


Date: July 26, 2023

To: Board of Directors

From: Sam Desue, Jr. 

Subject: **RESOLUTION NO. 23-07-35 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 reasonable and fair 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

To comply with FTA regulations, the Board must determine that the terms of the HTC Joint Development agreement are reasonable and fair to TriMet, and that any revenue derived from the Joint Development agreement will be used for public transportation.

5. Type of Action

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

6. Background

TriMet’s Hollywood Transit Center, located at NE 42nd and Halsey Street, opened in 1986 as part of TriMet’s first light rail alignment. Currently, the approximately 50,000 square foot site is used as a bus stop and transfer station for three bus lines, and has convenient access to

the Red, Blue and Green MAX Lines, but the property otherwise is undeveloped. The present condition of the site is shown on the attached Exhibit A. Because the Hollywood neighborhood is well-served by adjacent public transportation and close to schools, jobs, grocery stores, and entertainment options, both TriMet and the City of Portland have long envisioned redevelopment of the Hollywood site into a dense, active, and thriving community. TriMet also has identified this site as a prime candidate for transit-oriented development (TOD), including affordable housing.

To this end, in early 2019 TriMet listed the site for sale through its broker, Cushman & Wakefield (C&W), making it clear that TriMet was looking for a partner to help TriMet create a community-oriented TOD. In response, TriMet received three proposals in April 2019, and determined that one jointly submitted by BRIDGE and a market rate developer was the most advantageous. BRIDGE Housing is a mission-driven non-profit established in 1983. In the past forty years, BRIDGE has developed approximately 20,000 housing units and has a significant presence in the TriMet service area.

TriMet and BRIDGE began negotiating the sale/lease price, design for the development, 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 housing project was no longer feasible. Therefore, TriMet and BRIDGE redesigned the site to deliver a larger Phase 1 affordable housing project, and an unencumbered Phase 2 site for future development.

After further negotiations, TriMet and BRIDGE had reached an agreement in principal to grant a 99-year lease for BRIDGE to build and operate a twelve-story affordable housing development, in coordination with TriMet's adjacent project to rebuild and replace aging transit infrastructure on the site. That agreement contemplated that BRIDGE's building would wrap around the south and east portions of the site, with TriMet maintaining control of a separate portion of the site for future development. The attached Exhibit B shows the contemplated project as of December of 2021, with BRIDGE's development being shown as the Phase 1 Development.

Based on the agreement in place with BRIDGE at that time, the TriMet Board approved Resolution No. 21-12-53, declaring 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."

The initial footprint of the BRIDGE building was based on a federal Difficult Development Area (DDA) boundary line that irregularly bisects the site, and federal Housing and Urban Development (HUD) guidance that precluded BRIDGE from crossing the DDA boundary. If BRIDGE were to cross the line it would not receive the full measure of the tax credits that made the project financially feasible.

Subsequently, as the project moved forward, the design work advanced, and additional public outreach was conducted, it became clear that allowing BRIDGE to build on both sides of the DDA boundary line would allow for a significantly larger building with a better design that would be more integrated into the adjacent TriMet site and the rest of the neighborhood. TriMet and BRIDGE then engaged Senator Wyden's office, requesting federal assistance from HUD for an interpretation of its rules to permit BRIDGE to build on both sides of the boundary and obtain the maximum financial benefit. HUD ultimately agreed with this

interpretation, and BRIDGE redesigned its project to include a larger building on a larger portion of the site. This new design and site concept was well-received by the Portland Design Commission during land use approvals, and is shown on the attached Exhibit C.

