

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	Executive Contact/Phone:
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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

a. Legislation Title:

AN ORDINANCE relating to the sale and redevelopment of the former Public Safety Building block; authorizing the execution of an Amended and Restated Purchase and Sale and Development Agreement with Bosa Development US LLC, for the construction of a residential project with public parking, public open space and associated retail space; authorizing the acceptance of an easement from Bosa on that property; and authorizing the Director of Finance and Administrative Services to execute documents and take other actions in connection with this project.

b. Summary and background of the Legislation:

This legislation authorizes the Director of Finance and Administrative Services (FAS) to execute an Amended and Restated Purchase and Sale Development Agreement with Bosa Development US, LLC for the property formerly known as the Public Safety Building block, located at 601 4th Avenue (the “Property”). Pursuant to the agreement, Triad will assign all of its interest in the existing purchase and sale and development agreement to Bosa Development; Triad and the City will release one another from liability as it pertains to the Property and Bosa will construct a residential project that includes a 25,000-square foot plaza. Bosa will grant the City a perpetual easement for public use of the plaza and the City will have the right to approve the plaza design. At this time, FAS estimates that the sale will close in late 2018.

Bosa Development will also pay the City a total of \$16,000,000 as cash consideration for ownership of the plaza. Bosa shall have deposited \$1.1M of the \$16,000,000 into escrow at the time this legislation was transmitted to the City Council, and will pay the remainder of the purchase price when the Property sale closes. Should Council not approve the legislation or the transaction fails to close for reasons caused by the City, the deposit will be returned to Bosa.

The \$16,000,000 will be deposited in Finance General to support the Equitable Development Initiative (EDI) program to make investments in neighborhoods where residents are at high risk of displacement, the EDI will address historic and market inequities in neighborhoods that have high displacement risk and have low access to opportunity. The 2017 City Budget included a \$6,500,000 loan (Ordinance 125212) from the General Fund for initial funding of the Equitable Development program. \$6,500,000 of the \$16,000,000 will be used to repay (or used in lieu of) that loan, with the remainder available to support the EDI program after 2017.

- Additionally, at closing Bosa will pay \$5,700,000 to support affordable housing - the estimated Mandatory Housing Affordability fee for the project calculated based on the preliminary design at the time of this legislation. The monies received will be deposited in the Low-Income Housing Fund 16400. After Bosa has received its Master Use Permit, if the actual MHA fees are higher, Bosa will make an additional payment for the difference.

Closing will occur when the Master Use Permit is issued by Seattle Department of Construction and Inspection, approximately 14-18 months from application. The current development schedule estimates that construction will start in early 2019. Construction of the plaza is estimated to require 48 months to complete and the residential tower remainder will be completed approximately 24 months later. The development schedule includes penalties should Bosa delay construction of the project or construction takes longer than initially planned.

2. CAPITAL IMPROVEMENT PROGRAM

- a. Does this legislation create, fund, or amend a CIP Project? ___ Yes X No

3. SUMMARY OF FINANCIAL IMPLICATIONS

- a. Does this legislation amend the Adopted Budget? X Yes ___ No

Budget program(s) affected:				
Appropriation change (\$):	General Fund \$		Other \$	
	2017	2018	2017	2018
Estimated Revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2017	2018	2017	2018
		16,000,000		5,700,000 (Office of Housing mandatory housing affordability fees)
Positions affected:	No. of Positions		Total FTE Change	
	2017	2018	2017	2018

- b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
- c. Is there financial cost or other impacts of *not* implementing the legislation?
 Should the City Council not pass this legislation the City will continue to own the development site, which has short-term and long-term costs. The shoring system that was initially used to hold the sides of the excavated site has reached the end of its useful life. FAS commissioned a study in 2016 that reviewed alternatives to fix and/or continue to maintain the existing shoring system. Should the shoring system fail, either due to age or

an earthquake, surrounding streets and tunnels could collapse into the former Public Safety Building site, creating catastrophic emergency. The cost for this work, which will need to be completed in the next two years, will be at least \$1,200,000. The City will need to pay for it if the legislation does not pass.

