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## ***Construction of Transit-Based Development***

Mineta Transportation Institute  
San José State University  
San Jose, CA 95192-0219

**MTI Report 01-05**

# **Construction of Transit-Based Development**

**September 2001**

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16. Abstract <b>SUMMARY AND RECOMMENDATIONS:</b>  This project reviews policies and legislative programs that can be adopted at all levels of government to encourage transit-based development. The study focuses on local government implementation since it is cities and counties that have the land use responsibility for planning and zoning. The study also investigates how higher levels of government (state and federal) can encourage development through legislative and policy incentives. The study recommends some land use, legislative, and fiscal powers that are needed by local jurisdictions to carry out these incentives. The chapter entitled "Elements of Success" explains each of the recommendations in detail.			
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## **EXECUTIVE SUMMARY**

### **PROJECT OVERVIEW**

The Mineta Transportation Institute, formerly known as the Norman Y. Mineta International Institute for Surface Transportation Policy Studies, has received funding through the federal Research and Special Programs Administration (RSPA) and the California Department of Transportation (Caltrans) to conduct policy related activities in the areas of research, education, and information sharing to benefit the United States transportation industry. This publication is the result of a project that was jointly sponsored by Caltrans and RSPA under the title “Construction of Transit-Based Developments: New Policy Initiatives for Government.”

After the Mineta Institute published IISTPS 97-1, “Public Land with Private Partnerships for Transit-Based Developments,” many local governments expressed a need for more policy guidance in implementing transit-based development (TBD). The prior study identified both policy and legislative issues that impeded implementation of TBDs, in spite of stated policies encouraging such development. This current study, “Construction of Transit-Based Developments,” looks at potential actions at all levels of government that would encourage more TBDs. These actions include additional legislative powers, and monetary and policy incentives such as tax credits and environmental exemptions.

### **THE PROJECT**

This project reviews policies and legislative programs that can be adopted at all levels of government to encourage transit-based development. The focus of the study is on local government implementation because cities and counties have the land use responsibility of planning and zoning. The study also investigates how higher levels of government (regional, state, and federal) can encourage development through legislative powers and policy incentives. The study recommends additional land use, legislative, and fiscal powers that are needed by local jurisdictions so that they can carry out these incentives.

### **DEFINITION OF TRANSIT-BASED DEVELOPMENT**

For the purposes of the study, transit-based development is defined as a higher density, residential or mixed-use development built within a half mile of a transportation corridor. Transportation corridors include all intensely used



surface transportation passageways, i.e. rail and major bus lines as well as free-ways. Freeways are included because of their current high use and their future possible use for alternative transportation passageways such as designated bus lanes, commuter lanes, rail lines, and so forth. Transit-based developments may be constructed by for-profit companies, non-profit organizations or by public-private partnerships.

### **THE CASE STUDIES**

The research team chose six cities to review for this project: San Jose, Mountain View, San Francisco, Los Angeles, and San Diego, California; and Portland, Oregon. Each one of these cities has taken a different approach to promote transit-based development. Each city has used incentives to encourage the private sector to develop within transit corridors and all have used the existing planning tools available to local government to implement sound development policy.

### **TEAM MEMBERS**

The members of this team have a variety of backgrounds and interests, which contributed to the excellence of this study. The Department of Urban and Regional Planning at San José State University supplied two intelligent and hard-working graduate students: Britta Buys and Diana Castillo. Also assisting for a short period was graduate student Erin Mayer. Mineta Institute Research Associate John Vargo did basic research on planning policies in Alameda and Contra Costa Counties as well as the editing and production layout. Research Associate Stephen Mattoon assisted with the review of tax credit and property tax exemptions for transportation-based developments. Mr. Mattoon also looked at the financial implications of various policy incentives. Dr. Scott Lefaver, Mineta Transportation Institute Research Associate, was the team leader.

## PROJECT TASKS

### **Task 1: Review Existing Incentives for Transit-Based Development.**

Research existing incentives at the local, state and federal level. These incentives include:

- Federal level: TEA-21; Livable Communities Fund; Tax Credits for Affordable Housing.
- California state level: Congestion Mitigation and Air Quality Fund; Surface Transport Progress Fund; SB 2559 and AB 3152.
- Other states: Review other states and their incentives.
- Local level: General plan and zoning policies; bonds/assessment districts; redevelopment/community development block grants; congestion management programs; development regulations.

### **Task 2: Review Successes Using the Above Incentives.**

Have there been development successes that specifically used the above incentives? If so, investigate the projects.

- Describe the project, its location, number of units; profile the development.
- Find out which incentive or combination of incentives was used and how they were used.

### **Task 3: Review Expanding Incentives for Transit-Based Development.**

- Review legislation already in place. Can it be changed, added to, or extended in some fashion to further assist local governments to encourage transit-based development?
- Development of other methods that allow local governments to entice the private sector to develop TODs:

Tax exempt bonds for development

Property tax exemption

Environmental exemptions

Other incentives

### **Task 4: Create Development Scenarios Using a Public-Private Partnership**

Given the research above and using the new methods for incentives, the research team will develop scenarios that demonstrate how to successfully implement transit-based development using public-private partnerships and incentives. Variables to be used include financing, timing, and permit

processing including CEQA review. The team will also look at various settings and attitudes that can create an environment for a successful public-private partnership.

