

Fred Hansen  
Tri-County Metropolitan Transportation District of Oregon  
4012 SE 17<sup>th</sup> Ave.  
Portland, OR 97202  
503-962-4831

Testimony  
Of  
Fred Hansen, TriMet General Manager  
Before the House Congressional Highways and Transit Subcommittee of the  
Transportation and Infrastructure Committee  
April 17, 2007

Chair DeFazio and Members of the Committee:

For the record I am Fred Hansen, General Manager of TriMet, the transit district for the Portland, Oregon metropolitan region. It is an honor to appear before the committee today.

TriMet is recognized for its successful light rail system. We are currently building our fifth light rail line – the I-205/Portland Mall Light Rail Project – which will bring the system to a total of 52 miles when it opens in 2009. What makes our light rail so successful, and a national and international model, is the connection between transit and land use. It's about connecting people to their community and having a community built or enhanced around the transit system.

We are also known for our success in delivering major projects on time and on budget, and our innovation in accomplishing this. A case in point is TriMet's third light rail extension – the 5.5-mile Airport MAX line. It was the first train-to-plane connection on the West Coast when it opened on September 10, 2001. It also was the first public/private light rail/real estate development project in the country.

It came about when San Francisco-based Bechtel Enterprises approached the Portland region with a proposal to design and build light rail to the Portland International Airport earlier than anticipated in our regional plan. At the time, the Port of Portland was preparing to build new airport parking at significant cost, so advancing light rail was appealing as a way to reduce the need for parking. Bechtel and the Port came together with five other public agencies including TriMet and the city of Portland, to create a funding plan. We identified a number of existing funds including tax increment financing, a \$3-per passenger facility charge and TriMet general funds as resources for the project.

The \$125 million financing package was completed when Bechtel agreed to accept development rights to 120 acres at the entrance to the airport. The 120- acre site owned by the Port was vacant, but slated for low-density industrial and distribution uses that are typical around airports. Bechtel envisioned it could develop the property more

intensely if it were served by light rail. Through an innovative 99-year lease arrangement for the 120 acres, Bechtel contributed \$28.3 million of the \$125 million rail construction project.

While no federal New Start funds were utilized, the project fully complied with NEPA through an Environmental Assessment. Because it was locally funded, we were not required to follow the Federal Transit Administration's New Starts process, which sped the pace of the entire project.

While the review and approval process was streamlined from a federal perspective, the project required 85 agreements among the parties and nearly 20 formal approval steps by local elected and appointed bodies. This ensured that the public investment would be protected, while much of the risk was appropriately assigned to the private sector. The design-build contract between Bechtel and TriMet was facilitated by our unsolicited proposal policy, which fosters private sector innovation while ensuring fairness. Our unsolicited proposal policy has been designated an industry best practice by the FTA as a model for other agencies.

## **Benefits**

There were many benefits associated with this light rail/development deal:

- It allowed the project to be built years, if not decades sooner than anticipated. It provided the public with high quality transit service to the airport terminal. A trip on Airport MAX takes just 37 minutes from downtown Portland to the terminal – often a faster trip than other transportation options. And the price is just \$2 – a taxi ride could run up to \$40 for the same trip.
- Airport MAX took about four and a half years to move from an idea to opening for service. The pace of the approval process, along with the private investment and no federal dollars or FTA process, cut two years off of the overall schedule, reducing the risk of inflation and driving up project costs. The final design and construction took two years from the time approved agreements were executed, and featured a fast-track design/build construction plan.
- One of the signature elements of the project is called the Flyover Bridge. It carries trains from the median of Interstate 205, across four lanes of a busy highway and lands in the Port of Portland property as it heads to the airport terminal. What is amazing about this is that it was built without any highway closures, no disruptions to drivers and no safety incidents. Actually, the biggest disruption was from gawkers watching the construction of the bridge.
- Ridership continues to grow, as the airport continues to see increased passenger travel. It also provides good transit service for the growing base of airport employees.
- And finally, Bechtel envisioned a unique \$400 million mixed-use business and lifestyle center served by two light rail stations. Plans for the development – known as Cascade Station – called for hotels, a conference center, Class A

offices, shops, restaurants and leisure time activities, making it a 24-hour destination and create an estimated 10,000 jobs at full build out. Full build out was expected to be completed in about 15 years.

### **Lessons Learned**

Now, eight years after the idea for the Airport MAX extension and innovative real estate deal, there are some lessons learned that are instructive when considering a public/private venture.

Success in making a design/build process successful, as this one was, depends on the public sector project sponsor being a sophisticated project manager. Design/build does not absolve the public sector of its management and oversight responsibility. The final cost of the project grew from the initial estimate by about 2 percent.

