

# COUNCIL AGENDA SYNOPSIS



-----Initials-----				ITEM NO.
Meeting Date	Prepared by	Mayor's review	Council review	3. b.
05/23/11	DCS			
06/06/11	DCS			

## ITEM INFORMATION

CAS NUMBER: **11-054**      STAFF SPONSOR: **DEREK SPECK**      ORIGINAL AGENDA DATE: **5/23/11**

AGENDA ITEM TITLE      **Tukwila Village Developer Selection**

CATEGORY     Discussion     Motion     Resolution     Ordinance     Bid Award     Public Hearing     Other

Mtg Date 05/23/11    Mtg Date 6/6/11    Mtg Date    Mtg Date    Mtg Date    Mtg Date    Mtg Date

SPONSOR     Council     Mayor     HR     DCD     Finance     Fire     IT     P&R     Police     PW

SPONSOR'S SUMMARY      **The Council is being asked to consider and select a developer for Tukwila Village.**

REVIEWED BY     COW Mtg.     CA&P Cmte     F&S Cmte     Transportation Cmte  
 Utilities Cmte     Arts Comm.     Parks Comm.     Planning Comm.

DATE: \_\_\_\_\_      COMMITTEE CHAIR: \_\_\_\_\_

### RECOMMENDATIONS:

SPONSOR/ADMIN. **Select Tukwila Village Development Associates, LLC**  
 COMMITTEE \_\_\_\_\_

### COST IMPACT / FUND SOURCE

EXPENDITURE REQUIRED	AMOUNT BUDGETED	APPROPRIATION REQUIRED
\$	\$	\$

Fund Source:  
 Comments:

MTG. DATE	RECORD OF COUNCIL ACTION
05/23/11	

MTG. DATE	ATTACHMENTS
05/23/11	<b>Informational Memorandum dated 5/18/11</b>
	<b>Tukwila Village Developer Selection Principles</b>
	<b>Tukwila Village Vision Statement</b>
	<b>Income Limitation Table</b>
	<b>Citizen Comment Sheet</b>





## INFORMATIONAL MEMORANDUM

TO: Mayor Haggerton  
FROM: Derek Speck, Economic Development Administrator  
DATE: May 18, 2011  
SUBJECT: Tukwila Village Developer Selection

### ISSUE

The City Council is requested to select a developer for Tukwila Village.

### BACKGROUND

On March 14, 2011 the City Council approved a developer selection process for Tukwila Village. The City issued the Request for Qualification on March 30 and closed the application period on April 29. Applications were received from two developers: Trillium Corporation and Tukwila Village Development Associates, LLC (which will be referenced as SHAG, for reasons described below). Staff has reviewed the applications and seeks Council selection of a developer so that staff can begin negotiations.

### DISCUSSION

This developer selection process is intended to be based on the developers' qualifications as they relate to Tukwila Village. As such, the application requested information on each developer's experience with similar developments, experience getting financing, experience getting commercial or residential tenants, management team, and design team. The application also asked the developers to describe their general concept for Tukwila Village and other relevant information. The staff team reviewed this information and has determined that both developers are highly qualified. Both developers' concepts embrace the City's vision for Tukwila Village and fit the selection principles approved by Council and shown on Attachment 1. The developers' concepts and qualifications and key differences are summarized below.

#### **Developer Experience**

##### *Trillium*

Trillium is based in Bellingham, Washington. Trillium has over 40 years of development experience and has done many different types of projects ranging from golf courses to shopping malls. In general, Trillium is a "master developer" in that they will get ownership control of large areas of land, create a master plan, install roads and infrastructure, coordinate zoning and other entitlements, and then sell or lease parcels to other developers to construct the buildings and lease out the space. In some cases, Trillium also constructs the buildings and leases out the space.

In response to the application's request for three examples of prior development projects, Trillium described Cordata near Bellingham, Washington, Denver Commons near Denver, Colorado, and Semiahmoo Resort near Blaine, Washington. These are large developments ranging in size from 165 acres to 1,100 acres. They show that Trillium has good experience taking projects from start to finish, working with many types of uses including office, retail, apartments, condominiums, houses, entertainment, education, recreation, and many others. In the Cordata development, Trillium worked with an organization that developed senior housing. These examples show that Trillium has a wide variety of experience and success in arranging financing and bringing product to market. Trillium is not itself a developer of senior housing so they would need to partner with another senior housing developer. Their application indicates they are in discussions with Regency Pacific, which owns many senior housing developments in Washington and other states.

