

## Summary of the Opportunity and Industry Forum Questions

### 1) SUMMARY OF THE OPPORTUNITY

#### The Vision

The Los Angeles County Metropolitan Transportation Authority (Metro) is seeking qualified developers to plan, design, finance, construct, operate and maintain high-intensity, mixed-use, transit-oriented development projects on the Metro-owned properties of Los Angeles Union Station (LAUS) in downtown Los Angeles. Metro owns approximately 50 contiguous acres encompassing the historic station, the rail yard, associated transportation facilities, Metro's headquarters, a bus plaza, surface and structured parking and a nearby site currently leased to a restaurant. Daily transit boarding at Union Station totals 116,000 today and is anticipated to grow to 220,000 by 2040. Metro envisions engaging a Master Commercial Developer (the "Master Developer") to collaborate with Metro on site planning in a first phase of work, followed by long term arrangements with the Master Developer to design, develop, finance, lease, operate and maintain commercial and retail development at Metro's LAUS property.

Metro's vision for the future development of LAUS was developed through a master planning process that included significant stakeholder input, and is centered on three principles:

1. Transit optimization
2. Destination
3. Connectivity

Building on these principles, the Board-adopted goals for the future vision of the station are to:

- Accommodate a variety of transit modes now and into the future
- Create an iconic place of extraordinary design as the transit hub for Los Angeles County
- Enhance and protect the historic station through appropriate repurposing
- Establish development opportunities that support Union Station's transit role
- Ensure flexibility to adapt to changes in transit requirements and the needs of multi-phase commercial development
- Improve access and connectivity for pedestrians and bicyclists
- Incorporate sustainable best practices

This summary of the opportunity is not meant to provide full details of the development opportunity or any potential procurement process, but rather to provide enough background for interested developers to consider the questions being posed for this Industry Forum. The LAUS Master Commercial Developer Industry Forum will provide additional background details on Metro's investment in the station since taking ownership of the property in 2011, provide information on the Link US project (introduced below), and review the various commercial development opportunities in more detail. Details on the existing zoning, infrastructure needs, historic preservation considerations, and other factors that would drive and inform responses to a solicitation for development at the station will be included in a potential future solicitation document.

## **Link US**

Metro's Regional Rail team is in the process of designing and undertaking environmental review of the Link Union Station (Link US) project. The Link US project, formerly known as the Southern California Regional Interconnector Project (SCRIP), is a Metro project designed to meet the long-term regional rail needs and accommodate a high speed rail system at LAUS by allowing the station to function more efficiently and providing a better overall passenger experience.

Link US is made up of several key components, including:

- New run-through tracks over the US-101 freeway to provide one-seat rides to major destinations in Southern California
- Reconfiguration of the "throat" (station entry tracks) and raising the "rail yard" up an additional 15 feet (station arrival and boarding area)
- A new expanded multi-modal passenger concourse with retail, food services, passenger waiting areas, outdoor plaza spaces, vertical circulation elements and other passenger amenities.
- Accommodation of future transportation options, including the West Santa Ana Branch Light Rail Transit Corridor project and California High-Speed Rail (High Speed Rail)

Two basic design concepts are under consideration for the multi-modal concourse: at grade and above grade, each of which has advantages and disadvantages, each of which significantly alters the overall experience of the station.

The Link US project schedule anticipates completion of the NEPA (National Environmental Policy Act) and CEQA (California Environmental Quality Act) environmental review process and adoption of a preferred alternative by Spring of 2018 with anticipated date for CEQA Notice of Determination by Winter 2018 and a NEPA Record of Decision by Spring 2019. Up and until the adoption of a preferred alternative, design for all components of the Link US project will not exceed 10%. The Link US project is currently funded to advance design and engineering for the following components:

- Regional Rail Tracks – design and engineering up to 65%, to begin after adoption of a preferred alternative and be completed within 12 months
- Run-through tracks (includes tracks from LAUS to Commercial Street) – design and engineering up to 100%, to begin after adoption of a preferred alternative and completed within 24 months.
- Concourse – design and engineering up to 35% to begin after adoption of a preferred alternative and be completed within 12 months.

- Utilities – Metro has started on engineering design for utilities, which will be at 35% by summer 2017 and up to 65% within 18 months

Participants will receive a more in-depth briefing on Link US at the Industry Forum.

## **The Opportunity**

### *Overview*

In keeping with Metro's goals for LAUS, Metro is interested in procuring a Master Developer for LAUS by late Summer 2018. Metro's current concept is to engage with the selected Master Developer in two distinct phases.