### **Task 5: Conclusions and Recommendations**

Given the above research, the research team will make recommendations for legislative and program changes at the local, state, and national levels. They will explain what works and under what circumstances these incentives can work. They will give their conclusions on how to proceed.

### **RECOMMENDATIONS**

Based on our research, governments could use the following strategies and changes in the law to further encourage transit-based development.

#### **Local Government**

- Lead the way by adopting local land use policies that encourage transit-based developments. These include general plan policies, specific plans, and zoning ordinances.
- Implement the policies and ordinances adopted. Do not wait for a developer to obtain a general plan amendment before proceeding with that amendment or the rezoning of a property for transit-based development.
- Formulate incentives that will attract development. These incentives include density bonuses, flexibility within certain ordinances such as parking, and the use of redevelopment and enterprise zone legislation.
- Understand the limits of public policy requirements and how they fit into the market. Financial feasibility drives markets. Local jurisdictions must understand commercial financing needs.

#### **State Government**

- Adopt legislation that encourages transit-based development, such as the High Density Housing/Mass Transit Act of 1991 (SB 2559) and the Transit Village Act (AB 779). Expand existing legislation, such as Enterprise Zones, to specifically include transit-based development.
- Use tax credit and tax-exempt private development set-asides to encourage affordable housing within transit corridors.
- Use the welfare exemption (not paying local property tax) to encourage affordable housing within transit corridors. Allow private developers the same latitude as non-profit organizations in developing low-income housing.

- In California, exempt housing that is within a designated transit corridor from the California Environmental Quality Act, as suggested in AB 2343, introduced by Assembly Member Ducheny.

**Federal Government**

- Expand legislation, such as TEA-21 and the Transportation Enhancement Fund, to encourage transit-based development.
- Raise the limit on tax credits and tax exempt private activity bonds for affordable housing or, for a specific period of time, perhaps four years; eliminate the ceiling for low-income housing projects within transit corridors.



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## **SECTION ONE:**

### **CURRENT INCENTIVES FOR TRANSIT-BASED DEVELOPMENT**

#### **FEDERAL INCENTIVES**

#### **TRANSPORTATION EQUITY ACT FOR THE 21<sup>ST</sup> CENTURY**

The Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) was enacted into law on June 9, 1998.<sup>1</sup> TEA-21 reauthorized the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA), and committed the financial resources of the Highway Trust Fund to highway, highway safety, transit, and transportation research programs through fiscal year 2003. TEA-21 authorizes \$217 billion of funding over six years and is the biggest public works spending bill ever passed.

In 1956, the Highway Revenue Act established the Highway Trust Fund (HTF) as a mechanism for funding the Interstate Highway System. Its revenues come from highway user taxes such as the federal gasoline tax. Congress created a second account within the HTF in the early 1980s for mass transit support. Prior to TEA-21, transportation competed with all other budget items for funding by the House and Senate Appropriations Committees. Generally, less was spent on transportation programs in order to spend more elsewhere. With the enactment of TEA-21, all gasoline taxes must go to the HTF, and cannot be spent elsewhere.

#### **Guaranteed Funding**

TEA-21 includes a funding “guarantee,” which simply means that a ceiling has been set but the money does not have to be spent. However, each state is guaranteed a minimum level of funding yearly. This amount is equivalent to 90.5 percent of each state’s share of total gasoline tax contributions. The minimum guarantee includes flexible and targeted funds.

For the highway program, only the Magnetic Levitation Transportation Technology Deployment Program is not guaranteed. The transit program has a mix of guaranteed and non-guaranteed funds, for a total set level of \$36 billion.

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<sup>1</sup>Title 23 U.S.C., Sections 105-178.

Table 1-1 below shows the transit funding categories and their level of funding.

**Table 1-1: Transit Funding Categories and Level of Funding**

<b>Transit Funding Category</b>	<b>Guaranteed Funds</b>	<b>Non-Guaranteed Funds</b>
Urbanized Area Formula Grants	\$17.28 Billion	\$750 Million
Other Formula Grants	\$1.94 Billion	--
Bus Programs	\$2.8 Billion	\$500 Million
New Starts	\$6.09 Billion	\$2.09 Billion
Rail Modernization	\$6.09 Billion	\$500 Million
Planning	\$364 Million	\$170 Million
Research	\$281 Million	\$162 Million
Job Access	\$500 Million	\$250 Million
Clean Fuel Grants	\$500 Million	\$500 Million
University Transportation Centers	\$36 Million	--
Administration	\$364 Million	\$78 Million
<b>TOTAL</b>	<b>\$36 Billion</b>	<b>\$5 Billion</b>

### **Changes in Funding**

Overall, TEA-21 continues the programs established by ISTEA. However, some shifts in emphasis did take place. The total funding dedicated to the construction of new highways dropped by 54 percent to a total of 3.7 percent of funds. The transit program's share of total funds increased slightly and there was a modest increase in the portion of funding devoted to the repair and maintenance of the existing road system. By decreasing direct funding for highway construction, communities have been given the choice of spending their money on new roads or on other transportation projects.