Airport MAX opened the day before the terrorist attacks of September 11, 2001. Unfortunately, 9/11 dramatically changed the travel industry. In addition, Portland and the rest of the country slid into a multi-year recession immediately following 9/11.

Because of these dramatic market changes, the Cascade Station site sat idle until liberalized zoning in 2005 allowed three large format retailers to move the site to development. A key lesson learned is that while it is important for the private sector to shoulder significant risk, the unanticipated events of September 11 caused very significant and permanent changes in the potential development benefits for our private sector partner. The "hit" taken by Bechtel on this project may have had a dampening effect on their interest and that of others in pursuing similar projects. Perhaps the sharing of risk in certain extraordinary circumstances or insurance against certain risks should be a feature of future projects like this one.

The reconfigured development plan for Cascade Station is less intense than originally envisioned, but is still substantial. It will yield 800,000 square feet of retail space, 1.2 million square feet of office space, 250 hotel rooms and other support services. This will provide 7,000 jobs and \$2.4 million in annual property taxes to the city of Portland. Construction is now underway, with nearly \$500 million in development, including a new IKEA store set to open this July.

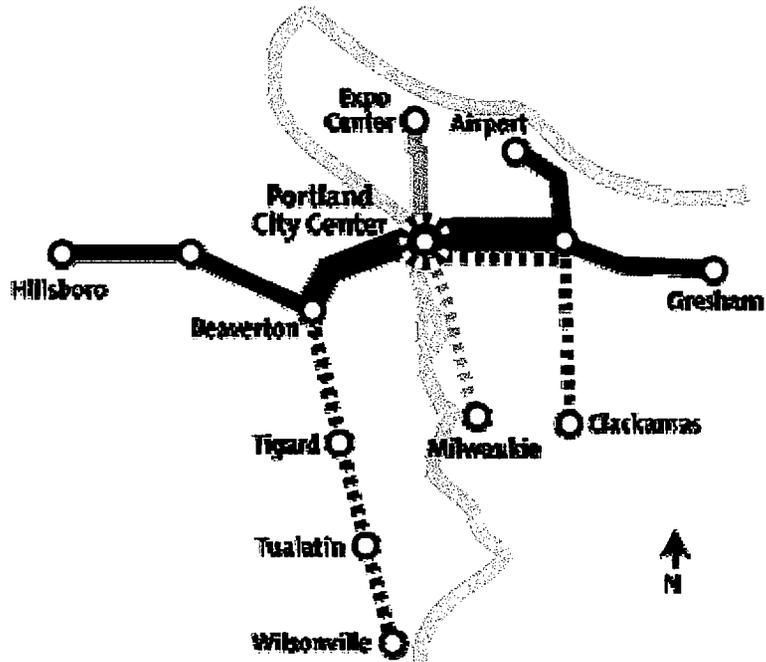
Another key reason for the success of this process is TriMet's experience as an experienced public owner and public operator, and the historical cooperation of local agencies in Portland to help bring these projects to construction.

In closing, the Airport MAX light rail and real estate project was the first of its kind in the country. It brought the region the airport rail connection years ahead of schedule and the private sector carried many of the risks with the development deal. We would gladly undertake such a partnership again. I believe that public/private partnerships can be successful, with all parties committed to a streamlined process to reduce risk to public and private investments.

Thank you.

