

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AUTHORIZING THE CHIEF) RESOLUTION NO. 05-3564
OPERATING OFFICER TO ENTER INTO)
AGREEMENTS TO FUND THE NORTH FLINT) Introduced by: Michael J Jordan, Chief
AVENUE TOD/FREQUENT BUS PROJECT) Operating Officer, with the concurrence of
David Bragdon, Metro Council President

WHEREAS, on April 9, 1998, the Metro Council adopted Resolution No. 98-2619 (For the Purpose of Authorizing Start-Up Activities for the Transit-Oriented Development (TOD) Implementation Program at Metro), which authorized start-up activities for the Metro Transit-Oriented Development Implementation Program (the "TOD Program") and set forth the operating parameters of the TOD Program in a Work Plan providing for the acquisition and joint development of real property satisfying certain criteria; and

WHEREAS, the TOD Work Plan was amended to expand the TOD Program area to include Interstate MAX, South Corridor, Airport MAX, Streetcar, Frequent Bus Routes and initiate an Urban Centers Program by Resolution No. 04-3479 (For the Purpose of Amending the Transit-Oriented Development (TOD) Program to Expand the TOD Program Area and Initiate an Urban Centers Program), adopted July 15, 2004; and

WHEREAS, the TOD Work Plan authorizes the Chief Operating Officer to enter into agreements to fund TOD Projects on Frequent Bus Routes that have been evaluated by the TOD Steering Committee for compliance with the TOD Program's site selection criteria (the "TOD Selection Implementation Criteria") and approved by the TOD Steering Committee for funding by Metro

WHEREAS, the TOD Work Plan requires that the Chief Operating Officer provide seven days' written notice to the Metro Council (the "Seven-Day Letter") prior to funding TOD Steering Committee approved projects, affording the Metro Council the opportunity to request review of the proposed project in executive session, and if no review is requested the proposed project may proceed; and

WHEREAS, on March 2, 2005, the TOD Steering Committee approved the TOD Program's proposed funding of the North Flint Avenue TOD/Frequent Bus project, located at 2124 N. Flint Avenue, Portland, Oregon, and depicted in Attachment 1 to the Staff Report, subject to specific preconditions (hereafter, the "North Flint Avenue Project"), and the Chief Operating Officer issued a Seven-Day Letter notifying the Metro Council of said pending project; and

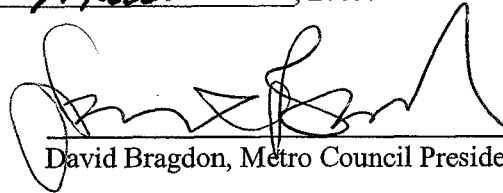
WHEREAS, the Metro Council responded to the Chief Operating Officer's Seven Day Letter, requesting

review of the North Flint Avenue Project in executive session, which review was held on March 17, 2005; and

WHEREAS, upon review of the North Flint Avenue Project in executive session, the Metro Council elected to provide further direction to the Chief Operating Officer regarding the North Flint Avenue Project by resolution; now, therefore

BE IT RESOLVED, that the Metro Council hereby authorizes the Chief Operating Officer to enter into agreements to fund the North Flint Avenue TOD/Frequent Bus Project.

ADOPTED by the Metro Council this 24th day of March, 2005.

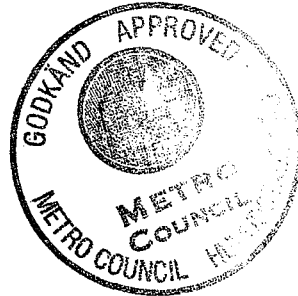


David Bragdon, Metro Council President

Approved as to Form:



Daniel B. Cooper, Metro Attorney



STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 05-3564 FOR THE PURPOSE OF AUTHORIZING THE CHIEF OPERATING OFFICER TO ENTER INTO AGREEMENTS TO FUND THE NORTH FLINT AVENUE TOD/FREQUENT BUS PROJECT

