



**Metropolitan
Transit
System**

Joint Development Program



April 16, 2019

Metropolitan Transit System
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490

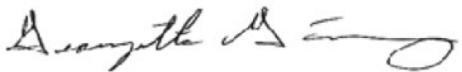
Introduction

I'm Georgette Gómez, Chair of the San Diego Metropolitan Transit System ("MTS") Board of Directors. I've used public transit my whole life. It's a big part of who I am and I recognize that transit plays a significant role in the lives of hundreds of thousands of people in the San Diego region every day.

Public transit is part of the solution for many challenges facing our region. To that end, MTS is proactively encouraging transit-oriented development of its real estate assets, which will facilitate increased transit ridership and help grow our region in responsible ways.

The "MTS Joint Development Program" (Program) is created as a resource to support and encourage public/private partnership development of the real estate assets it owns. MTS seeks collaboration from partners to create inclusive, vibrant, environmentally sustainable communities which are transit and pedestrian oriented and will facilitate economic growth and create stronger communities.

MTS's primary responsibility is the safe operations of its transit service and therefore encourages joint development that increases ridership, creates vibrant communities that offer a range of equitable and affordable housing types, and fosters the economic development our neighborhoods need. I look forward to many new collaborations that will help achieve our region's housing, economic, and climate action goals.



Georgette Gómez

Chair, MTS Board of Directors

Council President, City of San Diego and District 9



1. Transit-Oriented Development Definition

MTS defines Transit-Oriented Development, for the purposes of this Program, as the creation of mixed-use communities on MTS-owned real estate or centered within a ten (10) minute walk or one half (0.5) mile distance of mass transit systems, and which promote increased transit ridership and integrate environmentally with passenger amenities.

2. Real Estate Inventory

MTS currently maintains an Inventory List of their developable real estate assets on its website.

- The Inventory list will be reviewed annually by the Board of Directors, and will contain the following:
 - Site Name
 - Address
 - Assessor's Parcel Number (APN) (where available)
 - Acreage
 - Current usage (including number of parking spaces and bus bays, if any)
 - Electronic link (per site) to MTS website with site-specific information (studies or reports, if any)
 - Current zoning designation
 - Date of last Community Plan Update
 - Status of site - available for joint development or in process of development
 - Designation of Priority for joint development (see below)

3. Prioritization of Real Estate

Staff will prioritize the sites based upon the following criteria:

- Whether MTS deems the site to be a good candidate for TOD based on location, interest in having the site developed, or designation (e.g., Opportunity Zones).
- Support from City in whose jurisdiction the site lies. MTS works closely with local agencies in the planning and implementation of transit-oriented activities and the support sites receive will weigh significantly on whether a site is designated as a priority for development. This support to TOD may include a jurisdiction establishing mixed-income housing goals, having a completed and updated community plan, having recently addressed zoning capacity, providing financial support, and fast-tracking options for permit approval.

Prioritization does not preclude MTS from receiving a proposal on a non-prioritized site. However, the prioritization is intended to efficiently allocate staff time and resources to the review for joint development. Therefore, consideration of a non-prioritized site will be considered only upon approval by the Chief Executive Officer of MTS.

Joint Development

In its commitment to encourage joint development of its sites, MTS will continue to foster relationships with local jurisdictions, regional agencies and industry leaders to support development of real estate jointly located in other cities, as well as participate with jurisdictions and transit advocacy organizations to promote and foster TOD awareness and education.

1. Joint Development Procedures:

In general, MTS will advertise its available real estate using the standard Request for Qualifications/Proposals (RFQ/P) procedure set forth in the MTS Policy No. 52 as a general guidance for determining the appropriate process for soliciting the development proposal. However, this will not preclude other methods (as outlined below).

Request for Proposals (RFP):

MTS currently employs MTS Policy 52 (as currently published) as guidance for issuing RFPs, and will seek, at a minimum, the following from applicants:

- Development Team Qualifications including:
 - Ground lease management expertise
 - Expertise with affordable housing (for residential development only)
- MTS's needs are met including:
 - Financial structure that leverages other sources of available funding at the local, state and federal level and minimizes requests for subsidy from MTS.
 - Preliminary design plans showing site layout, demonstrating transit interface to show easy pedestrian access to transit facilities and promotion of transit use.
 - Identify the relationship between MTS facilities and the proposed development, including plans for staging/phasing construction to minimize interference with existing MTS operations.
 - Inclusion of any site specific transit amenities or facilities outlined in the RFP.
 - Provide suggestion for ongoing maintenance responsibilities of any new MTS facilities or amenities associated with the development.
- Design Criteria including:
 - Evidence that maximum allowable and economically feasible densities are achieved.
 - Evidence that parking ratios are sufficient and include any opportunities for alternative parking scenarios (off site, shared, etc.).
 - Housing affordability and type (if proposed) with a minimum of 20% of the property deed restricted to very low and low-income families.

