

Date: December 15, 2021

To: Board of Directors

From: Sam Desue, Jr.

Subject: RESOLUTION NO. 21-12-53 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) DETERMINING THAT THE TERMS OF THE HOLLYWOOD TRANSIT CENTER JOINT DEVELOPMENT AGREEMENT ARE REASONABLE AND FAIR AND THAT THE REVENUE THEREFROM WILL BE USED FOR PUBLIC TRANSPORTATION

1. Purpose of Item

This Resolution requests that the TriMet Board of Directors (Board) make a determination that the terms and conditions of the Hollywood Transit Center (HTC) Joint Development agreement with BRIDGE Housing (BRIDGE) are fair and reasonable to TriMet and that the revenue derived therefrom shall be used for public transportation, as required by the Federal Transit Administration (FTA).

2. Type of Agenda Item

- Initial Contract
- Contract Modification
- Other – Determination Required by FTA

3. Type of Contract Procurement

- Low Bid / Invitation to Bid (ITB)
- Request for Proposals (RFP)
- Request for Qualifications (RFQ)
- Other (inc. sole source) - Marketed real estate transaction

4. Reason for Board Action

FTA Circular 7050.1B requires that an agency’s board of directors determine that the terms of a joint development agreement are reasonable and fair to the agency and that any revenue derived therefrom will be used for public transportation.

5. Type of Action

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

6. Background

The Hollywood Transit Center at NE 42nd and Halsey Street opened in 1986 and was constructed as part of TriMet’s first light rail alignment. The site currently is used as a bus stop and transfer station for three bus lines, but is otherwise undeveloped. The current

condition of the site is shown on Exhibit A to this Resolution. Because this Hollywood neighborhood site is immediately adjacent to public transportation and near schools, jobs, grocery stores, and entertainment options, TriMet has identified it as a prime candidate for redevelopment into a dense, active, and thriving transit-oriented development (TOD).

To this end, in early 2019 TriMet listed the property for sale through its broker, Cushman & Wakefield (C&W). TriMet's listing made clear that the agency was looking for a partner to help TriMet create a community-oriented TOD. In response to the C&W listing, TriMet received three proposals in April 2019, and determined that the proposal jointly submitted by BRIDGE and a market rate developer was the most advantageous to the agency. Subsequently, TriMet and Bridge began negotiating the sale/lease price, as well as the shape and height of the building, the design of the remainder of the site, and the long-term uses of the site's remaining open space. The onset of the pandemic in March 2020 led BRIDGE's market rate development partner to determine that a market rate project was not feasible at that time. This led to a redesign of the site to deliver a larger Phase 1 affordable housing project, and an unencumbered Phase 2 site for future development.

After more than two years of negotiations, TriMet is nearly ready to enter into a 99-year lease with BRIDGE to build and operate a thirteen-story affordable housing development, in coordination with TriMet's adjacent project to rebuild and replace aging transit infrastructure on the site that is at the end of its useful life. Exhibit B shows a conceptual rendering of the future vision for the site.

The proposed 99-year lease between TriMet and BRIDGE sets out the following elements:

- 99-year ground lease on the land beneath the BRIDGE affordable housing building. TriMet will maintain ownership of the land and development rights for the public realm space surrounding the BRIDGE building and the "Phase 2 parcel" on the northeast portion of the site
- \$1,500,000 up-front ground lease payment from BRIDGE to TriMet on site transfer in lieu of future annual ground rent
- BRIDGE's contribution of \$150,000 toward the cost of a permanent memorial to the tragic events of May 2017
- TriMet completion of a separate infrastructure project to, among other things, replace the existing substation, rebuild the ramp structure, build new bus pull-ins to service the site, and build other public amenity space.
- City of Portland vacation of NE 42nd Avenue south of Halsey Street, expanding the site footprint by about 8,000 square feet
- BRIDGE construction of thirteen-story affordable housing project with approximately 200 units and on-going supportive services for residents
- BRIDGE construction of a TriMet restroom facility and public bike hub/storage room that will be leased back to TriMet for \$1 for a 99-year term
- Long-term partnership between TriMet and BRIDGE to manage and program paseo and courtyard area for public events

Because the property was originally purchased with federal funds, TriMet must get FTA concurrence with the proposed agreement prior to executing the lease. Therefore, during the course of the lease negotiations TriMet has maintained contact with FTA concerning the project, which is being structured as a Joint Development under FTA rules.

FTA encourages agencies to engage in Joint Development projects, which FTA defines as a "commercial, residential, mixed use, or other development" that "integrally relates" to a

public transportation project. To qualify as a Joint Development, FTA requires a transit agency to meet certain criteria, the following of which are applicable to this project:

- (1) Create an economic benefit by enhancing economic development or incorporating private investment;
- (2) Provide a public transportation benefit by enhancing the effectiveness of public transportation and relating physically or functionally to public transportation; and
- (3) Provide a fair share of the produced revenue for public transportation.