Date: March 24, 2005

Prepared by: Andy Cotugno
Phil Whitmore

BACKGROUND

Transit Oriented Development and Centers Implementation Program

In July 2004, the Metro Council approved Resolution Number 04-3479 for the purposes of expanding the TOD Program to include additional light rail, streetcar, frequent bus stops and to initiate an Urban Centers Program. The TOD Implementation Program is a joint development program focusing on site-specific project implementation. Joint Development refers to a collection of public and private sector partnership techniques, strategies, and development "tools" that can be used to link development to transit stations to increase the efficiency of a mass transit system. The increase can take the form of new ridership (caused by the construction of TOD Projects), new revenue to a transit agency, or a combination of both. The TOD Program seeks to increase transit ridership and lessen the risk and costs associated with the construction of TOD projects. Projects considered for the Program will exhibit a mix of moderate- to high-intensity land uses, a physical or functional connection to the transit system, and design features that reinforce pedestrian relationships and scale. The TOD Program utilizes joint development tools such as land acquisition and development agreements to implement projects located in close proximity to rail transit stations and "Frequent Bus" stops throughout the region.

Frequent Bus Route Criteria

The existing TOD Program Work Plan includes criteria for sites being offered to developers, criteria for TOD Projects for the site improvements category and criteria for Centers. The TOD criteria include 1) create or strengthen a physical or functional connection to the transit station; 2) cause construction of higher density housing, mixed use projects and destination uses; 3) develop building types with the lowest reasonable parking ratios and highest reasonable floor areas ratio; 4) increase modal share of transit within station areas while decreasing reliance on personal automobiles; 5) focus and leverage other expenditures within a station area to support Metro's 2040 Growth Concept; and 6) project location relative to Regional and Town Centers. The North Flint Avenue Project responds to the criteria as follows:

- 1) The North Flint Project will have a functional connection to transit. The Federal Transit Administration considers TODs located within a quarter mile (1,230 feet) of a transit station to be functionally connected. This project is less than 200 feet by line of site and 320 feet walking distance to transit. The project design reinforces pedestrian scale development because it does not have driveways or garage doors facing the sidewalk;
- 2) This TOD funding will help cause construction of a mixed-use project;
- 3) The project will have the lowest possible parking ratio - no off-street parking spaces will be provided. The Floor Area Ratio is relatively high at nearly 1 to 1 (5000sqft lot to 4500sqft of building);
- 4) The modal share for transit is expected to be 30% or higher and with the proximity to transit and biking (Cycle Oregon headquarters) and with a non-auto crusading owner, the automobile reliance will be substantially decreased;
- 5) The \$30,000 of TOD funds will leverage \$822,000 (1:27) total development costs; and

- 6) The project is located adjacent (within 1 block) of a Regional Town Center, Portland Central City.

In response to the Metro Council request for additional criteria to further limit Frequent Bus Route projects, the TOD Steering Committee proposed revisions to the Work Plan at the meeting of March 2, 2005 as follows:

Mandatory Criteria for Frequent Bus Routes

1. Project is in an area that will help spur additional development and help create a node around the transit stop;
2. The project represents an attempt to build the base of developers that can be used in other centers;
3. There are not adequate local government funds available to close the financing gap;
4. The project will be within 800ft walking distance from a high frequency bus line; and
5. Demonstrates market concept applicable to high frequency bus line or the project will test the market for new product types for high frequency bus routes.

Additional Project Criteria for Frequent Bus Routes

- The project uses new building materials or building systems that result in lower construction costs and/or tests new markets for a building type;
- The project will provide market rate and affordable housing, including rental or for sale, in a project that would otherwise be a single use building such as retail or office;
- The project will spur job creation;
- The project uses a high level of sustainable practices including building materials and energy conservation;
- The project is located in or near a center;
- The project has a favorable ratio of TOD dollars to total development costs;
- There are not similar projects in the area done without public funding; and
- Improve the quality of the environment for the transit patron.

Attachment 1 shows how the North Flint Avenue Project meets the above criteria if it becomes applicable when/if the Metro Council takes action on the amendments to the Work Plan next month.

