pertain to the South Kirkland Park-and-Ride Transit Oriented Development (“TOD”) Project. In its entirety, the South Kirkland TOD encompasses phased construction of three project elements:

1. Phase 1, construction of a Transit Center;
2. Phase 2, construction of a 532-stall Transit Parking Garage which, together with 321 surface stalls will result in a net increase of 250 transit commuter parking stalls at South Kirkland; and
3. Phase 3, construction of at least 177 units of units of market-rate housing, 254 or more stalls of tenant parking, and retail space in one structure and 58 units of affordable housing in a second structure.

Construction will be carried out by the developer, Kirkland Park & Ride, LLC, a partnership of Polygon Northwest and Imagine Housing. Construction is phased to minimize the loss of commuter parking. The phasing allows different parts of the lot to be used for construction staging in Phases 1 and 2, and the new garage to be available for commuter parking during Phase 3. The developer is required to provide replacement parking during the project phases for most of the existing parking stalls.

Completion of the Phase 1 Transit Center and the Phase 2 Transit Parking Garage is essential for timely completion of the Phase 3 TOD, because the Housing Land will be transferred to the developer as partial payment for the Garage Project. However, the proposed ordinances do not directly authorize or fund the Phase 3 TOD.

Project timing is constrained because each phase must be completed before the next one begins, and because the affordable housing is proposed to be financed in part with federal tax credits, which will expire if the affordable housing does not have a certificate of occupancy by December 31, 2014. Schedules included in the Lease Agreements and provided separately show construction starting in early July and the developer reports that there is relatively little leeway in the construction schedule.

Proposed Ordinance 2012-0215 is a supplemental appropriation for \$1,199,582 to Transit Capital Improvement Project #A00432808, South Kirkland Park-and-Ride TOD, of which \$989,214 is additional grant funding.

Proposed Ordinance 2012-0214 would authorize the Executive to execute four leases:

- (1) a ground lease for the Transit Center property ("Transit Center Ground Lease");
- (2) a lease agreement (with option to purchase) for the Transit Center project ("Transit Center Project Lease");
- (3) a ground lease for the Garage property ("Garage Ground Lease"); and
- (4) a lease agreement (with option to purchase) for the Transit Garage ("Garage Project Lease").

The Proposed Ordinance also declares surplus a portion of the South Kirkland site, the Housing Land, and authorizes its conveyance to the developer as partial payment for the Garage.

This staff report includes background information about the site and the proposal. A striking amendment has been prepared to reflect changes since transmittal and approving corrected versions of the four leases including modifications recommended by Legal Counsel. The striking amendment also includes findings and an emergency declaration in light of the constrained construction schedule.

BACKGROUND

The Site – The South Kirkland Park-and-Ride Lot is a 600-stall parking lot located north of SR 520 at 10610 N.E. 38th Place. It is served by Metro bus routes 234, 235, 249,

255, and ST Route 540. The site is split diagonally by the Kirkland/Bellevue boundary and about half of the site is in each city. Because of its location, the South Kirkland Park-and-Ride has long been considered a potential site for Transit-Oriented Development (“TOD”).

County-Bellevue-Kirkland Mutual Objectives – because the South Kirkland project is of interest to the County and the cities of Kirkland and Bellevue, all three parties negotiated the *Mutual Objectives* for this TOD development, which the County Council approved in July 2011 via Motion 13516.¹ The Mutual Objectives call for effective cooperation by the County and the two cities, appropriate public outreach, development of a useful and feasible project, and expanded parking opportunities for transit riders.

Federal/State Grants – approximately \$8.1 million of grant funding is available for this project, about \$7.1 million in federal Urban Partnership Agreement (UPA) grant funds for the “South Kirkland P&R Garage” and a state grant for \$1,025,000 for improvements to the surface lot. The original UPA grant to the State, the Puget Sound Regional Council, and King County provided \$6.1 million for South Kirkland with the purpose of increasing parking capacity on the SR 520 corridor by at least 250 parking stalls. The FTA has authorized the use of additional funding from the FTA grant and \$989,214 is requested in the supplemental appropriation.

Proposal – Following a request for proposals issued in August 2011, King County selected a proposal submitted by Polygon Northwest (Polygon) and its partner, Imagine Housing. The two firms have formed Kirkland Park & Ride, LLC (“developer”) to carry out this project. The developer will build the Transit Center, then the Transit Garage and then construct the TOD, consisting of: (1) a five-story building with at least 177 units of market rate housing, 254 or more tenant parking stalls, and up to 8,000 square feet of commercial space; and (2) a separate four-story building containing 58 housing units affordable to households at 30 percent to 60 percent of area median income (\$20,000 to \$53,000). The finance package for the affordable housing building includes federal tax credits that require certificates of occupancy no later than December 31, 2014.

