

Staff Report

CONSIDERATION OF RESOLUTION NO. 99-2821 FOR THE PURPOSE OF  
AUTHORIZING THE ISSUANCE OF A REQUEST FOR PROPOSALS FOR  
DEVELOPMENT OF AN AIR-RIGHTS OPPORTUNITY

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Meeting Date: ?????, 1999

Presented by Jennifer Sims

**PROPOSED ACTION**

Resolution No. 99-2821 seeks authorization to issue a Request for Proposals (RFP) for development of an air-rights opportunity. Preliminary analysis suggests that a multi-family housing project built above the parking structure adjacent to the Metro Regional Center is feasible. The housing project would not be owned or operated by Metro.

**BACKGROUND**

Metro staff have conducted pre-development work to ascertain the general feasibility of developing a housing project above the four level parking structure which is adjacent to the Metro Regional Center. This work has included the development of a possible preliminary concept of the project, preliminary constructability analysis, the preparation of several pro forma scenarios, and numerous contacts with the development community, affordable housing advocates and experts and various City of Portland and State of Oregon bureaus and departments. The result of this work is twofold – a general expectation of project feasibility and the development of a Request for Proposals (RFP) which will solicit development proposals for such a project. The RFP is attached hereto as Exhibit A.

A multi-family housing project at this location would be an effective representation of Metro's 2040 Growth Concept which states the preferred form of regional growth and development for the future of the region. A basic philosophy of the Growth Concept is to accommodate growth in existing well served urban centers where public investments are already in place, rather than through expensive sprawl at the edge of the region. Higher density centers of employment and housing and transit service with compact development, retail, cultural and recreational activities, in a walkable environment, will provide efficient access to goods and services, enhance multi-modal transportation and create vital, attractive neighborhoods and communities.

**Project Concept**

The RFP describes a preliminary project concept. This concept is a high rise tower built over a portion of the parking structure. The tower has ten floors and includes 14 units per

floor for a total of 140 units. Parking for the housing project would be accommodated in the existing structure and no additional parking is expected to be constructed. A small elevator lobby serving the tower would be located on the Metro Regional Center plaza with transfer at the first tower level. The concept assumes that an independent structural system would be put in place (built through the parking structure) to support the new tower.

Some portion of the units will be made available to households that earn less than the region's median income. These affordable units will likely be made available to households that earn 80 to 120% of the region's median income.<sup>1</sup> The units will be "for sale" or condominium units as opposed to rental units. This shift from affordable rental units to ownership units is applauded by affordable housing advocates as a new approach which creates community stability and rewards owners with a return on their investment. Mechanisms have been developed to ensure long term affordability when the home ownership approach is utilized.

### **Request for Proposals**

The RFP is designed to solicit proposals from qualified developers to develop the housing site. The submittals will describe the proposed project and project team, provide preliminary project budget(s) and pro-formas and include a preliminary "Business Offer" elaborating on the proposed financing structure and land value assumptions. Based upon evaluation and recommendation of a qualified selection committee, Metro would enter into a Memorandum of Understanding (MOU) with the selected developer. Additional negotiations would result in a Disposition and Development Agreement. This agreement would transfer Metro's property interest (air rights and possibly a portion of the existing parking structure) to the developer in exchange for the development of the project and possibly some remuneration or payment for the property interest.

The concept as described above has been included in the RFP as a possible project and one that Metro staff believes is feasible. However, the real test of feasibility will occur during the solicitation, selection and final negotiation process when the developer and his team put together their concept, test the market, secure financing and complete all of the other work necessary to get the project to the construction phase. Therefore, the RFP has been designed to allow maximum flexibility to proposers as they develop their proposals. Specifically, the RFP has been written to include the least amount of minimum requirements. These include a project that:

- Provides at least 100 units of housing – some of which are affordable units
- Utilizes existing parking
- Displays high quality design and materials
- Is pedestrian friendly and includes an attractive streetscape
- Relies primarily on private sector financing
- Minimizes the negative impact to the parking structure

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<sup>1</sup> This income level has been identified as "moderate" by Metro's Affordable Housing Task Force.

In addition to these minimum requirements, the RFP list several “additional considerations” or elements which would be viewed favorably if included in proposals. These items include a Metro preference for owner-occupied units, minimal loss of parking spaces due to the structural needs, a shared parking program, an aggressive sustainable building program (construction site recycling program, energy and water efficient design, etc.) and maximum participation by women-owned, minority-owned and emerging small businesses.

At the same time that the RFP includes the minimum of requirements thereby allowing flexibility to developers, the RFP also lists Metro’s goals for the project. A key element of the selection criteria is how well developers addressed these project goals. The goals include:

- Transit – low per unit parking utilization, pedestrian and bike-friendly design, shared parking element
- Density – air-rights concept with as many units as possible built above existing structure
- Affordable – mixed-income project with at least 20% and not more than 50% of the units affordable

In addition to these goals, the RFP itself is structured to minimize risk and on-going responsibility to Metro. Project financing is the responsibility of the developer and the RFP states that no funding will come from Metro.<sup>2</sup> Metro does not take on the role of managing the affordable housing component of the project but instead requires the developer to adequately address this long term responsibility.<sup>3</sup> The Disposition and Development Agreement which is the final agreement which would be negotiated between the selected developer and Metro will include a provision related to assurances and security to guarantee performance (to consist possibly of cash, irrevocable letter of credit, property liens, bonding etc.).

### **Selection Process**

As stated above, a selection committee would be utilized to evaluate the proposals and to make a recommendation as to the most qualified developer. This committee will include a Metro Councilor, Metro staff, and selected business and community leaders. A consultant with expertise in affordable housing will also participate in the evaluation process. Other consultants may be retained if their services are deemed necessary.

The recommendation of the selection committee will be forwarded to the Metro Executive for consideration and action. Assuming the Metro Executive is in agreement, he will direct his staff to enter into a MOU with the selected developer and to proceed with negotiations. Once negotiations are complete, a Disposition and Development

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<sup>2</sup> It is possible that Metro will receive less than fair market value for its air rights. This would occur if the proposed project adequately meets Metro’s goals for the project (transit, density and affordable housing) and would require a contribution in the form of reduce cost of land to make the project financially feasible.

<sup>3</sup> Shared appreciation mortgages which are managed by a non-profit housing agency is one approach that could be utilized.

Agreement will be prepared by Metro General Counsel. This agreement will be forwarded for approval to the Metro Council. (I'm checking with Dan on this)

**FISCAL IMPACT**

Apart from staff time and minor direct expense for a variety of consultants utilized during the pre-development phase and the selection process, the project is not funded by Metro. The project's developer is responsible for providing project equity and securing all required project financing. Depending on the proposals received, Metro could receive compensation for air rights and/or for parking.

**RECOMMENDATION**

The Executive Officer recommends adoption of Resolution No. 99-2821.