



**BOARD OF DIRECTORS
JUNE 22, 2018**

ACTION REQUESTED: APPROVE

DOWNTOWN BUS STOPOVER AND MULTIUSE FACILITY

File Number 1201514

Introduction

SANDAG, in partnership with the Metropolitan Transit System (MTS), is developing a bus stopover facility to provide an off-street location in downtown San Diego where buses can be parked for short periods of time between runs. Currently, buses park on the curbs for their stopover with portable toilets located on the sidewalks for the bus drivers. A stopover is necessary for maintaining and improving the on-time performance of the bus system and providing bus driver breaks.

Discussion

In June 2016, the Board of Directors identified a preferred site for the Downtown Bus Stopover and Multiuse Facility (Project). In conjunction with the bus stopover, the facility also could potentially provide for other office, retail, and residential needs as part of a mixed-use development.

In November 2017, the Board voted to delay action on potential adoption of a Resolution of Necessity to secure property for the Project and directed staff to further negotiate with property owners and return with alternative options for the project. The Board subsequently was briefed in closed session in January and June 2018 regarding the status of negotiations and the potential initiation of condemnation litigation related to the Project. Staff has continued negotiations with the property owners, analyzed project options, and conducted community stakeholder outreach.

Project Options

Five project options have been analyzed for the preferred site; Options 1–4 assume that all right of way would be acquired by spring 2019. Option 5 assumes that the properties would be acquired in summer 2018.

Recommendation

The Board of Directors is asked to discuss the various project alternatives and provide feedback on next steps. The Board also is asked to authorize the Executive Director to execute Sale and Purchase Agreements with the two willing sellers consistent with Board Policy No. 017: Delegation of Authority, and continue negotiations with other property owners for the Board's consideration at a future meeting. All purchased properties are subject to the condition that any change in use be authorized by the Board of Directors after appropriate environmental compliance with the California Environmental Quality Act.

1. Stopover Only

This option would use the site for bus stopover purposes only. A small break room and restroom facility would be constructed on the site. This option could be implemented by spring 2021.

2. Stopover + Public Office

This option would use the site for the bus stopover and public offices. SANDAG has a need for approximately 120,000 square-feet of office space that could be located on the site. Other public agencies also could partner with SANDAG to co-locate their offices at the site. It is estimated that a total of 550,000 square-feet of office space could be constructed on the site. If SANDAG used 120,000 square-feet, this would leave 430,000 square-feet for other public office space uses. This option could be implemented by summer 2023.

3. Stopover + Public Office + Affordable Housing

This option would use the site for the bus stopover, public offices, and affordable housing. It is estimated that up to 470,000 square-feet of public office space and 470,000 square-feet of affordable housing could be built on the site. For the purposes of the analysis it is assumed that the affordable housing component for this option would be revenue neutral to SANDAG. This option is not recommended for selection until a more detailed analysis can be completed on overall financial feasibility including the potential need for a subsidy from the affordable housing development community. This option could be implemented by fall 2023.

4. Stopover + Multiuse

This option would use the site for the bus stopover and other multiple uses. Multiuse components could include public offices, private offices, affordable housing, market rate housing, supporting ground-floor retail, and a limited-service hotel. This option could be implemented by fall 2023.

5. Willing Sellers + Buses on Curbs

This option would use available property from willing sellers on the site for bus stopover purposes. There are five property ownerships at the preferred site. Two of the owners are willing sellers. There is a need to park 14 buses simultaneously on opening day. This number is expected to grow to 18 buses by 2050. Six buses could be parked on the willing seller properties. The remaining buses could be parked on curbs near the site and within walking distance of the break room and restroom facility. However, it is anticipated that a few portable toilets would remain on downtown sidewalks with this option. This option could be implemented by fall 2020.

After purchase of the property from the current willing sellers SANDAG would continue to pursue other available property opportunities to accommodate the remaining buses parked on the curbs and to remove the remaining portable toilets from the sidewalks.

Project Budget

The FY 2019 Program Budget currently includes approximately \$45.9 million for the acquisition phase of the Project. Once the project moves into the construction phase, the Board of Directors would be asked to approve an updated budget for this purpose.

