

BUSINESS MANAGEMENT COMMITTEE MEETING

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

March 28, 2019

12:33 p.m.

FREDERICK L. DANIELS, JR., CHAIR

Minutes Taken by:

Allison H. Wilcox, RPR, CCR-2569

A P P E A R A N C E S

Frederick L. Daniels, Jr., Chair

Jim Durrett, Vice Chair

Robert L. Ashe III

Robert F. Dallas

Christopher Tomlinson

William 'Bill' Floyd

Jerry Griffin

Ryan Glover

W. Thomas Worthy

Jeffrey Parker

Virgil Fludd

Freda Hardage

Roberta Abdul-Salaam

Roderick Edmond

John 'Al' Pond

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MR. DANIELS: Third meeting of the day.

All right. We will call the Business Management Committee to order. The first item of business is approval of the February 28, 2019, Business Management Committee meeting minutes.

MR. DURRETT: Approve.

MS. ABDUL-SALAAM: Second.

MR. DANIELS: Okay. That was Mr. Durrett who moved approval and Ms. Abdul-Salaam who seconded. Is there any unreadiness? Hearing none, let's please vote.

(Board members voting.)

MR. DANIELS: Passes unanimously.

All right. First resolution on our agenda is a resolution authorizing the award of a contract for procurement of authority-wide wireless communication devices, RFP P43091 utilizing the State of Georgia contract. Mr. Lyles, please come forward.

MR. LYLES: Good afternoon, Mr. Chairman, Mr. Parker, Mr. Hutchinson, and Members of the Business Management Committee.

Included in your board package is a resolution authorizing the award of a contract for procurement of authority-wide wireless

communication devices, RFP P43091. This contract will offer wireless communication services to the authority. The wireless communication devices service will include 643 devices, including 526 cellular phones and 81 hot spots, at a cost of \$698,664 from the local operating funds. This contract will replace the current wireless devices contract P39132 with sprint Solutions, Inc. and AT&T Mobility National Accounts, LLC, which expires June 21, 2019. The Authority would utilize the Georgia Technology Authority, GTA contract, that expires on June 30, 2022, to gain the buying power of the entire state of Georgia.

The Office of Diversity and Inclusion did not place any DBE goals for this contract. The proposed contract reflects a term of two years at a cost of \$349,332 per year. Consistent with the MARTA Act, it is in the best interest of the authority to enter into a contract with Sprint Solution, Inc. and AT&T Mobility National Accounts, LLC for authority-wide wireless communication services.

Compliance with all authority's policies and procedures have been achieved; therefore, at

this time I respectfully request the Business Management Committee to approve the resolution authorizing th4e general manager or his delegate for the approval of procurement of the authority-wide wireless communication services.

MR. DURRETT: I move approval.

MR. DANIELS: Mr. Durrett moves approval.

Second?

MS. ABDUL-SALAAM: Second.

MR. DANIELS: Seconded by
Mr. Abdul-Salaam. Question?

MS. ABDUL-SALAAM: When you talk about the different services, is that just mostly for the admin scope of services?

MR. LYLES: So it's authority-wide, so it's operations as well as the executive suites or teams and any of the managerial, supervisor roles or support services.

MS. ABDUL-SALAAM: Thank you.

MR. DANIELS: All right. Is there any additional questions? Hearing none, let's please vote.

(Board members voting.)

MR. DANIELS: Passes unanimously. Thank you, sir.

Next, we have a resolution authorizing the solicitation of proposals for a transit oriented development project at North Avenue Station, RFP P43033. Mr. Vallo?

MR. VALLO: Vallo [pronouncing]. Thank you.

MR. DANIELS: Vallo, Senior Director Transit Oriented Development.

MR. VALLO: Good morning, Mr. Chairman, Mr. Parker, and Members of the Business Management Committee. Before you is an authorization for solicitation of proposals for a transit oriented development project at North Avenue Station. I'll walk you through the slides we put together to help you understand.

The cover slide actually is relevant to address the image text to the Midtown Atlanta logo is a new Norfolk Southern headquarters building which is across West Peachtree just to the west from our North Avenue Station. Of course the Fox Theater is just to the east of our station. And in between the iconic Bank of America tower and the AT&T building our station sits right on North Avenue between those two assets.

