



**METROPOLITAN
 TRANSPORTATION
 COMMISSION**

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Memorandum

TO: Planning Committee

DATE: September 12, 2008

FR: Executive Director

W.I.: 1611

RE: Portland TOD Tour Follow Up/ Next Steps for FOCUS

This memo provides some detailed follow up to the June Planning Committee tour of transit-oriented development (TOD) projects in Portland, Oregon. It provides a summary of lessons learned from the Portland experience, how they might apply to our focused-growth efforts here in the Bay Area, and a set of recommendations for next steps. There are three attachments with this memo: Attachment A provides a summary of lessons learned from Portland; Attachment B includes snapshots of several Priority Development Areas under the FOCUS program, including key infrastructure projects and their costs; and Attachment C is the TOD financing white paper that presents specific recommendations to re-orient the TLC program to more directly support TOD communities.

Lessons Learned from Portland

As we saw on the tour, the Portland region has seen impressive results from its long-standing commitment to smart growth and transit-oriented development. Attachment A provides a detailed overview of these innovations and their potential applicability to the Bay Area. The overall themes can be summarized as follows:

- *Doing It Right Takes Time and Commitment*: Portland has been a leader in growth management and transit-oriented development since the 1970s. The region's urban growth boundary was adopted in 1979, the MAX light rail system opened in the 1980s and expanded to the west side of the region in the 1990s. On a smaller scale, the region's commitment to TOD is evidenced at the "Round" in Beaverton, where despite several development failures over the last decade, the transit agency and METRO are continuing to solicit development proposals showing their long term commitment to making the area work for TOD.

- *Scale and Simplicity are Key:* While Portland obviously benefits from its relatively manageable size (with a total regional population of 1.4 million), it has also taken advantage of a relatively streamlined set of transportation institutions. METRO is the regional Metropolitan Planning Organization (MPO) and Tri-Met is the principal public transportation provider for the region. Tri-Met operates the bus system, the light rail network and the newer Portland streetcar. Compared to the institutional complexity of the Bay Area, Portland agencies can spend less time on coordination and avoiding duplication of effort, and more time encouraging and implementing on-the-ground change.
- *The Total Transit Experience:* Due in part to the benefits of a single regional transit agency, part of the Portland story is the convenience and seamlessness of their transit system. Connections are well timed and free within their downtown. Real time information for bus and rail departures is posted both at transit shelters but also inside shops, restaurants and public buildings. These various efforts have appeared to pay off in terms of transit ridership. While Portland ranks just 31st in terms of population for major U.S. cities, they are 11th in terms of total weekday public transit ridership and in the top ten nationwide in terms of weekend transit ridership. This high share of weekend/off-peak ridership speaks to the region's success in creating mixed-use corridors, balanced and appropriate station area land uses, and overall transit connectivity allowing residents a more complete transit experience.
- *Density by Design:* While architectural design varies from region to region for many good reasons (abundance of local materials, climate, etc.), it is difficult to miss the quality of both architectural design and attention to detail throughout downtown Portland, particularly in the revitalized Pearl District. It should be noted that a number of local community critiques of newer Bay Area infill projects are based in part on their poor design features and quality of construction.
- *Public-Private Partnership Showcased in Portland Streetcar:* The successful Portland Streetcar was financed in part by tax increment and by local businesses and developers in the Pearl District. The streetcar itself is a reincarnation of early 20th century technology (similar to but cheaper than light rail), but in Portland's case used for local circulation and as an additional mitigation to make the higher densities and lower parking ratios work in the Pearl District. Portland officials themselves will tell you streetcars aren't for everyone – they are best used where there is significant intensification of land use on the horizon. Two applications worth exploring in the Bay Area are San José and Oakland, where planned redevelopment of the downtown and connecting corridors contemplate similar high density development.
- *Transit Agency Takes an Active Role in TOD:* Tri-Met, Portland's regional transit agency, has been very active and engaged in land use and transit-oriented development. When the light rail system was extended to the west side of the Portland region in the

mid-1990s, Tri-Met made sure the rail alignment was designed to maximize the potential for development around the stations. Tri-Met funded local station-area planning around the Westside extension stations and actively acquired property for joint development purposes. Tri-Met has a TOD policy as well as a policy of no park-and-rides within five miles of downtown Portland.

- *Regional MPO Directly Finances TOD Projects*: METRO, the Portland region's MPO, has articulated a strong role and vision for smart growth and TOD. To back up that vision, METRO provides direct financing for a range of TOD projects through the Portland region. Part of METRO's philosophy is to pay for the incremental cost of additional density or amenities that will boost transit ridership but that aren't yet supported by the local development market. The goal is to provide "proof of concept" to developers and investors so that the market will shift to support a new model.

Staff Recommendations and Next Steps

In light of the lessons learned from the Portland tour, staff recommends that the Committee consider the following actions over the course of the next 12 months:

- (1) As recommended in the TLC program evaluation presented to the Committee in April 2008 and the white paper on TOD financing included with this memo, rework the TLC program guidelines to allow a broader set of eligible expenditures that are focused on providing the best possible incentives for TOD. Staff proposes that these new guidelines would be developed this fall in collaboration with the CMAs, transit agencies and other partners, with final adoption by the Commission in the spring of 2009.
- (2) Work with the CMAs and other partners to consider the broader range of discretionary funding programs in the financially constrained Transportation 2035 Plan and how any of these expenditures could benefit TOD in general and the Priority Development Areas (PDAs) under FOCUS in particular.
- (3) Work with ABAG, the transit agencies and CMAs to develop a framework for providing comments on local development projects of regional significance. This includes, perhaps first and foremost, minimizing any "lost opportunities" around key transit stations and corridors, particularly for Resolution 3434 projects.
- (4) Develop an ambitious 2009 state legislative agenda for supporting FOCUS, including the creation of new financing – or financial tools – for local governments that are attempting to support TOD.

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(5) Fund a regional technical assistance program for TOD within the Priority Development Areas. Such a program would be coordinated with the CMAs and transit agencies and provide quick-response assistance to cities that are struggling with a variety of implementation issues related to TOD such as parking management.

(6) Develop comprehensive joint MTC-ABAG work plan for FY2009 that would incorporate the above tasks.

After a brief presentation, staff will seek your input on these recommended action steps at your September 12th meeting.

We look forward to translating your interest and enthusiasm into a productive focused-growth program moving forward.

Steve Heminger

ATTACHMENT A: LESSONS LEARNED FROM PORTLAND

Portland Experience	Bay Area Application	Notes
Invest Regional Discretionary Funds Directly in TOD projects; including land acquisition.	Re-orienting TLC to more directly supporting TOD.	Portland lesson: while FTA approved spending federal funds directly on TOD, federal strings weren't worth it. They now swap federal funds with transit agency for local funds.
Regional "2040 Growth Concept" – adopted in 1994 – guides regional growth decisions and incentives.	FOCUS is the analog to the Portland region's 2040 Growth Concept though Bay Area is much newer and more "bottom up" in approach.	Part of regional growth concept's success may be due in part to some degree of regional land use control and relatively small and compact region.
Cities in Oregon don't have sales tax, there is therefore little to no "fiscalization of land use."	Likely no application in short term due to current state fiscal policies, Proposition 13 etc.	
MPO and transit agency directly comment on local development projects	Commenting on development projects proposed for PDAs/station areas may be one way to start.	
Transit agency very active in joint development projects with explicit TOD goals based on maximizing ridership.	Coordinate with key land holding transit agencies on joint development opportunities. Solicit transit agency input on PDA development.	
New rail extensions are aligned to maximize TOD potential – alignments in freeways are not preferred.	Important lesson that has also driven the success of the Arlington VA METRO corridor.	Higher cost of land may make acquisition, and thus overall project, costlier – e-BART wanted a non-freeway alignment but was denied by UP for alternative ROW acquisition.

Portland Experience	Bay Area Application	Notes
<p>Local streetcar in downtown helped fuel intense redevelopment of “Pearl District” north of downtown.</p>	<p>Streetcar as “circulator” and land use intensification tool important distinction with line haul transit or even BRT – application perhaps best in Oakland or San Jose.</p>	<p>Potential for capital costs of streetcars to be funded through tax increment in Bay Area should be investigated. Portland lesson: streetcars only make sense where near-term land use intensification is expected.</p>
<p>Excellent quality of design for infill projects in Portland. Public amenities such as parks and grocery stores are planned along with new density.</p>	<p>Better design for infill projects badly needed in Bay Area to improve acceptability among neighbors, elected leaders.</p>	<p>Urban design guidelines are best advanced at the local level though design shortcomings on infill projects have negative regional impacts.</p>
<p>Region benefits from one regional transit agency.</p>	<p>Bay Area has been pursuing better coordination of regional planning activities; individual local transit agencies will need to pursue TOD policies.</p>	<p>Some opportunities may exist in Resolution 3434 projects.</p>
<p>More than half transit operating revenue for Tri-Met is generated through an employer payroll tax.</p>	<p>TDA and district taxes provide a large share of transit capital and operating revenues in Bay Area; doubtful that a region-wide employer payroll tax would have any chance of being passed in Bay Area.</p>	
<p>Strong correlation between development of regional bicycle facilities and bicycle usage.</p>	<p>Investigate potential for better measures of bicycle usage in relation to completion of regional bicycle plan.</p>	

PRIORITY DEVELOPMENT AREAS

SAMPLE DESCRIPTIONS & FUNDING NEEDS

SEPTEMBER 2008

EL CAMINO REAL

San Mateo & Santa Clara Counties

When the cities of San Mateo County collaborated on their own housing allocation during the “Sub-RHNA” process,



they realized that they could accommodate the housing needs of the entire county by re-zoning 25% of El Camino Real. Over the last several years, nearly every city has changed their local plans to allow mixed-use and residential development of 3-8 stories to take the place of the existing, primarily single-story commercial strip developments along the corridor. The Congestion Management Agencies in San Mateo and Santa Clara Counties continue to support this process. In order to transform auto-oriented El Camino Real into a series of new neighborhoods, however, infrastructure funds are needed, primarily to support streetscape improvements.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	15,000

Through the zoning changes from city to city along the corridor, C-1 zoning or other low-rise commercial zoning has converted to mixed use or multi-family residential zoning, often between 40-80 units/acre.

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	5,000

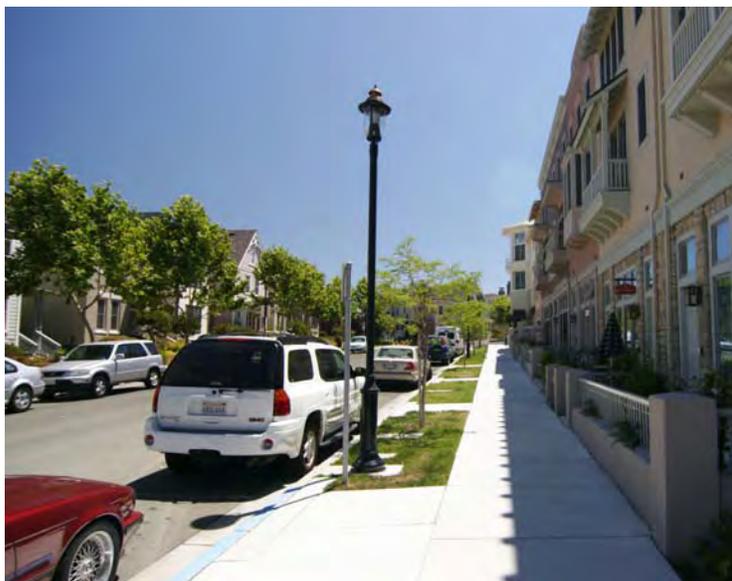
Infrastructure Needs

Item	Cost (millions) Over 10 years			Total
	Regional	County	Federal	
Transportation -	20.0	20.0	20.0	60.0
Streetscape -	20.0	20.0	20.0	60.0
Bike/ Pedestrian -	10.0	10.0	--	20.0
Housing Incentive	15.0	15.0	15.0	45.0
Water/ Sewer -	10.0	--	--	10.0
Neighborhood Mitigation	25.0	25.0	--	50.0
TOTAL	100.0	90.0	55.0	245.0

*Source: C/CAG

HERCULES WATERFRONT DISTRICT

The City of Hercules is transforming its historic waterfront from a former brownfield site into a new higher density neighborhood complete with housing, jobs, transit, and community



serving retail uses. The Waterfront District is planned to be, at buildout, one of the state's largest transit oriented developments, served by a major intermodal transit station with ferry service, Amtrak Capitol Corridor trains, and WestCAT buses.