Cost Analysis of Options

The following table represents SANDAG costs in millions of dollars at the net present value of the project over a 65-year period. A period of 65 years was selected as it represents the reasonable life expectancy of project construction.

Project Option	Land Costs	Stopover Costs*	Subtotal
1. Stopover only	\$38.1	\$31.7	\$69.8
2. + Public Office	\$38.1	\$31.5	\$69.6
3. + Public Office + Affordable Housing	\$38.1	\$28.7	\$66.8
4. + Multiuse	\$38.1	\$28.4	\$66.5
5. Willing Sellers + Buses on Curbs	\$14.0-\$38.1	\$9.5-\$30	\$23.5 - \$68.1

* Stopover development costs vary by option due to architectural design for each option. Option 5 includes a range of costs that includes the current willing sellers and allows for the potential that additional sellers will ultimately negotiate a settlement with SANDAG.

Should the Board consider combining SANDAG office space needs with the Stopover project (Options 2–4), depending on the option selected there would be a potential savings on office lease costs between \$7.3 to \$10.5 million dollars over 65 years. These options would lead to eventual ownership of the office space once lease payments have been paid.

Some Board members expressed an interest in analyzing an option of sub-leasing existing downtown surface parking lots instead of purchasing land for bus stopover needs. This option was considered but is not recommended due to reduced bus schedule efficiency, lease cost, short lease durations, cost of necessary capital improvements, and high risk of lease termination. A detailed analysis of this option is included as Attachment 1.

A few Board members also have asked questions about the impact of emerging technologies on the need for a bus stopover facility. A white paper has been developed, which summarizes the latest information available regarding this issue and is included as Attachment 2. Overall the report concludes that buses will continue to be an important element of the regional mobility network. It also was noted in the white paper that emerging technologies may result in changes to operational elements including bus drivers, but the technological changes do not eliminate the need for a bus stopover facility in western downtown San Diego. The report further recommends that the design of the stopover facility should include flexibility to allow for integration and accommodation of potential changes such as electric vehicle charging capabilities.

Stakeholder Outreach

A total of 44 meetings have been held with various project stakeholders since the November 2017 Board of Directors meeting. A broad range of opinions have been provided to SANDAG. The downtown community has expressed a preference that the city block be developed to its highest and best use and not be developed as a stopover only.

The real estate development community also has offered feedback that being able to attract strong competition is important for finding a creative and efficient solution. If Options 2, 3, or 4 are selected, a Request for Proposals would be issued and developers would be asked to compete for the project. Lease revenue over 65 years from Options 2, 3, or 4 could range between \$18 million and \$38 million depending on the details of building configuration and market demand. A selected developer could be responsible for designing, building, financing, operating, and maintaining some or all aspects of the project. Options 1 and 5 do not offer opportunities for the development community to participate, as SANDAG would build the project and MTS would handle long-term operation and maintenance of the facility.

Negotiations with Property Owners

An update on negotiations with property owners was provided to the Board of Directors during its closed session meeting on June 8, 2018. The SANDAG negotiating team has participated in numerous meetings and discussions with the property owners with hopes of reaching a negotiated settlement; however, a negotiated settlement with all property owners at this stage may not be possible without the use of eminent domain.

There are two willing sellers, GLP Properties and Stahlman Family Properties. Both of these sellers are willing to accept a purchase price within ten percent of the properties' appraised value, and acquisition of these properties would be consistent with each of the project options being considered by the Board. Further, because the purchase of the properties would not result in a change of use, the purchase would not limit the choice of alternatives or mitigation measures, and would continue to allow for full California Environmental Quality Act compliance, including consideration of a complete no-build alternative. At a minimum, these two parcels would allow for the parking of up to six buses and room for a restroom and break facility which would remove many of the portable toilets from the sidewalks in the project area.

Next Steps

Pending direction from the Board of Directors to acquire the Stahlman and GLP properties as described above, staff would finalize acquisition of those properties and continue negotiations with other property owners. The Board is asked to discuss the various project alternatives and provide feedback on next steps.

KIM KAWADA
Chief Deputy Executive Director

Attachments: 1. Lease Surface Parking Lots Assessment
2. Implications of Emerging Mobility Technologies on SANDAG's Future Stopover Facility

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