### **New Opportunities**

TEA-21 created new tools for the revitalization of communities through

transportation planning. This includes the Transportation & Community & System Preservation Pilot (TCSP) program, which guarantees \$120 million between fiscal years 1999–2003 for projects that increase transit efficiency while decreasing environmental impacts.<sup>2</sup> TCSP is a Federal Highway Administration program (FHWA) that has been jointly developed with the Federal Transit Administration, the Federal Rail Administration, the Office of the Secretary, the Research and Special Programs/Volpe Center (U.S. Department of Transportation), and the Environmental Protection Agency.

The Clinton-Gore administration's Livability Initiative promotes regional "smart growth" strategies and preservation of green space. TCSP, as part of this initiative, acknowledges the transportation system's essential role in shaping our communities, the economy, and the environment. The TCSP program encourages governmental agencies to respond to the challenge of designing flexible and efficient transportation systems that promote livable communities and economic opportunity by exploring all opportunities to "reconcile transportation system performance, infrastructure costs, economic needs, and environmental impacts."<sup>3</sup>

Funding is given to state, local, and regional agencies that partner with community groups, non-profit organizations, or private investors to create transportation and land use connections. The competitive grant process gives priority to teams that are pursuing innovative approaches to transportation problems by investigating the relationships between transportation and community, exploring system preservation practices, and developing private sector-based initiatives to support TCSP goals.

In 1999, the TCSP program received over 500 requests for grants. Governmental organizations in 27 states and the District of Columbia were awarded funding totaling \$13.1 million in the first year. The grantees are all working toward developing "successful strategies to improve transportation efficiency; reduce infrastructure costs; ensure efficient access to jobs, services, and centers of trade; and encourage private-sector development patterns that achieve these goals."<sup>4</sup>

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<sup>2</sup>—"Transportation Equity Act for the 21<sup>st</sup> Century," Section 1221 ([tcsp-fhwa.volpe.dot.gov](http://tcsp-fhwa.volpe.dot.gov))

<sup>3</sup>Ibid.

<sup>4</sup>[tcsp-fhwa.volpe.dot.gov](http://tcsp-fhwa.volpe.dot.gov)



**Other Funds****Transportation Enhancement Funds**

Transportation Enhancement Funds increased with the passing of TEA-21, acknowledging the important link between communities and transportation. This program encourages diverse modes of travel and fosters local economic development.

The program provides funds for enhancement activities that relate directly to transit, and which result in activities that are accessible to the general public or targeted to a broad segment of the general public. Although the funds will go to only the 125 largest urban areas in the nation, the \$30 million annual appropriation can make a difference in many communities. Eligible activities include:<sup>5</sup>

- Provision of facilities for pedestrians and bicycles
- Provision of safety and educational activities for pedestrians and bicycles
- Acquisition of scenic easements and scenic or historic sites
- Scenic or historic highway programs (including the provision of tourist and welcome center facilities)
- Landscaping and other scenic beautification
- Historic preservation
- Rehabilitation and operation of historic transportation buildings, structures or facilities (including historic railroad facilities and canals)
- Preservation of abandoned railway corridors (including conversion for use by pedestrians or bicycles)
- Control and removal of outdoor advertising
- Archaeological planning and research
- Environmental mitigation to address water pollution due to highway runoff or reduce vehicle-caused wildlife mortality while maintaining habitat connectivity
- Establishment of transportation museums

Projects that are not on this list may qualify for transportation enhancement funds “if they are an integral part of a larger qualifying activity.”<sup>6</sup> Environ-

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<sup>5</sup>“Transportation Enhancement Activities Defined,”  
[www.fhwa.dot.gov/environment/TE\\_final.htm](http://www.fhwa.dot.gov/environment/TE_final.htm)

mental analysis, project planning, design, land acquisition, and construction enhancement activities are also eligible for funding.

In 1995, the National Highway Systems Designation Act, which mandated specific streamlining measures for implementation of Transportation Enhancements (TE) activities, was adopted. TEA-21 took additional steps to increase the efficiency of the TE process. Measures include:<sup>7</sup>

- TE projects may be processed as a categorical exclusion under the National Environmental Policy Act, eliminating the requirement of an Environmental Impact Statement.
- TE projects are generally exempt from Section 4(f) evaluation.<sup>8</sup>
- While TE projects are subject to Section 106 of the National Historic Preservation Act, a Nationwide Programmatic Agreement has made it possible to streamline the historic preservation coordination requirements.<sup>9</sup>

As with the TCSP Program, Transportation Enhancement activities emphasize the partnership of a wide variety of organizations and non-traditional partners. This includes local government, metropolitan planning organizations, FHWA field offices, the State Department of Transportation, non-profits, and private business. Intensive public involvement is also encouraged.