As part of the Central Hercules Plan, the Waterfront District is envisioned as a vibrant mixed-use neighborhood that will play a crucial role in integrating the waterfront with its surrounding districts, and spurring intensified development in the adjacent Hercules New Town Center and along the district's border of San Pablo Avenue. Recent development in the area has yielded 700 market rate and below market rate residential and live/work units. The walkable, human-scaled nature of the streetscape is the first contemporary iteration of its type in Hercules. The promise of a new Capitol Corridor /Amtrak station, to be constructed in 2010, as well as parks, shops, and restaurants within walking distance makes this new development an extremely attractive alternative for homebuyers in the Bay Area, and is already being exemplified by planners from around the U.S. who are seeking ways to implement new urbanism design in their communities.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	1,790

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	700

Infrastructure Needs

Item	Cost (millions)
Rail Platform, track/signal, ROW	7.0
Station Building	10.0
Parking Structure	10.0
Phase 2-John Muir Parkway, Refugio Bridge	8.0
Remediation, trails, lighting, landscape Hercules Point	2.0
Pedestrian Overpass	4.0
Total	41.0

LIVERMORE

DOWNTOWN

The City of Livermore is working to focus growth in its downtown as a way to support a vibrant mix of uses and to take advantage of existing



ACE Train and WHEELS bus service, as well as the planned introduction of a Bus Rapid Transit route that will link Lawrence Livermore National Labs, downtown Livermore, and the Dublin/Pleasanton BART station. A key component of the revitalization of downtown is the addition of nearly 3,000 new housing units.

Through its Redevelopment Agency, the City of Livermore has been instrumental in promoting the revitalization of downtown. The relocation of State Route 84 allowed for a redesign of First Street from a four-lane highway to a pedestrian-friendly corridor that improves the walkability and vitality of the downtown core. The new Livermore Valley Center is anchored by a performing arts center, and includes retail and office space centered around a public plaza and amphitheater. In addition, the adjacent parking structure provides one stop parking for downtown as well as bus and rail transit users.

The next step in downtown's revitalization is the transformation of an auto dealership and an aging commercial center (and its 380-space surface parking lot) into more than 500 housing units. These new developments will also include retail space, artist studios, and more than an acre of public open space. To ensure that these homes are part of a complete Downtown neighborhood, the City needs assistance with creation of the public park (which will be designed for stormwater management), as well as funds for street, transportation, and utility improvements.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	3,000

Downtown Specific Plan buildout involves substantial increases in Moderate- to High-density housing, Commercial, Office, and Performing arts square footage.

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	700

Infrastructure Needs

TBD

PETALUMA DOWNTOWN

The Central Petaluma Specific Plan adopted in 2003 guides development in the central portion of the city adjacent to the downtown and extending along the river.



Of the four primary districts covered by the plan, two comprise Petaluma's Priority Development Area: the Turning Basin and Lower Reach areas. The Turning Basin area extends from East Washington to D Street and the Lower Reach area encompasses the majority of land to the south of D Street and along the eastern side of the river to Highway 101. The Turning Basin and Lower Reach areas represent approximately one-quarter of the total specific plan area but include the largest undeveloped and developable parcels. The Turning Basin area contains the currently vacant train depot that will be the proposed site for the downtown SMART rail station.

The Central Petaluma Specific Plan responds to the following major concepts:

- Redirect Growth into Central Petaluma
- Reconnect the City to and along the River
- Encourage Diversity in Transportation Modes
- Reinforce the Working Character of Petaluma's Waterfront
- Enhance Physical Structure and Identity
- Promote Sustainable Development.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	1,615

Except for designated Industrial areas, the plan establishes a single Mixed Use land use designation that allows up to 60 dwelling units per acre and building heights up to 6 stories. The development specifics are guided by the plan's associated Smart Code.

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	5,223

**Local estimates for the City of Petaluma PDA are based on the SMART Corridor TOD Analysis, 2005.*

Infrastructure Needs

Capital infrastructure funding would assist with street and transportation improvements, river trail enhancements, new parks, and improved community amenities, such as a boathouse and launching ramp.

Item	Cost (millions of dollars)
East "D" Street Widening and Transmission Line Undergrounding	11.0
Caulfield Lane Extension & Connection to Petaluma Blvd.,	48.0
Hooper Street R/W and Improvements (Caulfield to Copeland)	20.0
3 Parking Structures	24.0
River Trail Enhancements (Washington to Foundry Wharf)	10.0

Item	Cost (millions of dollars)
East Washington Park	10.0
Miscellaneous "Pocket" & Riverfront Parks	5.0
McNear Peninsula Acquisition	2.0
Smallcraft Boathouse and Launching Ramp	1.0
Streetscape Improvements	1.0
TOTAL	132.0

PITTSBURG BART STATION AREA

The Pittsburg-Bay Point BART Station Core Area represents approximately 290 acres of land immediately surrounding the BART Station, allowing for a



significant opportunity to create a thriving transit oriented development which meets the needs of community and regional planning initiatives. Guided by the Pittsburg/Bay Point BART Station Area Specific Plan, the goal is to turn the terminus of the current BART line into a mixed use community with up to 3,250 new residential units and nearly 3,000 jobs. The Core Area will help to mitigate the jobs/housing misbalance and ease congestion of eastern Contra Costa County freeways in a sustainable venue which encourages reverse commute ridership on BART. Redevelopment of the area will capitalize on the public transportation infrastructure already in place through creation of a rich and fulfilling living and working environment.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	3,159

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	2,750

Infrastructure Needs

A budget for the Bailey Road (State Route 4 to Leland Avenue) improvements has been submitted, however budgets for Bailey Road (Willow Pass Road to State Route 4) and Willow Pass Road (Clearland Drive to Loftust) have not been included because these projects have not yet been designed.

PLEASANT HILL

Contra Costa Centre Transit Village

Contra Costa Centre Transit Village is a 140 acre planned development situated adjacent to the Pleasant Hill BART station in a small unincorporated portion of Contra Costa County, between the cities of Walnut Creek and Pleasant Hill. The primary focus of future redevelopment efforts will be on the surface parking lots surrounding the BART station area, which serve park-and-ride commuters. BART parking will be accommodated in a replacement parking structure so that these lots can be used for additional housing and offices. The key component of the vision is to transform the area from a place to park and catch a train into a vibrant, active, and accessible transit village that is an asset to its surrounding communities.



Current plans involve building two four-story residential buildings south of the BART station, bringing an additional 622 housing units. An additional 600,000 square feet of office and commercial development in a 7-story office building adjacent to the residential buildings, and a 12-story office building on the north side of the Pleasant Hill Station will bring an estimated 2,000 new jobs to the area.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	622

Zoning information	Office/Commercial; High Density Multi-Family Residential, Mixed Use General Plan; all properties are zoned Planned Unit District
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Jobs

For Priority Development Area Geography	
New Housing Units (City Estimates)	2,000

Infrastructure Needs

To be determined.

REDWOOD CITY DOWNTOWN

Since the adoption of the Downtown Precise Plan in 2007, Redwood City began a renaissance. Recognizing that housing was the key element



missing from its downtown, the city based its revitalization plan around the introduction of new residences and civic spaces. The vision is to create constant foot traffic in the streets to supporting a thriving, 24-hour commercial core. The City and Redevelopment Agency have already invested \$53 million in housing and streetscape improvements. In order to finish implementing the downtown plan, the City wants to transform El Camino Real into a grand boulevard: it would still effectively move regional traffic, but would also would provide a comfortable setting for pedestrians and residents that invites people to walk into the Downtown area and to the transit station from adjacent neighborhoods. Also, integration of the Caltrain tracks and station into Downtown is a crucial factor in the next stage of the district's evolution.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	1,850

There are no density caps and a height limit of 12 stories in the center of the downtown. The city uses a form-based code, rather than zoning areas by use, but is generally planning to add offices, housing, retail, and cultural activities to the area.

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	10,000

Infrastructure Needs

Item	Cost (millions)
El Camino Improvements (between Brewster and Maple - downtown)	10.0
Sewer and Water System Improvements	7.8
Total	17.8

* Source: Sewer costs: Technical Analyses of Utilities for Downtown Precise Plan. Nolte Engineers. March 12, 2007. Streetscape costs are planners' estimate.

SAN FRANCISCO EASTERN NEIGHBORHOODS

The Eastern Neighborhoods Program seeks to effectively manage change in several San Francisco neighborhoods where it is has been occurring rapidly. The Eastern Neighborhoods Priority Development Area (PDA) encompasses the Mission, South of Market (SOMA) and Showplace Square/Potrero Hill neighborhoods in San Francisco. In addition to substantial residential areas and vibrant commercial streets, the area contains much of the city's industrial



land. The vision for the area seeks to balance the city's economic development through greater affordable and middle-income housing opportunities and the retention of industrial jobs that support the city's local economy. The newly-adopted area plan increases heights and densities and creates substantial opportunities for new residential development.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	10,000

The new zoning for the area increases heights and densities and creates substantial opportunities for new residential development. About half of the formerly industrially-zoned land is now zoned for mixed uses, while half is preserved. There are no controls on residential density beyond height limits. Developers can add 3-4 stories of height in exchange for more affordable units.

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	9,500

Infrastructure Needs

Item	Cost (millions)
24 th Street BART station capacity expansion	33.6
Potrero Bus Rapid Transit	66.0
SOMA Transit Priority Synchronization	30.0
Repaving Folsom St, Harrison St, 16 th St, Cesar Chavez, Mission St	155.0
Total	284.6

SAN LEANDRO DOWNTOWN

The Downtown San Leandro Transit-Oriented Development Strategy (funded by MTC) encompasses the heart of the city's downtown, including the San Leandro BART station and the future Bus Rapid Transit



route that runs along East 14th Street. In addition to linking housing to transit, the TOD Strategy comprehensively addresses elements that are instrumental in creating a “complete community,” including ensuring a vibrant mix of uses, promoting pedestrian and bicycle connectivity, linking open spaces and plazas, and managing parking. As a result of extensive efforts to engage community members in the process of envisioning the future of their downtown, the Strategy calls for 3,431 new homes in the downtown—substantially more than were expected in the area before completion of the planning process.

As part of the planning process, the City of San Leandro identified \$142 million in infrastructure improvements needed to implement the TOD Strategy, which would be used to fund items such as BART replacement parking, new housing, and improved streetscapes. The City is focused on development of a vacant industrial site next to the BART station as a catalyst for implementation of the TOD Strategy. Based on the significant changes envisioned in the TOD strategy, the City recently received \$24 million in Proposition 1C grant funds that will be used for stormwater, sewer and other infrastructure needs to support San Leandro Crossings, a 100-unit affordable housing project to be built by BRIDGE Housing Corporation, as well as a new 200-unit market-rate housing development.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	2,841

The TOD Strategy includes several new zoning designations that encourage a mix of uses. In the new plan, densities in existing single-family neighborhoods would not change, but in other areas densities would increase to 20 – 100 units per acre, with one area that has no density limit.

Infrastructure Needs

Item	Cost (millions)
BART Parking Structure	36.0
Callan Parking Lot Expansion	11.0
Housing Development	40.0
Water/Sewer Capacity Improvements	1.5
Parks/Urban Greening	12.0
Eastbay Greenway	10.0
Downtown Pedestrian Improvements	9.0
Streetscape Improvements	8.0
Route 185/Route 112 Improvement Funds	10.0
BART Station Access, Pedestrian/Bicycle Improvements	4.5
Total	142.0

SAN JOSE

CENTRAL AND NORTH SAN JOSE

San Jose's downtown and North First street corridor represent a tremendous opportunity for infill, transit supportive development due to



years of investment in light rail, Caltrain, and Amtrak. The future bus rapid transit, BART's extension to Santa Clara, and high speed rail projects will all advance San Jose's transit accessibility to the highest levels. This transit network creates hundreds of sites appropriate for mixed use development throughout the PDA's 11,000 acres, which the city has been planning for and implementing over the last 15 years. While both downtown San Jose and the North First Street area are key locations for future development based on adopted city policy, the city also adopted five specific plans as well as an additional nine improvement plans through the Strong Neighborhoods Initiative. This robust amount of planning effectively sets the stage for new smart growth development around key transit corridors and stations in the coming years.