Additionally, if this transaction is approved, the City will receive a broad release of liability of claims from Triad Development, founded or unfounded. Though the financial cost of a lawsuit is difficult to ascertain, the broad release does provide assurance that the City will not be in litigation regarding the previous failed development and that Triad Development will have no more rights to the property or future development.

3.e. 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	2017 Revenue	2018 Estimated Revenue
Finance General 00100		Sale of Civic Square Project		16,000,000
Low-Income Housing Fund 16400	OH	MHA Fees for Civic Square Housing Project		5,700,000
TOTAL				21,700,000

Is this change one-time or ongoing?

The sale of this property generates one-time revenue for both the Equitable Development Initiative (EDI) program in Finance General 00100 and the Low-Income Housing Fund 16400 when the property sale closes, which at the time of this legislation is estimated to be in late 2018.

Revenue/Reimbursement Notes:

The Equitable Development Initiative (EDI) addresses displacement and the unequal distribution of opportunities to sustain a diverse and inclusive Seattle. The EDI fosters community leadership and supports organizations to promote equitable access to housing, jobs, education, parks, cultural expression, healthy food and other community needs and amenities. The EDI program will advance community-generated place based projects and has three proposed categories of funding prospective EDI projects in high risk displacement neighborhoods:

- **Community Capacity Development:** Grants to build capacity for organizations/ coalitions leading EDI projects or organizing to elevate community voice and leadership in planning and development processes to better reflect community priorities. Increase capacity for self-determination with communities of color and low-income communities vulnerable to displacement.
- **Project Development**
 - **Project Feasibility:** Grants for development feasibility analysis (economic, site/environmental, market, operations, financial) for EDI project (produced by

- consultant); Technical assistance (support from interdepartmental City staff) for sponsor organization of EDI project
- Tenant / Façade improvements: Loans/grants for capital improvements for commercial space/store front
- Site Control: Loans for property acquisition, option to purchase, or a long-term lease
- Real Estate Development: Loans for capital investments in building construction or renovation
- Entrepreneurship and Talent Development
 - Entrepreneurship: Technical assistance (e.g., business planning, financial management, marketing); Low-cost financing (e.g., low interest loans, business matched savings accounts)
 - Talent Development: Development or programmatic expansion of existing facilities/providers to offer comprehensive talent development services; (including educational, employment counseling, social services, and job training).

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?

Yes, this legislation affects the following departments:

- Office of Planning and Community Development will manage the Equitable Development program.
- Office of Housing will manage the Low-Income Housing Fund 16400, which will receive at a minimum \$5,700,000 from Bosa Development for the Mandatory Housing Affordability (MHA) requirement; after Bosa has received its master use permit, if the actual MHA fees are higher, Bosa will make an additional payment for the difference.

b. Is a public hearing required for this legislation?

No public hearing is required.

c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?

No, this legislation does not affect landlords or sellers of real property.

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

No publication is necessary in the newspaper of record.

e. Does this legislation affect a piece of property?

Yes, this legislation affects City owned property located at 601 4th Avenue, King County Assessor's Parcel number 094200-0855, see attachment 1 for more detail.

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

The proceeds from the sale as authorized by this ordinance will support the Equitable Development Initiative program. As a program, EDI is specifically aimed at addressing the historic disparities in how development affects communities. The Interim EDI Advisory Board, whose members are recruited from high risk displacement neighborhoods citywide, will play a role in vetting the EDI criteria and the application/intake process. Funding allocation decisions will be made through a Race and Social Equity lens and the EDI investments address historic and market inequities in neighborhoods that have high displacement risk and have low access to opportunity.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?

The EDI addresses displacement and the unequal distribution of opportunities to sustain a diverse and inclusive Seattle. The EDI fosters community leadership and supports organizations to promote equitable access to housing, jobs, education, parks, cultural expression, healthy food and other community needs and amenities. The EDI Framework integrates people and place to create strong communities and people, as well as great places with equitable access. The Framework, with its equity drivers and outcomes, functions as an analytical tool to guide implementation to reduce disparities and achieve equitable outcomes for marginalized populations.

h. Other Issues:

List attachments/exhibits below:

Summary Attachment 1 – Map of Civic Square Property