So late last year in the fourth quarter MARTA received an unsolicited proposal for the development of a 500,000-square-foot office project. The office building would sit on top of a parking podium of seven stories just on the western portion of the North Avenue Station site. Staff recommends, after going through the internal process, an authorization to conduct an RFP process for transit oriented development of the site at the station.

For those of you that remember, we did have -- North Avenue Station was part of the retail RFP program. We have removed it from that RFP process, or the draft RFP, to achieve a higher density project which will increase ridership potential by at least an estimated 2000 patrons and generate an estimated annual ground lease rent of one and a half to \$2 million for the authority.

We will be revisiting the retail RFP with the Business Management Committee in the second quarter of this year with hopefully new ideas and exciting kind of redevelopment of that program in conjunction with the capital program station enhancement plans and some new ideas to

bring to the table and new partnerships as well.

Finally, Midtown Atlanta office and residential multifamily high-rise rents are at an all time high, corresponding in all time high land values, and that makes it a good time for us to bring this site to the public to solicit RFPs.

I want to talk a little bit about the process as it relates to, and compare and contrast a little bit, with the Arts Center Station is a phenomenal site, the North Avenue Station site is also a phenomenal site, and we think it does make sense as fiduciaries on behalf of the authority's capital to hire a broker given the high profile nature of this site and the dollars involved to help us and work with the contracts and procurement team in making a market for this site. So we do think this will encourage, the marketplace I think will receive more offers or creative offers and hopefully ones that will result in more capital and flows through the authority.

The process in which we will proceed is we will receive three proposals from brokers, evaluate those proposals, and then make a

selection internally in conjunction with the transit oriented development group, legal, and contracts and procurement.

So this is our compass, if you will. Our design goals for North Avenue TOD are really birthed out of the guiding principles and the policies that we have in the transit oriented development department. Relative density is an important one. This is a very high density area, so we're looking to really have a ground plane that mixes and connects with the existing street grid and is activated, but then also looking to maximize the height of the site without interfering with our neighbors' activities.

Mix of uses, this is also another exciting opportunity to deal with the ground plane at our station and to improve the procession for our patrons, while at the same time providing other uses with a residential or office mode above the station site.

The next one is creating public spaces. Again, the human element is really important. You'll notice we've curated these images so that at least we have this sort of bricks-and-sticks

discussion, but there's also a very important and I would argue more important discussion, which is what happens at the ground plane to our customers and patrons. So we are very focused on creating places where we can create community engagement and great public spaces.

Finally, and this is a very important thing to note, the City of Atlanta has been working on new parking requirements which would eliminate minimum parking in high density areas around transit stations, so we will make sure to communicate that to the bidders and encourage them to be creative.

The image you see is of 1111 Lincoln, which Lincoln Road is in Miami Beach. And while this is not Miami Beach, their approach to parking is actually pretty creative. So Midtown, during offpeak office hours like on the weekend, you'll see a lot of parking decks are empty. The solution in this case was to use, instead of wrapping the deck with curtain wall that matched a building, they hired Herzog & de Meuron, which is a Swiss architectural firm, to design an architecturally significant parking deck. Believe it or not, that is a wedding

occurring on the bottom right-hand image. This parking deck has become so popular that the City of Miami decided to commission other parking decks from other designers from around the world. But the idea is to generate additional revenue beyond the parking, keep it as an activated space, and you end up with empty spaces on the weekends. Also, we want to kind of use this example for those that will approach to redevelop our site and encourage parking in a very different way.

I think everyone knows where it is, but just a couple different items to note. We do have the North Avenue BRT line, which is currently in planning which will run obviously north of -- basically to the west, past the Coca Cola headquarters, past Georgia Tech, and then on into Midtown proper, and then past Ponce City Market to the east on North Avenue.

But there are phenomenal companies in the area. Norfolk Southern, Emory University is at the corner of Ponce and Peachtree, and then GDOT is actually just to the southwest of our site. And All Saints Episcopal Church, which is just directly to the west, has successfully completed

their capital campaign and purchased that entire block. Working up from there is Norfolk Southern and then Anthem, which is the old Blue Cross Blue Shield re-branded, and then Georgia Tech's CODA project, which is their computing center. So unbelievable site, current physical location.