San Jose's plans have emphasized the need to develop more housing and jobs near transit, while improving infrastructure and services in established neighborhoods adjacent to transit. The planning further emphasizes the need for affordable housing, with most of the plan areas including 20% affordable housing, while the city's Green Build Policy and recycled water system focus on the environmental opportunities associated with infill development. With so much planning completed, San Jose is well poised to lead by example in the Bay Area's FOCUS program.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	60,000

San Jose is committed to adding a variety of housing, from small-lot single family to very high density multifamily, in order to provide the greatest amount of housing choice in terms of size, as well as affordability.

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	130,000

The city is eager to add jobs to its downtown, especially near future BART stations. The mix of uses will be critical to the creation of an active pedestrian environment and will support transit ridership.

Infrastructure Needs

The most populous city in the Bay Area has identified substantial financial needs associated with the planned levels of development.

Item	Cost (millions of dollars)
BART to Silicon Valley	4,700.0
Other transportation improvements	1,866.0
Water Supply/Waste Water/Stormwater	599.0
Parks	728.0
Green building and other city infrastructure	63.0
Housing programs	340.0
TOTAL	8,296.0

SAN MATEO RAIL CORRIDOR

Traditional redevelopment in San Mateo in the 1990s resulted in long, contentious review processes. To resolve this conflict, the city undertook a lengthy planning process, eventually holding a grand total



of 65 community meetings in order to produce the 2005 *Rail Transit Corridor Plan*. Ultimately, the city and community determined that concentrating new housing and growth on under-used land near transit was the best way to minimize impacts on the rest of the city. ABAG recognized their extensive effort and the high quality of the resulting plan with an award in 2006. The Rail Corridor TOD area is located generally between Hillsdale Boulevard and SR 92 and between El Camino Real and US 101. The plan has already helped to attract three major mixed-use development proposals, including Bay Meadows, the 83-acre area adjacent to the Hillsdale Caltrain Station. While a successful policy document is in place and the city is approving new projects, the full potential of the Corridor Plan will not be realized without substantial infrastructure improvements. These include three grade-separated crossings of the Cal Train line to completely mitigate the traffic impacts from future development and an upgraded sewer trunk line to support new residences.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	3,075

The Corridor Plan created a TOD overlay for vacant and underutilized areas near the Hillsdale and Hayward Park Caltrain Stations.

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	2,600

Infrastructure Needs

Item	Cost (millions)
South Sanitary Sewer Trunk Line	24.6
Realign Rail for widening and grading	110.0
New Hillsdale Station	20.0
New Grade Separations	20.0
Mobilization	15.0
Contingency	82.5
Total	275.0

SANTA ROSA RAILROAD SQUARE

The Downtown Station Area Specific Plan process commenced in 2006, and it is centered around the proposed SMART transit station in Railroad Square. An



overarching goal of the Plan is to increase the number of residents and employees within walking distance of the station through the intensification of land uses in the Plan area. The Specific Plan focuses on the area within one-half mile of the proposed station, though in some places the study boundary has been expanded to include several opportunity sites located on the edge or just beyond the one-half mile radius. The Santa Rosa City Council adopted the Plan in October 2007.

The Station Area Specific Plan's vision builds on that of the Santa Rosa General Plan which foresees downtown as a healthy, vibrant regional center with a mix of shopping and jobs, new higher density housing, parks and open space as well as opportunities for bicyclists, pedestrians, transit users and drivers to travel on an attractive, safe network of streets. The Specific Plan's vision is to:

- enhance downtown's distinct identity and character
- encourage a diverse mix of uses
- incorporate transit-oriented development
- create additional pedestrian friendly connections

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	3,250

The Plan introduces two new land use categories, Transit Village Medium (located along the rail line) and Transit Village Mixed Use (located within a quarter mile of the proposed SMART station), which provide a substantial increase in density over existing residential land use categories.

Infrastructure Needs

The Specific Plan outlines action items needed for implementation. Other street and roadway improvements and community amenities are listed as plan implementation needs, but a cost has not been determined. Only items with an estimated cost are listed.

Item	Cost (millions of dollars)
Sixth Street Underpass	2.5
Intersection and corridor improvements	5.3
Water Supply/Waste Water/Stormwater	25.6
Parks	9.4
Reunification of Courthouse Square	7.0
TOTAL	49.8

UNION CITY INTERMODAL STATION AREA

For its Intermodal Station District Priority Development Area, Union City envisions a dynamic pedestrian- and transit-oriented neighborhood with housing, jobs, shopping and community facilities on 105 acres of underutilized and vacant land surrounding a regional transit hub. The City has devoted Redevelopment Agency funds for constructing backbone infrastructure, improving access to transit, and reserving road and transit rights-of-way. In November 2007, the City broke ground on the first phase of improvements to the BART station, which includes a 16-bay bus facility and improved access for buses, pedestrians, bicyclists, and drivers.



The City is seeking funding for Phase 2 of BART station improvements, which will add an east side entrance to connect to the future passenger rail station and to the 1,200 new housing units planned on that side of the station. A plaza on this side of the station will provide space for outdoor events, small retail spaces, and possibly a fine arts performing space or public library. Other capital improvements include a Loop Road that will improve vehicle access to the station, and an accessible pedestrian underpass that will link both sides of the station.



Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	1,638

Since the area is already planned, no changes in zoning or density are expected.

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	5,357

Infrastructure Needs

Item	Cost (millions)
Streets and Utilities	5.2
Landscaping and Sidewalks	2.6
Paseo and Paseo Plaza	3.5
East Plaza	8.3
Loop Road	2.0
BART Phase 2	50.3
Pedestrian Underpass	3.5
Total	75.4

DOWNTOWN VALLEJO

Two extensive and lengthy community planning processes have been completed to adopt land use plans for this area: the 2007 Vallejo Waterfront Planned Development Master Plan and the 2005 Downtown Vallejo Specific Plan.



The overall vision for the Waterfront Master Plan area is to consolidate existing surface parking for the Vallejo ferry in a parking structure to free up Redevelopment Agency owned land proximate to the existing ferry terminal and planned bus transfer station for higher density residential, commercial, and open space development. The intended result is to provide a high density, mixed use environment within walking distance of multiple transit opportunities, waterfront open space, and the historic downtown.

The overall vision of the Downtown Vallejo Specific Plan is to significantly intensify development in the historic downtown area within walking distance to the existing Vallejo ferry terminal and planned bus transfer station while retaining the historic character of the downtown. The plan proposes to accomplish this by allowing the development of several City-owned surface parking lots with mixed use development including over 1,000 units of new residential development in projects containing up to 100 units per acre of residential development. These new regulations are accompanied by significant parking reduction incentives, new land use regulation targeting ground floor retail use and detailed design guidelines to maintain the historic architectural character of the downtown, and a substantial public street and streetscape improvement program.

Housing Units

For Priority Development Area Geography	
New Housing Units (City Estimates)	2,000

The zoning is Mixed Used Planned Development, which would add development with densities up to 100 units per acre.

Jobs

For Priority Development Area Geography	
New Jobs (City Estimates)	2,300

Infrastructure Needs

Item	Cost (millions of dollars)
Vallejo Station Intermodal Facility	64.7
Downtown Vallejo Square Pedestrian Enhancements	7.9
Total	72.6

Financing Transit-Oriented Development in the San Francisco Bay Area Policy Options and Strategies

Prepared for:



Prepared by:



August, 2008

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Executive Summary

Since its inception in 1997, MTC's TLC Program has achieved tangible transportation improvements that support regional livability in the Bay Area. The recent evaluation of the TLC program recommended "continuing to strengthen the land use connection within the TLC Program" by supporting transit-oriented development (TOD) and infill projects. TOD and infill are both critical to the continued healthy growth of the Bay Area, by reducing Vehicle Miles of Travel (VMT), reducing the combined costs of housing and transportation, and making more efficient use of transportation infrastructure.

There are, however, real challenges to TOD and infill development. Even after station area or downtown plans are adopted, TOD and infill development projects still face significant financial and regulatory barriers that impede construction. The financial barriers include higher land costs around transit stations, infrastructure upgrades needed to support increased density, the need to assemble small parcels of land to reach a critical mass, and the need to replace existing surface parking reservoirs with structured parking. Project implementation is often delayed because these barriers cannot easily be addressed through traditional funding and financing mechanisms available to local jurisdictions and developers.

MTC commissioned Strategic Economics and the Center for Transit-Oriented Development to explore various options for establishing a more flexible funding mechanism that includes the core strengths of the existing TLC Program, but does more to facilitate actual development. The intention of an expanded TLC Program would be to respond to changing regional demographics, provide needed affordable and accessible housing, reduce greenhouse gas emissions, and create local centers for community, through a collaborative program working together with regional and local agencies.

KEY FINDINGS

This White Paper has produced several key findings, including:

- There are many potential program approaches (outlined in the table on page 5) that would support TOD and infill implementation in the region, and there are some key questions that will help determine which approach or approaches are most appropriate for the Bay Area.
- Portland METRO and the Met Council in the Twin Cities both have successful model programs that address TOD and infill funding needs in different ways. Both incorporate involvement from a broad base of stakeholders coupled with professional expertise in evaluating grant proposals.
- There are critical funding needs in both urban and suburban communities, but the tools to overcome specific barriers may be different. Funding through the program should thus be flexible to respond to local needs and communities with different market dynamics.
- The stated goals of an expanded TLC Program will need to be linked to evaluation

criteria that explicitly assess the ability of projects to address these goals.

- There are still issues that must be addressed and resolved in the design of an expanded TLC Program, including the source of funds, the eligibility of projects as well as their size and location, and how TLC Program funding can be used to augment existing and future local funding sources, rather than replace them.



Fruitvale Transit Village, Oakland

KEY RECOMMENDATIONS

This White Paper recommends several key actions to enhance the TLC Program:

- Create a flexible TOD financing program that responds to different market conditions within the region and provides funding for a range of uses that help achieve regional goals for livability, efficient transportation, and improved environmental quality.
- Create a hybrid structure with both grant and loan funding.
- Identify local or regional funding sources so that the program can be more flexible than if it were to rely solely on federal funding.
- Create a transparent evaluation system that builds on the current TLC/HIP evaluation system.
- Clearly define eligible uses and expectations.
- Establish minimum thresholds for funding allocation, as well as utilizing a more detailed evaluation of outcomes.

- Cap individual project awards but allow projects to receive funding in multiple years.
- Do not cap awards for geographic subareas.
- Continue to implement a regular funding cycle, ideally on an annual, or even semi-annual basis.



*Downtown Hayward BART
Photo: MTC*

WHITE PAPER OUTLINE

The findings and recommendations in this report are intended to aid MTC staff and commissioners, as well as the Association of Bay Area Governments (ABAG) and other interested stakeholders in the consideration of additional approaches and strategies that could provide direct support for specific projects that further regional goals for transportation and land use over and above what the TLC Program is currently able to provide.

This White Paper has three parts:

- A definition of the funding needs and the barriers to infill and transit-oriented development in the Bay Area with several case studies of ongoing development projects in the region;
- A review of existing similar programs implemented by other regional planning agencies to understand lessons learned and potential options for structuring such a program; and
- An evaluation of the potential effectiveness and possible challenges of different approaches for MTC and ABAG to support transit-oriented development and infill development projects taking into account the Bay Area regional planning and development context.