### **Private Investment**

#### **Transportation Infrastructure Finance and Innovation Act (TIFIA)**

The Transportation Infrastructure Finance and Innovation Act (TIFIA) of 1998 provides federal credit assistance to major transportation investments that are designated to be of critical national importance.<sup>10</sup> These systems would include such activities as border crossing infrastructure, highway, rail, transit, and intermodal facilities. The credit program will provide supplemental and subordinate capital to fill market gaps and entice private co-investment.

Financial assistance through TIFIA is provided through secured loans, loan guarantees, and standby lines of credit. Flexible repayment terms are part of the secured loan terms, which offer combined construction and permanent

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<sup>6</sup>Ibid.

<sup>7</sup>Ibid.

<sup>8</sup>Federal Highway Administration (FHWA) Memorandum dated August 22, 1994.

<sup>9</sup>FHWA Memorandum dated June 11, 1997.

<sup>10</sup>[www.fhwa.dot.gov](http://www.fhwa.dot.gov)

financing of capital costs.<sup>11</sup> The federal government offers full guarantees to institutional investors who make loans for projects. Secondary sources of funding are provided through the standby lines of credit, secured through federal loans, which can be employed within the first 10 years of a project's operation if they are required.

Up to 33 percent of total project costs can be secured through the federal credit assistance program.<sup>12</sup> All projects that are eligible for federal assistance through surface transportation programs are eligible for TIFIA assistance.<sup>13</sup> Funding is also available to other types of projects, including inter-city passenger bus and rail facilities and vehicles.

Credit assistance amounts for fiscal year 2000-2003 total \$9 billion. These funds lapse if they are not awarded by the end of the fiscal year for which they are provided.<sup>14</sup>

### **Potential Concerns**

#### **Environmental Streamlining**

Section 1309 of Title 23 mandates that time schedules for agency review be developed between the U.S. Department of Transportation (DOT) and other Federal agencies so as to eliminate delays, conflicts, and added costs. The FHWA and the Federal Transit Administration (FTA) are working to implement environmental streamlining to meet the challenge of TEA-21. The FHWA has determined that to meet the streamlining goal, the following efforts, among others, will be required:

- Effective environmental decision-making will be handled in a timely manner.
- Environmental quality will not be compromised.
- Both transportation and environmental agencies will have to improve their environmental processes.
- Transportation agencies must demonstrate that they honor environmental

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<sup>11</sup>[www.fhwa.dot.gov](http://www.fhwa.dot.gov)

<sup>12</sup>Section 1503.

<sup>13</sup>Title 23 or Chapter 53 of Title 49 U.S.C.

<sup>14</sup>Department of Transportation, 49 CFR Part 80, Credit Assistance for Surface Transportation Projects; Final Rule Applications for TIFIA Credit Assistance; Notice. Federal Register, July 19, 2000.

laws and values.

The FHWA will provide the national leadership on environmental streamlining, working with the Environmental Protection Agency, the U.S. Army Corps of Engineers, Fish and Wildlife Service (F&WS), National Parks Service (NPS), National Marine Fisheries Service (NMFS), the National Trust, and other agencies.

### **National Memorandum of Understanding**

Section 1309 of Title 23 “requires the Secretary of Transportation to develop and implement a coordinated environmental review process for highway and transit projects.”<sup>15</sup> In July of 1999, a national Memorandum of Understanding (MOU) was signed by the six federal cabinet departments and the EPA to develop an efficient process for the review and approval of transit projects around the country. From this historic agreement, an action plan has been developed to implement the MOU. The revised Draft National Action Plan and Status Report was issued in February of 2000. It provides the goal, strategies, and objectives for environmental streamlining by the Federal agencies.

The goal of environmental streamlining is to “reduce transportation project delays while enhancing and protecting the environment.”<sup>16</sup> Specific strategies are defined to achieve the goal, and focus areas are established in which to implement actions. The five environmental streamlining strategies are to:<sup>17</sup>

- Establish timely, and where feasible, concurrent project reviews through active and rigorous coordination among federal, state, and local partners through early and sustained, continuous involvement of federal and state resource agencies.
- Promote avoidance of environmental impacts and greater use of compensation, region-wide and area-wide mitigation activities with improved data inventories, and the development of programmatic agreements.
- Allocate the resources needed to support early involvement, adequate staffing, interagency training, and information dissemination requirements through mutually agreed upon interagency priorities.
- Keep projects on schedule through successful conflict avoidance and

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<sup>15</sup>[www.fhwa.dot.gov/environment/strmlng.htm](http://www.fhwa.dot.gov/environment/strmlng.htm)

<sup>16</sup>Environmental Streamlining Revised Draft National Action Plan and Status Report, Federal Highway Administration, February 2000.

<sup>17</sup>*Ibid.*

resolution practices.

- Measure continuous improvement and progress through best practices and evaluation techniques such as benchmarking and performance standards.

The five key focus areas in which to implement the strategies are listed below.