This is the award process, at least as we see it today. We expect to make the award in the fourth quarter of this year. Because of the state of where we are in the business cycle and the real estate cycle, what we'd like to do is include a draft of the ground lease agreement actually in the investment sales package, if you will, so that we can get immediate feedback and have processes that actually red-line the document. So what it effectively does is allows us to see how wide the spread is immediately rather than making the award and then entering into in a prolonged negotiation that may or may not culminate into an agreement. So we will make it part of the process, and I think that hopefully will result in a better outcome for the authority.

Any questions?

MR. DANIELS: Any questions? Mr. Durrett.

MR. DURRETT: So you're asking us for a resolution to use a broker to go out and get proposals. I move approval of the resolution and I have a question.

MS. O'NEILL: That's not what this resolution does. It's a resolution but not to request for -- the way this resolution is to request a proposal for the North Avenue Station.

MR. DURRETT: So it's just RFPs for TODs at that station?

MR. VALLO: Yes, sir.

MR. DURRETT: And the rest was color and specifics.

MR. VALLO: Yes, sir.

MR. DURRETT: Approval of that resolution.

MR. DALLAS: Second.

MR. DANIELS: All right. Mr. Durrett approved and Mr. Dallas seconded.

Questions, Mr. Durrett.

MR. DURRETT: Yeah. I did have a question about parking but you answered it in your presentation. Because when I heard that the unsolicited proposal called for a seven-story parking podium smack dab on top of a transit

station, I thought have we lost our mind. So I'm really glad that we're going to be creative in letting the development industry know that when you have a TOD, it should be a TOD. Thank you very much.

MR. VALLO: No. We're definitely interested in leading the way and being progressive in this area. Thank you.

MR. DANIELS: Ms. Abdul-Salaam.

MS. ABDUL-SALAAM: Thank you. Mr. Vallo, my question is in terms of the RFP. Are we issuing multiples for different services that need to be done in the process or you just going to issue one in general?

MR. VALLO: So we will issue one general to select a developer investor partner and then allow that developer investor to then handle the series of subcontracts. But through our policy we'll have, I believe it's close to 20, if not 20 percent, DBE requirement.

MS. ABDUL-SALAAM: Thank you.

MR. DANIELS: Mr. Dallas.

MR. DALLAS: If we get proposals as anticipated and you don't like them, we can reject them.

MR. VALLO: That's correct.

MR. DALLAS: Wanted to make that clear.

Secondly, I just want to emphasize the parking. If there was no parking, folks like me would say that's just fine for TOD development, but to create a component is certainly a good thing. I would note that, you mentioned 500,000 square feet. Why not denser?

MR. VALLO: Yeah, I think that's a great question. They maximize the density without interrupting the -- because we have to keep the station operable during construction, so they basically chose an amount that actually maxed out the density with the parking, the gross building area, without interfering with operations. With that being said, there is the possibility to acquire air rights just to the east of us. And there's a fire station which is right on North Avenue. And then there's 33 Ponce de Leon condominiums; that's the address, not the unit count. So there's an ability I think to acquire the air rights and then apply them to our property. I would not be surprised if we received an offer like that.

MR. DALLAS: To the extent that the

parking can be minimized as part of the project itself, at some point the city is going to become more like that in terms of limited parking, and I know of no better place in Atlanta than on top of the MARTA train track.

MR. VALLO: Yeah, I totally agree. I think it's greater than four per thousand they're building, Norfolk Southern. So that's one end of the spectrum, and then zero parking is the other. I think what we'd like to do is show the market that you don't have to do three or two or deliver one or something less, then that would be zero, because I do believe it's pretty much un-financeable in Atlanta. But we need to encourage people to take the next step and limit the amount of parking spaces.

MR. DALLAS: And just to the point of the mix of use here, is any residential being considered?

MR. VALLO: So we're not going to prescribe the use, so it could be a -- the proposals that come in could be office, they could be hotel, they could be residential.

MR. DALLAS: To the extent that it's more than 500,000 square feet, because I think this

property could accommodate that given it is on top of a transit station, you've got a lot of good points there.

MR. VALLO: Yeah, I think so. I'm encouraged by where we are in the cycle. Midtown is red hot, so I'm hopeful we get a lot of interesting things to evaluate as a team.

MR. DANIELS: All right. Any additional questions? Hearing none, let's please vote.

(Board members voting.)

MR. DANIELS: All right. Your resolution passes unanimously. You have a lot of work in front of you. Good luck.

MR. VALLO: Thank you, sir.