Table 1: Direct Investment Program Approach Comparison

Use of Funds	1. Capital Improvements Adjacent to TOD	2. Parking Management Strategies	3. Direct Financing of TOD and Infill Projects	4. Land Assembly and Site Acquisition	5. Affordability and Accessibility
Description	Funding for off-site or adjacent capital improvements (such as streetscapes, bicycle and pedestrian facilities, transit station access routes) and/or public utility and infrastructure upgrades (such as storm water, sewer, or gas/electric).	Financing for neighborhood parking strategies (e.g. carsharing or transit passes) that would allow for development to proceed with lower parking requirements elsewhere in the community or could provide replacement parking for parking lost through Joint Development	Funding for infrastructure-related portions of a development (e.g. storm water, sewer, or utility upgrades) or financing of costs as a result of density increases.	Financing for land assembly and entitlement of development projects with medium-term horizon (5-10 years).	Paying for the incremental costs of additional affordability or accessibility measures (e.g. units fully accessible for people with disabilities)
Funding Approach	➤ Grant to local jurisdiction	➤ Grant (potentially revolving loan) to local jurisdiction	➤ Grant (potentially revolving loan) to local jurisdiction (and/or developer)	➤ Grant (potentially revolving loan) to local jurisdiction (and/or developer)	➤ Grant to local jurisdiction (and/or developer)
Case Study Examples	➤ MTC TLC Program ➤ Met Council LCDA	➤ Met Council LCDA ➤ Redevelopment Agencies	➤ Portland METRO ➤ Met Council LCDA	➤ NCTCOG Landbanking Program ➤ Met Council LCDA	➤ Redevelopment Agencies ➤ State programs (HCD)
Potential Benefits	➤ Similar to existing TLC program, but expanded to allow funds to be used on non-transportation infrastructure ➤ Helps "seed" TOD in older areas with infrastructure constraints	➤ Facilitates district-wide planning and implementation by creating shared pool of parking and managing it efficiently.	➤ Facilitates development by addressing added costs of developing in TOD and infill areas ➤ Helps projects that are almost feasible become feasible or increases development feasibility at critical TOD sites	➤ Prevents non-TOD development on key sites ➤ Reduces holding costs for site acquisition and assembly ➤ Can be used to encourage timely entitlement of projects	➤ Increases production of affordable and accessible units.
Potential Questions	➤ Is expanded TLC program sufficient to meet regional needs? ➤ Will funding be sufficient to address local needs?	➤ How do you ensure projects meet goals? ➤ Should parking be required to provide return to MTC if priced and managed well?	➤ Are strict criteria/review needed to maximize public benefit?	➤ Can this type of funding source be patient enough to see results?	➤ Better to pursue statewide approach? ➤ Are there other funding sources for this purpose?
Program Scale	➤ Low to moderate cost ➤ Low to moderate impact	➤ Low to moderate cost ➤ Low to moderate impact	➤ Moderate to high cost ➤ Moderate to high impact	➤ Moderate to high cost ➤ High impact	➤ Moderate to high cost ➤ Moderate impact

1 Barriers to TOD and Regional Funding Needs

BUILDING ON THE TLC PROGRAM

The TLC Program has achieved tangible transportation improvements that support regional livability in the Bay Area and advanced MTC's policies encouraging land use intensification near transit. At the same time there are continuing regional imperatives that will be well served by expanding the pace and scale of infill and transit-oriented development (TOD), including:

- response to changing demographics (see Table 2);
- provision affordable and accessible housing (see Table 3);
- reduction of greenhouse gas emissions (see Figure 1); and
- enhancement of Priority Development Areas in the FOCUS program (see Figure 2)

The potential demand for housing near transit is projected to nearly double by 2030, based on the underlying demographics of the Bay Area. The demographic groups fueling this demand are older and younger households that are often smaller than average, and non-white and recent immigrant households—all groups that have all chosen to locate near transit in the past. This estimate is based purely on the demographic trends, and does not account for changing consumer preferences or other market forces.

Table 2: Demographic Trends in the Bay Area

Year	Households	TOD Households (1)	% Households in TOD
2000	2,466,020 (2)	409,497 (2)	16.6%
2030	3,177,440 (3)	832,418 (4)	26.2%
Change	+29%	+103%	+58%

Notes: (1) TOD Households refers to households living within 1/2-mile of rail stations.

(2) 2000 US Census and Center for TOD

(3) ABAG Projections 2007

(4) Center for TOD (2006) demand projection based on demographic trends and regional profile from 2000 US Census

Table 3: Projected TOD Demand by Income

Year	Less Than \$20,000	\$20,000 - \$49,999	\$50,000 - \$74,999	\$75,000 and greater	Total
2000 (1)	84,139	115,456	75,366	134,402	409,363
2030 (2)	181,288	240,841	149,611	260,680	832,418
Change	+115%	+109%	+99%	+94%	+103%

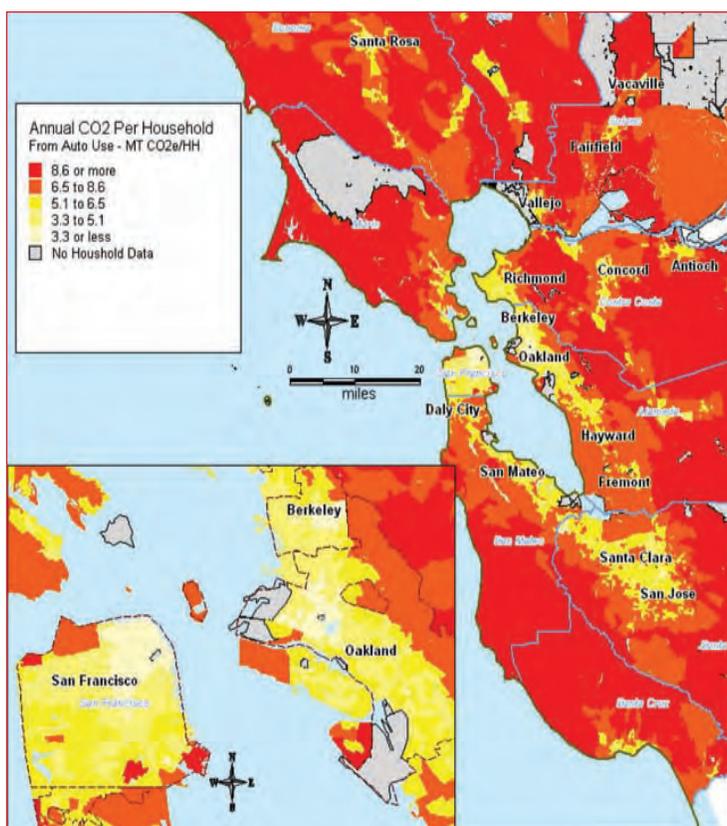
Notes: (1) 2000 US Census and Center for CTOD

(2) Center for TOD (2006) demand projection for housing within 1/2-mile of rail stations based on demographic trends and regional profile from 2000 US Census.

Local governments in the Bay Area have expressed the need for funding that is more flexible than the current TLC program and is targeted specifically toward implementing development projects that take advantage of transit access. The recent evaluation of the TLC program recommended “continuing to strengthen the land use connection within the TLC Program” by supporting TOD and infill projects. TOD and infill are both critical to the continued healthy growth of the Bay Area, by reducing Vehicle Miles of Travel (VMT), reducing the combined costs of housing and transportation, and making more efficient use of transportation infrastructure.

Figure 1: Household Greenhouse Gas Emissions in the Bay Area

This map depicts household CO₂ emissions from automobile use only.



Source: Center for Neighborhood Technology, 2008

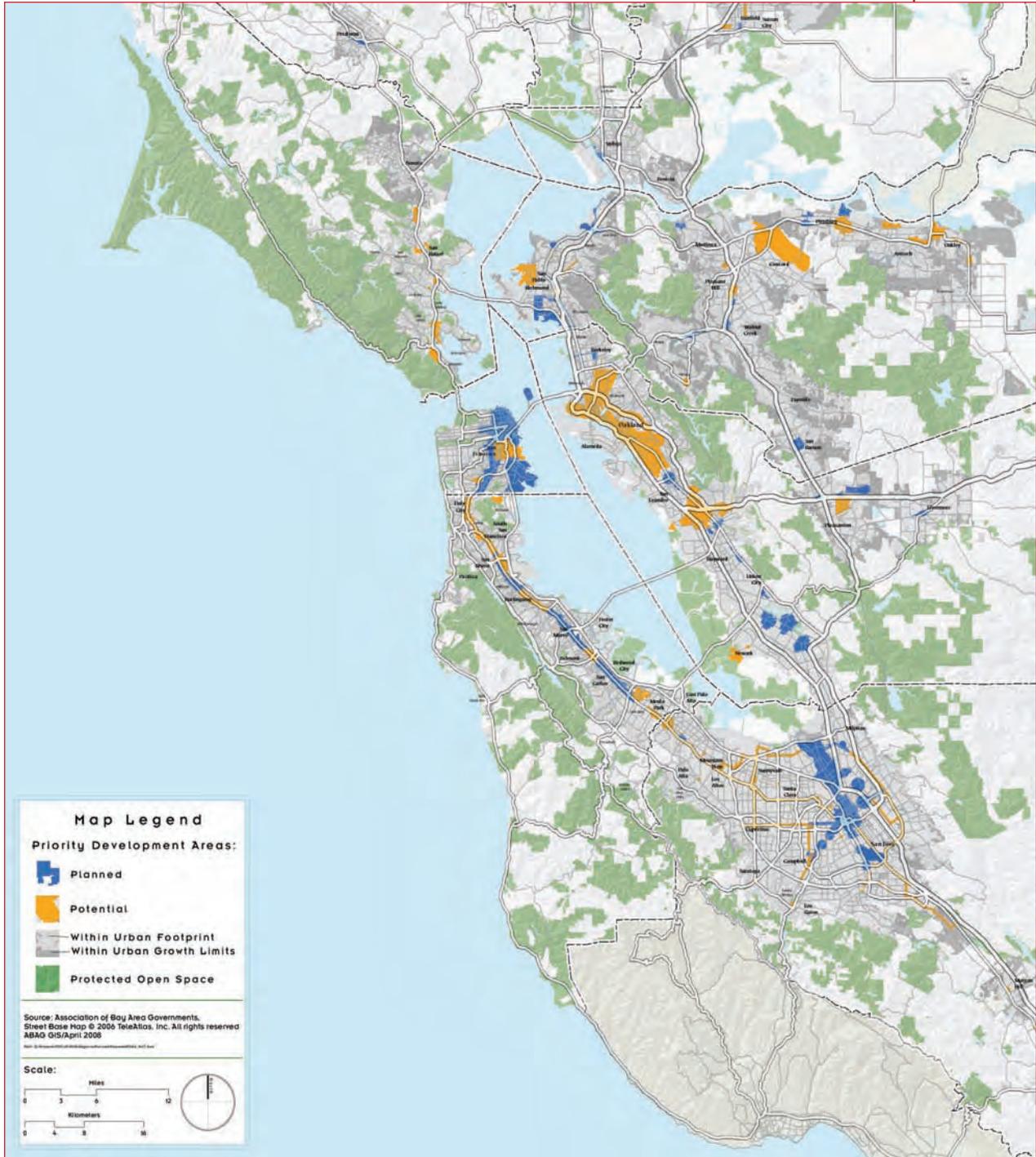
However, even with its considerable success, the TLC program, with its fixed two-year funding cycle and limited number of fundable projects and project types does not go far enough to meet the challenges Bay Area communities face as they try to intensify land uses near transit. After station area or downtown plans have been adopted, TOD and infill development projects still face significant financial and regulatory barriers that impede construction. The financial barriers include higher land costs around transit stations, infrastructure upgrades needed to support increased density, the need to assemble small parcels of land to reach

a critical mass, and the need to replace existing surface parking reservoirs with structured parking. The precise barriers are different in different parts of the region, but almost all TOD and infill projects face some combination of these challenges. Project implementation is often delayed because these barriers are not always addressed through traditional funding and financing mechanisms available to local jurisdictions and developers.

There are four initial considerations for how an expanded TLC Program would function, including:

- Addressing funding needs at the local level, including how the program would meet both fiscal and programmatic needs;
- Complementing the role of redevelopment agencies, cities, and developers, including what potential overlaps there might be;
- Responding to needs and market conditions throughout the regions, including when different approaches to funding may be necessary given the comparative strength of the local market; and
- Determining the proper role for regional agencies in funding TOD and infill.