#### National Leadership

- Bi-annual executive sessions with senior managers, officials, and stakeholders to assess streamlining opportunities and challenges
- Coordinated regulatory reviews, solicitation of interagency discussion on streamlining related policies, procedures and guidance
- Through a designated "interagency response team," the rapid resolution of escalated field issues
- Bi-monthly progress reports to Congress
- Video conferences and national workshops

#### **Coordinated Strategies and Effective Communication**

- Update, upgrade, and make interactive (e.g., with a chat room) the Internet home page for environmental streamlining for easier citizen participation and input.
- Revise and update the action plan and facilitate the "customized" implementation in the field.
- Develop and coordinate through the interagency team the national policies and procedures, guidelines, and standards regarding the National Environmental Protection Agency (NEPA) process and issues.
- Add streamlining to various federal agency conferences, workshops, and training.

#### Training and Technical Support

- Identify cross training needs and opportunities.
- Assist the field offices in advancing local action plans.
- Develop, with national input, prototype agreements for area-wide strategies and programmatic agreements.
- Facilitate baseline data inventory coordination and resource-sharing strategies, when appropriate.

#### Alternative Dispute Resolution

- Develop interagency guidance.

- Establish a network of "qualified neutrals" to facilitate conflict avoidance.
- Define conflict avoidance, problem resolution, and escalation process.

#### Performance Measures

- Complete a series of quantitative and qualitative studies to be included in a baseline survey and evaluation of time and cost delays, case studies of lessons learned, perception surveys, and environmental outcome assessments.
- Implement bench marking through best practices and peer reviews.

#### **Public Input**

The Transportation Enhancement and Environmental Streamlining (TCSP) programs encourages public involvement in the transportation-related planning process, yet they do not mandate that any processes be established for public input. In order for any major development to be truly successful, the public must approve a project. This is especially crucial with transportation-related projects. Without public involvement in the planning process, especially for areas targeted for higher density, mixed-use development in transit corridors, agencies may face major opposition at the implementation phase and the possible failure of completed projects.

In a current planning effort in San Francisco, the Planning Department is focusing on establishing strong links between transit activities and land uses. Using a TCSP grant as the foundation for its transit-oriented planning efforts, specific area plans will be prepared for selected sites based on an inventory and analysis of existing conditions, constraints, and opportunities.<sup>18</sup> The Planning Department understands that public involvement in the planning process is key in determining how each community will evolve around the city's transit facilities. Residents are the best source for identifying neighborhood needs and, through early involvement in the planning process, can help the local agency prepare plans that will create better neighborhoods in the future.

#### **Local Decision Making**

TEA-21 stresses the need for cooperation and coordination between the major agencies involved in transit-related development to allow for more efficient and quicker review and approval of projects. TEA-21 also encourages local agencies to work closely with non-traditional partners at the local and regional

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<sup>18</sup>Better Neighborhoods 2002, San Francisco Planning Department, [www.sfgov.org/planning/neighborhoodplans](http://www.sfgov.org/planning/neighborhoodplans)

level to develop transportation-related projects that are innovative and will improve the linkage between transportation systems and land uses while improving the quality of life for the communities. By making funds available directly to cities and counties through various programs, TEA-21 is putting the decision-making process for spending transportation-related funds in the hands of local agencies. No longer will the state and federal agencies alone determine the scope of transportation related improvements across the country.

While many local agencies are successfully implementing new transportation projects, there is the concern that regional transportation needs will be overlooked for local ones. As cities and counties address their local transportation needs, regional efforts may be neglected, which can result in decreased efficiency and failed transit systems on a greater scale.

### **Transit-Oriented Development**

TEA-21 has made transit-oriented development more feasible. Agencies are no longer forced to use federal monies to build new roads. Communities that develop creative projects -- those that increase transit use, decrease reliability on the automobile, and encourage non-traditional partnerships and private investment in the planning and development processes -- now have the opportunity to see their visions materialize.

### **THE CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT PROGRAM**

The Congestion Mitigation and Air Quality Improvement (CMAQ) Program was established by the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). CMAQ funds are allocated to states, which use them for transportation control measures (TCM), for programs to help implement transportation and air quality plans, and to attain the national standards for carbon monoxide, ozone and, in some cases, small particulate matter.<sup>19</sup>

CMAQ funds are granted to projects to improve or to maintain air quality by reducing vehicle emissions in areas that do not meet the National Ambient Air Quality Standards. Programs and projects that are typically eligible for CMAQ funding can be categorized in the following manner:

- **Transit Improvements.** Bus and rail service expansion; operational improvements or demand market strategies to make alternative transit

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<sup>19</sup>“A Guide to the Congestion Mitigation and Air Quality Improvement Program,” [www.bts.gov/NTL/data/energy-env/air/00489.html](http://www.bts.gov/NTL/data/energy-env/air/00489.html)

more attractive.