Transaction Structure - Lease Agreement (With Option to Purchase) – The Transit Center project and the Transit Garage project are each structured as a lease-leaseback agreement with an option to purchase, consistent with the terms of the state Municipal Leasing Act (RCW 35.42, as applied to counties with populations of 600,000 or more through RCW 36.34.205).

In this case, there are two transactions, one for the Transit Center and one for the Garage. Each transaction includes a Ground Lease and a Project Lease. Both require that a shortplat of the property into three parcels, the Garage Land, the Housing Land, and the Transit Center Land, be completed by August 1, 2012.

¹The Kirkland City Council approved the *Mutual Objectives* on January 18, 2011. The Bellevue City Council approved the *Mutual Objectives* on January 3, 2011.

Initial conditions for the Transit Center, required to be completed by July 2, are:

1. Replacement transit commuter parking has been leased by the developer;
2. The County has approved the financing plan for the Transit Center project and the Garage Project, including the "forms" of the Housing Covenants;
3. No bankruptcy by the developer or any of its members.

For the Garage Lease, the same conditions apply and there is an additional requirement:

4. The developer has inspected the Housing Land.

If these conditions are not satisfied by July 2, either party can terminate all four leases. Status of the conditions will be provided at the Committee meeting.

It should be noted that while the lease indicates a deadline for approval of July 2nd, the County Council did not receive the proposal until May 31 and the Council's legal counsel did not receive all the correct and necessary legal documents until June 26th.

The following additional requirements must be met by October 1:

1. FTA has approved the terms and conditions of the Garage Ground Lease, the Garage Project Lease, the Transit Center Ground Lease, and the Transit Center Project Lease;
2. Building permits have been issued for both projects;
3. General construction contracts have been executed for both projects;
4. The developer has obtained payment and performance bonds for both projects;
5. The developer has obtained financing for the projects.

For the Garage Lease, there is one additional condition:

6. The Transit Center project is substantially complete.

If any of these conditions is not met, the developer or the County can terminate the four leases. According to Transit staff, these conditions are all expected to be met prior to the deadline.

Interim Parking – Section 16 of each Project Lease provides that, until 180 days after completion of the Housing Project, there must be a minimum of 603 parking stalls available to commuters either on the Garage Land or at a replacement parking facility, except that during Phase IIB of the Phase Plan (estimated October 2012-March 2013) only 546 stalls are required to be available. If the developer is unable to obtain replacement parking within half a mile, the County has the right to increase service to Houghton Park-and-Ride, where there are vacant parking stalls, and the developer must pay \$20,000 per month for this increased bus service, plus a one-time \$20,000 fee.

Transit Center (Phase 1)

Phase 1 construction is for the Transit Center, which must be completed in order for Phase 2, the Parking Garage construction, to proceed. Transit Center construction in two phases is estimated to take from July through the end of September or early October. The Transit Center Ground Lease allows the developer access to the site.

Under the Transit Center Project Lease, the developer agrees to construct a Transit Center to the County's specifications. When the County has accepted the Transit Center as satisfactory, the County has the choice of paying rent, set at \$3,417 per month, for 25 years or exercising an option to purchase the facility for a fixed price, specified in the Project Lease, of \$1,025,000. If the County chooses to pay rent, the developer can compel the County to issue certificates of participation so the developer will receive a lump sum payment. The County plans to exercise its option to purchase the facility, using the WSDOT grant of \$1,025,000.

Parking Garage (Phase 2)

Phase 2 construction is for the Parking Garage; Phase 2 must be completed in order for Phase 3 construction to proceed. The schedule estimates Garage construction will take place from mid-October 2012 to late March 2013.

The Garage Ground Lease gives the developer control over the Garage Land for the purpose of constructing the garage under the terms specified in the Garage Project Lease. The County also assumes responsibility for the costs of cleaning up pre-existing hazardous materials.

The developer agrees to use the property to construct a project consistent with the terms of the Garage Project Lease. Exhibit B to the Lease Agreement is a detailed (780+ pages) description of design requirements. Section 9 ("Design and Construction of Project") provides details of the process by which the developer will undertake, at its sole cost and discretion, to build a garage consistent with the County's requirements. This Section requires compliance with the federal Davis-Bacon Act wage terms and other conditions for the receipt of FTA grants.

The Lease Agreement provides a rent payment schedule of 25 years and \$51,500 per month. If the County chooses to pay rent, the developer can compel the County to issue "certificates of participation" so the developer can receive a lump sum payment and the County would pay principal and interest on the certificates.