- In the first phase, the Master Developer would work closely with Metro's Link US design team to ensure that design for the LAUS property, including both transit infrastructure and commercial development, is holistic and interconnected. Metro anticipates that the Master Developer and Link US design team will develop a thorough site plan, addressing integration and connectivity of transit and commercial development, financial feasibility, and land use entitlements. A potential second component of the site planning phase is to explore areas where the Master Developer might take on responsibility to deliver the Link US passenger concourse or other related place-making elements such as the open space and plazas, in a public private partnership (P3) relationship.
- In the second phase, Metro and the Master Developer would enter into exclusive negotiations for long term commercial and retail development (and any Link US components identified and agreed upon for P3 delivery) by the Master Developer, should the site planning process and other factors determine that a project is legally, environmentally, technically and financially feasible. If the negotiations are successful, then the parties would enter into a master development agreement and related agreements setting forth the rights and obligations of the parties for design, construction, financing, leasing, operation and maintenance of the identified commercial and retail development project (and any Link US components identified and agreed upon for P3 delivery).

### *The Site*

Metro has prepared a map/site plan and legend defining the various properties within the LAUS campus, showing both Metro and non-Metro owned sites, existing development pads and other "exploratory" sites. Additional maps show the Alameda District Specific Plan Boundaries and public, private and non-profit land ownership around the LAUS property. In addition to the maps, Metro's offers the following highlights on the development opportunity:

- LAUS is the largest multi-modal transit station in Southern California, is connected to downtown Los Angeles (jobs and a growing residential community), and houses the historic Union Station, a destination in itself;
- Metro holds over 6 million square feet of flexible development entitlements at its LAUS property through the Alameda District Specific Plan (ADP) and corresponding Development Agreement with the City of Los Angeles;

- The east side of the station, which houses the most development opportunity, offers a rare opportunity for contiguous development of high density development. It is adjacent to the Men's Central Jail, Piper Tech and the 101 Freeway. Connectivity to LAUS remains to be determined as part of the site planning collaboration;
- Development pads on the west side of the station are limited; high level conceptual drawings show potential sites, but they face several constraints, including the following:
  - On the south side to the east of the privately owned Metropolitan Water District Headquarters (MWD), the only access to new development would be on roadways owned by MWD for which Metro holds an easement;
  - On the north side, where the Amtrak buses are currently located, proposed development may be too close to the historic station to meet the standards in the current ADP. Even with a proposed update to the ADP, development that close to the historic station may not be appropriate and could face a challenge from the preservation community.
- LAUS is proximate to the LA River, including the portions slated for initial investment and revitalization;
- LAUS is adjacent to several publicly and privately owned properties that are prime for redevelopment and could contribute to a greater place-making vision (see map of property ownership at and around the station)
- Between Metro and High Speed Rail, the planned investments will create new development opportunities as well as drive additional pedestrian traffic to the station;
- A prospective developer has the opportunity to be part of a master planning process in conjunction with the advanced design and engineering of the transit infrastructure;
- Metro and the City of Los Angeles Department of City Planning are partnering to update the ADP starting early 2018, which governs commercial development on the LAUS site and will likely consider expanded boundaries for development around the station. The selected Master Developer would be asked to participate in this process.

Regardless of the final status of the Link US and High Speed Rail projects, there is significant opportunity to realize commercial development at LAUS and catalyze an expanded center for the Downtown/Civic Center area. With the investments in transit, active transportation and open space occurring in this area, as well as the City of Los Angeles' new land use plans underway, LAUS sits at the heart of a new central district with significant capacity to recognize a new vision for a dense, urban, transit oriented community.

### **The Financial Challenge**

As with any great opportunity with the potential to have catalytic impact, there are challenges to recognizing Metro's goals and redeveloping the station. Perhaps the largest challenge to meeting Metro's desire to have a coordinated site planning effort is the fact that, at this time, the Link US project is not fully funded. Capital cost estimates for the project, at the current early design and engineering stage, range from \$1.7 billion to \$2.3 billion, moving up to over \$3 billion with High Speed Rail included. Metro, the California High Speed Rail Authority ("CHSRA"), Metrolink and Amtrak have all stated their strong commitment to implementation of the Link US project and significant funding is likely to come from the CHSRA and Metro combined. However, there would be inherent risk for a Master Developer to spend time and financial resources engaging in site planning to the extent it is dependent on an unfunded transportation project.

