

June 16, 2011

Tom Hughes
President, Metro Council
600 NE Grand Avenue
Portland, Oregon 97232

Neil McFarlane
General Manager, TriMet
4012 SE 17th Avenue
Portland, Oregon 97202

Dear Mr. Hughes and Mr. McFarlane,

As you know, this April, the City Councils of Portland and Lake Oswego each selected streetcar as the preferred option for the Lake Oswego to Portland Transit project (LOPT). In approving the Locally Preferred Alternative (LPA) recommendation of the project Steering Committee, both Councils identified streetcar as the best means to address existing and future transit needs between our two cities along the Highway 43 corridor. In providing support to move forward with further study, the City Councils set forth a process of project refinement, cost validation and due diligence needed before advancing the streetcar project to the next steps of the federal planning and funding process.

On April 19, 2011, the Lake Oswego City Council voted to approve the recommended streetcar Locally Preferred Alternative for the Lake Oswego to Portland Transit Project. The Lake Oswego City Council requested a report back from the project team on a number of outstanding questions and issues as well as greater input from the Lake Oswego residents. The request is described in the attached *Exhibit B*.

The Portland City Council voted to approve the streetcar LPA on April 20, 2011. Like Lake Oswego, the Portland City Council asked for additional analysis on a number of issues. The attached *Exhibit C* describes the requested further analysis.

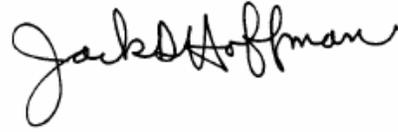
Given the significance of the Councils' outstanding questions and the importance of that information to understanding the streetcar project, on behalf of the City of Portland and the City of Lake Oswego, we respectfully ask that any further votes on the streetcar LPA occur after the LOPT team has reported back to both City Councils with the additional requested information. We are confident that the additional planning and analysis will give both cities - and the region as a whole - a better understanding of the project under consideration.

Thank you for your attention to this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Sam", with a stylized, cursive script.

Mayor Sam Adams
City of Portland

A handwritten signature in black ink, appearing to read "Jack Hoffmann", with a cursive script.

Mayor Jack Hoffmann
City of Lake Oswego

Cc: Councilor Carlotta Collette, LOPT Steering Committee
Doug Oblatz, LOPT Project Management Group
Ellie McPeak, LOPT Citizens Advisory Committee

EXHIBIT B

The Council requires significant issues related to the design, cost and funding of a streetcar line, and a plan for the Foothills District, to be resolved prior to proceeding with a commitment to the development of a streetcar line to Lake Oswego. Accordingly, below are areas of further measure, requested by the City of Lake Oswego, to be addressed in follow-on phases of the project:

1. **Conditions precedent to an application for Federal approval to undertake Preliminary Engineering and completion of the environmental process.** Prior to TriMet submitting an application to the Federal Transit Administration (FTA) for approval to proceed to the next step in the process, i.e., Preliminary Engineering and preparation of the Final Environmental Impact Statement (FEIS), the following conditions must be met:
 - a. **Value of the Willamette Shore Line right of way.** The Council requests that TriMet undertake an update of the appraisal of the value of the existing Willamette Shore Line right-of-way and provide an updated assessment of value as part of the report required under Item 1.d. below.
 - b. **Lake Oswego financial strategy.** The Council instructs the City Manager and City Staff to work with the Lake Oswego Redevelopment Agency and Finance Department, Metro, TriMet and project partners in the development of a Financial Strategy for the Lake Oswego to Portland Transit Project to develop a feasible finance strategy for the City's capital contribution. Such finance strategy should address the feasibility of funding the City's contribution through development fees and redevelopment dollars from the current Lake Oswego Redevelopment Agency and/or the redevelopment of Foothills. Staff should report back to Council on the City's financial contribution to the project in conjunction with the report contemplated under Item 1.d. below.
 - c. **Foothills District Framework Plan.** The Framework Plan for the Foothills District must be completed.
 - d. **Immediate additional studies and report to Council ("Pre-PE Phase").** City staff is directed to work with the project team to undertake additional studies as part of a "Pre-Preliminary Engineering" process and report back to the Council by early 2012, or within 180 days of LPA approval by Metro, on the following:
 - 1) Undertake refinements to conceptual engineering to narrow alignment choices and definition in the Lake Oswego segment of the project.
 - 2) Prepare a refined project budget, including:
 - (a) Contracting with a third-party contractor/cost estimator to develop an independent "audit" of project costs and prepare a revised cost estimate.
 - (b) Incorporation of an updated value of the existing Willamette Shore Line right-of-way per Item 1.a. above.