MR. DANIELS: All right. Gordon, we need you to speed read through these --

(Court Reporter requests clarification.)

MR. DANIELS: Okay. Speed talk, speed something, the selective highlights.

MR. HUTCHINSON: All right. What we have here is year to date first seven months for a cumulative performance surplus of 22 million, which is 18.8 million greater than budget on 6.1 million favorable revenues and 12.7 million lower expenditures.

The next page, we can see here that our favorable revenue performance is all due to tax receipts on a combined basis; that's 85. And then if you look at our favorable expenditure performance and look down at our salary, wages, full-time benefits, all of our basically labor costs, that's 15.5. So that accounts for all of the favorable variance on expenditures.

MR. DURRETT: Gordon, what drives the federal assistance actual?

MR. HUTCHINSON: We make an estimate at the beginning of the year, and then what's driving the assistance. We have probably overestimated, but this is something we'll have to true up at the end of the year.

MR. DURRETT: Okay.

MR. HUTCHINSON: And I'll just show quickly that the current month is also very positive. Other than what we do see is, if you look at our salary, wages and benefits, that actually is only .1 positive, so we're not going to see the continued positive contribution from that category for the balance of the year. And I just want to also point out that with the new labor costs, the labor contract I should say,

the costs will start showing up in March. We did budget for increased costs this year, but you'll start seeing that coming through in the March results.

And this is just the last thing. 40 percent of our sales tax is being used to fund our operations, so still a very favorable ratio.

MR. DANIELS: Can you graph that for us going forward so we have comparison, because I think that number is going up, isn't it?

MR. HUTCHINSON: It is.

MR. DANIELS: The trend was upward. So we can see that over a several-month period would be helpful.

MR. HUTCHINSON: We'll make a note of that and we'll get that graph for you. Unless there are any questions, I'll just turn to some highlights of key performance indicators.

This graph just quickly shows that six of seven months have been positive with the revenues exceeding expenditures against true budget. What we can see here is the tax receipts have exceeded target in prior year in five of our seven months, very good. And once

again, the dotted green line at the bottom shows what our tax receipts would be if we didn't have the More MARTA half penny. And you can see additionally, that half penny is worth a lot and the city's economy is doing very well. And we're getting good strong tax receipts out of the City of Atlanta.

This shows gross labor expenses. This is again a combined labor cost for salary, wages and benefits, overtime, everything. We've been under budget and it's actually been moving up, slightly higher than last year but we expected that. So it's in line and we expect that for the balance of the year post March we'll probably be running slightly above our budget for that category.

MR. DURRETT: Our budget didn't anticipate, or did it, a new labor contract with higher wages?

MR. HUTCHINSON: We did. We built in -- and we didn't know when the contract would get signed, and so we just basically built that in over the year.

MR. DURRETT: Okay.

MR. GRIFFIN: Can I ask a question? Going

back to the sales tax revenue that comes in, do we consider the total revenue even if it's in a lockbox or if it's in a specific month? This is the total sales tax that comes in to MARTA?

MR. HUTCHINSON: Correct. When we look at our operating results, we're only looking at the portion of sales tax that is budgeted for operations. So that excludes the Clayton escrow account, the City, et cetera, and excludes what we have budgeted for approved budget for funding our capital program.

MR. GRIFFIN: That's the 40 percent number that --

MR. HUTCHINSON: Yeah, that's the 40 percent of the total. What the graph was showing there was the total receipts.

MR. GRIFFIN: Thank you.

MR. HUTCHINSON: And when we look at combined ridership, we can see that we have been below projections for the prior year, but we have shown improvement in the most recent month, and I think that we will see some better results over the next couple of months. It has improved more on rail than on bus. And that just shows you that rail ridership where we actually have

moved up on rail above the prior year and we're getting much closer to our budget. So the rail results are doing well; it's plus.

And mobility on time performance, this is a key metric, as we know, and getting above the 90 percent threshold is obviously a good thing. That's partly because the fleet has been performing much better, mechanical performance of the fleet, plus some other actions taken to improve our on-time performance.

And unless there are any -- there it is. Mobility [inaudible] you can see that our mechanical performance is much improved.

And that concludes my presentation, unless there are any questions.

MR. DANIELS: Any other comments from the committee? Hearing none, we'll consider this meeting adjourned. Thank you.

(Proceedings adjourned at 1:00 p.m.)