- **Shared-Ride Services.** Establishing vanpool or carpool programs, designating storage areas for those vehicles, and instituting programs to match drivers and riders for ride sharing.
- **Traffic Flow Improvements.** Improving signs and signals for more efficient traffic flow and traffic management and control, such as incident management, ramp metering, and the addition of turn lanes.
- **Demand Management Strategies.** Finding methods to reduce single-occupancy vehicle travel; strategies to improve air quality by decreasing vehicle miles traveled through alternate transportation strategies; promoting employee trip reduction programs; developing transportation management plans; and establishing “auto-free zones.”
- **Pedestrian and Bicycle Programs.** Creation of trails for bicycles and pedestrians, bicycle storage facilities, and promotional activities designed to encourage bicycle use.
- **Inspection and Maintenance Programs.** Reduce emissions by detecting and repairing serious violators; funding for start-up activities such as updating quality assurance software or developing mechanic training programs.
- **A less typical example** of a project eligible for CMAQ funding might be the conversion of public fleets to alternative-fueled vehicles.

CMAQ funds are under the primary control of a public agency but public and private partnerships are encouraged for land, facilities, vehicles, and project development. Over \$8.1 billion has been authorized for projects in the years 1998 to 2003. Approximately \$57 million has been apportioned annually for CMAQ projects within the nine Bay Area counties. Applications for these grants can be made through metropolitan planning organizations.

### **LIVABLE COMMUNITIES INITIATIVE**

In 1999, the Clinton/Gore administration declared that the United States economy was the strongest in a generation. This was exhibited by the fact that unemployment and inflation were at their lowest levels in decades, that over 18 million new jobs had been created, and that real wages were growing at their fastest rate in 25 years. The administration also noted, however, that growth and economic resurgence may negatively impact the quality of life within many U.S. communities.



To assist local governments in responding to issues that threaten the quality of life for their residents, the administration created the Livable Communities initiative. According to the initiative, “livable communities” are places where:

- Young and old can walk, bike, and play together.
- Historic neighborhoods, farms, forests, and green spaces are preserved.
- Parents spend less time in traffic and more time with their children, spouses, and neighbors.
- Older neighborhoods thrive again.

These communities would contain safe streets, good schools, and public and private spaces that help foster a spirit of community. The purpose of the initiative is to build or preserve livable communities for the 21<sup>st</sup> century. To encourage the pursuit of this goal, the initiative’s objectives seek to broaden the choices available to communities and to allow them to:

- Sustain prosperity and expand economic opportunity.
- Enhance the quality of life.
- Build a stronger sense of community.

The Livable Communities initiative receives its funding from more than a dozen federal agencies and uses its resources to support the efforts of local agencies. The federal government observes two principles when assistance is provided to these agencies:

- The communities know best and can make the appropriate decisions regarding growth.
- The role of the federal government is to inform and assist, not to direct community efforts.

One of the Livable Communities Initiative’s most prominent programs, the Transportation and Community and System Preservation (TCSP) Pilot Program was established under the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21). TEA-21 is a six-year surface transportation law that was approved by President Clinton on June 8, 1998. TCSP is administered through the Federal Highway Administration (FHWA). TCSP provides grants and research information to communities that are providing responses to the interrelated problems of transportation, land development, environmental protection, public safety, and economic development.

TCSP grants are awarded to communities to encourage:

- Transportation efficiency
- Reducing the negative effects of transportation on the environment
- Improved access to jobs, services, and trade centers
- A reduction in the need for costly future infrastructure
- The revitalization of underdeveloped and brownfield sites

The grants can also be used to study urban development patterns and to create strategies that encourage private companies to work toward these goals in designing new developments.

An estimated \$13.1 million in grants were awarded under the TCSP in 1999. Over five hundred initial requests for funding were evaluated by a multi-disciplinary panel from the department's Federal Highway, Federal Transit, Federal Railroad, and Research and Special Programs Administration and the Environmental Protection Agency. Of these projects, 35 were approved for funding and represented 27 states and the District of Columbia. In California, three projects were awarded a total of \$557,000 in 1999.

**Table 1-2: TCSP Funds Granted in 1999 to California Communities**

<b>Community</b>	<b>Project</b>	<b>Grant</b>
City of Escalon	Link the community high school with surrounding land uses via a pedestrian plaza and bicycle improvements.	\$150,000
Mono County	Create a vision for Lee Vining, a gateway to Yosemite, which balances the need for tourism and growth with community preservation.	\$230,000
San Francisco County and City	Develop a plan for transit-oriented development in the Mission Street Transit Corridor and prepare a transit station area land-use plan.	\$177,000
	<b>TOTAL</b>	<b>\$557,000</b>

Source: TCSP Website ([tcsp-fhwa.volpe.dot.gov](http://tcsp-fhwa.volpe.dot.gov))

Grants available through TCSP are not awarded to private developers but are available to states, local governments, and metropolitan planning organizations, and may be spent over a period of up to two years. Applicants submit a grant request describing the project, its purpose and criteria, partners, schedule, budget, and project evaluation plan. Because of the great interest shown, the TCSP grant program was increased to \$31.1 million in the year 2000, and the 2001 budget for TCSP grants may increase to \$50 million.