- 3) A project governance plan to address agency responsibility for design, construction and operation of the proposed streetcar and address operational funding issues and commitments.
 - 4) An updated project schedule.
 - 5) An updated Conceptual Finance Plan, including a proposed funding plan for the City of Lake Oswego share of project costs per Item 1.b. above.
 - 6) A Two-Year work plan.
2. Following completion of the forgoing as stated in Section 1 above, to the satisfaction of the Lake Oswego Council, the Lake Oswego City Council will undertake a well defined advisory vote of City residents no later than May 2012 on the direction the community would like to see relative to transit investments impacting Lake Oswego.
3. **Conditions precedent to the Council approving funds for the Final Design of the project.** Prior to TriMet submitting an application to the FTA for approval to proceed into Final Design of the project, the following conditions must be met:
- a. **Completion of preliminary engineering and the FEIS.** Preliminary Engineering and preparation of the FEIS must be completed in order to assure that fundamental design, cost and environmental issues are addressed to the satisfaction of the Council, regional partners and FTA.
 - b. **Completion of a refined finance plan.** The Conceptual Finance Plan developed in Item 1.d.5 above must be updated to reflect the outcomes of the Preliminary Engineering/FEIS process.
 - c. **Resolution of issues related to Lake Oswego park and ride facilities.** The Lake Oswego community has raised a number of issues concerning the two (2) proposed park and ride facilities in Lake Oswego. Page 15 of the Locally Preferred Alternative Report – with Alignment Options for Further Analysis - Steering Committee Recommendation (February 28, 2011), identifies several areas of study for the next phases of the project (1-3 below). Two (2) further areas need to be included (4-5 below). Each of these efforts should ensure that the project results in minimal impact to the surrounding neighborhoods in terms of character, traffic flow, and parking.
 - 1) Confirm the need for and capacity of the proposed park and ride facilities.
 - 2) Undertake additional urban design studies of the proposed park and ride facilities to address the impact of the proposed park and ride facilities on adjacent properties and development potential.
 - 3) Follow-on studies should assess in more detail mitigation measures to address traffic impacts of the park and ride facilities. In addition, mitigation measures for traffic impacts should address community concerns regarding potential impacts to North Shore Rd. Of particular concern is the potential increase in “cut

through” traffic coming from the west side of Lake Oswego and impacting this narrow residential street.

- 4) The park and ride facilities need to be sited and designed in a manner that matches Lake Oswego’s character, including that of the neighborhoods where the park and ride locations are placed, and should be designed consistent with the City’s design standards
- 5) Zoning consistent with the existing East End General Commercial zone must be retained if the park and ride facility is located within the Albertson’s shopping center.

d. Issues related to safety and security. The following issues need to be addressed:

- 1) The design of streetcar stations, manner in which the streetcar crosses roadways and the operations of the streetcar system must achieve or exceed the high level of safety and security that exists in the regional transit system. Specific issues that are to be addressed in the next phases of the project include:
 - (a) Utilize the Crime Prevention through Environmental Design (CPTED) process to address safety and security issues at stations and park and ride facilities.
 - (b) Address the need for safe street crossings and operation of the streetcar, particularly in areas adjacent to pedestrian activity.

3. Other Issues of Concern to the Council.

- a. **Availability of Federal funding.** City Staff is directed to provide periodic updates to the Council on the availability of Federal funding for the project. Such status reports will address the status of enabling legislation and current Federal Transit Administration (FTA) policies regarding the funding of streetcar projects.
- b. **Long-term retention and maintenance of the Willamette Shoreline right-of-way.** The Council supports efforts to encourage development of enhanced excursion trolley service on the Willamette Shore Line prior to development of any future extension to Lake Oswego and supports efforts to maintain, improve and enhance the existing right-of-way and rail infrastructure.
- c. **The City shall conduct a statistically valid survey of Lake Oswego residents.** The City shall immediately hire Davis, Hibbitts & Midghall, Inc to conduct a survey about the streetcar.

EXHIBIT C

Portland City Council legislative intent and criteria for moving forward in regard to Resolution ___, Adopt the Lake Oswego to Portland Transit Project Locally Preferred Alternative

As the first in a series of City Council due diligence phases required by the federal government, Resolution ___ selects a Locally Preferred Alternative (LPA). It is not a vote to approve, to fund or to build the project; it is a vote to send it to the next step of analysis.