## Summary

As noted above, Metro seeks to have a Master Developer at the table as we plan for \$3 billion or more in transit infrastructure investments at LAUS, to ensure a holistic, integrated site plan for the LAUS property that maximizes the experience of transit patrons, celebrates and reinvigorates the historic station, and creates a new world class destination in and of itself. Metro also understands the challenges of planning and developing new commercial properties on a property that is in use 24 hours per day and is anticipating major transit infrastructure investments with many unknown factors.

Apart from generating enthusiasm for the opportunity presented by LAUS, key goals of the Industry Forum are to: (1) determine the best approach to a solicitation process that will generate healthy interest from qualified developers; (2) help Metro understand the form of relationship best suited to realizing our commercial development goals for LAUS; (3) calibrate the amount of information required to generate healthy response, without overplanning or overthinking the procurement document; and (4) allow the process to result in a partnership that best allocates and mitigates the inherent risks of the project, for all parties.

Through the Industry Forum questions, Metro is seeking input from qualified developers with experience in multi-faceted, complicated master planning projects, preferably linked to transit or other public infrastructure, to help us shape a realistic, competitive and successful solicitation process.

Based on the feedback from the Industry Forum and written questions, if Metro determines that moving forward with a solicitation is the best path forward, a preliminary schedule could be as follows (assuming a two-phase solicitation):

<b>LAUS Master Commercial Developer Procurement Potential Schedule</b>	<b>Start</b>	<b>Year</b>
Industry Forum Responses Due	Oct 27, 2017	<b>2017</b>
RFIQ (Phase 1) Released	Mid-November	
Short Listed Developers finalized and notified	Mid-February	<b>2018</b>
RFP (Phase 2) Released	Mid-February	
RFPs due	Mid-April	
<b>Recommend selected team to Metro Board</b>	<b>26-Jul</b>	

## **2) INDUSTRY REVIEW QUESTIONS**

Metro is seeking written responses to the following questions. It is not necessary to respond to all questions. Please send your responses to Dana Tinio at [tiniod@metro.net](mailto:tiniod@metro.net). Please send your responses by October 27, 2017. To provide Metro with well-informed responses, Metro suggests that you first attend the Industry Forum event on October 13<sup>th</sup> and review information on the LAUS property and key projects on Metro's website.

## **Respondent Information**

- Please briefly provide the following descriptive information for the respondent and its team members (if any). The purpose of this question is to aid Metro in understanding the identity and business of the respondent. Please limit to 2 (two) pages. The information provided will not be evaluated.
  - Name of respondent and its team members (if any)
  - Key principals for respondent and its team members (if any)
  - Organizational structure of respondent and its team members (if any)
  - Previous experience in complex commercial real estate development, including transit-oriented development, of respondent and its team members (if any)
- What potential interest do you represent in relation to the LAUS commercial development project (i.e. lead Master Developer, architect/engineer, contractor, design-build contractor, equity investor, financial consultant, underwriter, investment banker, or other)?

## **Environmental and Financial Considerations**

The opportunity for the Master Developer varies depending on the final status of the Link US project. Metro's preferred outcome is that a Master Developer participate in site planning as the first phase of work with the assumption that Link US and a negotiated master development agreement will move forward promptly after the site planning and environmental review processes are completed. However, even if Link US does not move forward, or moves forward on a different (slower) timeline, there remains significant commercial development opportunity at LAUS.

- 1 How does the status of environmental approvals and financial feasibility for Link US affect your ability and willingness to bid on a Master Developer procurement?
- 2 Given the current state of site planning, the two-phased approach to development, and the potential for a slower timeline to reach the second phase, please discuss what kind or extent of financial commitment from the Master Developer in support of each phase might be reasonable to request in the original solicitation of the Master Developer? Is it reasonable to request a basic financial structure for the potential commercial development project as part of the original solicitation of the Master Developer?
- 3 Would you be interested in responding to an RFP that calls for a cost-sharing proposal for the first phase predevelopment and site planning work? What level of cost sharing in first phase predevelopment and site planning work is reasonable?
- 4 If there were cost sharing for first phase predevelopment and site planning work, please explain what terms and conditions you would find acceptable for dealing with the Master Developer's shared costs if the parties ultimately do not successfully negotiate a second phase master development agreement.