Figure 2: Priority Development Areas and Transit-Oriented Development Areas



Source: MTC/ABAG, 2008

THE NEED FOR LOCAL FUNDING ASSISTANCE

Despite the fact that many Bay Area communities have embraced the concept of “transit-oriented development” and have incorporated some language into their land use policies supporting dense development near transit, the reality is that there are significant financial barriers to actually implementing these policies. The challenges for TOD and infill include the need for infrastructure upgrades, high land costs, and complicated construction needs that all combine to exceed the revenues a project could earn. These issues are further exacerbated by swings in the real estate market that can vacillate between too strong and too weak without much in-between. In places where markets are strong, it is often easier to overcome these barriers, but in most places around the region, the market is often not quite capable of covering the increased costs associated with infill development and TOD.

San Leandro’s Downtown TOD Strategy: Planning for the Future

The recently completed, MTC-funded San Leandro’s Downtown TOD Strategy planning study identified over \$140 million in needed improvements for their downtown. The plan identifies the opportunity for as many as 3,400 new housing units at up to 200 units per acre and represents a tremendous breakthrough for the city in terms of supporting TOD through policy changes. However, it will remain only a plan until significant financing can be secured for public improvements associated with the new development. Nearly \$80 million is needed for a variety of transportation improvements, in addition to substantial financial needs for housing and infrastructure projects. The city is working actively to attract both public and private funds to begin development in downtown consistent with the TOD Strategy.

As a result, communities often feel compelled to accept projects which do not maximize the use of critical sites near transit and the opportunity for TOD and infill that maximizes the potential at these essential locations and nurtures the broader community can be foreclosed by these types of decisions. At other times, communities know they need to take more proactive steps to facilitate development, beyond planning, but lack the resources to take the next step. Thus an expanded source of funding that could help local communities fill some of the funding and implementation gaps associated with infill development that meet regional objectives presents a major opportunity for the Bay Area to move closer to achieving its vision for a sustainable region, while seizing key opportunities that only come around once in a generation.

Local governments are facing a very complex dilemma in their efforts to implement TOD. On the one hand cities are often required to take a very proactive role in facilitating individual development projects that often include some type of revenue expenditure. Without these kinds of investments, major opportunity sites languish or are redeveloped with lower intensity uses that do not support transit ridership in either their use or design. On the other hand, these same cities are facing increasing revenue constraints. Beyond the current market crisis, which is also impacting property and sales tax revenues, most California cities are facing significant structural deficits due to revenue limitations imposed by Proposition 13 and cost increases related to salaries and pensions. Given this situation, a regional funding source dedicated to TOD implementation can have a rapid impact in helping cities move projects forward that also serve to advance regional goals for mobility, efficiency, and environmental quality.

There are many potential uses for direct financing that span a large range of potential uses of funding. Local jurisdictions and developers, both for and not-for-profit, around the Bay Area and regional developers have outlined financial needs associated with:

- Streetscape and off-site access improvements;
- District parking structures for replacement and/or shared parking;
- Incremental costs of off-street structured or underground parking for developments;
- Infrastructure upgrades (water/sewer, etc.);
- Affordable and mixed-income housing development;
- Costs associated with increased accessibility throughout multi-level construction;
- Commercial/mixed-use development (e.g. ground floor local-serving retail space in advance of market viability); and
- Land acquisition or parcel assembly and land banking.

THE ROLE OF REDEVELOPMENT AGENCIES

Historically, cities in California have formed redevelopment agencies have used tax increment finance (TIF) to upgrade their infrastructure, assemble land, and attract new private development to “blighted” areas. Although this redevelopment process offers a very powerful potential funding source for TOD, there are three reasons why it is problematic to rely on redevelopment as the sole mechanism for overcoming the funding gaps associated with TOD:

- (1) The primary goal of redevelopment is to eliminate blight, but not all blighted areas are also served by fixed-guideway transit or high-frequency bus, so there is not always an overlap between redevelopment project areas and transit station areas. Many TOD and infill opportunities are located in more suburban locations, including the parking lots of transit stations in outlying counties, where redevelopment is not a policy option. Other redevelopment project areas are focused in older industrial districts or low-income neighborhoods that are only marginally served by regional transit systems.

Oakland’s Uptown Project: Opening Fall 2008

The Uptown District in Oakland is in the midst of a renaissance built on the redevelopment of several blocks. The Uptown Apartments, currently under construction, will include 665 rental apartments. 133 units (20%) will be affordable to households earning under 50% of Area Median Income (AMI) with 33 units (5%) affordable to households earning up to 120% AMI. 9,000 square feet of retail along Telegraph Avenue and there will be a new 25,000 square foot public park. The Uptown Apartments project has received over \$54 million from the Oakland Redevelopment Agency and other City funding sources. These funds include assistance with site acquisition, property tax abatement, and hazardous materials abatement, as well as funding for off-site improvements and the public park.

Several more planned projects, including a 100% affordable, 80-unit apartment building and a high-rise apartment building will add to the neighborhood revitalization effort. New restaurants and small businesses are starting to flourish, and many adjacent property owners have begun to rehabilitate their buildings.

- (2) Even where station areas are in redevelopment project areas, the amount of projected tax increment that the project area is expected to generate often still falls short of the amount necessary to pay for all of the infrastructure and placemaking costs associated with TOD.
- (3) Many of the costs associated with TOD require “upfront” revenue expenditures. While redevelopment agencies can issue bonds against future revenues, bonding creates pressure to develop land uses that are not transit supportive due to demand to generate revenues in redevelopment areas. Therefore, there may be a timing mismatch between a city’s revenue needs associated with TOD and the timeframe in which tax increment revenues would be available for use.

Despite these shortcomings, redevelopment funding remain an essential tool in the implementation of TOD and infill projects that meet regional goals. Rather than consider an expanded TLC Program as some form of substitute for redevelopment, the program should be considered as a way to augment the role of redevelopment agencies where there is a spatial, revenue, or timing mismatch between redevelopment areas and TOD and infill development visions.

THE ROLE OF THE MARKET AND PRIVATE DEVELOPERS

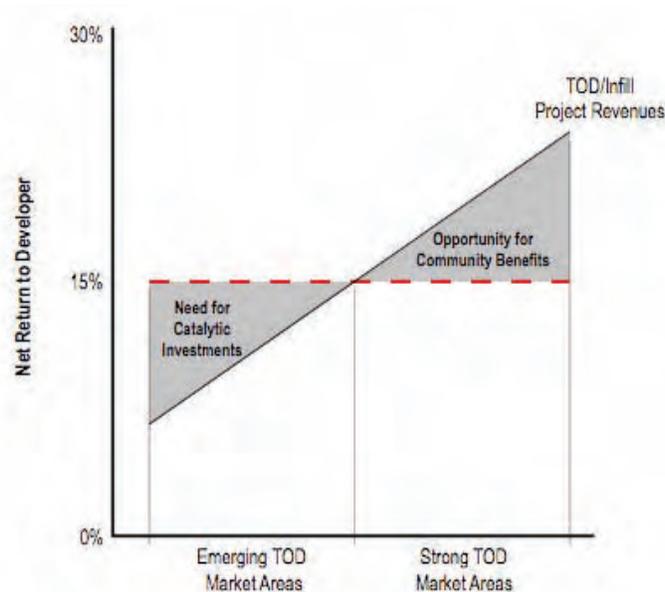
In some circumstances, developers can afford to pay for all of the higher costs associated with TOD up front due to the higher profits they make by building a project in a location with a strong real estate market. The strong markets are places where people are willing to pay high sales prices or rents to be in certain locations. Despite the Bay Area’s overall market strength over the last 10 years, there are many parts of the region that have been passed over in the boom in development and real estate activity. These emerging markets are places where the expected returns from development may not be enough to stimulate development activity, either because of inflated land prices or the cost of infrastructure upgrades.

Transit is one factor that can make a location desirable, but it is only one factor of many, and usually not the most important fact that people consider. In fact, research shows if all other features are equal, the presence or absence of transit is not enough to necessarily create a strong real estate market. Neighborhoods in cities ranging from Los Angeles to Miami have experienced this problem. Yet while sales prices and rents can vary from place to place, construction costs and expected developer profits are more or less constant across any given city or region. This explains why a development project may be feasible in a strong market neighborhood, while the same project is infeasible in a market with an emerging real estate market.

Figure 4 illustrates this principle. As the chart shows, a standard expectation for developer profit, after netting out all development costs, is about 15 percent.¹ This expected rate of return will largely hold constant not only in locations throughout the Bay Area, but also in other regions around the country, and developers in the Bay Area must compete with developers in other parts of the country for the same capital for development.

¹ These costs include both the hard costs for construction materials and labor, and the soft costs of design, legal fees, and the interest owed to investors who put in capital up front

Figure 3: Real Estate Market Conditions and TOD Investment Needs



The stronger the real estate market, and the more profit a project can generate above this threshold, the more money a developer will be able to contribute back to community benefits, including basic infrastructure. But, in a big region with a wide variety of neighborhoods like the Bay Area, there are only a few neighborhoods where sales prices can exceed standard developer profit expectations. In most cases, the local jurisdiction contributes some type of subsidy to assist the developers. Without this subsidy to “prime the pump,” it can be very difficult to move markets along the continuum of market strength.

In both strong and emerging markets, there are often infrastructure needs, such as stormwater, utility, or street upgrades that impact the feasibility of individual projects. Financing for these needs are hard for developers to secure in a typical market, and may prove beyond the capabilities of local jurisdictions.

The differences between strong and emerging markets can also impact the effectiveness of different funding structures. In strong markets, there is more potential for funding for infrastructure or other purposes to be structured as a loan to be paid back over time while reducing up front costs to a developer. In emerging markets, funding in the form of grants may be more appropriate, since there is more uncertainty about the long-term return.

There is also a common situation where a local market may be strong for lower density development (e.g. single-family or townhomes), while higher density development is seen as too risky by the development community. In these situations, despite the hot market for some uses, some subsidy may be necessary to address this perceived risk. In these cases, it may be possible to structure funding as a loan in order to share in the potential benefits of these projects.

This discussion of the strength of markets is not intended to lead to the conclusion that only the emerging market areas within the San Francisco Bay Area should be targeted for subsidies. Rather, it is intended to illustrate that a direct financing program will have to work within the constraints of the real estate market and may need to play different roles in different market contexts. Table 4 below outlines some of the different considerations that go into different market contexts.

Table 4: Market Contexts and Role of Subsidy

	Strong Market Areas	Emerging Market Areas
Role of Subsidy	<ul style="list-style-type: none"> ➤ Grants to augment community benefits provided by project ➤ Loans to reduce up front costs of infrastructure upgrades or other project costs ➤ Support for major infrastructure upgrades that may be too significant for an individual project to finance ➤ Make “risky” development types feasible with higher densities and/or greater environmental benefits 	<ul style="list-style-type: none"> ➤ Make projects financially feasible ➤ Catalyze further development activity by expanding market and providing built examples ➤ Support major infrastructure upgrades that may be too significant for an individual project to finance ➤ Enable appropriate development at critical sites

THE ROLE OF COUNTY AND REGIONAL AGENCIES

County and regional agencies in the Bay Area have played an important role in encouraging TOD and infill projects that support regional goals and objectives. These goals, adopted in the FOCUS program, seek to advance the development of compact housing near transit that increases housing options and affordability. As this paper has already addressed, there are trends in demographics and greenhouse gases that TOD can help address.

County and regional agencies are uniquely equipped to take a broad view of development to link regional mobility benefits that connect jobs, housing, services, and entertainment destinations to maximize the efficiency of the regional transportation network. Specifically, the county and regional agency interest in TOD should include:

- Helping local jurisdictions and transit agencies take a long-term view of development opportunities around transit corridors, in particular minimizing “lost opportunities” and assisting in longer-term landbanking of key sites if current market dynamics won’t support higher density uses.
- Encouraging – and helping fund – transit-supportive aspects of a development that go above and beyond what the market will typically produce in a given area (e.g. higher densities, lower parking ratios).
- Providing “first in” funding for projects that can be “patient money” and allow local jurisdictions to leverage additional public and private financing.
- Helping local jurisdictions negotiate innovative parking management strategies with developers.
- Helping local jurisdictions develop inclusive community outreach processes and address equity issues such as gentrification and affordable housing.