Because BRIDGE is now building on and leasing a larger portion of the site, the terms of the original, Board-approved Joint Development agreement have changed. The proposed 99-year lease between TriMet and BRIDGE now includes the following elements:

- A 99-year ground lease to BRIDGE of the building area and associated resident courtyard, consisting of approximately 34,918 square feet, with TriMet maintaining ownership of the land.
- \$1,500,000 up-front ground lease payment from BRIDGE to TriMet upon site transfer, in lieu of future annual ground rent.
- \$150,000 joint contributions by TriMet and BRIDGE toward the cost of a memorial to the tragic events of May 2017.
- TriMet's completion of a separate infrastructure project to replace the existing substation, rebuild the ramp/stair structure, build new in-street bus facilities and a public paseo.
- City of Portland's vacation of NE 42nd Avenue south of Halsey Street, transferring ownership of approximately 15,700 square feet to TriMet, to allow for construction of public access elements and transit-supportive infrastructure.
- BRIDGE's construction of a twelve-story, 100% affordable housing project with approximately 224 units and on-going support services for residents.
- BRIDGE's construction of interior building spaces, including TriMet staff facilities, public bike storage room, and retail space that will be leased back to TriMet for \$1 for a 99-year term.
- BRIDGE's construction of project elements that support and improve the functioning of the site, including a building-integrated bus shelter, through-building access for TriMet service vehicles, seat walls fronting the paseo for public use, and an appropriate finish to the ground floor of the south side elevation facing the MAX platform.
- Long-term partnership between TriMet and BRIDGE to manage and program the paseo area for public events.

Because the property was originally purchased with federal funds, TriMet must obtain FTA's concurrence with the proposed agreement prior to executing the lease. Therefore, during the course of the lease negotiations, TriMet 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 relates to a public transportation project.

Under FTA Circular 7050.1B, FTA requires a transit agency to meet certain criteria in order to qualify as a Joint Development. The following criteria apply 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. For this Joint Development, the FTA will rely on the TriMet Board to determine (i) 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 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 D.

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 staff facilities, public bike storage room, retail space, and other site improvements,
- analysis of the financial impact of affordable housing on market value compared to market rate housing, and
- an estimate of increased farebox revenue over a 30-year period due to the increase in residents living immediately adjacent to the redeveloped Hollywood Transit Station.

Based on the above negotiations and investigations, TriMet staff believes that the terms and conditions of the proposed lease agreement, including the share of revenue provided for public transportation, are reasonable and fair to TriMet, and that the revenue shall be used for public transportation, thus satisfying FTA’s third criterion.

7. Description of Procurement Process

In early 2019, TriMet listed the HTC site for sale through its real estate broker, C&W. 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 conducted extensive negotiations to reach the lease agreement described above.

8. Diversity

BRIDGE has committed to utilize M/W/E/SDVBE certified firms for approximately fifty percent (50%) of the project’s design work and approximately thirty-five percent (35%) of the construction work.

9. Financial/Budget Impact

The budget for TriMet’s infrastructure work on the HTC site is included in the approved FY2024 project 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 terms and conditions 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, and cannot proceed with the project.

RESOLUTION NO. 23-07-35

**RESOLUTION NO. 23-07-35 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 with 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

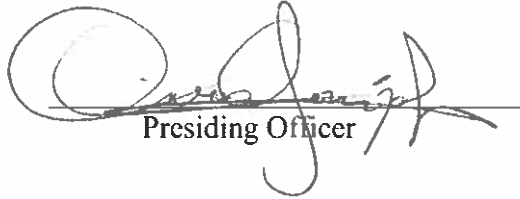
WHEREAS, BRIDGE has agreed to construct and operate a twelve-story, approximately 224-unit, 100% affordable housing apartment building on the Hollywood Transit Center site, and make an up-front lease payment of \$1,500,000 to TriMet, in addition to other monetary and non-monetary contributions; and

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

NOW, THEREFORE, BE IT RESOLVED:

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

Dated: July 26, 2023


Presiding Officer

Attest:

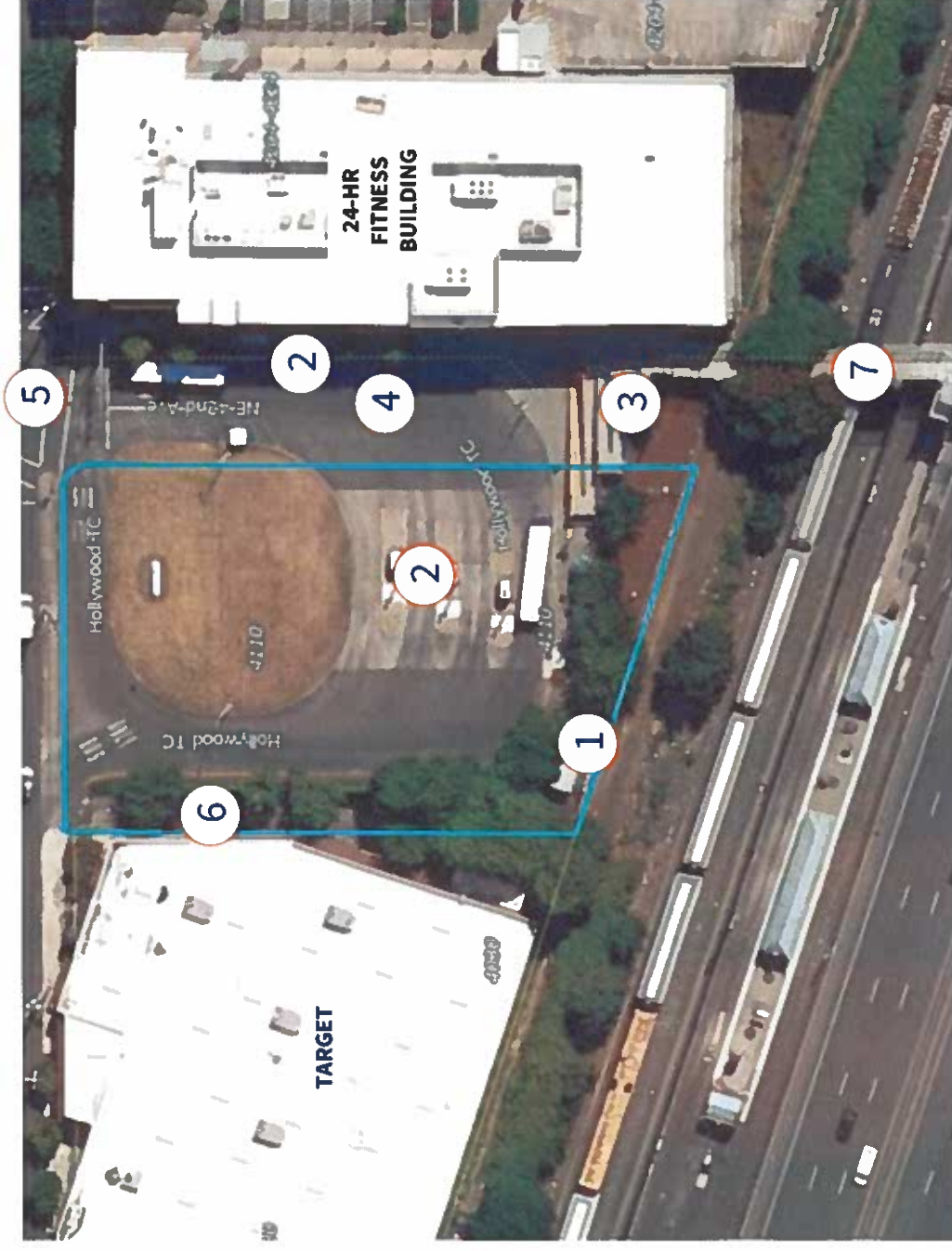

Recording Secretary

Approved as to Legal Sufficiency:


Legal Department

Exhibit A: Existing Conditions Resolution 23-07-35

1. 1986 light rail substation due for upgrade
2. Existing bus facilities (no layover)
3. Existing stair/ ramp due for upgrade/ accessibility improvements
4. PBOT paper street used primarily for bus, ped, bike circulation
5. Betterment opportunity for safety improvements of adjacent roadway
6. Existing easement to Target for driveway access
7. ODOT Pedestrian Bridge to MAX platform and Laurelhurst Neighborhood