#### *Senior Housing Assistance Group (SHAG)*

The Senior Housing Assistance Group (SHAG) is a private Washington non-profit corporation headquartered in Puyallup, Washington that is "dedicated to providing quality affordable, safe and secure independent living opportunities for elderly and disabled individuals and households". Formed in 1988, SHAG is committed to sponsoring affordable senior living rental apartment communities designed specifically to address the needs of low and moderate income seniors. SHAG currently operates thirty senior living apartment communities throughout the Puget Sound comprising 4,566 dwelling units.

SHAG, however, is not the developer or owner of these projects. SHAG cooperates with third party developers and owners. SHAG owns a for profit subsidiary, the Senior Housing Assistance Corporation (SHAC) which has the same officers and board of directors. SHAC partners with other developers and owners for SHAG communities.

One of SHAC's main partners in the development and ownership of SHAG communities is Pacific Northern Construction Company, Inc. (Pacific Northern). Pacific Northern was formed in 1994 and has developed, or co-developed, thirty affordable rental apartment communities including both senior living and family living communities comprising 4,753 dwelling units. Bryan Park is the President and controlling shareholder of Pacific Northern. Twenty-eight of SHAC's thirty senior communities were developed and constructed under the supervision of Pacific Northern.

Technically, SHAG is not the applicant for Tukwila Village. The actual applicant is Tukwila Village Development Associates, LLC. The sole members and managers of the applicant are SHAC and Pacific Northern. However, because this is the typical organizational structure of senior living communities that are publicly recognized as the SHAG brand, for simplicity and public understanding in this report, city staff will refer to the applicant as SHAG.

In response to the application's request for three examples of prior development projects, SHAG described Arrowhead Gardens, Linden Place at Bitter Lake, and Rainier Court. These projects are mixed-use developments ranging in size from 386 apartments to 449 apartments, 5,500 to 18,500 square feet of retail/commercial space. These developments ranged from \$55 million to \$60 million in total cost. These developments show that SHAG

has strong experience and success in arranging financing and bringing product to market for developments that are very similar in size and scope to Tukwila Village.

Both developers have excellent experience and capacity to complete the project. Trillium has wider range of experience but SHAG is more experienced with projects of the size and market demographics of Tukwila Village.

### **Development Team**

Trillium's proposed development team would include the architecture firm of Collins Woerman. Trillium has not selected a general contractor or other key members of their development team for this project. Trillium is in discussions with Regency Pacific to develop the senior housing portion of the project. Collins Woerman is an excellent architecture firm highly capable of the sort of work needed for Tukwila Village and is very familiar with the project because they provided architectural services for a previous developer's proposal in 2008.

SHAG's proposed development team would include the architecture firm of Johnson Braund Design Group, Inc. (JBDG), Inter-City Contractors as the general contractor, Pacific Northern as the construction project manager, and Independent Living Associates as the property management company. These firms have teamed on many of SHAG's developments and have a lot of experience working together. JBDG is an excellent architecture firm highly capable of the sort of work needed for Tukwila Village. JBDG is also headquartered in Tukwila and very familiar with the neighborhood.

Both developers would bring high quality partners to their team. At this point, we have greater knowledge about SHAG's team, and in particular, their expertise in senior and family apartments which would be the largest financial component of the site.

### **Concept**

Trillium's concept includes a library of up to 20,000 square feet, a 2,000 square foot police neighborhood resource center, a 20,000 square foot public plaza, a meeting area, 20,000 to 40,000 square feet of medical office space, and 300 to 600 apartments. Of the apartments, approximately 50% would be age restricted for seniors. At this time, Trillium does not anticipate any of the apartments being income restricted or rent restricted although they would like that option to be available. Trillium did not specify a specific amount of retail or describe the type of retail but did refer to including ground floor retail. Trillium indicated they support the King County Library's desire to locate on the northeast corner of the intersection of Tukwila International Boulevard and South 144<sup>th</sup> Street and they see HealthPoint as a good fit for the medical office space.

SHAG's concept includes a 10,000 square foot library, a 2,000 square foot police neighborhood resource center, a 20,000 square foot public plaza, a 2,000 square foot indoor community commons, a 20,000 square foot medical office space, 7,000 square feet of retail space, and 382 apartments.