North Flint Avenue Project - Mixed Use

A 2124 N. Flint Avenue, this site is a Frequent Bus TOD located less than a block from a No. 4 bus stop at N. Vancouver Avenue and NE Tillamook Street (9-15 minute intervals). The project is proposed by Jerry Norquist of Three People Productions, the contract manager of Cycle Oregon. The North Flint Avenue Project consists of 1,600 square feet of office space (new Cycle Oregon Headquarters), 1,236 square feet of warehouse space for Cycle Oregon, 1 housing unit built at grade, and 4 lofts of rental housing built above. The parcel is 5,000 square feet in area, with a development footprint of 4,950 square feet, for nearly a 1 to 1 Floor/Area ration ("FAR"). There is no parking proposed on the site.

Cost Premiums

The developer for the North Flint Avenue Project is struggling to absorb the added costs to include the housing in his project. With total project costs of \$821,726, the \$600,000 loan currently being processed by Umpqua Bank will leave him \$30,000 short of equity requirements even if he provides nearly \$200,000 of equity and paints the building himself. The developer will provide equity through the value of the property at \$110,000 and other income derived from the sale of the existing Cycle Oregon office located nearby. Because housing is being added above the proposed Cycle Oregon space, there are added cost premiums to this building type as compared to the alternative - two separate free standing buildings, a Cycle Oregon one-story building and a free standing project of 5 units of housing each built on the ground. However, the latter projects will have FAR's of less than .5 to 1 and require at least twice as

much land area as compared to this mixed-use project. Cost premiums in the building, which include the firewall separation, the addition of two stairs and a smoke detection system in the stairwells will total \$80,000. The \$30,000 of TOD funds is low because the developer is doing some of the work.

The TOD Program to date has demonstrated that it can participate in small-scale projects when the projects meet TOD/Centers criteria. Because Metro's TOD program remains small and agile with low overhead, we can undertake small projects of less than \$100,000 of TOD funds that most governments could not do. This ability should be utilized where possible, while still meeting the TOD/Centers criteria.

TOD PROGRAM PROCESS

In accord with the TOD Program Work Plan adopted by Council Resolution 98-2619, "as soon as practical upon approval by the Steering Committee, the Executive Officer will provide written notification to the Metro Council of potential TOD projects and the Council will have seven (7) days to notify the Executive of a request to review a potential project in executive session..." The Chief Operating Officer issued a Seven Day Letter notifying the Metro Council of the pending North Flint Avenue Project as required, and the Metro Council chose to review the proposed project in executive session. The Metro Council has elected to provide further direction to the Chief Operating Officer on the North Flint Avenue Project via resolution.

ANALYSIS/INFORMATION

1. Known Opposition

The TOD Steering Committee unanimously approved this project at their March 2, 2005 meeting. There is no known opposition to providing funding for this project although there are groups and individuals who oppose TOD projects and public private partnerships.

2. Legal Antecedents

The Federal Transit Administration (FTA) approved a grant for Metro to initiate the TOD Program in 1997. Authority to use FTA funds for joint development is included in the Intermodal Surface Transportation Act of 1991 (ISTEA) and codified under 49 USC 5309, 49 USC 5307, 23 USC 133 (STP) and 23 USC 149 (CMAQ). According to these laws, TOD Program activities are defined as transportation projects provided there is (1) a physical or functional relationship to the transit project; and (2) an enhanced effectiveness of the existing transit system.

The TOD program was originally transferred from TriMet to Metro by Intergovernmental Agreement (IGA) executed by Resolution #96-2279 For the Purpose of Authorizing an Intergovernmental Agreement With Tri-Met to Assist in Establishing a Transit-Oriented Development and Implementation Program at Metro on May 16, 1996. The Metro Council authorized start-up activities on April 9, 1998, by Resolution No. 98-2619 For the Purpose of Authorizing Start-Up Activities For the Transit-Oriented Development (TOD) Implementation Program at Metro. The Work Plan was amended to include provisions for initiation of additional light rail corridors, streetcar, Frequent Bus Routes and initiation of an Urban Centers Program on July 15, 2004 by Resolution No.04-3479.