Santa Rosa’s Downtown Station Area Specific Plan

The city of Santa Rosa’s Downtown Station Area Specific Plan for the Sonoma Marin Area Rail Transit (SMART) was adopted in October 2007. Funded by an MTC Station Area Planning grant, the plan area encompasses 650 acres around the future station and creates the potential for over 3,400 new housing units.

In order to make the community’s vision a reality, over \$50 million in identified capital improvements have been identified to date, including:

- improving local roadway connectivity,
- adding parks for new residents, upgrading essential utilities,
- improving bicycle and pedestrian infrastructure,
- and possible development of a shared-use, managed parking garage.

Based on the financial analysis conducted in 2006, there are large-scale, up-front improvements which the city cannot fund through current (or future) fees structures, tax increment financing, or bonding, while private capital is not going to be able to cover these costs—especially given the near-term real estate market.

REVISED TLC PROGRAM GOALS²

The regional agency interests in TOD outlined above should be reflected in MTC’s programs and policies. This suggests a revision of the TLC Program Goals to respond to the regional imperatives for increased TOD and infill. Specifically, an expanded TLC Program must support the development of livable communities that will:

- Improve the affordability of the region by allowing residents to own fewer autos and spend less on transportation.
- Reduce greenhouse gas emissions from both housing and transportation.
- Respond to the region’s changing demographics by building the types of communities that will meet the needs of current and future residents.
- Encourage walking, bicycling, and transit by making these modes of travel safe, attractive, and convenient.

² These goals are also listed together with a set of program objectives in Appendix A.

2 Case Studies of TOD Financing Programs

OVERVIEW OF TOD FINANCING PROGRAMS

Other than the traditional private real estate market investment mechanisms, there are several ways that financing for TOD and infill projects are made and several different types of actors that make these investments, including:

- Transit agencies, through Joint Development of publicly held land, leverage direct investment in TOD for increases in ridership or revenue;
- Local governments, through TIF or other public investments, shape finance investments that meet economic development and affordability goals;
- Non-profit community investment or revitalization funds create incentives for investments in previously underserved areas to create lasting neighborhood revitalization; and
- Metropolitan Planning Organizations invest in development projects that shape regional land use and transportation patterns.

Because of the divergence in process and outcomes among these different potential actors, this paper focuses on the existing programs of other MPOs around the country, but also offers some findings and considerations with respect to the other types of programs.

MPO FINANCING PROGRAMS

The first stage of the case study research was to outline some of the key decisions points for the MTC in starting a TOD Implementation funding stream. To address these decision points we identified case study programs and agencies that would provide some differing vantage points. Based on the experience of the Bay Area with the TLC Program, many MPOs (including those in Atlanta, Los Angeles, and Washington, DC) now offer similar types of programs in some form or another. However, only three finance some for of direct investment in TOD or infill projects: Metro in Portland, Oregon, the Metropolitan Council, in the Twin Cities of Minnesota, and North Central Texas Council of Governments (NCTCOG) in Dallas-Fort Worth, Texas. For each case study we have conducted background research and interviews with project managers in order to inform the decision-making process by the Commission. The following provides some more detail on each program. More detailed information on each is included as Appendix B.

Portland Metro's Transit Oriented Development and Centers Program (Portland, OR)

This grant program is available to developers for elements of construction projects (such as increased density or structured parking) that may not be feasible in the development market currently due to location or infrastructure costs. The program uses long-term easements on projects to ensure accountability for the grant funds. Funding is currently at about \$4 million/year, but this has not been enough to keep up with demand. Federal transportation funds have been swapped with local funds to increase the flexibility of the program. The average grant per project is approximately \$300K, but Metro is planning to expand the funding to make larger grants available. Metro has also acquired land through the program for landbanking and project implementation purposes.

The Metropolitan Council's Livable Communities Demonstration Account (LCDA) (Minneapolis-St. Paul, MN)

This LCDA is available to local jurisdictions applying on behalf of developers for infrastructure upgrades, transportation improvements (including parking structures), and land assembly. Funding recommendations are made by an Advisory Committee composed of a broad cross-section of stakeholders from around the region. The Advisory Committee rates projects on criteria including land use, innovation, and project readiness and makes recommendations to the Met Council. The program uses funding from a regional tax levy that must be renewed every year, but has thus far been extremely popular. Funding is currently \$8 million/year. While there is no cap on individual project funding, the largest grant to date has been \$2.5 million, and a cap of 40% of any year's funding can be used within Minneapolis and St. Paul. Many projects that receive funding also apply and receive funding in subsequent years.

The North Central Texas Council of Governments (NCTCOG) Sustainable Development Funding Program (Dallas-Fort Worth, TX)

This funding program is available to local jurisdictions with separate funding streams for infrastructure, land banking, and planning. \$40 million in funding for the Sustainable Development program came from local infrastructure funds "swapped" with Federal transportation funds (CMAQ and STP-MM). Around \$8 million (no more than 20% of the total) was allocated for landbanking projects. Local jurisdictions must apply with public-private partnerships already in place. Developers work with cities to prepare applications. Some of the larger jurisdictions do their own "call" for projects and prioritize them based on local goals. For most projects, and especially landbanking projects, the individual project requests have been larger than NCTCOG can fund. Funds not expended—or without a Notice to Proceed—within a certain time frame must be returned to NCTCOG and are then redistributed to other projects. For the landbanking program, cities are required to pay back the entire principal funding amount, regardless of the success or failure of the development. This means cities can participate in the "upside" of development, but are also required to bear some of the risk.



*Uptown Project, Oakland
Photo: Reconnecting America*

CASE STUDY LESSONS LEARNED

The case studies provide interesting examples and precedents for MTC to consider in the creation of a direct investment program for TOD and infill. The following lessons can be gathered from the case studies.

- Portland METRO and the Met Council in the Twin Cities both have successful and popular model programs that address TOD and infill funding needs in different ways. Both incorporate involvement from a broad base of stakeholders coupled with professional expertise in evaluation of grant proposals.
- NCTCOG has a program that has been less successful in achieving results related to development projects, but is more narrowly focused on landbanking.
- In Portland, the direct investment programs is used to accelerate the market for TOD and infill development in areas that are not yet seeing market interest. However, the retail market in some areas has lagged behind the residential market so there has been a need to subsidize some neighborhood serving commercial space in the short term.
- The Met Council program demonstrates that writing down the cost of infrastructure and land assembly in dense, mixed-use development can improve the feasibility of projects.

- The three programs have varying degrees of locational requirements. In the Met Council case, the lack of geographic focus can mean that funding ends up going to projects in areas that are not the highest priority for TOD and infill from a regional perspective. The Met Council program also limits the amount that can go to projects within the core cities of Minneapolis and St. Paul in any cycle. Portland Metro and NCTCOG do not place the same kinds of conditions, but do target funds to transit corridors or infill areas within the region.
- MPO-led programs tend to be guided by regional goals, rather than some of the fiscal constraints that drive transit agencies in their Joint Development decision-making.
- Federal funding can severely constrain the flexibility of funds. Most MPO programs, including all three of the case studies, either use local funds or swap federal funds for local funds. The Met Council uses entirely state funding sources for the LCDA.
- Programs can be successful operating either by funding projects through cities or providing funds directly to developers, but programs are most effective when the timing and uses of funds match with the needs of the development process.
- The NCTCOG program requires the repayment of principal, but both the Met Council and METRO programs operate as grants. Many community development funds operate as revolving loan funds or offer capital at a reduced cost for development that meets neighborhood objectives in order to provide a self-sustaining fund and even grow the pool of money available by making smart investments.

3 Program Options for an Expanded TLC Program

Given the regional needs and the experience of other regional TOD and infill investment programs, there are several options to create such a program in the Bay Area. MTC's evaluation of the current TLC Program has highlighted the need for increased funding and a flexible grant cycle, but has not yet explored the options for establishing an expanded program. This expanded program should meet regional and local needs, and be accountable for achieving regional goals and objectives.

TOD FINANCING PROGRAM OBJECTIVES

In addition to the revised TLC program goals outlined earlier, this White Paper has used a set of program objectives to provide a framework for understanding different approaches to establishing an expanded TLC Program. Specifically, this White Paper has identified programs options intended to support well-designed housing and mixed-use developments that:

1. Are within walking distance of a variety of shops, employment and services;
2. Will produce fewer vehicle trips and vehicle miles-traveled;
3. Will increase current or future transit ridership;
4. Incorporate innovative parking management strategies including car-sharing;
5. Minimize the environmental footprint;
6. Exceed standards for affordability and ADA access; and
7. Enjoy local support due to a prior collaborative and inclusive planning process.

The program goals and objectives are included at the conclusion of this White Paper as Appendix A and these program objectives are also used to review potential program evaluation approaches and metrics in Appendix C.

POTENTIAL PROGRAM OPTIONS

Based on the understanding of the case studies and taking into account the program structure in place with the current TLC program, there are a number of possible approaches to a direct investment program. These approaches may require different funding levels and may be best served by alternative funding sources and structures (such as grants vs.

loans). However, at this stage, all five approaches are viable. A successful program will likely include some or all of these options, and all options will be strengthened by collaboration among regional agencies (including MTC, ABAG, and transit agencies), local land use and development agencies, and private developers.

The five basic approaches, outlined in more detail in the table below, are:

1. Capital Improvements Adjacent to Transit Stations and TODs

By expanding the existing TLC Program to fund improvements associated with individual developments, MTC could provide funding for off-site or adjacent capital improvements such as streetscapes, bicycle and pedestrian facilities, transit station access routes that are often necessary to maximize the impact of TOD and infill. Often these improvements are required by local jurisdictions, but are difficult to finance through traditional means. This program would also be consistent with potential uses of Federal transportation funds. This program could also fund public infrastructure improvements (including new streets, sewers, and utilities) necessary to facilitate development in underutilized areas around transit stations. The scale of this program is low to moderate in terms of both the scale of investment and the impact on TOD.

2. Parking Management Strategies

MTC could provide financing for implementation of, demand management tools (such as carsharing and resident/employee transit passes), or neighborhood parking garages that could allow development to proceed with lower parking ratios elsewhere in the community and/or could provide replacement parking for parking lost through Joint Development of surface parking lots. This approach supports the emergence of vital, transit-oriented communities while at the same time removing what is often a barrier to TOD and infill developments. Such a program could be used to augment existing Redevelopment Agency funding sources where appropriate. MTC's "Reforming Parking Policies to Support Smart Growth" already outlines the types of strategies and appropriate locations. Depending on the appropriate tools and strategies, the scale of both cost and impact of this approach can vary from low to moderate.

3. Direct Financing of TOD and Infill

Expanding beyond the public benefits of capital improvements and neighborhood parking, MTC could provide funding for development. This program would be similar to the Portland Metro and Met Council LCDA programs in providing funding for a portion of the development that might otherwise be challenging to finance. The LCDA funding is limited to transportation and infrastructure uses (i.e. not for the residential or retail portions of the development), while the Portland program is intended to pay for the additional costs of building elements such as increased fire separation necessary with denser building types that might not otherwise be feasible in the market. Depending on the funding source and the program goals, MTC might need to restrict some of the eligible uses in this program as well. While the costs associated with this program option are moderate to high, they can generate a similar impact in terms of TOD implementation.