## **Link US / Transit Infrastructure**

- 5 What level of design development would be optimal for the Link US and commercial development project during the first phase of work? Is the schedule and level of design that Metro is pursuing for the Link US project appropriate in order to determine project feasibility and proceed with negotiation of a second phase master development agreement? Too much? Not enough? Please explain.
- 6 Would you be interested in taking on responsibility for financing, designing and building the concourse portion of the Link US project (in addition to commercial development) from 35% through to full design and then construction? The amount of Metro contribution to the design and construction costs vs. what the Master Developer team would cover is not known at this point. What is your response to/interest in exploring such a relationship? Does the addition of a transit infrastructure component make the Master Developer role more appealing? Less attractive? What should we bear in mind?
- 7 What are your thoughts as to the two concourse alternatives under consideration in the Link US project (at-grade vs above-grade?) What impact does each option have on the viability of successful commercial development? Does either option impact your interest in responding to a solicitation and pursuing development at LAUS?
- 8 Is the development opportunity at LAUS of interest even if Link US does not move forward and the transit infrastructure at the station largely stays configured as is?

### **Procurement**

- 9 Metro has not yet decided whether to procure a Master Developer through a one-step or two-step procurement process. A one-step process would consist of a request for proposals under which Metro would evaluate the basic qualifications, technical proposals and price proposals of all firms who meet Metro's pre-qualification standards and elect to propose. A two-step process would start with a request for qualifications, evaluation of qualifications and short listing, followed by a request for proposals from the short-listed teams. Which procurement process do you think is preferable for the Master Developer procurement? Please explain.
- 10 Assuming a one-step procurement process, what do you think is a reasonable time period for you to prepare a proposal in response to an RFP? Assuming a two-step procurement process, what do you think is a reasonable time period for you to (a) prepare a statement of qualifications, and (b) if shortlisted, prepare a technical and price proposal? Please describe any major assumptions that you are making in stating each timeframe.

### **General Questions**

- 11 Metro is interested in your ideas and views on how to optimize commercial development at LAUS in order to achieve the adopted goals for the future vision of the station. Should Metro consider other innovative delivery methods for this commercial development opportunity? Should Metro consider modifications to its approach that would make the opportunity more attractive, result in greater value for Metro, or enhance the viability of Link US?
- 12 The timing for a Master Developer to start construction on the LAUS property is unknown. Some development pads could be available in the near term as soon as entitlements are in

place. Other development opportunities, however, such as the retail for the multi-modal concourse and development pads created by it, depend on whether and when Link US moves forward, and that decision could be delayed.

- Would you be interested in a master development agreement to build out the near term development pad opportunities even if a decision is ultimately made not to proceed with Link US? Please explain.
  - What is a reasonable time horizon between completion of first phase predevelopment and site planning work and negotiation of a master development agreement and start of commercial development construction? How can Metro acknowledge and mitigate this risk to ensure a successful solicitation?
  - Metro's Joint Development ground leases have ranged from 55 to 68 years and we have relative flexibility in negotiating terms as long as Metro's interests are protected. Assuming a master development agreement would be successfully negotiated following the first phase work, what do you consider to be the optimal length of the term for (a) building and operating the multi-modal concourse and (b) development site ground leases? Please explain.
  - For how long would you be willing to wait for a decision on Link US before wanting to either (a) proceed with commercial development in the absence of Link US or (b) withdraw and receive partial or full reimbursement for the Master Developer's share of the first phase costs?
- 13 Some portions of LAUS are maintained by Metro's facility staff (transit infrastructure, gateway headquarters and the East Portal and Garage). Metro has not yet determined how to allocate responsibilities / rights to maintain property between the Master Developer and Metro's facilities staff. What is the appropriate scope of operations and maintenance responsibility to delegate to the Master Developer? Are there certain portions of the transit facilities, or certain operations or maintenance activities, that are more appropriate to be retained by Metro? Please explain.
- 14 Metro has not yet determined an approach to coordinating events, event planning and revenue capture from events at LAUS. Metro currently plans art and cultural events at the station, and also contracts with an outside contractor to plan events. In addition, Metro rents portions of the station for filming and special events. What would be your interest in the ability to manage events at LAUS? Control filming? Lease space for events? Are you open to sharing rights to these revenue-generating and/or traffic-generating activities?
- 15 Please share other thoughts about the opportunity, how best to approach it, or other comments or ideas that will help us structure a solicitation that will be most successful

For more information, questions or clarifications please contact Jenna Hornstock at [hornstockj@metro.net](mailto:hornstockj@metro.net) or (213) 922-7437.