## STATE AND REGIONAL INCENTIVES

### **TRANSIT VILLAGE DEVELOPMENT PLANNING ACT OF 1994 (AB 3152)**

Approved by Governor Wilson on September 24, 1994, the California land use law, AB3152, encourages the establishment of transit village development districts. Transit village districts are clustered housing and commercial developments that are located within a quarter-mile radius of transit stations and in the city or county that has jurisdiction over the station areas. The law authorizes a designated community agency to prepare a plan defining the transit, community, and commerce features of a transit village and permits an existing plan to be adopted, amended, or repealed. The transit village plan must be consistent with the general plan of a community.

The enactment of the Transit Village Development Planning Act of 1994 was encouraged by the following trends:

- Federal, state, and local governments in California were investing in new and expanded rail transit systems in areas throughout the state, including Santa Clara County.
- Public investment in rail transit was unrivaled in the state's history and represented over \$10 billion in planned investment.
- Studies of transit ridership in California indicated that persons who lived within a quarter-mile radius of rail transit stations utilized transit systems in far greater numbers than did the general public living elsewhere.
- Only a few rail transit stations in California had any concentration of housing nearby.
- Interest in clustering housing and commercial development around rail transit stations had gained momentum.

A transit village plan can include the following elements:

- Planned and designed neighborhood developments centered near transit stations that attract residents, workers, shoppers, and others who find it convenient and attractive to patronize transit.
- A mix of housing types that includes apartments, within a quarter mile of transit stations.
- A mix of land uses that provides retail sites oriented to the transit station, and civic uses including day care centers and libraries.

- Promotion of pedestrian and bicycle access routes to the transit stations.
- Demonstrable public benefits beyond transit use, including the relief of traffic congestion, improved air quality, increased transit revenue yields, and an increased stock of affordable housing.
- Density bonuses of 25 percent permitted on sites near transit stations.

Communities that create transit village plans may be eligible for transportation funding. The creation and implementation of a transit village plan is not mandatory within California communities.<sup>20</sup>

### **HIGH DENSITY HOUSING/MASS TRANSIT ACT (SB 2559)**

#### **Background**

Senate Bill 2559, the High Density Housing/Mass Transit Act, was adopted in 1991.<sup>21</sup> Authored by Senators Kopp and Greene, SB 2559 awarded “consideration” to cities and counties that applied for selection as a demonstration site for transit-based development.<sup>22</sup> Those chosen locations qualified for state transportation and other infrastructure bond funds, and were to be included in their local regional transportation planning agency’s transportation improvement program.<sup>23</sup> Demonstration sites, either existing or proposed, were to be located within one-half mile of a rail transit station, and would incorporate a 25 percent density bonus for residential development.<sup>24</sup> The sites chosen for the program were required to have adopted land use policies and programs that encouraged the development of high-density residential projects in the vicinity of mass transit facilities.

#### **Outcome of SB2559**

The outcome of SB2559 was that nothing happened. No projects were included in either the 1991 or 1992 Transit Capital Improvement Programs or the subsequent State Transportation Improvement Program. A final report was to be prepared evaluating the impact of the demonstration program on the level of use of mass transit by residents living within a half-mile of mass transit.

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<sup>20</sup>“Legislative Counsel’s Digest,”

[www.leginfo.ca.gov/pub/93-94/bill/asm/ab\\_3152\\_bill\\_940926\\_chaptered](http://www.leginfo.ca.gov/pub/93-94/bill/asm/ab_3152_bill_940926_chaptered)

<sup>21</sup>California Health and Safety Code § 50500 50514.5.

<sup>22</sup>Lefaver, 259.

<sup>23</sup>California Government Code § 65080.1 65086.5.

<sup>24</sup>California Government Code § 14030 14053.

This report was to have been submitted to the legislature no later than January 1, 1996. According to our research, no report was issued.

### **Why is this Legislation Important?**

SB 2259 was one of the first attempts at the California state level to address the issue of transit-based developments and to use incentives to create such developments. Although it would seem that the legislation and its demonstration programs were not implemented, it is a good example of what state legislation can do to encourage the development of housing along transit lines. Such legislation should be implemented and expanded to include demonstration projects in major communities.

### **ASSEMBLY BILL (AB) 779**

#### **Background**

##### Version 1

In February 1999, Assembly Member Torlakson, Democrat, 11<sup>th</sup> District, introduced Assembly Bill (AB) 779, Transit Village Development. The bill sought to revise the provisions of the Transit Village Development Planning Act of 1994, which authorizes the preparation of transit village development plans.<sup>25</sup> The 1994 Act allows city and county agencies to increase residential densities around rail transit stations. In those areas targeted for intensification, local agencies can grant 25 percent residential bonuses and require developers to agree to the bonuses established in a transit village plan. Further, the development agreement can state that no project-related action will be taken if the project is not consistent with the adopted transit village plan.

