TOD Project Site Opportunities

- Surplus public agency lands
- Parcels already assembled for obsolete commercial & light industrial uses
- Small parcels to assemble
- Adaptive re-use of existing buildings
- Incremental development on small parcels
- Transit access to existing development
TOD’s Compact Form Uses Infrastructure More Efficiently

- Compact development uses existing infrastructure more efficiently
- Often lower long-term maintenance and operating costs per capita

*Research shows that residential TODs produce half as many daily automobile trips as conventional development. The research’s key conclusion is that Institute of Transportation Engineers (ITE) Trip Generation Manual overestimates trip generation and parking generation rates for TOD housing by approximately 50 percent.*

*Implication: Fewer lane miles, less right-of-way purchase, and less parking needed per capita.*
Infrastructure and Community Facilities – The Need

Capacity for new growth?
Existing deficits?
Aging infrastructure?
+
Mobility enhancements to support TODs
Place-making / streetscape improvements
Community facilities and services required by local standards
Financing Infill Infrastructure is a Challenge

- Involves many entities
- Community concerns about impacts on existing facilities
- New infrastructure can be more difficult in infill than greenfield contexts
- Planning standards has their consequences
- New storm-water mitigation requirements harder with small sites
- Affordable housing’s capacity to absorb financing costs limited
The Case for a TOD Financing Strategy

- **The Scale Challenge**
  - Multiple property owners
  - Individual projects have limited capacity/time to create or adopt financing instruments
  - Financing capacity

- **Authorization Challenge**
  - Public vote, super majority for special purposes
  - Benefit nexus for assessments and fee-based mechanisms

- **Demise of Redevelopment**

- **PayGo vs. Debt Financing & Timing**
Potential Funding Sources

- User Fees
- Developer Impact Fees and Exactions
- Benefits Assessments
- Business Improvement Districts
- General Revenue Taxes
- Tax Increment Financing
- Enhanced Infrastructure Financing Districts (EIFDs)
- Equity and Public Private Partnerships
- Federal and State Grants
- General Fund TOD Grants
- Philanthropy and Non-Profits
- Debt Financing
- Value Capture
- Land banks
- Infrastructure Banks
- CIP Prioritization
Enhanced Infrastructure Financing District (EFID), SB628

- Took effect January 1, 2015
- Districts adopted by City Council or County Board, for:
  - Low/Mod Housing (set-aside requirement)
  - Transit Priority Projects
  - Infrastructure to implement a region’s SCS
  - Environmental remediation (renewed Polanco Act)
  - Other TOD improvements
- In accordance with an Infrastructure Financing Plan
- Can issue bonds with same voting rules as CFDs
  - 45 year window from vote
- Can combine with a CFD or Benefit Assessment District
- Tax Districts have to consent to participate; school districts are not included.
Affordable Housing and Sustainable Communities Program (AHSC), SB862

- State of California Strategic Growth Council
- 20% of Cap & Trade Funds
- FY14-15 = $130 million; 40% specifically for TOD projects; 30% for infrastructure, within ½ mile of Major Transit Stop
- Can Fund:
  - Projects with a Low/Mod Housing Component
  - Infrastructure related capital use
  - Minimum $1 million to a maximum $15 million grant
THE VALUE OF VALUE CAPTURE
Residual Land Value

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- Profit
- Soft Costs
- Building Costs
- Infrastructure Costs
- Land Prep Costs
- Land Value Residual

Before Lift

After Lift
Value Lift

Land Value Residual

Millions

Before Lift

After Lift
What Drives Value?

- Market demand
- Location
- Access
- Infrastructure and public facilities
- Amenities
- Design
- Regulatory context
- Cost structure
- Risk
- Entitlement
The Vancouver Model

- Model of higher density, mixed use, pedestrian-oriented development;

- Emphasis on livability, sustainability, and the public realm;

- Public benefits leveraged through development & rezoning process;

- Strong policy and governance framework, including emphasis on social investment.
Vancouver Regulatory Framework

- “Vancouver Charter” provides regulatory framework;

- Development rights through zoning - as outright or conditional
  - conditions set out in zoning or through an official development plan;

- Development Permit Board has authority to vary densities or use based on policy
  - Board = City Engineer, Deputy City Mgr, and Directors of Planning and of Development Services who chairs board

- Public hearings for zoning changes and major development applications.
Vancouver Development Exactions

- Charter stipulates **Development Cost Levies** from all new development at building permit issuance
  - Rates for Development Cost Levies are set and adjusted for inflation
  - Restricted to infrastructure, parks, childcare facilities, and affordable housing replacement;

- **Bonusing** for specific purposes (social, cultural, recreation, heritage, low-income housing, provided in zoning and/or official development plans);