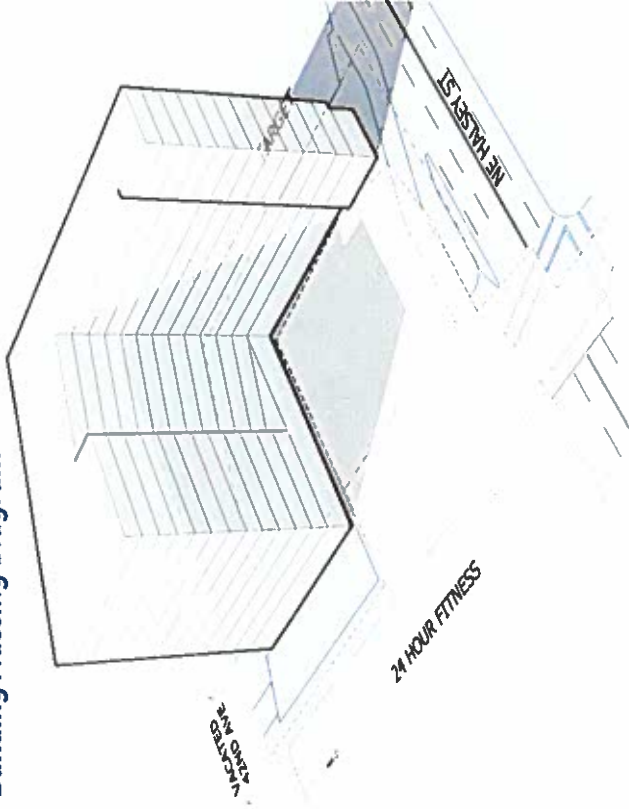
Hollywood Transit Center
4110 NE Halsey Street, Portland OR

