

**Board Report**

File #: 2015-0554, **File Type:** Policy**Agenda Number:** 68.

**EXECUTIVE MANAGEMENT COMMITTEE
JULY 16, 2015****SUBJECT: RESPONSE TO REQUEST FOR ACTION REGARDING METRO
INVOLVEMENT IN AFFORDABLE HOUSING****ACTION: ADOPT UPDATED METRO JOINT DEVELOPMENT POLICY****RECOMMENDATION**

EXECUTIVE MANAGEMENT RECOMMENDED (4-0-1) adopting **updated Metro Joint Development Policy** (Attachment B).

ISSUE

In March of this year, the Metro Board of Directors approved a motion (Attachment A) directing staff to report back on several actions that support affordable housing creation and preservation around transit. Two of those actions can be implemented through amendments to the Metro Joint Development (JD) Policy.

In addition, since November of 2014, Metro has engaged in outreach in several communities as well as to the development community surrounding JD projects that are in the project definition and negotiation phase. Throughout this outreach, staff has been explaining the joint development process, increasing its focus on meaningful community engagement, and has reconsidered the process for the creation of Development Guidelines, to become more community-driven. Staff is recommending additional amendments to the JD Policy such that the policy matches the commitments the JD team has made to its community stakeholders, and to elevate transparency for all stakeholders participating in the Joint Development (JD) process.

Beyond the recent and ongoing outreach regarding the JD Process, the JD Team has heard from some stakeholders that there is interest in revisiting the JD Policy once the projects currently in the process of project definition, community engagement and negotiations are more clearly defined. The JD Team will evaluate the lessons learned in the outreach process used for the current projects and bring to the Board any suggested modifications at that time.

The proposed new *Joint Development Program: Policies and Process* (Proposed JD Policy) is included as Attachment B and is summarized herein. The remaining actions requested in the March motion are under development and will be brought to the Board in September of this year.

DISCUSSION

Nexus / Background

As Metro transportation investments expand, the potential exists for land values to increase near transit. A large portion of Metro ridership is made up of lower-income, transit dependent patrons. It is within Metro's mission to promote ridership along existing and planned transit corridors by promoting affordable housing near transit. It is also in keeping with federal and state guidance surrounding greenhouse gas emissions reductions strategies.

The Metro JD Program is a real estate management program that seeks to collaborate with private sector developers to create developments on Metro properties. The JD Program is guided by the existing joint development policy document, the Joint Development Policy and Procedures ("JD Policy"), which was last updated in October 2009.

The proposed changes have two goals: (1) to implement direction from the Board regarding affordable housing and (2) to reinforce the recent conversations with community stakeholders regarding the need for more transparency and meaningful engagement in the JD Process. The policy changes are summarized below.

Summary of JD Policy Changes

Affordability Goal: The Board of Directors instructed staff to establish a goal of 35% affordable units in Metro joint developments in the aggregate, portfolio-wide. This goal is included as a new Joint Development Objective in the Proposed JD Policy. The portfolio-wide goal allows for flexibility between projects and between communities which have varying affordability goals.

Proportional Discount: The Board of Directors also instructed staff to recommend criteria under which Metro would allow proportional discounts to Metro JD properties for the purpose of contributing towards the cost of affordable housing. Staff recommends a proportional discount that would be capped at 30% of the land value. The recommended policy language regarding this discount has been submitted to the Federal Transit Administration (FTA) for consideration and approval with regard to joint development sites that are subject to FTA review.

Staff is recommending a 30% maximum discount to ensure that Metro will maintain value in its properties and generate revenue from its assets for public transportation benefit, in keeping with the mission of the agency and pursuant to FTA requirements. It is proposed that discounts to affordable housing projects will be proportionate to the percentage of affordable units in the project. For example, a project that includes 20% affordable units could be discounted up to 20%. Given the proposed maximum 30% discount, land values for a project with 100% affordable units, could be discounted up to 30%.