Section 21 of the Lease Agreement ("Options to Prepay Monthly Rent and Purchase Premises") authorizes the County's purchase of the Garage, and Section 22 ("Closing of Purchase of Garage, Housing Land and the Housing Easements") details the closing procedures for the purchase. The County has the option to purchase the Garage for a

fixed price of \$16,450,000, of which \$6,450,000 is in cash (the “Cash Option Price”) and \$10,000,000 is a credit for the value of the Housing Land and the Housing Easements.²

The County intends to exercise this option, paying the Cash Option Price with FTA grant funds. This includes the original \$6.1 million grant and additional costs of \$350,000; according to Transit Division staff, this reflects an unanticipated cost resulting from City of Bellevue requirements. It appears from the supplemental appropriation details that the \$350,000 will also be paid with federal grant funds.

If the developer’s failure to comply with FTA regulations means that the County is unable to obtain FTA reimbursement for the cash option payment, this constitutes a default by the developer (Section 9.5.5), and the County is not liable for the cash option payment (Section 24.2.c).

Conveyance of the Housing Land with Housing Covenants – As part of the compensation for the Garage, the County will convey to the developer the Housing Land and Housing Easements (Section 21.5), valued by both parties at \$10 million. The Housing Land, an estimated 79,791 square feet to be used for the Phase 3 TOD development. The Housing Easements, defined in Exhibit G to the Transit Center Project Lease and the Garage Project Lease, are the Access Easement, the Storm Water Detention Facility Easement, and the Public Plaza Easement.

Two Housing Covenants will be attached to the Housing Land (Section 22.4.c):

- The Housing Covenant and Regulatory Agreement (South Kirkland T.O.D. – Market Rate Housing Project) and
- The Housing Covenant and Regulatory Agreement (South Kirkland T.O.D. - Affordable Housing Project).

Both are to be in a “first lien position as a covenant running with the land binding on the Housing Land.” They provide that the developer will divide the Housing Land into two units, the Market Rate Condominium Unit, which will be conveyed to Polygon, and the Affordable Condominium Unit, which will be conveyed to Imagine Housing.

Market Rate Housing Covenant – this Covenant provides that the Market Rate Project will have a minimum of 177 apartment units (a mix of studio, one-bedroom, and two-bedroom apartments) and approximately 8,000 square feet of ground floor commercial or retail space, underground parking for up to 295 cars, built to LEED Silver rating and Build Green 4-star rating from MBA. A transportation management plan to encourage the use of commuting alternatives by residents includes a commitment to buy at least 177 bus passes or e-purses at a discounted cost to residents and tenants of the Market Rate Housing Project for a minimum of five years. The Owner must also comply with

²As transmitted, Proposed Ordinance 2012-0214 states the value of the Housing Land and Housing Easements as \$9 million, but the subsequent appraisal found the value to be \$10 million. The amended ordinance and attachments reflect the \$10 million figure.

federal, state and local fair housing laws. The Term of this Covenant is the later of 10 years, or the time that Metro stops operating the transit center.

Affordable Housing Covenant – The Affordable Housing Covenant provides that the Affordable Housing Project will have a minimum of 58 apartment units (14 studio apartments, 30 one-bedroom apartments, 11 two-bedroom apartments, 3 three-bedroom units) built to Evergreen Sustainability Development standards administered by the Washington State Department of Commerce. Of these apartments, 29 will be rented to income-eligible occupants whose household annual income does not exceed 30% of Median Income; 15 units to income-eligible occupants whose household annual income does not exceed 40% of Median Income; 14 units to income-eligible occupants whose household annual income does not exceed 60% of Median Income. A transportation management plan will include a commitment to encourage the use of commuting alternatives by residents and the purchase of at least 58 bus passes or e-purses at a discounted cost to residents of each apartment. The Owner must comply with federal, state and local fair housing laws. The Term of this Covenant is the later of 10 years, or the time that Metro stops operating the transit center.

About 24% of the total units are affordable, more than the 20% required by Kirkland zoning. The Affordable Housing Covenant provides more affordable units to occupants with lower incomes than the Kirkland zoning requirements.

Following County acceptance of the Parking Garage and payment of the purchase price, the County will own its South Kirkland facilities and the developer will proceed with construction of the mixed-use developments on the Housing Land.

Proposed Ordinance 2012-0215

Proposed Ordinance 2012-0215 makes a supplemental appropriation of \$1,199,582 to the South Kirkland TOD Project (CIP #A00432808). The funding consists of additional federal grant funding and balance from the Public Transportation Fund. Table 1 is an estimate of project funding and sources.