SHAG indicated they support the King County Library's desire to locate on the northeast corner of the intersection of Tukwila International Boulevard and South 144<sup>th</sup> Street and they see HealthPoint as a good fit for the medical office space. Their application includes

a letter from HealthPoint indicating an interest in being included in SHAG's concept for Tukwila Village. SHAG indicates the retail would be a coffee shop/ice cream parlor/deli, one or two restaurants, and some small retail spaces.

Of the 382 apartments, 321 would be age restricted (senior apartments) and 61 would be not age restricted. The non-age restricted apartments would all be in one building and would have no rent restrictions; however, on 12 of the apartments, incomes would be restricted to households earning less than 50% of the area median income. Of the senior apartments, 83 would be restricted to households earning less than 50% of the area median income, 130 would be restricted to households earning less than 60% of the area median income, 41 would be restricted to households earning less than 80% of the area median income, and 67 would have no income restrictions. Of the units with income restrictions, 186 would also have rent restricted to no more than 30% of the household's income. A chart showing current area median income is included as Attachment 2.

Of the 61 non-senior apartments, five would be live/work loft style. Of the 321 senior apartments, 15 would be townhouse style with street level entries.

Both developers' concepts are very similar in types of uses such as the library, police neighborhood resource center, plaza, indoor community commons, medical office, retail, and apartments. Trillium indicates potential for greater amount of medical office and library but those users have not indicated a desire for that extra space. Trillium sees potential for more apartments. SHAG sees potential in a higher percentage of senior apartments and including some income and rent restrictions. It is important to remember at at this stage, both developers' concepts are very preliminary and may change as they further refine the project.

It should be noted that SHAG has a dual purpose in accepting restrictions on household income or rent. First, it fulfills SHAG's mission. Second, it makes the development eligible for lower cost (tax exempt) financing, tax credit equity, and property tax exemptions which make the project more financially feasible.

Overall, Trillium's concept seems more fluid while SHAG's seems farther along in analysis. Trillium is more likely to seek a development targeted to higher income tenants but it is untested and SHAG's target market is more defined and likely to be feasible.

### **Timeline**

Trillium indicated a desire to execute an agreement with the City within a matter of months. Staff is not clear on Trillium's estimate for completing any feasibility analysis, pre-development, and design work but Trillium indicated it typically completes construction 18 months after closing on the land purchase.

SHAG has completed a preliminary due diligence analysis. If selected, they expect to complete due diligence and feasibility analysis in 90 days. They expect to complete the design/development/permitting within six months of completing negotiations with the City. Construction would take 12 to 18 months, depending on the phase. SHAG's current estimate is to complete construction on the "north phase" in late 2013 and on the "south phase" in mid-2014.

Both developers indicate a desire to start negotiations quickly and construct the project in a reasonable timeframe. SHAG provided a more detailed timeline that appears to have greater certainty.

SHAG's concept includes more detail than Trillium's and SHAG appears to have completed a greater amount of feasibility analysis.

### **Other Considerations**

There are many other considerations. Some of the more significant are:

**King County Library's Preference:** At the time this report was drafted, the Library staff indicated they thought both developers were qualified and the Library could work with either one. The Library had met with SHAG and felt it was a very positive meeting.

**Future Revitalization:** In staff's opinion, Trillium has greater experience and capacity to expand the Tukwila Village project, or take on other projects in the neighborhood.

**City Financial Results:** Because this selection process is based on qualifications and not actual proposals, we do not know with certainty what the land price will be or which developer would pay the City the most for the property. Both developers indicated they intended to pay a fair market price for the land based on the actual development agreed to between the developer and City. There are many factors that would affect this price such as cost of construction, cost of financing, and rents. One factor should be mentioned since it can be very significant. Given that the neighborhood around Tukwila Village has household incomes much lower than the average median income for King County, it is likely that the household incomes allowed under the SHAG concept would be similar to those under the Trillium concept; however, the SHAG concept would be eligible for lower cost financing and tax credit equity which would result in a higher land price to the City. Because a large portion of SHAG's development would likely be exempt from paying property tax for a number of years, the City would receive more ongoing revenue from the Trillium development.

### **Citizen Feedback**

Citizens were invited to come to City Hall during the first two weeks of May to review the developer applications and provide feedback to City staff. Two citizens submitted written comments on the form provided by staff (see attachment 4). Staff made presentations at the Chamber of Commerce's Tukwila Government Affairs committee and at the Tukwila International Boulevard Action Committee. Full copies of the applications were posted on the Tukwila Village website on May 13.