Background

Unlike other streetcar projects that have come before this Council, planning for the LOPT project has been led by Metro and TriMet, with the City of Portland as one of several project partners. In previous streetcar projects, formal City approval of each line was preceded by significant planning efforts. In the Pearl District, South Waterfront and the Eastside Loop, zoning amendments and transit-oriented development strategies were already in place when Council voted to move those streetcar projects forward. In this case much of that work remains to be done.

The LPA decision simply affirms that based on the analysis to date, with additional work to be done, streetcar is the best choice of modes to address the long-term transit needs in the Highway 43 corridor given the physical constraints of the corridor.

The DEIS shows that existing bus service will not meet projected corridor demand in 2035, and that TriMet can meet that demand more efficiently by operating the streetcar than the enhanced bus alternative.

While preliminary analysis shows great development potential in Johns Landing in Portland and the Foothills area in Lake Oswego, better understanding is needed of the costs, opportunities and potential benefits of that development before committing to build the LOPT project.

Updated information is also needed about the value of the Willamette Shore Line right-of-way and the availability of federal funding for the project.

The only way to answer these questions is to approve the LPA and move forward for further work and analysis.

Binding principles to guide the City of Portland's work on the LOPT

- 1. Complete due diligence on Lake Oswego's Foothills redevelopment: analyze feasibility, benefits, and contribution to LOPT costs.**

- a) Before agreeing to move into Preliminary Engineering (late 2012), Council recognizes that the City of Lake Oswego's Foothills District planning process must be well enough advanced to determine that the development is viable and will financially anchor the southern terminus of the LOPT project.
- b) Before moving into Final Design (2014), a development plan for the Foothills District must be completed.

2. Complete development opportunity analysis in Johns Landing area

- a) Before agreeing to move into Preliminary Engineering (late 2012), Council needs greater certainty that the John's Landing neighborhood will be in a position to leverage a streetcar investment to realize transit-oriented mixed-use projects that
 - Are compatible with the neighborhood,
 - Support a diversity of housing options, and
 - Help revitalize the Macadam commercial district.

3. Confirm value of the Willamette Shore Line right-of-way

- a) The Lake Oswego City Council has requested that TriMet update the appraisal of the value of the Willamette Shore Line right-of-way by early 2012.
- b) The Portland City Council will require that information before moving forward with an application to the Federal Transit Administration (FTA) for approval to proceed with Preliminary Engineering and preparation of the Final Environmental Impact Statement in 2012.

4. Streetcar operations shall not be at the expense of transit service elsewhere

- a) In the near term, TriMet is not contributing to the capital cost of the project – so the decision to move forward with the LOPT project does not affect other bus and rail service in the region.
- b) Before moving into Final Design, City Council will require additional assurances that TriMet can operate the LOPT streetcar alignment without degradation to bus operations elsewhere.

5. No general fund or urban renewal money shall be used for capital costs

- a) Portland's contribution to capital financing will come from parking meter revenues and other sources related to the LOPT investment, such as Local Improvement Districts and System Development Charges.

6. If agreement cannot be reached on a regional project, the City of Portland will consider proceeding with a Minimum Operating Segment (MOS) of the project, which could be located in John's Landing, at the Sellwood Bridge, or in Powers Marine Park.

Further analysis and next steps

The Portland City Council will have several important opportunities to address the questions raised by this project, including:

- 1) **A report to Council will be made by staff in January 2012 to report on the following tasks:**
 - Further engineering studies to narrow alignment options;
 - Developing the work plan for the next few years;
 - Updating the project schedule;
 - Refining the capital cost estimate, including an updated appraisal of the Willamette Shore Line right-of-way; and
 - Developing a conceptual finance plan.

- 2) **City Council will vote in 2012 on whether to authorize preparation of the FTA New Starts application to enter Preliminary Engineering. The FTA will evaluate our New Starts application and issue a New Starts rating for the project.**
 - FTA review of a New Starts application typically takes 6-8 months.

 - FTA approval of the New Starts application and issuance of an initial rating for the project is anticipated in Spring 2013. The rating will give us a much better indicator of whether it is reasonable to expect a 60% federal funding match for the project. **At that point, City Council will consider whether or not to actually approve the project by allocating funding to support the City's share of the costs to enter preliminary engineering and completion of the Final Environmental Impact Statement.**