3. Anticipated Effects

Public Benefit

While the project will add only 9 transit trips per day, it is very cost effective. Based on a \$30,000 investment of TOD funds, this results in a cost per induced transit rider of \$.85 (assuming a 30% modal share for transit) and capitalized value of added fare box revenue of \$32,614 on transit trips and \$17,448 - for walk trips for a total of \$50,062. This compares to the requested TOD funds of \$30,000. The transit, biking and walking modal shares are projected high because of the close in location, the lack of parking and the philosophy of the developer to strongly advocate non-auto travel to the tenants. The \$.85 cost per

induced transit rider for the N. Flint Project is at the low end of TOD projects, with projects approved to date in the TOD Program ranging from \$.40 to \$2.90 per induced transit rider.

4. Budget Impacts

There are no budget impacts to the Metro General Fund as a result of the project since federal transportation funds, which are part of the IGA with TriMet, are used for the program.

RECOMMENDED ACTION

The Council may:

- 1) affirm the TOD Steering Committee's approval of the North Flint Avenue Project, and authorize the Chief Operating Officer to enter into agreements to fund the project; or
- 2) affirm the TOD Steering Committee's approval of the North Flint Avenue Project, but authorize the Chief Operating Officer to enter into agreements to fund the project subject to conditions directing the Chief Operating Officer to modify Metro's participation; or
- 3) elect not to affirm the TOD Steering Committee's approval of the North Flint Avenue Project, and withhold authorization for the Chief Operating Officer to enter into agreements to fund the project.

TOD Implementation Program

MEMORANDUM OF RESPONSE TO FREQUENT BUS PROJECT FUNDING CRITERIA

Flint Street mixed use

North Flint Street, Portland, OR



Pursuant to the TOD Program Work Plan adopted by Council Resolution 04-3479, this Memorandum of Response to Criteria has been prepared for a TOD project located on the frequent bus route to be funded through the use of Development Agreements with developers.

MANDATORY CRITERIA FOR FREQUENT BUS ROUTES

- A. The project is in an area that will help spur additional development and help create a node around the transit stop.*

Yes. The project is in the area north of the Lloyd District/Rose Quarter that has been neglected by reinvestment but is well located for resurgence. Since the property owner has begun discussing the housing units, the owner of a vacant lot to the north is now considering a small housing project. In addition the proposed closing of the Harriet Tubman School may bring a redevelopment opportunity in the future.

- B. The project represents an attempt to build the base of developers that can be used in other centers.*

Yes. Jerry Norquist is a first-time developer who operates 3 People Productions (small staff) that currently is the contract manager of Cycle Oregon. He has indicated if this project were a success, he would be interested in other centers but not in Portland.

- C. There are not adequate local government funds available to close the financing gap.*

Yes. If the project is not in an urban renewal area, there are not programs to help such projects. Tax abatement could possibly be available, that that doesn't generate cash to close gaps.

- D. The project will be within 800ft walking distance from a high frequency bus line.*

Yes. The project is within 300 feet from the No. 4 frequent bus with intervals from 9-15 minutes.

- E. Demonstrates market concept applicable to high frequency bus line or the project will test the market for new product types for high frequency bus routes.*

Yes. Housing above what is essentially a small business and warehouse is innovative. Small scale housing opportunities such as this can have applicability on other high frequency bus lines.

ADDITIONAL PROJECT CRITERIA FOR FREQUENT BUS

- *The project uses new building materials or building systems that will result in lower construction costs and/or tests new markets for a building type.*

No.

- *The project will provide market rate and affordable housing, including rental or for sale, in a project that would otherwise be a single use building such as retail or office.*

The project will provide 5 rental-housing units that would not otherwise be available.

- *The project will spur job creation.*

No. The small staff could be added to later, but not as a direct result of this Metro TOD funded project.

- *The project uses a high level of sustainable practices including building materials and energy conservation.*

No.

- *The project is located in or near a center.*

Yes. It is located within a block of the central city urban center.

- *The project has a favorable ratio of TOD dollars to total development costs.*

\$30,000 TOD dollars for a total project cost of \$822,000 results in leveraging the public investment by 27 times, which is very high.

- *There are not similar projects in the area done without public funding.*

There are no other mixed-use housing projects in the area.

- *Improve the quality of the environment for the transit patron.*

No.

The North Flint project meets the 5 mandatory criteria and also meets 4 additional criteria.