Joint Development

- Design Criteria including:
 - Evidence that maximum allowable and economically feasible densities are achieved.
 - Evidence that parking ratios are sufficient and include any opportunities for alternative parking scenarios (off site, shared, etc.).
 - Housing affordability and type (if proposed) with a minimum of 20% of the property deed restricted to very low and low-income families.
 - Demonstrated commitment to Environmental Building Practices through potential inclusion of renewable energy, sustainable building materials, stormwater reclamation and management, etc.
 - Project shall be consistent with adopted regional and local community plans and policies, unless the proposer can demonstrate a path toward gaining local approvals. MTS will partner with the successful proposer to gain all necessary approvals and permits.
 - Community needs for product type, employment and services are met.
- Must be in conformance with MTS and Federal Transit Administration guidelines and policies.
- Any other issues pertinent to the joint development.
- MTS anticipates issuing RFP's annually, and it may include one, or more sites.

Request for Qualifications (RFQ)

Should MTS seek to create a list of development partners with expertise in higher density, TOD and mixed-use development, a RFQ may be issued. The developers identified through this process will then be eligible to submit their proposals through the RFP process. This approach can make the process more efficient by minimizing the impact of full RFP submittal to a broader group and streamlining the review processes for staff. Additionally, if MTS seeks new development ideas for a specific site, it can use this short list of qualified developers to request suggestions for a specific site that may have been considered difficult to develop or overlooked by the development community previously.

Unsolicited Proposals and Non-Priority Sites

MTS currently allows, and will continue to allow, unsolicited offers to develop sites. MTS staff may initiate formal negotiations on non-priority sites upon approval from the Chief Executive Officer of MTS. MTS staff will examine any such offers based on the criteria listed in the RFP section. Staff will include the local agencies having jurisdiction in the project area in the review period to determine acceptance and support. MTS will also publicly notice the location of the unsolicited proposal for a term of at least 30 days prior to submitting any unsolicited proposal to the Board.

Joint Development

Review Time for Consideration of Proposals:

Regardless of whether the proposal for joint development is received by MTS through a formal (RFQ/P) or informal (unsolicited) process, staff will have a minimum of 60 days to perform the initial evaluation of unsolicited proposals, at which time a determination will be made as to whether to request additional and detailed information or to make a recommendation to the MTS Executive Committee to enter into negotiations for an Exclusive Negotiation Agreement (ENA) with the developer, to propose that additional proposals be solicited for the property development (in the case of an unsolicited offer), or to reject the proposal. Additional time may be required to make the determination depending on the complexity of the development proposal and other factors as determined by MTS.

2. Design and Construction Considerations

Development

- Residential Development Projects:
 - shall strive to provide the highest possible density.
 - shall create mixed-income housing with a minimum of 20% of the units for very low (<50% Area Median Income “AMI”) and low-income households (<80% AMI) that will be deed restricted to maintain long-term affordability.
- All developments:
 - shall comply with the review and approval policies and procedures of the local jurisdictions in which the respective projects are sited,
 - shall make best efforts to incorporate the urban design standards and enhance the characteristics of the communities of the localities with jurisdiction over them,
 - shall utilize best practices as identified by industry leaders in TOD, and,
 - will be consistent with State of California Greenhouse Gas reduction goals.
 - will incorporate mobility hub services, transit amenities (including, but not limited to, public restrooms, lighting, etc.), and technologies where practicable to foster increased travel choices for residents, employees, and visitors.
 - will consider design elements and facilities consistent with active transportation policy,

Joint Development

planning, and implementation.

Ground Lease Terms

- MTS prefers land leases over a sale of their real estate holdings. Lease terms will be no fewer than 65 years which will facilitate financing options for the developers through traditional financing mechanisms.
- MTS may entertain a sale in extreme cases where a ground lease is determined to not be feasible and with continued utilization of land for MTS purposes. In either scenario, a detailed pro forma analysis justifying the request must accompany the submittal.
- Use of Revenue by MTS. It is the intention of MTS to utilize the proceeds (from either scenario) for the improvement of transit operations.