Table 1. Appropriations

	Existing Appropriation	Supplemental	Total
Federal grant	\$6,100,000	\$ 989,214	\$7,089,214
State Grant	\$1,025,000	-	\$1,025,000
King County	\$ 499,678	\$ 210,368	\$ 710,046
Total	\$7,624,678	\$1,199,582	\$8,824,260

The supplemental appropriation funds additional expenditure of \$549,582 for Metro Transit work on the garage project construction, \$350,000 in compensation to the developer, and \$300,000 for contingency. Of this amount, \$210,368 of the Transit work is assumed to be funded from County resources and grant funds are assumed for \$339,214 of the Transit work and all of the developer comeprna

With approval of the supplemental appropriation, the project appropriation would include a total of \$710,046 from the Public Transportation Fund, with \$499,678 previously appropriated (including \$205,000 in matching funds for the State grant) and an additional \$210,368 requested in the supplemental.

The breakdown of project expenditures is as follows:

	Actuals	Estimated to Complete	Total
Developer Selection	225,000	-	225,000
Pre-Design	170,200	195,800	366,000
Final Design & Const	-	366,800	366,800
Close-out	-	30,000	30,000
Total	395,200	594,600*	989,800

*Including prior appropriation of approximately \$45,000.

ANALYSIS

This analysis focused on three issues: (1) County transfer of housing land as partial payment for the Garage; (2) project schedule constraints; and (3) assurance of housing completion.

Issue #1 – County Transfer of Housing Land as Partial Payment for Garage

The County's payment to the developer for the Garage includes a credit for the value the Housing Land, valued at \$10 million according to an appraisal as of April 18, 2012. Section 21.5 of the Garage Project Lease provides that the County will convey the Housing Land by quitclaim deed and cannot mortgage or encumber any part of the Housing Land, except that the Housing Covenants for Market Housing and for Affordable Housing will be in a "first lien position as a covenant running with the land binding on the Housing Land."

The \$10 million appraisal reflects the value of the Housing Land for this project, the highest and best use under the City of Kirkland's zoning for the parcel, which requires affordable housing as part of any multifamily residential development. The \$10 million value also includes the value of three Housing Easements (Access Easement, Stormwater Detention Easement, Public Plaza Easement).

Transit staff estimates that the County's cost to construct the Garage and Transit Center would be \$18.3 million, which exceeds the total value of the compensation (land and cash) to the developer. This estimate is based on a \$29,800 per parking stall construction cost figure derived from the cost of the Burien TOD Garage, plus administrative costs, and an estimated \$2 million for the Transit Center improvements.

The total compensation to the developer (cash and land value) is less than the estimated cost for the County to construct the facilities. Further, if this project does not move forward, the entire park-and-ride including the Housing Land would continue to be a surface lot. Given the City of Kirkland's zoning requirements, the only way for the

County to realize the appraised value of the Housing Land would be to develop another mixed-use project, which would require consolidation of parking on the rest of the South Kirkland Park-and-Ride lot. The federal UPA grant would have to be returned unless a new project netting 250 or more additional parking stalls was near completion by mid-October 2014.

It appears that transfer of the Housing Land in exchange for the parking requirements meet adopted county policies and would be a reasonable exchange.

Issue #2 – Project Schedule Constraints

The developer has expressed strong concern about the importance of commencing Phase 1 (Transit Center) construction as early as possible in July. Each phase must be completed before the next one begins. The developer's greatest concern is that construction for the affordable housing component of Phase 3 must be completed in time for a certificate of occupancy to be issued by December 31, 2014.

The affordable housing finance package includes the following elements:

- State of Washington Department of Commerce Award, \$2.0 million;
- King County Office of Housing Award, \$700,000;
- ARCH Award, \$900,000;
- Federal 9% Tax Credits, approximately \$10 million.

If the certificate of occupancy is not issued by December 31, 2014, the federal tax credits will not be available for project financing.

If Councilmembers decide to move forward with the approval, adding findings and a declaration of emergency will cut at least 10 days off of the time necessary for the ordinances to become effective.

Issue #3 – Assurance of Housing Completion

It is possible that the developer could meet the Garage Lease Agreement requirements, but with enough delays to prevent the affordable housing project from meeting its December 31, 2014 deadline for a certificate of occupancy. The Transit Center Project and the Garage Project each has a "Required Completion Date" of December 14, 2014, and this can be extended for another year in cases of unavoidable delay. If the Garage is finished by these completion dates, the County would be required to transfer the Housing Land as part of the compensation for the Garage.

In that event, the commitment to completing the affordable housing, presumably through another financing package would be as follows:

- The Housing Covenants establish an "Affordable Housing Condominium" owned by Imagine Housing;

- The Housing Covenants require the development of minimum numbers of market-rate and affordable housing apartment units and specify the rent requirements for the affordable units; and
- Kirkland zoning for the parcel requires affordable housing as part of a mixed use development.

Transit staff notes that the grant funding agencies for affordable housing will require separate housing covenants and other security instruments recorded against the affordable housing project to regulate the use of that portion of the project for long terms, typically 30-50 years. These include King County Housing Authority, ARCH, the Washington Department of Commerce and the Washington State Housing Finance Commission, the agency authorizing the issuance of the federal tax credits.