FTA makes the determination as to criteria (1) and (2), but defers the “fair share of revenue” component to an agency’s board of directors. The FTA relies on the board to determine (i) that the terms and conditions of the joint development improvement (including the share of revenue for public transportation which shall be provided thereunder) are reasonable and fair to the recipient of federal funds; and (ii) that such revenue shall be used for public transportation.

During the course of negotiating the agreement, TriMet staff extensively investigated the transaction’s financial components in order to confirm that it satisfies the FTA’s third criterion. A summary and description of the financial components is attached as Exhibit C.

TriMet’s investigation yielded a broker’s opinion as to the value of the site, appraisals of the property’s fair market value in both 2018 and 2021, a calculation of the value to TriMet of the TriMet restroom and bike room, analysis of the financial impact of affordable housing on market value in lieu of market rate housing, and an estimate of increased farebox revenue over a 30-year period, due to the significant increase in residents living immediately adjacent to the redeveloped transit station. Based on its extensive investigations and negotiations, TriMet staff believes that the terms and conditions of the proposed lease agreement will satisfy the third criterion and provide a “fair share of revenue” to TriMet.

7. Description of Procurement Process

In early 2019, TriMet listed the HTC site for sale through its real estate broker, C&W. The broker’s marketing materials were developed in consultation with TriMet, and stressed that TriMet was interested in finding a development partner with whom it could work closely to implement TriMet’s vision for a dense, active transit-oriented development with a community-oriented focus. C&W extensively marketed the site, and received three proposals. Of those, TriMet selected BRIDGE’s proposal as the most advantageous to TriMet, and the parties negotiated the lease agreement described above.

8. Diversity

BRIDGE has committed to utilize M/W/E/SDVBE certified firms for approximately 50 percent of the project’s design work and approximately 35 percent of the construction work.

9. Financial/Budget Impact

The budget for TriMet’s infrastructure work on the HTC site is included in the approved FY2022 Engineering and Construction operating budget. All proceeds from the BRIDGE lease will be used for public transportation purposes, in accordance with FTA requirements.

10. Impact if Not Approved

FTA regulations require the Board to determine that the financial terms of the Joint Development agreement are fair and reasonable to TriMet, and that the lease proceeds will be used for public transportation. Without the Board's approval of this Resolution, TriMet cannot finalize and execute the BRIDGE lease.

RESOLUTION NO. 21-09-53

RESOLUTION NO. 21-12-53 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) DETERMINING THAT THE TERMS OF THE HOLLYWOOD TRANSIT CENTER JOINT DEVELOPMENT AGREEMENT ARE REASONABLE AND FAIR AND THAT THE REVENUE THEREFROM WILL BE USED FOR PUBLIC TRANSPORTATION

WHEREAS, TriMet's Hollywood Transit Center was purchased with federal funding and constructed in 1986 as part of TriMet's Banfield Light Rail Project; and

WHEREAS, TriMet wishes to redevelop and improve the Hollywood Transit Center site and facilitate a Transit Oriented Development there; and

WHEREAS, the Federal Transit Administration (FTA) must concur in any Joint Development agreement with a third party concerning the federally-funded Hollywood Transit Center site; and

WHEREAS, FTA Circular 7050.1B requires the board of directors of a transit agency intending to enter into a Joint Development agreement to determine, following reasonable investigation, that the terms and conditions of the Joint Development agreement (including the share of revenue for public transportation which shall be provided thereunder) are reasonable and fair to the agency and that such revenue shall be used for public transportation; and

WHEREAS, TriMet has authority under ORS 267.200 to enter into a Joint Development agreement and 99-year lease with BRIDGE Housing (BRIDGE) to redevelop a portion of the Hollywood Transit Center site as a Transit Oriented Development; and

WHEREAS, BRIDGE has agreed to construct and operate a thirteen-story, 200-unit affordable housing apartment building on the Hollywood Transit Center site, and make an up-front lease payment of \$1,500,000 to TriMet; and

WHEREAS, the TriMet Board of Directors has determined that the terms of the Joint Development agreement with BRIDGE, as described herein and reflected in the attached Exhibits A, B and C, along with the revenue it will provide, are reasonable and fair to TriMet, and that the revenue provided will be used for public transportation;

NOW, THEREFORE, BE IT RESOLVED:

1. That the terms of the Joint Development agreement and lease with BRIDGE, as described herein and reflected in the attached Exhibits A, B and C, are reasonable and fair to TriMet, and the revenue therefrom shall be used for public transportation, and that the Joint Development agreement and the lease shall otherwise conform with all relevant FTA regulations and applicable law.
2. That the General Manager or his designee is authorized to enter into the Hollywood Transit Center Joint Development agreement and lease with BRIDGE.

Dated: December 15, 2021

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency:

Gregory E. Skillman
Legal Department