Exhibit B: Previous Site Design (2021) Resolution 23-07-35

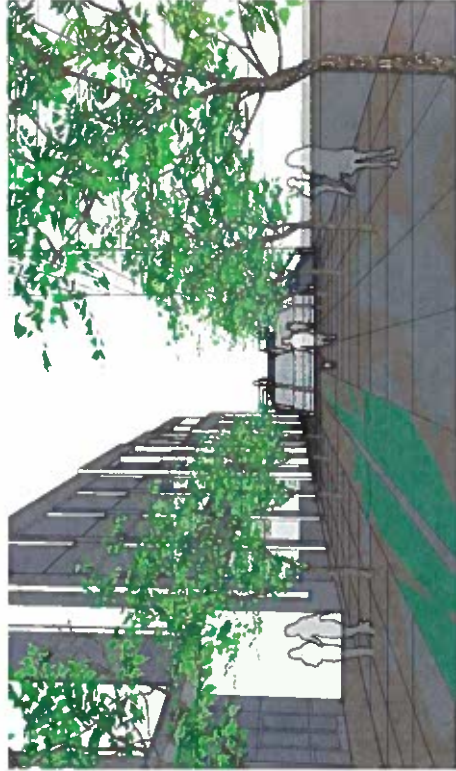


Site Plan

Building Massing Diagram



Public Realm & Infrastructure Improvements



hollywoodHUB

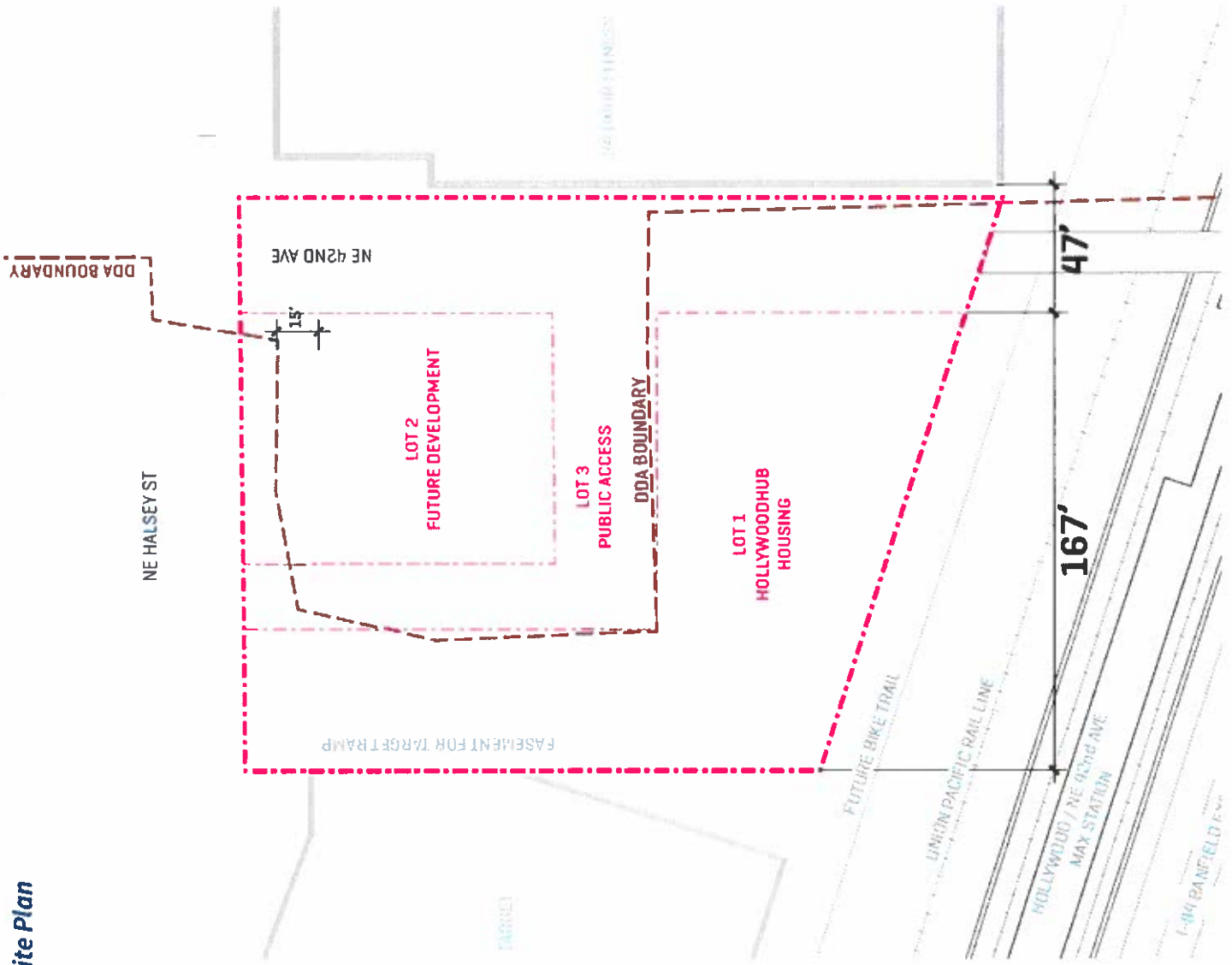
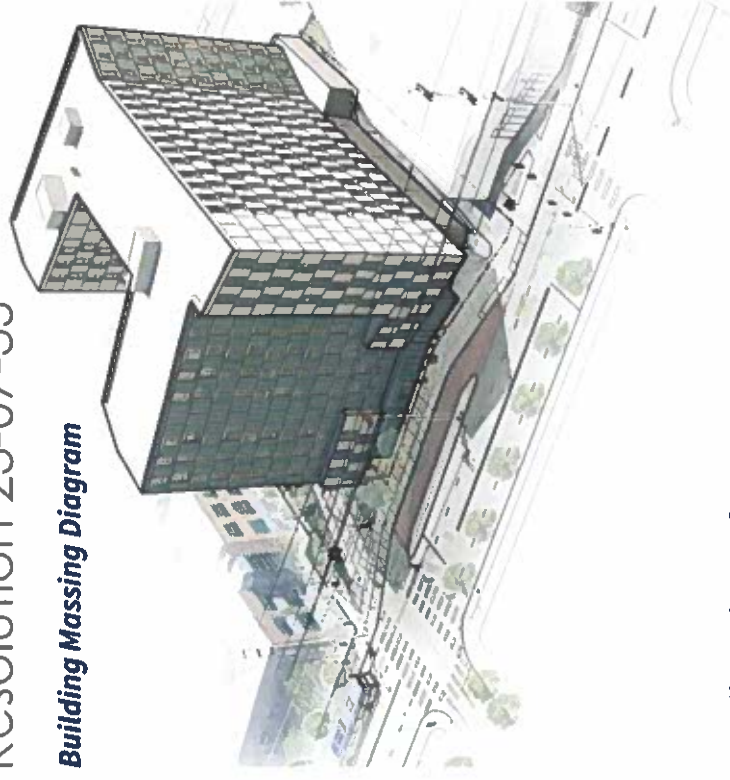