The developer argues that this represents another reason for quick enactment of the proposed legislation, to provide the maximum possible construction time and thereby minimize the risk to the affordable housing financing package.

LEGAL REVIEW

Legal review of this legislation has resulted in a significant number of changes to the Lease Agreements.

AMENDMENT

Council staff has identified a number of changes to Proposed Ordinance 2012-0214 and the attachments, including substantive changes and correction of typographical errors. An amendment to revise the ordinance text is attached; the amendment also deletes the transmitted attachments and replaces them with complete, corrected attachments, correcting typographical errors and addressing issues raised by Legal Counsel. The amendment also contains emergency findings and a declaration of emergency, given the time constraints of the construction schedule and the need for a certificate of occupancy for the affordable housing no later than December 31, 2014.

Note: The striking amendment and title amendment are attached to this staff report. Copies of the Attached Lease Agreements and Housing Covenants, which total as much as 2,000 pages, will be available at the Committee meeting for review.

REASONABLENESS

Approval of these Lease Agreements will allow a net increase of 250 parking stalls at the South Kirkland Park-and-Ride Lot, paid with federal grant funds and the value of land conveyed for a mixed-use housing and commercial TOD that includes affordable housing. As such, approval of these two ordinances would constitute a reasonable business decision.

ATTACHMENTS

1. Proposed Ordinance 2012-0214
2. Proposed Ordinance 2012-0215
3. Transmittal Letter
4. Fiscal Note
5. Draft striking amendment to Proposed Ordinance 2012-0214
6. Draft title amendment to Proposed Ordinance 2012-0214



KING COUNTY
Signature Report

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

June 27, 2012

Ordinance

Proposed No. 2012-0214.1

Sponsors Hague

1 AN ORDINANCE relating to transit oriented development
2 of a portion of the county-owned park-and-ride lot located
3 partially in Kirkland and partially in Bellevue, approving
4 two ground leases of the site to Kirkland Park & Ride,
5 LLC, and two project leases from Kirkland Park & Ride,
6 LLC, back to the county of a new transit facility and a
7 commuter parking garage to be constructed on the site;
8 conveying a surplus portion of the site to Kirkland Park &
9 Ride, LLC, and authorizing the county executive to execute
10 final forms of the ground leases and project leases, and
11 approving certain other provisions of the lease, lease-back
12 transaction.

13 **PREAMBLE:**

14 By its request for proposals issued in August 2011, the county has sought
15 to promote transit oriented development on a portion of a site located in
16 both Bellevue and Kirkland currently used as a Metro park-and-ride
17 surface lot. The site is comprised of a single lot, bisected by the cities of
18 Bellevue and Kirkland, and shall be subdivided into three legal lots for
19 purposes of development as provided herein. In accordance with the

20 request for proposals, the county accepted the proposal of Polygon
21 Northwest, LLC and Imagine Housing, LLC ("Kirkland Park & Ride,
22 LLC") to construct a new transit center and expand the park-and-ride
23 facility by building a parking garage. The county would then lease back
24 both the new transit center and the parking garage facility upon
25 completion pursuant to two project leases, each providing the county an
26 option to purchase the Lease Agreement (With Option to Purchase -
27 Transit Center) and the Lease Agreement (With Option to Purchase -
28 Parking Garage) ("the project leases"). Kirkland Park & Ride, LLC has
29 committed to a maximum construction price of \$1,025,000.00 for the new
30 transit center and \$6,450,000.00 for the parking garage. Both project
31 leases would commit the county to make monthly rent payments over a
32 long-term lease commencing upon satisfactory completion of the transit
33 center and parking garage. The county has grant agreements with the
34 Federal Transit Administration and Washington state Department of
35 Transportation to provide reimbursement for the design and construction
36 costs of the transit center and parking garage, including internal county
37 staff time and legal costs totaling \$7,125,000.00. The county is also
38 including a grant match of \$205,000 from the transit capital account and
39 the value of the surplus portion of the site itself, currently appraised at
40 \$9,000,000.00, which shall be conveyed to Kirkland Park & Ride, LLC as
41 partial payment of the purchase option price should the county elect to
42 exercise its option to purchase the parking garage.