- **Community Amenity Contributions (CACs)** secured from re-zonings as conditions for approval;
  - CACs part of re-zoning negotiations, sometimes guided by target rate, always linked to amenities to mitigate re-zoning impacts, and a wider array of neighborhood amenities.
When Value Capture Works Best

- Market demand exists for bonus
  - By-right entitlement is less than market for site;

- Extraordinary benefits defined and valued by policy or ordinance;

- Agency has professional negotiation and analysis capabilities;

- Transparent process and analysis;

- Minimal cost penalty associated with higher entitlement
Keys to Private Participation

- Must be enough private value
- Motivation not transit
- Developers need transit to support impacts of growth
- Need enough development rights to cover the exactions
TYSONS CORNER

Transforming America’s 12th largest employment center into its largest TOD

Time Magazine highlighted the plan as one of “10 Ideas for Changing the World Right Now.”
Paying for Tysons

- **Developer payments + public finance**
  - Exactions / tax increment
  - Assessment districts $650m

- **Two assessment districts**
  - 2004: $400m for Metro
  - 2014: $250m for grid of streets & urban amenities
MPO TOD Grants for Developers
Portland Metro

- 100% local grants to development projects mixed-use near transit
- Fund site acquisition, urban living infrastructure & technical assistance
- Since 1998, invested $40m on 31 projects
- Leveraged $9.7m direct investment for $528m of development activity
- Established comps for market rate financing, including reduced parking
MPO TOD Grants for Developers
Met Council Twin Cities

- Livable Communities Act
- ½ mile of transit operating by 2020
- Grants to further TOD implementation
- Fund site assembly, placemaking, energy efficiency, and publicly-accessible infrastructure
- 2014 = $6.5m invested
- 100% local
South Lake Union
Seattle, WA

- Mixed-Use: Tech/Institutional/Residential District adjacent to Downtown
- University of Washington Biotech Center
- Fred Hutchinson Cancer Research Center
- Amazon HQ
- Bill & Melinda Gates Foundation nearby
- 2.6 mile streetcar, 11 stops
- 50% Financed by Property-Based Business Improvement District
- As a local property owner initiative, the largest funding source came from a LID
Transbay Terminal
San Francisco, CA

- High speed rail
- Multi-modal
- Roof top urban park
- Value creation/value capture
- Extra entitlement conditioned on participation in CFD for park
Denver Union Station

*What they did:*

- $477 million central hub of Denver’s FasTracks plan: light rail, commuter rail, regional bus, Amtrak

- 1.35 million, five-building, mixed-use joint development on the station lot; hotel and retail in historic headhouse; several buildings on adjacent private lands

- Joint development funds $35 million of transit costs; TIF and Special Assessment fund additional $150 million

- TOD nexus of “Lo-Do”, Central Platte Valley
Denver Union Station

What it shows:

✓ Multimodalism, labor market connectivity, high ridership—35,000/day

✓ Large developable area, concentrated ownership: RTD 19.5 acres, joint development partners ±15 acres

✓ Need to create TOD fabric, catchment area connectivity

✓ Government support: partnership of City, RTD, DOT, MPO

✓ Infrastructure funding
Assembly Square, Boston

What they did:

• Resolved 15-year land use debate at key site

• $56 million rail transit infill station—first $15 million, including all pre-construction costs, funded upfront by developer

• $125 million in streets, sidewalks, utilities, open space financed through local property tax TIF and “state TIF” on income and sales taxes

• 2,100 housing units, 1.1 million sf retail, 12-screen cinema, 1.75 million sf office/R&D, hotel, waterfront park
Assembly Square, Boston

*What it shows:*

- New station but high ridership—6,000 / day
- Local market strength: East Cambridge/East Somerville
- Large developable area, concentrated ownership: 66 acres, 2 owners
- Government support: TOD Growth District championed by Mayor, Governor, MBTA, MPO
- Infrastructure funding: developer participation, TIF
Private Participation in Parks

- Post Office Square, Boston
- Klyde Warren Park, Dallas
- Grand Park, Los Angeles
Ideas to Consider

JACOBS CENTER FOR NEIGHBORHOOD INNOVATION
JANUARY 27 and 28, 2015
Ideas to Consider

- Regional TOD Special District
  - Discontiguous CFD, connected by transit
  - Opt In
- Enhanced Infrastructure Financing Districts for TODs
- Public-Private TOD investment fund
- Leverage AHSC funding
- Prioritize Active Transportation grants in TOD areas
- Prioritize TODs in local CIP processes
- Tailor Planning standards for TOD areas
Ideas to Consider

• Triple bottom-line approach to storm-water mitigation compliance
• Transition Parking Districts to Mobility Districts
• Use RTP funds as incentive for matched local funding (BIDs, Assessments, Special Tax Districts), to provide shuttles and circulators in major employment centers
• Prepare model value-capture zoning for transit priority areas
• Consider urban transit service district
• Allow SGIP Grants to be used to develop financing strategies