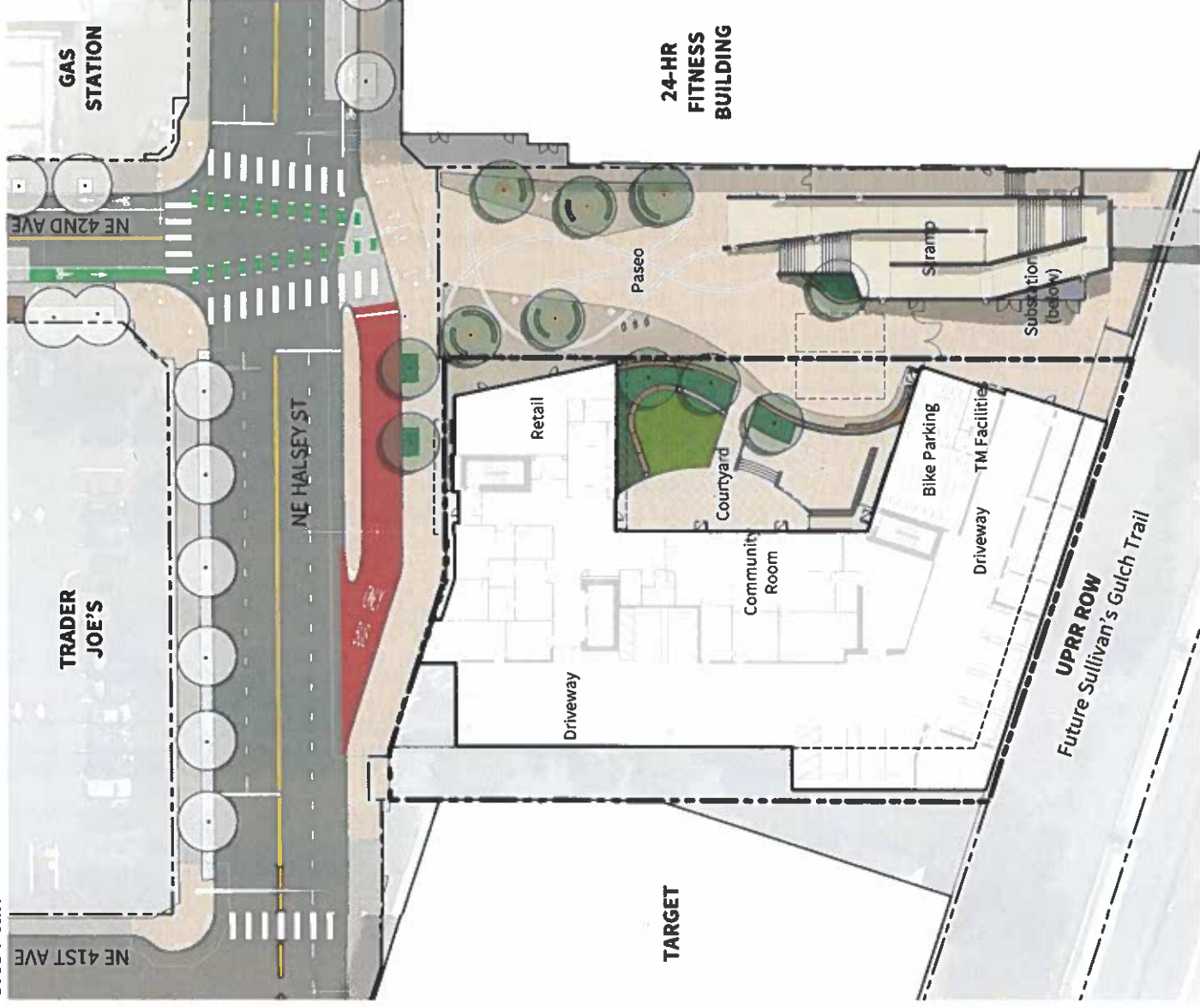
Exhibit C: Revised Site Design (2023) Resolution 23-07-35