43 To permit timely completion of the new transit center and parking garage
44 projects as set forth in the county's request for proposals, the county
45 wishes to enter into separate lease, lease-back transactions for the
46 acquisition of the new transit center and the parking garage, as authorized
47 by RCW 36.34.205 and K.C.C. 4.56.160, which incorporate by reference
48 RCW 35.42.070 through 35.42.080 ("the Municipal Leasing Act"). The
49 county will ground lease two legal lots ("the ground leases") to Kirkland
50 Park & Ride, LLC, who will construct the new transit center and parking
51 garage on the respective lots in two discrete phases, both to be built in
52 accordance with design criteria agreed to by the county, and lease each
53 back to the county with an option to purchase. In accordance with the
54 Municipal Leasing Act, the county may make no rent payments to
55 Kirkland Park & Ride, LLC under the project leases until each has been
56 completed to the county's satisfaction and is ready for occupancy. After
57 completion of the new transit center and parking garage, the county may,
58 at its option, use money provided by Washington state Department of
59 Transportation, Federal Transit Administration funds and its own funds,
60 plus the current fair market value of the remaining unused lot of the real
61 property and appurtenant easements ("the housing property"), exercise its
62 option to purchase and thereby prepay the rent due under the project leases
63 and acquire fee title to the new transit center and parking garage. The
64 housing property will be conveyed to Kirkland Park & Ride, LLC for the
65 current appraised fair market value of \$9,000,000.00 subject to housing

66 covenants to be recorded upon conveyance, and shall thereafter be used
67 for development of both affordable and market rate housing and other
68 related mixed uses. Terms of the ground leases and project leases have
69 been negotiated, and the county wishes to approve of same.

70 BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

71 SECTION 1. Findings:

72 A. The county hereby finds that the public interest, welfare and benefit require
73 the county to lease, with an option to purchase, a new transit center and lease, with an
74 option to purchase, a parking garage to provide better transit facilities and to provide
75 expanded park-and-ride facilities, which facilities shall be constructed on part of the
76 South Kirkland Park-and-Ride owned by the county and located at 10610 Northeast 38th
77 Place, Kirkland, WA 98033 in the cities of Bellevue and Kirkland. The county further
78 finds that a lease, lease-back transaction, as authorized by the Municipal Leasing Act,
79 would be consistent with the county's request for proposals to develop the site, facilitate
80 transit oriented development of the site consistent with the planning expectations of the
81 cities of Kirkland and Bellevue, and shift the risk of construction cost liability to
82 Kirkland Park & Ride, LLC. The county further finds that the proposal is the most
83 efficient proposal for achieving the county's policies. Unless otherwise defined in this
84 ordinance, capitalized terms used in this ordinance have the meanings given such terms in
85 the two attached project leases.

86 B. The county further finds that the monthly rent payable under the project leases
87 in the amount of \$3,417.00 per month for the transit center and \$51,500.00 per month for
88 the parking garage do not exceed prevailing rental rates for comparable space.

89 C. The county further finds that funds expected to be available to the county from
90 the Federal Transit Administration, Washington state Department of Transportation, and
91 its own sources will be sufficient to allow the county to exercise its options to purchase
92 and prepay the rent payable under the project leases and acquire fee title to the new
93 transit center and parking garage.

94 **SECTION 2. Surplus declaration.** The county executive is declaring a portion
95 of the South Kirkland Park-and-Ride Lot ("the housing property") surplus to the county's
96 needs. Kirkland Park & Ride, LLC will provide Metro Transit with a new transit center
97 and a five-hundred-thirty-two-stall park-and-ride garage adjacent to the surplus portion
98 and make improvements to the surface lot with a net increase in total parking spaces of
99 two hundred fifty-three, bringing the total number of parking spaces to eight hundred
100 fifty-three. In consideration for the purchase of the transit center, the county intends to
101 use cash from the previously identified sources. In consideration for the purchase of the
102 parking garage, the county intends to use a combination of cash and conveyance to
103 Kirkland Park & Ride, LLC, of the housing property. The current fair market value of
104 the housing property, combined with the aforementioned cash sources, shall not exceed
105 the option price due under the Lease Agreement (With Option to Purchase - Parking
106 Garage) at the time of conveyance.

107 **SECTION 3. Approval of ground leases and project leases.** The county
108 executive is authorized to sign the ground leases, the project leases and related easement
109 agreements in substantially the form set forth as Attachments A through D to this
110 ordinance, respectively; provided, however, that:

111 A. The term of the ground leases shall commence no earlier than the effective
112 date of this ordinance and shall expire no later than twenty-five years thereafter; and

113 B. The term of the project leases shall commence no earlier than the effective
114 date of this ordinance and shall expire commensurate with the ground leases, and the
115 amount of Monthly Rent payable under the Lease Agreement (With Option to Purchase -
116 Transit Center) shall not exceed the monthly rate of \$3,417.00 nor shall the amount of
117 Monthly Rent payable under the Lease Agreement (With Option to Purchase - Parking
118 Garage) exceed the monthly rate of \$51,500.00. When fully executed, copies of the
119 Ground Leases and Project Leases shall be filed with the clerk of the council.

