



INFORMATIONAL MEMORANDUM

TO: Mayor Haggerton
FROM: Derek Speck, Economic Development Administrator
DATE: March 3, 2011
SUBJECT: Tukwila Village

ISSUE

At this time, there are two main issues for Tukwila Village. First, the King County Library System would like to build a stand-alone library on a portion of the Tukwila Village site and is ready to enter into negotiations with the City. Second, city staff has received strong interest from developers who would like to build a mix of uses with senior apartments as the major component and who would also like to enter into negotiations with the City.

BACKGROUND

At the City Council meeting on February 28, 2011 staff presented the following four choices for next steps on Tukwila Village:

- (1) **Select a master developer:** The City could start the process to select a master developer of the site by issuing a request for qualifications (RFQ).
- (2) **Start negotiations with KCLS:** The City could start negotiations to sell land to the King County Library System so it could build a stand-alone library. The library had indicated this is their preferred option and would like to locate on the northeast corner of Tukwila International Boulevard and South 144th Street. This is "Site B" in the Perkins + Will analysis.
- (3) **Both #1 and #2:** We could start both of the above options but in this case, the negotiations with the master developer would not include the property planned for the library.
- (4) **None of the above**

At the Council meeting and in the associated staff report, city staff recommended option #1. The main reason for that recommendation is the belief that having one developer coordinate the site will enable a more integrated site that maximizes site efficiency, user experience, and cost effectiveness. In short, it creates more value (both financial and non-financial). City staff also believes this approach would attract more developers to apply and improve the selected developer's chances of getting project financing.

At the Council meeting, the Library System expressed significant concern over option #1. KCLS has stated they would like to move forward as quickly as possible and sees option 2 as a better way to do that since it will take the city time to select a developer and even once a developer is selected, situations could arise that would create delay. In addition, KCLS prefers to have greater control of their development options and not be subject to control of an outside developer. KCLS believes they can build a library faster and at less expense than a private developer and thus get the most library for the cost.

DISCUSSION

City staff believes that if the Council still endorses the Tukwila Village vision that was adopted in 2007, then the library is a key and critical component for that vision. Further, that "Site B", which is the Library's preferred location on the Village property, is a good location for both the library and the rest of the development.

Following is the Tukwila Village vision adopted by Council on 9/17/2007:

"Tukwila Village will be a welcoming place where all residents can gather and connect with each other. This mixed-use development will draw upon Tukwila's strengths and include a library, a neighborhood police resource center, retail, restaurants, public meeting space, and an outdoor plaza. The Village may also include office, live/work, and residential space. This active, vibrant place will set high standards for quality and foster additional neighborhood revitalization and civic pride."

After last week's Council meeting, both of the developers who have expressed interest in the project at this time repeated their preference for the entire site and a strong willingness to include the library with reasonable deal terms. Of the two developers, one stated they would still apply to the Request for Qualifications (RFQ) even if the Library's portion is excluded. The other developer did not know if they will respond until they see the language in the RFQ.

Although staff would prefer to select a developer for the whole site and have that developer negotiate with the library, if the city is faced with the choice of selling the land to the library or not having the library as part of the Village, then it would be better to sell the land to the library. At least we would keep that key component as part of the Village and get it moving forward.

During additional discussions this week, the Library re-emphasized its desire to move forward quickly to not be subject to delays and costs that could be associated with having to negotiate with a master developer. At the same time, the Library expressed that it wants to be a good partner with the City and recognizes that the City believes it can select a developer in three months. In addition, City staff has assured the Library that any agreement between the City and developer would be structured to provide the Library reasonable assurance of timelines and costs and that if the developer is unable to provide those assurances to the Library's satisfaction, the City would then sell the land directly to the Library. Based on this discussion, the Library has agreed to not start looking for other sites for a few months. If the City can select a developer in three months such that the Library can meet with that developer soon after that, the Library is willing to wait.

Please note that this week the Library indicated a willingness to lease the property with an option to purchase and that since they do not have the funds to construct the building at this

time, this may be their preferred option. In this memo all references to “selling the land” to the library also include other options to provide control of the land to the library including methods such as a land lease with an option to purchase.

City staff believes that at the same time that we work through the developer selection process, we can have preliminary negotiations with the Library to agree on some draft deal terms to protect the Library that would be part of the City’s agreement with the developer. These would be preliminary and draft since it will take having a developer to ensure the deal terms are to all parties’ satisfaction. Also during this time, city staff can start negotiations with the Library on deal terms to sell land directly to the Library in the event a developer approach does not work out. In an agreement between the City and Library, the City would require some methods of ensuring that the Library’s development would integrate well with the rest of the development.

Please also note that references in this memo to protecting the Library, City, or developer’s interests and satisfaction assumes an expectation of reasonableness and good faith in the negotiations on behalf of all parties.

Staff would like to revise some statements in the staff memo dated February 23, 2011. In that memo, staff stated that one interested developer has a concept that would include “380 apartments...with most, and maybe all, units restricted to seniors earning less than 50% or 60% of AMI. It’s possible that some of the senior units would not be income restricted...” After that report was written, staff learned that particular developer’s current concept includes for half of the senior units to be “market rate”, meaning they would have no income restriction. The other half of the units would be “affordable” meaning they would have an income restriction which would range between 50% to 80% of area median income (AMI). Following is a table of the current incomes that would qualify:

Max % of AMI	1 Person	2 Persons	3 Persons
80%	\$48,000	\$54,800	\$61,680
60%	\$36,000	\$41,100	\$46,260
50%	\$30,000	\$34,250	\$38,550

This table reflects the maximum income for households eligible to rent apartments set aside for households at 80%, 60% or 50% of the area median income.

AMI = area median income

Income limits per Washington State Housing Finance Commission for King County effective 5/14/10.

At this stage, city staff now recommends the following strategy:

1. The City would start the developer selection process with the goal of having a developer selected in three months (June 6, 2011). The RFQ would indicate that the preferred option is for the developer to get control of the entire site but the City may sell a portion of the property to the library.

2. During the developer selection period, the City and Library would start negotiations on (a) draft deal terms the City would include in an agreement with the developer related to protecting the Library's interests and (b) deal terms between the City and Library for selling the land to the library in the event a developer deal does not meet the Library's satisfaction.
3. Upon selection of a developer, the City will quickly meet with the developer and Library to see if a deal can be worked out between the Library and developer.
4. If the Library and developer are unable to work out a satisfactory agreement, then the City would implement steps to sell the land to the Library.

This strategy makes sense for the City if the Council supports the following principles:

1. The City still holds the vision for Tukwila Village that was adopted in 2007.
2. The Library is still a key component of the vision and the City is committed to reasonable deal terms to include the Library at the primary corner ("Site B").
3. Active living, age restricted apartments ("senior apartments" for 62 and older) are an appropriate type of residential space and can be a major portion, or even all, of the residential space.
4. Some portion of the apartments (senior or non-senior) can be "affordable", meaning income restricted to levels of 50%, 60% and 80% of area median income.
5. If possible, a significant portion of the units should also be "market rate", meaning not income restricted.
6. A healthcare provider, including a non-profit providing primary and dental care to people regardless of income, can be a positive use for the site.

If the Council does not support the above principles, it may not make sense to start a developer selection process at this time and it also may not make sense to commit to having the library at the corner since it is such a key location for the future development.

RECOMMENDATION

Staff recommends the Council adopt a motion in support of the strategy and principles outlined in this report.

ATTACHMENTS

None