Building Massing Diagram



Site Plan



Public Realm & Infrastructure Improvements



Exhibit D

Resolution 23-07-35

Financial Considerations of Hollywood Joint Development Project

Site Size

Original TriMet Property Area – 34,918 square feet, more or less

Current TriMet Property Area (after 15,728 SF street vacation) – 50,646 square feet, more or less

Previously Proposed Lease Area to BRIDGE (after street vacation) - approximately 22,000 square feet, more or less

Current Proposed Lease Area to BRIDGE – 34,918 square feet, more or less

<u>Site Appraisals/ValuationDate</u>	Aug. 2018	Jul. 2019	2021	Nov. 2021
Type	Appraisal	Offers (x3)	Opinion of Value	Appraisal
Value	\$5,240,000	\$4.0 - 5.2M	\$4,845,300	\$7,256,700 *
Element	TriMet Parcel	TriMet Parcel	TriMet Parcel	TriMet Parcel + Vacated Street
Area	34,918 SF	34,918 SF	34,918 SF	48,378 SF
Value (\$/SF)	\$150 /SF	\$115-149 /SF	\$139 /SF	\$150 /SF

* The value of the Previously Proposed Lease Area to BRIDGE was calculated at \$3,300,000 from this appraisal (approx. 22,000 SF x \$150/SF).

Payments/Value Capture to TriMet

\$1,500,000 – Lease Payment from BRIDGE to TriMet

\$11,891,201 - Value of Lease from BRIDGE to TriMet for staff facilities (approx. 230 SF), public bike storage room (approx. 1,390 SF), and retail space (approx. 1,160 SF) (NPV of 99 year lease, assuming 2,780 SF x \$21/SF x 99 year term with 3.0% long-term inflation and 1.5% discount rate)

\$10,157,854 - Estimated Fare Box Revenue Generated by Project (NPV of 30-year cash flow) (assuming 217 transit-dependent units (TDU) with 1.7 fare-paying residents/TDU and 80% of TDUs using transit daily)

Other Considerations

Because BRIDGE is an affordable housing developer, it is challenging to compare this transaction to a market rate transaction. Generally, affordable housing development relies upon public subsidy. In this instance, BRIDGE is expected to receive over \$45 million of grant funding from multiple public sources

including the Portland Housing Bureau, Portland Clean Energy Fund, and State of Oregon, among others. This funding is essential to the project and will be used to subsidize its construction. For its part, TriMet is supporting this affordable housing project by entering into favorable lease terms with BRIDGE, where TriMet will receive an upfront \$1,500,000 ground rent payment for the 99-year lease. Staff believes this payment, in combination with the value of the other improvements and the property being leased back to TriMet for staff amenities, public bike storage room, and retail space is appropriate compensation to TriMet for the 99-year lease of the BRIDGE parcel, while still allowing BRIDGE to successfully develop its project.