4. Land Acquisition and Site Assembly

MTC could meet a current gap in regional TOD and infill financing by supporting the assembly and entitlement of development projects. This program would be most effective for larger-scale revitalization efforts with the medium-term horizon (5-10 years) that is often necessary to acquire and entitle land. In this program, MTC could work with developers or with local governments and provide incentives for more rapid entitlement of development projects that meet regional goals. All three of the MPO programs surveyed are involved in site acquisition in some way. The Met Council LCDA program funds land acquisition by developers through cities incentive to participate in regional affordable housing allocations. Portland Metro takes a more proactive role in land acquisition and landbanking. NCTCOG requires public-private partnerships to be in place prior to releasing funds, and cities must participate in the risk since land acquisition funds must be repaid. This program could be used to create a program that is self-sustaining in the long-term by providing returns on medium-term investments, as the NCTCOG program is intended to do. The scale of cost for this program would be moderate to high, given the need for somewhat more patient capital. Because of this scale, MTC would need to work closely with ABAG, transit agencies, redevelopment agencies, and city staff to make appropriate investments. With this collaboration, the potential impact of a site acquisition and landbanking program would be high.

5. Affordability and Accessibility Investments

Providing affordable and/or accessible housing units over and above the requirements of local codes and the Americans with Disabilities Act (ADA) is often an added cost for developers. This program could pay for the incremental costs of additional affordability or accessibility measures (e.g. units fully accessible for people with disabilities). MTC could provide funding directly to developers who agreed to make more units income-restricted and/or fully accessible. This program could also support streetscape and capital improvements to provide accessible transit where it does not currently exist. While there are not case study examples directly applicable, Charlotte, North Carolina's Affordable Housing Trust Fund provides funding for income-restricted units in market-rate developments through a competitive application process. California Redevelopment Agencies already finance a significant amount of affordable housing, since 20% of TIF revenues must be put toward affordable housing by law. However, many TOD and infill opportunity areas in the Bay Area do not fall within redevelopment areas, and redevelopment funds rarely provide for accessibility upgrades in projects. Where appropriate, funding in this program option could also be used to deepen the level of housing affordability by augmenting existing Redevelopment Agency funding. This program would also require especially close collaboration with ABAG, redevelopment agencies, and local jurisdictions to implement and complement local affordability and accessibility goals. The cost of this program would be moderate to high. However, due to the costs associated with these uses, the likely impact of funding would be more moderate in comparison to other uses.

Table 5: Program Options Comparison Table

Use of Funds	1. Capital Improvements Adjacent to TOD	2. Parking Management Strategies	3. Direct Financing of TOD and Infill Projects	4. Land Assembly and Site Acquisition	5. Affordability and Accessibility
Description	Funding for off-site or adjacent capital improvements (such as streetscapes, bicycle and pedestrian facilities, transit station access routes) and/or public utility and infrastructure upgrades (such as storm water, sewer, or gas/electric).	Financing for neighborhood parking strategies (e.g. carsharing or transit passes) that would allow for development to proceed with lower parking requirements elsewhere in the community or could provide replacement parking for parking lost through Joint Development.	Funding for infrastructure-related portions of a development (e.g. storm water, sewer, or utility upgrades) or financing of costs as a result of density increases.	Financing for land assembly and entitlement of development projects with medium-term horizon (5-10 years).	Paying for the incremental costs of additional affordability or accessibility measures (e.g. units fully accessible for people with disabilities)
Funding Approach	➤ Grant to local jurisdiction	➤ Grant (potentially revolving loan) to local jurisdiction	➤ Grant (potentially revolving loan) to local jurisdiction (and/or developer)	➤ Grant (potentially revolving loan) to local jurisdiction (and/or developer)	➤ Grant to local jurisdiction (and/or developer)
Case Study Examples	➤ MTC TLC Program ➤ Met Council LCDA	➤ Met Council LCDA ➤ Redevelopment Agencies	➤ Portland METRO ➤ Met Council LCDA	➤ NCTCOG Landbanking Program ➤ Met Council LCDA	➤ Redevelopment Agencies ➤ State programs (HCD)
Potential Benefits	➤ Similar to existing TLC program, but expanded to allow funds to be used on non-transportation infrastructure ➤ Helps "seed" TOD in older areas with infrastructure constraints	➤ Facilitates district-wide planning and implementation by creating shared pool of parking and managing it efficiently.	➤ Facilitates development by addressing added costs of developing in TOD and infill areas ➤ Helps projects that are almost feasible become feasible or increases development feasibility at critical TOD sites	➤ Prevents non-TOD development on key sites ➤ Reduces holding costs for site acquisition and assembly ➤ Can be used to encourage timely entitlement of projects	➤ Increases production of affordable and accessible units.
Potential Questions	➤ Is expanded TLC program sufficient to meet regional needs? ➤ Will funding be sufficient to address local needs?	➤ How do you ensure projects meet goals? ➤ Should parking be required to provide return to MTC if priced and managed well?	➤ Are strict criteria/review needed to maximize public benefit?	➤ Can this type of funding source be patient enough to see results?	➤ Better to pursue statewide approach? ➤ Are there other funding sources for this purpose?
Program Scale	➤ Low to moderate cost ➤ Low to moderate impact	➤ Low to moderate cost ➤ Low to moderate impact	➤ Moderate to high cost ➤ Moderate to high impact	➤ Moderate to high cost ➤ High impact	➤ Moderate to high cost ➤ Moderate impact

PROGRAM APPROACH RECOMMENDATIONS

The regional funding needs and the case study programs provide enough understanding to provide some recommendations about potential program approaches that would be appropriate for the Bay Area. The following are initial recommendations for the structure of a TOD Financing program.

A. Funding Structure

There are benefits to both grant and loan structures for a TOD financing program. Grants are simpler and easier to administer, but require ongoing allocations of funding. A loan fund can be self-sustaining but requires more overhead for administration. Existing MPO programs are set up as both grants and loans. If Federal funds are used for the program, once funds are put out as loans, restrictions on usage are often removed when issued for a second time. Federal funding provides an important source of capital for the program—and is the source of the current TLC program—but also limits flexibility of funding

Recommendations

- A.1) Create a hybrid program structure with grants and loans. Grant funds may be more appropriate for some fund uses, such as affordable housing, or major infrastructure upgrades. Loan funds may be more appropriate for other uses, including land acquisition and parking management strategies.
- A.2) Create flexibility in funding uses. Federal funds carry substantial restrictions that limit the potential program options outlined above. MTC should work with local jurisdictions to identify creative ways to “swap” local infrastructure and transportation funds, which are usually more flexible, for federal funds. In the long term, identifying regional funding sources, as has been done in the Twin Cities, can help reduce the need to use Federal funds at all.
- A.3) Loan funds should have clearly defined requirements. Funds used for parking management strategies should require pricing to be part of the menu of strategies. Funds for land acquisition should require repayment of principal and potentially some sharing of profit or use of profit for affordable housing or other goals. An important benefit of loan funds is the long-term financial self-sufficiency of the program.

B. Metrics and Evaluation

A regional TOD financing program will require clear evaluation metrics and a transparent funding allocation process. There are many potential evaluation metrics that can link potential projects to local and regional goals and measurable outcomes (an initial discussion of potential metrics is included as Appendix C). Other regions use a variety of approaches in evaluating potential projects. The Met Council LCDA uses an Advisory Committee composed of a broad range of stakeholders, including community members, local agency staff, architects and designers, and policymakers to evaluate projects and make recommendations for funding. This approach has helped build the credibility of the program.

Recommendations

- B.1) Use an evaluation methodology that includes minimum thresholds as well as more detailed evaluation of outcomes. MTC has already established some baseline criteria through the Place Types in the Station Area Planning Manual and "Reforming Parking Policies to Support Smart Growth". Other regional and state agencies (including BAAQMD and the State Housing and Community Development Department) have more detailed metrics for evaluating potential projects for funding. MTC can build from these existing metrics for a TOD financing program.
- B.2) Create a transparent evaluation system that involves stakeholders in the evaluation process. The additional level of investment that a TOD financing program would represent would benefit from an additional level of involvement in application evaluation from a range of stakeholders. This approach also reinforces the regional nature of the program without the need for targeted funding to geographic areas.
- B.3) Clearly define the types of activities that are eligible for funding and work with local jurisdictions through the application process to maximize project potential. Market conditions may factor into the eligibility of certain types of uses or funding structures. It is challenging to define when a project would not have otherwise been built except for the availability of regional funds, but at the same time, funding should be targeted to those projects that can clearly demonstrate need.

C. Allocation of Funds

In establishing a TOD financing program, there are important decisions to be made about how funding will be allocated. These decisions include the geographic allocation, the size of individual project allocations, and the funding cycle. The existing TLC Program has already established many of these criteria. The other MPO programs provide lessons that are instructive as the TLC Program is expanded to include TOD financing.

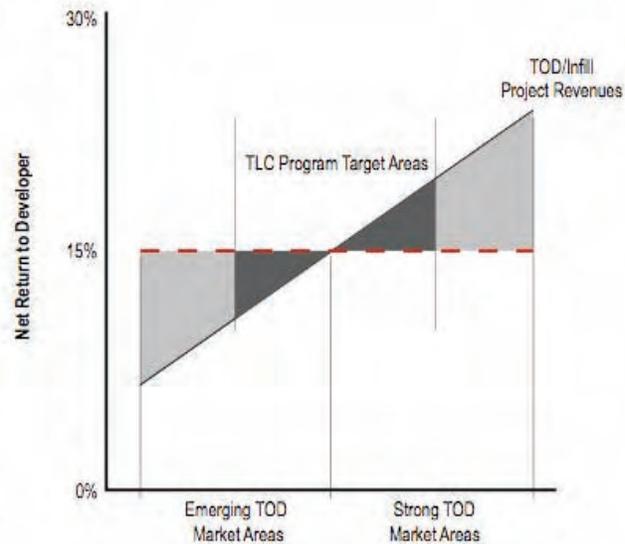
Recommendations

- C.1) Cap individual project awards around \$7.5 million, but allow projects to return in multiple years. Some cap is appropriate in order to spread project funding throughout the region. Additionally, articulating a cap explicitly will encourage only those projects that really need funding to come forward. While \$7.5 million is a recommended starting point for the cap, the cap should be flexible and set based on funding availability and goals.
- C.2) Target places, and not projects. Funding for TOD and infill should support a broader community investment strategy, rather than one-off projects. Funding should reward the communities that have developed coherent community visions, either through MTC's Station Area Planning Grant program or through other means.
- C.3) Do not cap funds for geographic areas. The TOD financing program will be most effective when there are clear regional goals for which projects from around the region compete. The program should recognize that there will not be the same types

of projects or outcomes in all parts of region and should be responsive to outcomes that maximize the potential of their particular location, while also helping to achieve regional goals. However, the allocations for any geographic subarea should not be capped artificially.

- C.4) Target funds toward the most cost-effective locations. As described earlier, there are a range of market contexts in the Bay Area, from emerging to strong. This relative market strength conditions the effectiveness of financing for TOD and infill. At the low end of the scale, there may be so much subsidy required that even a large outlay by MTC will fail to catalyze the market. At the high end of the scale, the provision of community benefits may be so costly to MTC that the benefits associated with funding are minimal. Figure 5 shows this in diagrammatic form to identify the target range for MTC funding.

Figure 4: Target Funding Areas



- C.5) Continue to implement a regular funding cycle that allows for flexibility to respond to project needs. The TLC Program already has a regular biennial funding cycle. A TOD financing program will be best served by a similar regular cycle for allocating funding. However, the development cycle would benefit from more frequent funding allocations, ideally annually or even semi-annually. Certainty about when funding will be available will make the program more attractive to the development community. The program should retain some flexibility, whether in the funding cycle or in the evaluation criteria to continue to respond to changing regional needs.

Appendix: TLC Program Goals and Objectives **A**

This White Paper has outlined revised goals for the TLC Program and objectives for the financing of TOD and infill.

REVISED TLC PROGRAM GOALS

An expanded TLC Program must support the development of livable communities that will:

- Improve the affordability of the region by allowing residents to own fewer autos and spend less on transportation.
- Reduce greenhouse gas emissions from both housing and transportation.
- Respond to the region's changing demographics by building the types of communities that will meet the needs of current and future residents.
- Encourage walking, bicycling, and transit by making these modes of travel safe, attractive, and convenient.