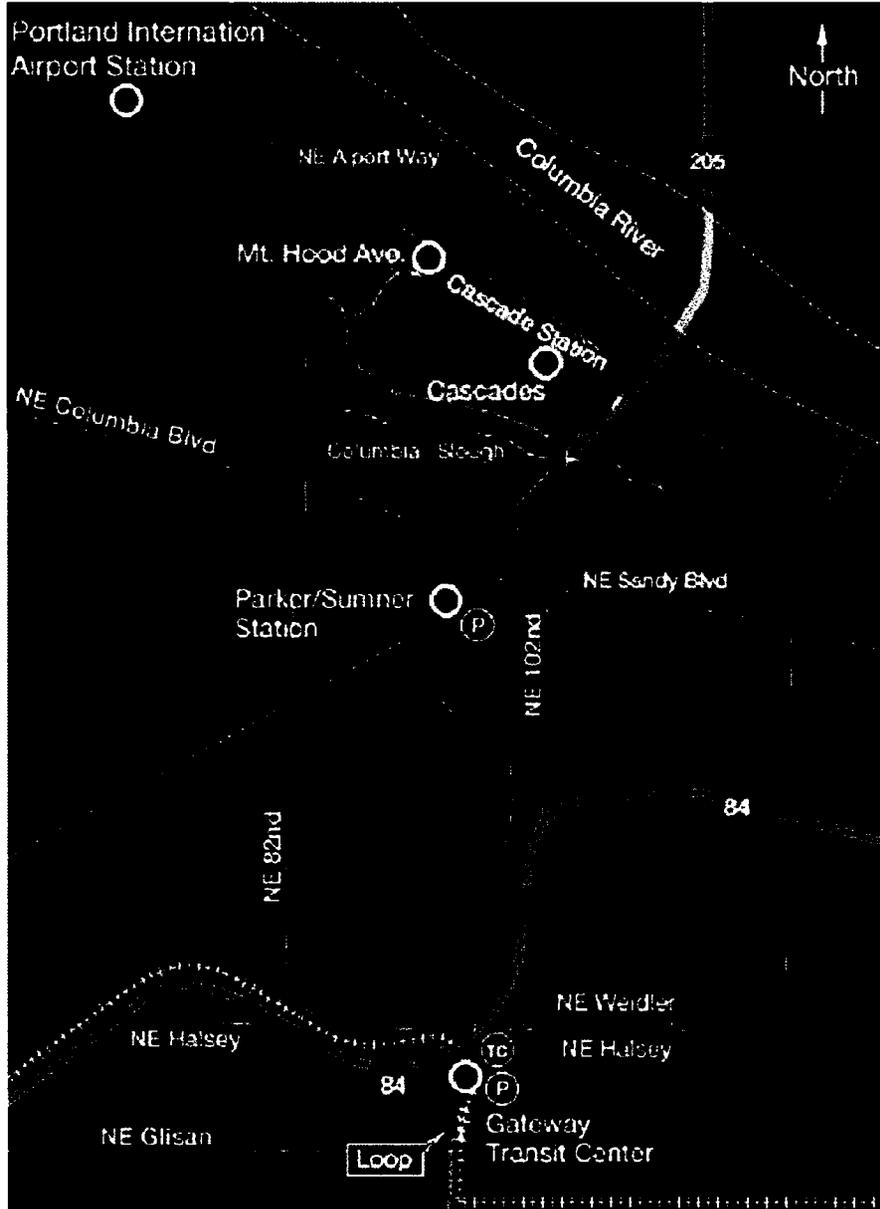
# TriMet Regional Rail System

52-mile light rail system  
15-mile commuter rail line



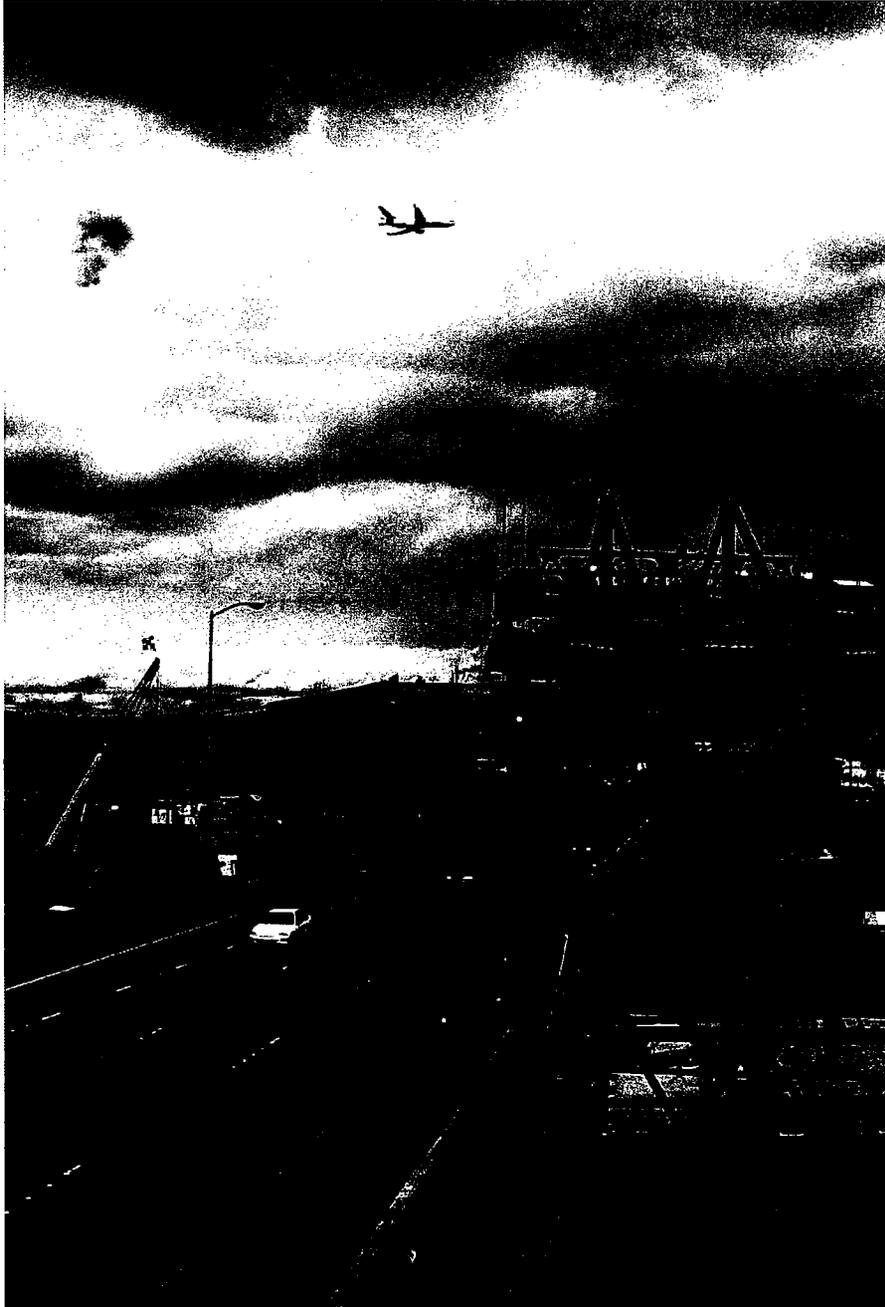
### Cascade Station Map

As part of the transit-real estate public/private partnership, Bechtel Enterprises secured development rights to 120-acres at the entrance to the Portland International Airport. Cascade Station is served by two light rail stations.



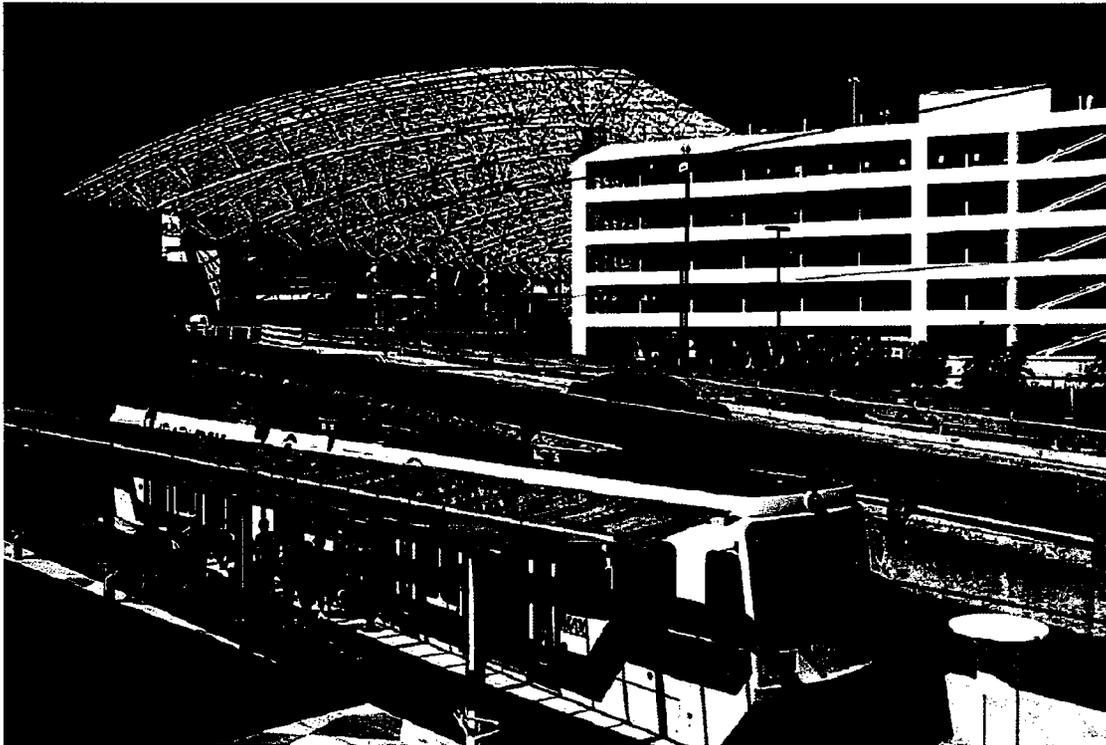
## **“Flyover Bridge”**

Built over four lanes of I-205 without any lane closures, delays or safety incidents.



### **Airport MAX at the Airport Terminal**

Trains serve the southern end of the terminal.  
Trains arrive at the airport between 4:45 a.m. and midnight.



### **Airport MAX on I-205**

Airport MAX was built in the existing transitway that was incorporated into the design of the I-205 highway nearly 30 years ago.