120 SECTION 4. Pledge of taxation and credit. The county's obligation to pay rent
121 under the Project Leases will be a limited tax general obligation of the county. The
122 county hereby irrevocably covenants and agrees that it will include in its annual budget
123 and levy taxes annually on all taxable property within the county, within and as part of
124 the tax levy permitted to the county without a vote of the electors, in amounts sufficient,
125 together with all other money legally available and to be used therefore, to pay the
126 monthly rent and any additional rents due under the project leases as the same shall
127 become due. The full faith, credit and resources of the county are irrevocably pledged for
128 the annual levy and collection of such taxes and the prompt payment of such amounts.

129 SECTION 5. Disposal of surplus real property. The county executive is
130 hereby authorized to convey the fee simple interest in the housing land as provided in the
131 Lease Agreement (With Option to Purchase - Parking Garage) as consideration for a
132 portion of the option price of the parking garage as provided therein.

133 **SECTION 6. Severability.** If any one or more of the provisions of this ordinance
134 shall be declared by any court of competent jurisdiction to be contrary to law, then such
135 provision or provisions shall be null and void and shall be deemed separable from the
136 remaining provisions of this ordinance and shall in no way affect the validity of the other
137 provisions of this ordinance, the ground leases or the project leases and related easement
138 agreements.
139

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Larry Gossett, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, _____.

Dow Constantine, County Executive

Attachments: A. Lease Agreement (With Option to Purchase - Parking Garage), C. Garage Ground Lease Agreement, D. Transit Center Ground Lease Agreement



KING COUNTY
Signature Report

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

June 27, 2012

Ordinance

Proposed No. 2012-0215.1

Sponsors Hague

1 AN ORDINANCE relating to the South Kirkland Park-and-
2 Ride transit oriented development project; making an
3 appropriation of \$1,199,582; and amending the 2012
4 Budget Ordinance, Ordinance 17232, Section 136, as
5 amended, and Attachment H, as amended.

6 BE IT ORDAINED BY THE COUNCIL OF KINGCOUNTY:

7 SECTION 1. Ordinance 17232, Section 136, as amended, is hereby amended by
8 adding thereto and inserting therein the following:

9 CAPITAL IMPROVEMENT PROGRAM - From the public transportation
10 construction fund for project involving the South Kirkland Park-and-Ride transit oriented
11 development project identified in Attachment A to this ordinance, there is hereby
12 appropriated to:

13	Fund Fund Name	Amount
14	3641 PUBLIC TRANSPORTATION CONST. FUND	\$1,199,582

15 SECTION 2. Attachment A to this ordinance hereby amends Attachment H to
16 Ordinance 17232, as amended.
17

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Larry Gossett, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this ____ day of _____, ____.

Dow Constantine, County Executive

Attachments: A. Capital Improvement Program

May 31, 2012

The Honorable Larry Gossett
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Gossett:

This letter transmits for your consideration two ordinances permitting implementation of the South Kirkland Park-and-Ride expansion and transit oriented development. The first ordinance would authorize a property surplus action and the execution of two lease-leaseback agreements (with options to purchase). The lease documents provide for the construction of a 532 stall commuter garage, new transit facility, and improvements to the surface lot at the South Kirkland Park-and-Ride facility. The transaction structure also provides for construction of affordable and market rate housing along with commercial space. By Motion 13516, Council approved the principles for this development on July 11, 2011. The second ordinance would approve a supplemental budget increase of \$1,224,582 to the Public Transportation Fund budget previously approved by the Council for this project.

Consistent with the Urban Partnership Agreement for the SR 520 corridor, this project seeks to use transit and transportation demand management in concert with technology and tolling to improve the performance of the corridor. The proposal also will advance the goals of the King County Strategic Plan by focusing transportation services to support density and growth, and meet the transportation needs of low-income and underserved populations. The project also partners with public and private agencies to provide affordable housing.

King County worked extensively with the cities of Kirkland and Bellevue to establish the framework for this effort. Through an extensive public process, the South Kirkland Park-and-Ride was rezoned to accommodate mixed use residential and commercial activities. Over 30 public meetings were held in reviewing the plans for this parcel. The cities of Kirkland and Bellevue are supportive of the project, and both cities have adopted the motion cited above.

In response to a request for qualifications and proposals, which was issued in June and August 2011, respectively, King County Department of Transportation (KCDOT) selected a proposal submitted by Polygon Northwest (Polygon) and its partner, Imagine Housing. Polygon will make the transit improvements described above. Polygon, through its development entity, Kirkland Park & Ride L.L.C., would construct 181 units of market rate housing, and up to 8,000 square feet of commercial space. Imagine Housing would construct 58 housing units affordable to households at 30 percent to 60 percent of area median income. The garage will be completed in accordance with Leadership in Energy and Environmental Design (LEED)-Silver standards, and the housing will meet the Evergreen standard.