TOD FINANCING PROGRAM OBJECTIVES

Support well-designed housing and mixed-use developments that:

1. Are within walking distance of a variety of shops, employment and services;
2. Will produce fewer vehicle trips and vehicle miles-traveled;
3. Will increase current or future transit ridership;
4. Incorporate innovative parking management strategies including car-sharing;
5. Minimize the environmental footprint;
6. Exceed standards for affordability and ADA access; and
7. Enjoy local support due to a prior collaborative and inclusive planning process.

B Appendix: Detailed Case Studies

Each case study follows a similar format to highlight some of the key program similarities and differences and the implications for MTC if elements of these programs are selected for implementation in the Bay Area. These include:

- Program objective and stated goals;
- Program funding source;
- Funding allocation process;
- Typical grant size;
- Program strengths and weaknesses

The key elements of each program are described in the following table.

Comparison of Case Study Programs

Program	1. Metro Transit Oriented Development and Centers (Portland, OR)	2. Met Council Livable Communities Demonstration Account (Twin Cities, MN)	3. NCTCOG Sustainable Development Landbanking Program (Dallas-Fort Worth, TX)
Overview	Grant program available to developers for construction of projects, coupled with long-term easements to ensure compliance.	Grant program to local jurisdiction for development. Originally included both planning and capital grants. Planning grants eliminated several years ago.	No-interest loan program for landbanking only. The Sustainable Development Funding Program also includes funds for pedestrian, bicycle, and transit improvements and planning.
Objective	Create demonstration projects that exemplify the region's goal to "grow up, not out."	Support for demonstration projects to achieve "connected, efficient land-use patterns in communities throughout the region."	Encourage public/private partnerships that positively address existing transportation system capacity, rail access, air quality concerns, and/or mixed land uses.
Program Funding Source and Level	Metropolitan Transportation Improvement Program (MTIP) Regional Flexible Funds exchanged with local funds. Other funding sources to date have included CMAQ, direct FTA funds and earmarks, local government funds and interest earned. Funding is currently \$4 million/year.	The LCDA funds come from the Metropolitan Council's regional tax levy, which the Council must renew each year. Funding is currently \$8 million/year	Funds for the program come from local infrastructure funds "swapped" for Federal CMAQ and STP-MM funds, but will come from toll revenue through the North Texas Toll Authority in the future. There may be some restrictions on the use of toll revenues that limit flexibility, but the funding will be easier to disburse due to fewer contracting restrictions. Landbanking restricted to no more than \$8.1 million (20% of total funding pool of \$40.6 million program) for 4-year cycle.

Program	1. Metro Transit Oriented Development and Centers (Portland, OR)	2. Met Council Livable Communities Demonstration Account (Twin Cities, MN)	3. NCTCOG Sustainable Development Landbanking Program (Dallas-Fort Worth, TX)
Typical Project Funding Level	Approx. \$300K. per grant. Grant funds do not require funding recovery.	No cap on funds to individual projects, but max. grant has been \$2.5 million. Grant funds do not require funding recovery. Projects can ask for funding in multiple years. A cap of 40% of the funds can go to grants in Minneapolis and St. Paul.	Projects awarded up to \$1 million each. Awards require repayment of principal. Cities keep profit (or pay loss, in that event).
Funding Allocation Process	Metro staff reviews applications and meets with applicants. Input provided by Transportation Policy Alternatives Committee (15 members are staff from governments around the region and 6 citizen representatives appointed for two-year terms). Projects evaluated on potential increase in ridership, value of land and the difference between low and high density development via a mechanism they have coined Cost Premiums	Cities apply on behalf of developers. A volunteer Livable Communities Advisory Committee composed of a broad cross-section of stakeholders, including community members, local agency staff, architects, and policymakers evaluates proposals and recommends funding awards. Projects are rated on several criteria, including land use and planning process, innovation or demonstration, funding as a catalyst, and criteria for project readiness.	Cities apply for funding and staff make recommendations for funding allocations. Landbanking applications require an interview process with a standardized set of questions.
Program Strengths	<ul style="list-style-type: none"> ➤ Simple process makes funding attractive to developers. ➤ Wide political support for program and Metro is looking to expand scale of program. 	<ul style="list-style-type: none"> ➤ Funding is flexible and has been popular and competitive. ➤ Funding is an incentive to reach other regional goals (allocation of affordable housing). ➤ Advisory Committee structure useful. 	<ul style="list-style-type: none"> ➤ Provides funding for land acquisition while allowing cities to benefit from profitable ventures. ➤ Requires 20% minimum local match.
Program Weaknesses	<ul style="list-style-type: none"> ➤ Not enough funding; would be more effective to be able to fund at higher levels. ➤ Individual projects have had limited impact on surrounding areas and have not leveraged substantial additional development. 	<ul style="list-style-type: none"> ➤ LCDA does not target specific geographic areas, so impact of funding is diffuse. 	<ul style="list-style-type: none"> ➤ Funding requests vastly outstrip program resources ➤ City/NCTCOG/Developer relationship difficult for staff to manage. ➤ Does not place conditions on use of profits from fund use (i.e. proceeds must be use for mixed-income housing) ➤ Staff feels program has not been successful, and will not recommend a next round of funding.

C Appendix: Options for Evaluating an Expanded TLC Program

PROGRAM EVALUATION FRAMEWORK AND METRICS

Any program for direct investment in transit-oriented development projects will need to demonstrate the effectiveness of the funding. The goals and objectives for an expanded TLC Program, outlined in this White Paper form a framework for the types of performance measures that will be important to capture in evaluating potential investments. This section outlines potential evaluation metrics for each of the program objectives (outlined in the White Paper and in Appendix A). These objectives form the framework for evaluating potential projects and investments. For each objective, this White Paper identifies potential metrics with respect to the evaluation process.

These are not a final set proposed metrics, but an evaluation of potential metrics to ensure that the objectives can be measures. Final decisions about the evaluation metrics and the data required to be supplied and collected should be made as decisions are made on the program structure, since the use of certain metrics may be more appropriate for different potential program funding uses.

KEY CONSIDERATIONS

There are several overarching considerations important to understand the various approaches potential approaches to program evaluation. These considerations will help determine which metrics will be most applicable to an expanded TLC Program.

- **Thresholds vs. evaluative metrics.** Some metrics will be thresholds that are either met or not (such as the Place Type density thresholds in the MTC Station Area Planning Manual), while others will require a comparison of the relative merits of one project against another. The tradeoffs between thresholds and evaluative metrics result in different levels of comparison among potential uses of funds.
- **Qualitative vs. quantitative metrics.** Some metrics will involve evaluation of the qualities and characteristics of a project, while others will involve the evaluation of data and performance measures. The tradeoffs between qualitative and quantitative metrics result in different levels time and energy expended by MTC staff in reviewing proposed projects, and impact the attractiveness of the program to developers.
- **Simple vs. modeled metrics.** Some quantitative metrics will require only simple and transparent calculations, while other will require more complex, and potentially proprietary evaluation models. The tradeoff between simple and modeled metrics results in different levels of transparency in the evaluation process and the relative ease of complying with the grant program.

POTENTIAL EVALUATION METRICS

1. Within walking distance of a variety of shops, employment, and services			
<i>Metric</i>	<i>Purpose</i>	<i>Calculation</i>	<i>Considerations</i>
Transportation Choice	Demonstrate the proximity of a development to a variety of shops, employment, and services	Compatible uses within 1/2-mile of development site. <i>Sources: USGBC's LEED Rating System</i>	<ul style="list-style-type: none"> ➤ Challenging to compare the quality of walking access. ➤ Need to determine appropriate variety of different uses. ➤ Still need to ensure positive land use compatibility
2. Produce fewer vehicle trips and vehicle miles-traveled			
<i>Metric</i>	<i>Purpose</i>	<i>Calculation</i>	<i>Considerations</i>
Neighborhood-level VMT reduction	Demonstrate the GHG reduction for the entire community from the project funded.	VMT reductions can be calculated based on residential density and transit access. <i>Sources: BAAQMD TFCA Grants, Urbemis modeling by NelsonNygaard and Jones & Stokes</i>	<ul style="list-style-type: none"> ➤ Challenging to compare between residential investments and transportation investments. ➤ Calculations may require fairly complex formulas to be calibrated to different parts of the region. ➤ Addressing issues of mixed densities and overall community benefits beyond "the project" will be a challenge.
Neighborhood-level VMT reduction	Demonstrate the pro rata share of GHG reduction in a neighborhood (or station area) based on an approved plan.	VMT reductions at the neighborhood scale can be calculated based on residential density, mix of uses, and transit access. <i>Sources: Center for Neighborhood Technology Housing + Transportation Model, Neighborhood GHG audits</i>	<ul style="list-style-type: none"> ➤ Requires approved plan to be completed that assesses GHG reduction, which has not been not the norm. ➤ Easier to compare across development and transportation investments. ➤ Could provide implementation funding for MTC's Station Area Grant program.
3. Increase current or future transit ridership			
<i>Metric</i>	<i>Purpose</i>	<i>Calculation</i>	<i>Considerations</i>
Improved transit ridership	Demonstrate the increased ridership and revenue to transit providers.	Calculate transit ridership improvements of individual development projects or access improvements. <i>Source: Direct Ridership Model by Fehr & Peers</i>	<ul style="list-style-type: none"> ➤ The Direct Ridership Model allows comparison of development investments with transportation improvements such as parking or improved accessibility. ➤ Can help place individual improvements within neighborhood-scale plan. ➤ May be redundant with VMT reduction criteria above.

4. Incorporate innovative parking strategies including car-sharing			
Metric	Purpose	Calculation	Considerations
Reduced parking	Demonstrate the reduction in off-street parking for transit-oriented development to reduce automobile travel.	Auto ownership reduction relative to neighborhood (can be used to show VMT reduction as well. <i>Sources: BATS data, US Census, Center for Neighborhood Technology Housing + Transportation Model</i>	<ul style="list-style-type: none"> ➤ Could encourage entitlement of reduced parking developments. ➤ Could reduce housing cost as ancillary benefit.
5. Minimize the environmental footprint			
Metric	Purpose	Calculation	Considerations
Optimized neighborhood densities	Demonstrate that the project maximizes the development potential of the site in keeping with the surrounding community and transit capacity	Meet or exceed the density ranges defined for appropriate "Place Types" in the MTC Station Area Planning Manual. <i>Sources: MTC</i>	<ul style="list-style-type: none"> ➤ Requires identifying appropriate place type.
Sustainability	Demonstrate the reduced energy and resource consumption through the use of green building techniques.	Calculate GHG emissions and resource use reductions from green building practices and energy efficiency measures. <i>Source: Building energy use models</i>	<ul style="list-style-type: none"> ➤ Established calculations can be adapted for use. ➤ These features can be up front cost premiums in development that are paid back over time.
6. Exceed standards of affordability and ADA access			
Metric	Purpose	Calculation	Considerations
Expanded housing options	Demonstrate improved transportation options for all households through mixed-income development.	Household housing and transportation cost savings can be calculated based on improved transit access provided through affordable housing near transit and access to nearby services/amenities. <i>Source: Center for Neighborhood Technology Housing + Transportation Model</i>	<ul style="list-style-type: none"> ➤ Hard to compare between residential investments and transportation investments. ➤ Calculations may require complex formulas to be calibrated to different parts of the region.
Expanded transportation options	Demonstrate improvements in transportation access for all households through universal access improvements.	Household transportation costs savings and ridership benefits can be calculated based on improvements to the accessibility of transit. <i>Source: Direct Ridership Model by Fehr & Peers</i>	<ul style="list-style-type: none"> ➤ May be better suited to qualitative assessment. ➤ Can allow comparison between development projects and transportation infrastructure projects.
7. Enjoy local support due to a prior collaborative and inclusive planning process			
Metric	Purpose	Calculation	Considerations
Project readiness	Encourage short-term impact and accelerated entitlement process.	Projects that have received various levels of entitlements or where the local jurisdiction has agreed to expedited review receive preference. <i>Source: HCD Infill Infrastructure Grant Program</i>	<ul style="list-style-type: none"> ➤ Primarily qualitative assessment. ➤ Potential tradeoffs between projects with short-term impact and long-term impact. ➤ Ensure neighborhood planning process complete



*Future Contra Costa Centre Transit Village Site, Pleasant Hill
Photo: Contra Costa County*

