

BILL SUMMARY & FISCAL NOTE

Department:	Contact Person/Phone:	Executive Contact/Phone:
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1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the sale of City real property for residential development; authorizing the sale of the site located at 6th Avenue and Yesler Way to Stream Real Estate, LLC; authorizing the Director of Housing to execute, deliver, and administer the contract for sale of land, deed, and related documents; authorizing other actions related to the disposition and use of the property; and ratifying and confirming certain prior acts.

Summary and background of the Legislation: In 1995 the City acquired a 7,200 square foot parcel located at the northwest corner of Sixth and Yesler (see attached site map). The land was acquired under Ordinance 117630 via a multi-parcel land swap with King County; Section 3 indicates that the land is conveyed for “housing, redevelopment, or community garden purposes.”

The land is partially surrounded by a 14,400 square foot parcel presently held by a private firm: Kakei Ventures, LLC. In late 2014 the Office of Housing learned that Stream Real Estate, LLC has an option to buy that parcel and has plans to develop multifamily housing on the site. Absent an assembly of both parcels, such development would effectively strand the City-owned lot – it could no longer accommodate housing and its value would dramatically diminish.

This legislation therefore authorizes sale of the parcel to Stream Real Estate, LLC. In addition to committing Stream Development to pay fair market value as determined by independent appraisal (\$1.44 million), the Purchase and Sale Agreement also commits the developer to income- and rent-restrict all residential units constructed on both parcels at no greater than 80% of area median income. Sale proceeds would be credited to the Office of Housing as described below under “Summary of Financial Implications.”

Stream Real Estate, LLC’s willingness to income- and rent-restrict all residential units – not just those on the City-held property – to no more than 80% of area median income is predicated on its ability to obtain financial support from a third party, most likely in the form of an incentive zoning “linkage agreement.” This linkage agreement would establish the Sixth and Yesler block as the destination for an off-site affordable housing performance option presently available to any downtown developer obtaining extra (bonus) floor area under SMC 23.49.012. The developer has also indicated to the Office of Housing that assembly of the two parcels enables inclusion of a child care on the site, further satisfying the child care performance option under SMC 23.49.012.

For these reasons, one of the contingencies attached to this Purchase and Sale Agreement is the buyer’s successful execution of a linkage agreement with a separate downtown developer under the incentive zoning program established under SMC 23.49.012. Absent that separate

agreement, the Purchase and Sale Agreement authorized under this legislation will become null and void.

2. CAPITAL IMPROVEMENT PROGRAM

 This legislation creates, funds, or amends a CIP Project.

3. SUMMARY OF FINANCIAL IMPLICATIONS

 X This legislation has direct financial implications.

Budget program(s) affected:				
Estimated \$ Appropriation change:	General Fund \$		Other \$	
	2015	2016	2015	2016
			0	0
Estimated \$ Revenue change:	Revenue to General Fund		Revenue to Other Funds	
	2015	2016	2015	2016
			0	\$1,415,000
Positions affected:	No. of Positions		Total FTE Change	
	2015	2016	2015	2016
			0	0
Other departments affected:				

Please note that the revenue shown for 2016 is a net of sale proceeds of \$1.41 million and the loss of approximately \$25,000 in parking contract revenues.

3.a. Appropriations

 This legislation adds, changes, or deletes appropriations.

Fund Name and number	Dept	Budget Control Level Name/##*	2015 Appropriation Change	2016 Estimated Appropriation Change
TOTAL				

*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes:

3.b. Revenues/Reimbursements

 x This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2015 Revenue	2016 Estimated Revenue
Low Income Housing Fund (16400)	OH	Sale Proceeds	0	1,296,000
Office of Housing Operating Fund (16600)				144,000
Office of Housing Operating Fund (16600)	OH	Contracted Parking Operations	0	-\$25,000
TOTAL				\$1,415,000

Revenue/Reimbursement Notes:

The \$1.44 million in one-time revenue for long-term investment in affordable housing will be leveraged by other sources, such as bond proceeds and investor equity from certain low income housing tax credits, that the City might not otherwise be available to attract. The \$25,000 reduction to the operating fund presents an ongoing revenue impact to the OH operating fund for an unknown period of time. It is likely that upon development of the remainder of the block (which also serves as a surface parking lot), the City-owned 7,200 square foot parcel would no longer be able to serve this function.

3.c. Positions

 This legislation adds, changes, or deletes positions.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position # for Existing Positions	Position Title & Department*	Fund Name & #	Program & BCL	PT/FT	2015 Positions	2015 FTE	Does it sunset? (If yes, explain below in Position Notes)
TOTAL							

* List each position separately

Position Notes:

4. OTHER IMPLICATIONS

a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

None beyond those described above.

b) **Is there financial cost or other impacts of not implementing the legislation?**

Failing to sell this property in conjunction with development of the adjacent parcel presents the City with a substantial opportunity cost. Without this transaction, it is likely

that the remainder of the block will be developed for multifamily housing and drive down the economic value of the remaining 7,200-square foot City-owned parcel.

c) Does this legislation affect any departments besides the originating department?

There is a tangential impact on DPD, as the full block will need to be permitted for housing development and will likely serve as an off-site performance destination for another developer's affordable housing obligation. The sale of the City property does not further that transaction, but capitalizes on it to create greater public benefit.

d) Is a public hearing required for this legislation?

No.

e) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

f) Does this legislation affect a piece of property?

Yes. See Attachment A.

g) Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?

There is no indication that the property's current use as a parking lot presently benefits vulnerable or historically disadvantaged communities. The production of income- and rent-restricted housing on this site could be of some benefit to such communities. The investment of the proceeds from the property sale into production of low-income housing could be beneficial to vulnerable or historically disadvantaged communities.

h) If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.

This legislation will both directly produce income- and rent-restricted units and augment funding for OH's existing Rental Production and Preservation Program, which is funded largely from the Seattle Housing Levy and incentive zoning programs' payment proceeds.

i) Other Issues:

The proposed legislation connects closely with priorities established under the Housing Affordability and Livability Agenda, particularly in its responsiveness to recommendations to seek and deliver on opportunities for City-owned property dispositions to support development of affordable housing.

List attachments below:

Attachment A: Site maps and photo