Joint Development Process and Community Engagement: Over the past six months, the JD team has engaged in significant outreach in several communities where JD is either already active or where the process is about to begin. Much of this outreach has focused on, and caused a recalibration of, the JD Process and how community stakeholders are engaged. Further, with

increased attention on Metro's expansion of the transit system, JD has become a popular topic at conferences and events related to real estate and community development. The JD team has participated in these conferences to share the JD Process and has stressed the importance of meaningful community engagement in the JD process. In addition, the JD Team has developed a pilot program using experienced design firms to lead community charrettes in the creation of Development Guidelines.

Upon review of the existing JD Policy, it became apparent that parts of the policy were outdated and should be amended to match Metro's focused efforts around community engagement and clarification of the JD Process. The Proposed JD Policy reflects the recent recalibration of the community engagement process, efforts at ensuring that Development Guidelines are meaningful, and includes an explanation of the JD Process. These amendments are critical to increasing transparency for all stakeholders involved in the process. The policy does not prescribe a "cookie cutter" community engagement process. Rather they require that for each JD project, a community engagement process designed for the specific affected community is required to be developed as an initial step in the process.

Other Requested Actions in March Board Motions

In addition to the updated policy, Metro staff is working on several other actions that were requested in the March motion.

Affordable Housing and Small Business Collaborative Loan Fund: Metro staff has been working with a diverse stakeholder group to develop the vision, goals, and action plan for a Metro collaborative loan fund(s) for affordable housing and small businesses near transit. Staff will return to the Board in September with a progress report.

Group Rate TAP Purchase Program: Metro Planning and Communications departments are working together to develop an affordable housing TAP purchase program. The Board will be presented with options for the TAP program in September. The main considerations of the program will be the price of the TAP pass, the revenue impact of the program, and whether it is available to Metro affordable housing joint development projects only or to any transit-oriented affordable housing project.

Memorandum of Understanding with Cities: Staff is working work with County Counsel to outline an MOU with cities for co-investment in affordable housing on Metro sites, and other opportunities for cities to promote affordable housing near transit, and will then convene cities to solicit feedback. Staff will report back to the Board in September with a draft MOU and request authority to execute MOUs with cities.

DETERMINATION OF SAFETY IMPACT

This Board action will have no impact on safety.

FINANCIAL IMPACT

Adoption of the Proposed JD Policy would potentially reduce the revenue that Metro receives in ground lease payments on its JD projects.

In approximate terms, staff has estimated how much revenue would have been forgone for existing

Metro joint developments, were Metro to have had this policy in place previously (and housing projects received the maximum proportional discount). It is difficult to calculate the precise financial impact, because ground leases are negotiated using a variety of project-specific inputs. As a rough estimation, Metro would have foregone approximately \$5.5 million from ground lease payments from affordable housing projects. This is out of the approximately \$22 million that has otherwise been generated from completed affordable housing joint development projects to date.

ALTERNATIVES CONSIDERED

The Board could elect not to adopt the policy. This is not recommended because it would not accomplish the goals and instructions requested by the Board in the March motion. It would also leave the current JD Policy in place, and the language in the policy does not make clear the JD Process or Metro's commitment to meaningful community engagement in the JD Process.

NEXT STEPS

Upon approval of the updated Proposed JD Policy, staff will update the JD Policy which will take effect immediately.

In response to feedback that staff has received, once the projects currently in the process of project definition, community engagement and negotiations are more clearly defined, the JD Team will evaluate the lessons learned in the outreach process and bring to the Board any suggested modifications.

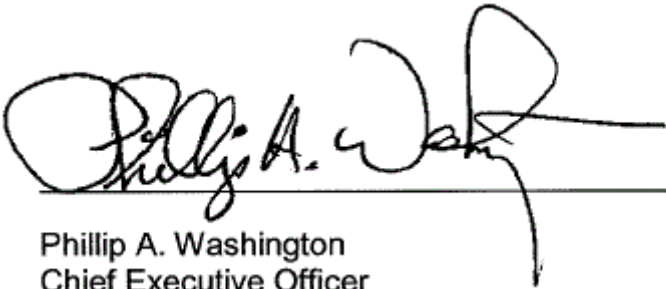
ATTACHMENTS

Attachment A - Motion 51.1

Attachment B - Proposed Joint Development Policy

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