### **Summary Comparison**

Staff believes both developers are strong, have good experience, and can perform well with Tukwila Village. Trillium has broader capabilities which means that it can be more flexible if market conditions change or the City's vision changes. Trillium also has more experience acting as a master developer. SHAG has more experience with projects the size of Tukwila Village, understands senior housing more, has done more feasibility analysis, and has a more specific timeframe for project completion.

Staff believes both concepts are strong and fulfill the vision of Tukwila Village. Because SHAG's concept includes some income and rent restricted apartments, it is more likely to receive financing, more likely to receive lower cost financing, and be more feasible. Because SHAG's concept is very similar to their typical developments, their concept is more predictable.

In summary, both developers are qualified. The community has gone through many ups and downs with Tukwila Village over past number of years. At this stage, staff recommends Council select SHAG since its experience and concept have more predictability and certainty.

### **RECOMMENDATION**

Staff recommends Council selects Tukwila Village Development Associates, LLC as the preferred developer and authorizes staff to enter into exclusive negotiations with said developer.

### **ATTACHMENTS**

Developer Selection Principles  
Tukwila Village Vision Statement  
Income Limitation Table  
Citizen comment sheet



**ATTACHMENT 1**

**Developer Selection Principles (as approved by Council 3/7/11)**

- (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.

**Developer Selection Principles (excerpted and paraphrased from the 2008 RFQ)**

- (1) The City desires a development that accomplishes the City's vision as adopted by the City Council in 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. "*
- (2) The City prefers to sell all six acres to one developer. However, selling significant portions to separate developers will be considered.
- (3) This project is located in a designated urban renewal area in which the City has eminent domain authority; however, the City is not seeking to acquire additional property at this time.
- (4) In addition to the library and neighborhood police resource center, the City is amenable to concepts that include office, live/work, or residential as major components of the development. Apartments will be considered but preference may be given to concepts with ownership housing.

- (5) The City encourages both market rate and mixed-income concepts but is not interested in concepts in which the entire residential component is income restricted, unless it is to offer housing for active seniors or artists.
- (6) The City desires to maximize its financial return while achieving the project vision. We are open to creative approaches such as phasing the construction, phasing financial payments, or retaining an equity position.
- (7) Improvements are scheduled for South 144<sup>th</sup> Street in the City's capital improvement plan. If technically feasible, the City is willing to coordinate the timing of those improvements to coincide with the development of this project. The City owns Tukwila International Boulevard and is willing to explore on-street parking or other improvements.
- (8) The City plans to own or lease approximately 2,000 square feet of office space in the development for a neighborhood police resource center.
- (9) We encourage green and environmentally sustainable building practices.

**ATTACHMENT 2**

**Tukwila Village Vision**

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.

**ATTACHMENT 3**

**Household Income Restrictions**

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

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.

#### ATTACHMENT 4

##### Citizen Comments

The public was invited to review the developer applications at City Hall during the first two weeks of May and submit comments on prepared survey forms. Approximately four citizens attended and two submitted comments. Following are the submitted comments.

##### **Comments from Marie Parish**

<u>Concept:</u> Which developer's concept best fits the City's vision?
Comments on Trillium: <i>"no retail?"</i>
Comments on SHAG: <i>"Specifically addresses all key elements"</i>
Which developer is strongest in this regard? <i>"SHAG"</i>

<u>Concept</u> Which developer's concept best fits the Library's goals, includes "green" and sustainable elements, and is easiest to manage well?
Comments on Trillium:
Comments on SHAG: <i>"Would include residents and other interested parties in management/scheduling of common areas."</i>
Which developer is strongest in this regard? <i>"SHAG"</i>

##### **Comments from Chuck Parish**

<u>Concept</u> Which developer's concept best fits the City's vision?
Comments on Trillium:
Comments on SHAG: <i>"Looks like a better mix but I do not like the possibility of up to 100% of age restricted housing being income restricted. Needs to be majority market rate."</i>
Which developer is strongest in this regard? <i>"SHAG"</i>

<u>Concept</u> Which developer's concept best fits the Library's goals, includes "green" and sustainable elements, and is easiest to manage well?
Comments on Trillium:
Comments on SHAG:
Which developer is strongest in this regard? <i>"Unimportant at this stage."</i>