Two ground leases and lease-leaseback transactions detailing the conditions to Polygon are attached, Attachments A-D to the ordinance. Polygon will receive \$6.1 million in Federal Transit Administration funds from the Urban Partnership Agreement upon completion and acceptance of the garage by KCDOT. Polygon can also receive \$1.025 million in Washington State Department of Transportation (WSDOT) funds for construction of the new transit facility, parking improvements, and traffic improvements. In addition to these funds and as additional consideration for completion of the project, the County will also convey 79,791 square feet to Polygon Northwest for construction of the housing and commercial space. The total compensation to Polygon is \$16.45 million, which compares favorably with KCDOT's estimated cost of \$18.3 million for these improvements.

Accompanying this transmittal letter is a supplemental ordinance and fiscal note. The supplemental ordinance provides an additional payment of \$350,000 to Polygon for improvements benefitting Metro Transit. With this additional \$350,000, cash compensation to Polygon will total \$7,475,000. There is also an additional expenditure of \$572,582 for Metro oversight of garage construction similar to the Burien Park-and-Ride Garage. An additional \$300,000 has been set aside for project contingency. During construction, a portion of the surface lot will be closed and interim parking provided.

Thank you for your consideration of these ordinances. This important legislation will improve transit operations, increase park-and-ride capacity, and advance the goals of growth management by providing transit supportive housing and commercial space.

The Honorable Larry Gossett
May 31, 2012
Page 3

If you have any questions regarding this ordinance, please feel free to contact Randy Witt, Manager, Design and Construction Section, Metro Transit Division, at 206-684-1401, or Gary Prince, Project Manager, General Manager's Office, Metro Transit Division, at 206-263-6039.

Sincerely,

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
 ATTN: Michael Woywod, Chief of Staff
 Mark Melroy, Senior Principal Legislative Analyst, BFM Committee
 Anne Noris, Clerk of the Council
Carrie S. Cihak, Chief Advisor, Policy and Strategic Initiatives, King County
 Executive Office
Dwight Dively, Director, Office of Performance, Strategy and Budget
Harold S. Taniguchi, Director, Department of Transportation (DOT)
Kevin Desmond, General Manager, Metro Transit, DOT
Randy Witt, Manager Design and Construction, Metro Transit, DOT
Gary Prince, Senior Project Manager, Metro Transit, DOT

1. The first step in the process of identifying a problem is to define the problem clearly. This involves identifying the symptoms and the underlying causes of the problem. It is important to gather as much information as possible about the problem and to consider all possible causes.

2. The second step is to analyze the problem. This involves breaking the problem down into smaller, more manageable parts. It is important to identify the key factors that are contributing to the problem and to determine the relationships between these factors.

3. The third step is to generate solutions. This involves brainstorming a range of possible solutions to the problem. It is important to consider all possible options and to evaluate the potential benefits and drawbacks of each option.

4. The fourth step is to select a solution. This involves choosing the most appropriate solution from the range of options generated. It is important to consider the feasibility of each option and to choose the option that is most likely to be successful.

5. The fifth step is to implement the solution. This involves putting the chosen solution into practice. It is important to monitor the progress of the implementation and to make any necessary adjustments. It is also important to communicate the solution to all relevant stakeholders and to ensure that they are all aware of the changes that are being made.

6. The sixth step is to evaluate the solution. This involves assessing the effectiveness of the solution and determining whether it has successfully resolved the problem. It is important to gather feedback from all relevant stakeholders and to use this feedback to improve the solution if necessary. It is also important to document the results of the evaluation and to share these results with all relevant stakeholders.

CSP

FISCAL NOTE

Ordinance/Motion No. 00-
 Title: South Kirkland Park and Ride Transit Oriented Development
 Affected Agency and/or Agencies: DOT
 Note Prepared By: Gary Prince
 Note Reviewed By: Jill Krecklow

Impact of the above legislation on the fiscal affairs of King County is estimated to be:

Revenue to:

Fund/Agency	Fund Code	Revenue Source	Current Year	2013	2014	2015
Transit Capital Fund	3641	FTA Grant	211,662	777,552		
TOTAL			211,662	777,552		

Expenditures from:

Fund/Agency	Fund Code	Department	Current Year	2013	2014	2015
Public Transportation	3641	Transportation	351,415	843,546	4,621	
TOTAL			351,415	843,546	4,621	

Expenditures by Categories

	Current Year	2013	2014	2015
Developer		350,000		
Salaries and Wages	200,755	102,966		
Services & Other	150,659	90,580	4,621	
Contingency		300,000		
TOTAL	351,415	843,546	4,621	

Assumptions: —

Appropriation authority \$7,624,678, projected final expenditures \$8,824,260. Values indicated above are on a cash flow basis.