3. Zoning/Zoning Changes

- Zoning changes and other entitlement approvals, if needed, may be completed at varying times, depending upon the development proposal. While it is preferred to have all entitlement approvals completed prior to MTS Board approval, in some instances they may be completed in conjunction with or following approval. MTS will work with the development team to support entitlement approvals, zoning changes or other land use approvals.

3. Consideration of Developer Concessions

As each site differs, so will be the development opportunity proposed. In order to facilitate the joint development, MTS may allow developer incentives including, but not limited to:

Lease:

- Deferral of lease payments
While MTS already engages in this practice, it has benefit to the development, particularly during lease-up and stabilization. In some instances, MTS may elect to delay lease payment for a longer period of up to five years, with justification from the developer that it is critical to the success of the development.
- Up-Front Lease Payments
MTS has accepted an upfront ground lease payment previously, which greatly helped the financing and operations of the development. This practice should continue to be available on future sites, upon verification from the developer that it benefits the developer economically and doesn't pose any risk to MTS.

Joint Development

- Discounted lease payments

Where appropriate, MTS staff may recommend to its Board approval of below-market ground leases to accommodate development. While not preferred, MTS recognizes that below market pricing is advantageous and, sometimes necessary, for development. Upon Board approval, MTS may elect to reduce the lease payment, temporarily or over the course of the lease, to facilitate the development and operations of the property.

Density:

If it is determined that a lower density is advantageous (financially or for design purposes) for the development of the site, MTS may, upon board approval, elect to support a lower density than allowed, although this is not preferred.

Parking:

An analysis shall be undertaken to determine the appropriate level at which existing automobile parking should be replaced to maximize the developable density on the site and minimize construction costs. Proposals will include justification for parking spaces, including innovative solutions for replacement and joint-use parking, shared and offsite parking, if applicable. Developers should emphasize parking options for bicycle, motorcycle and other dockless modes of transit. MTS will not require developers to provide more replacement parking than it is justified by current demand.

Transit Passes:

Transit passes as an offset to a portion of ground lease payments or in lieu of providing automobile parking are encouraged on all residential and mixed-used projects. While maximizing revenue to MTS is critical, in some instances an award of transit passes (or subsidized transit passes) may be beneficial to the development. MTS may issue subsidized transit passes for use by the residents or employees of the development, at the request of the developer and upon approval by the Board of Directors.

Financing:

In rare cases, MTS may consider a financial contribution to the development if:

- A. funds are available and budgeted for MTS facilities or other infrastructure that supports operations, and,
- B. any financial commitment is approved by Board action.

Legal Requirements

1. MTS Statutory Framework:

MTS's enabling legislation is codified at California Public Utilities Code §§ 120220-120238. MTS is a political subdivision and local agency of the State of California. As such, MTS shall comply with all applicable California Government Code (Cal. Gov. Code), California Public Contract Code (Cal. Pub. Con. Code), California Labor Code (Cal. Lab. Code), California Public Utility Code (Cal. Pub. Util. Code), California Civil Code (Cal. Civ. Code) and California Code of Civil Procedure (Cal. Code of Civ. Pro.) sections that regulate how MTS shall procure goods and services. See MTS Policy 52 for further information.

2. Federal Transit Administration (FTA) Regulations:

TOD sites which were acquired with assistance from the FTA are subject to FTA joint development policies; see FTA Circular 7050.1A – Federal Transit Administration Guidance on Joint Development. See also MTS Policy 52 for further information.

3. California Department of Transportation (CALTRANS):

As a recipient of CALTRANS funds, MTS shall comply with applicable CALTRANS procurement requirements and standards. All applicable CALTRANS regulations and directives that MTS shall follow may be found at MTS Board Policy No. 52 and are incorporated here by reference. TOD sites which were acquired with assistance from the California Department of Transportation (Caltrans) may be subject to review by Caltrans.

4. Environmental:

MTS will be the lead agency in environmental matters as required by local, state, and federal law. The local jurisdiction may be the lead agency upon approval from the MTS Board.

5. Local Jurisdictions:

TOD projects are subject to local land use policies and procedures in the host jurisdiction, similar to any private development. The selected developer for any joint development site must follow the land use, zoning, permitting, and entitlement process for the local jurisdiction of that site.