AB 779 proposed a revision to the 1994 Act to apply to public transit stations and allow for the density bonus to be applied to commercial and mixed-use developments. A 15 percent reduction in parking requirements would also be available to commercial, residential, and mixed-use projects located within a quarter-mile of a public transit station. Any project that triggers environmental review under CEQA would be required to include the density bonuses and the parking reduction. Project alternatives under CEQA could not reduce either the bonus or the reduction, unless public health or safety would be adversely affected.

Had the bill found support in this format and been approved, it would have

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<sup>25</sup>Assembly Bill No. 779, California Legislature 1999–2000 Regular Session, Introduced by Assembly Member Torlakson, February 24, 1999.

permitted a metropolitan planning organization or a transportation planning agency to deposit state and federal transportation planning money in a revolving fund for loans to cities and counties to prepare transit village plans. However, due to opposition from local governments and the California League of Cities, the bill was amended. Apparently, the opposition was in response to the mandatory encouragement of transit-oriented development near rail stations.<sup>26</sup> In its revised state, AB 779 provides “smart growth” grants for economically distressed areas.

#### Version 2

AB 779 was amended on August 9, 2000 to address the Health and Safety Code, Sections 44501, 44502, 44520, 44526, 44525.5 and 44525.6 that relate to pollution.<sup>27</sup> Specifically, AB 779 authorizes the California Pollution Control Financing Authority (CPCFA) to provide grants and loans to cities and counties to develop and implement growth policies and programs that reduce pollution hazards and environmental degradation in impoverished neighborhoods. The monies can also be used to promote infill development to revitalize communities. Basically, CPCFA will provide funds to cities and counties “that do not have the resources or expertise to develop revitalization plans and identify and complete competitive applications for state, federal, or private resources to implement those plans.”<sup>28</sup>

Plans and programs receiving funding under AB 779 will be required to incorporate smart growth strategies. This includes remediation and redevelopment of brownfield sites for infill development or transit-oriented development to address traffic congestion. In 1999 the Legislature approved Senate Resolution (SR) 12 (Solis) and House Resolution (HR) 23 (Keeley), which require state officials to incorporate smart growth principles in plans and policies that address the state’s future growth and development.<sup>29</sup> AB 779 in its current version supports the policies set forth by SR 12 and HR 23.

#### **Support and Opposition**

The Association of Bay Area Governments (ABAG), sponsor of the original

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<sup>26</sup>Robert Oakes, Director of Communications, Assemblyman Torlakson, personal correspondence, August 8, 2000.

<sup>27</sup>Assembly Bill No. 779, California Legislature 1999–2000 Regular Session, Introduced by Assembly Member Torlakson, February 24, 1999, as amended August 9, 2000.

<sup>28</sup>AB 779 Assembly Bill Bill Analysis, August 2000.

<sup>29</sup>Ibid.

AB 779, sees transit villages as “an important component in the broader field of smart growth.”<sup>30</sup>

ABAG recognizes the need to offer the public and private sectors incentives and assistance to spur transit-oriented development. Other supporters included the California Housing Council, California Transit Association, Planning and Conservation League, California Council for Environmental and Economic Balance, Sierra Club, and Silicon Valley Manufacturing Group.

Groups in opposition to the original bill included the California State Association of Counties and the League of California Cities. As the bill’s sponsor and the Assemblyman were unable to revise the original bill in a manner satisfactory to the cities and counties that opposed the mandatory requirements, the bill’s focus changed to pollution control through planning efforts. There is currently no known opposition to the current version of AB 779, sponsored by the State Treasurer.

### **Status**

AB 779 failed passage on June 21, 2000, and was granted reconsideration and heard once again on July 5, 2000. Failing to gain support in its original format, the amended version was heard and approved by the Senate Environmental Quality Committee with a majority vote on August 9, 2000. The legislation reached the Governor at the end of August and he signed the bill into law on September 29, 2000. The legislation amended Sections 44501, 44502, 44520, and 44526 of the California Health and Safety Code.

### **Impact of Passage**

Had AB 779 been adopted in its original format, a significant step would have been taken in forcing cities and counties to adopt land use policies favorable to development in transit corridors. Higher density mixed-use development with parking requirement reductions would offer local agencies and developers the opportunity to collaborate on creative solutions for development around transit facilities.

While infill and transit-oriented development are addressed in the revised version of AB 779, the focus of the bill is to provide money to cities and counties to develop and implement growth policies and programs in neighborhoods requiring revitalization. The bill has lost its punch, moving from transit

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<sup>30</sup>AB 779 Assembly Bill Analysis, April 2000.



village plans to pollution-control financing. Including transit-oriented development in city and county strategies to address growth and traffic congestion remains merely an option for local agencies.

### **TRANSPORTATION FOR LIVABLE COMMUNITIES (TLC)**

Available through the Metropolitan Transportation Commission (MTC), the Bay Area's transportation planning and financing agency, the Transportation for Livable Communities (TLC) program provides funds and technical assistance for transportation projects concerning streetscapes and developments oriented toward improving pedestrian, transit, and bicycle projects that will help to revitalize local communities and town centers.<sup>31</sup> The primary goals of the program are to:

- Develop innovative projects whose transportation elements support a community's development or redevelopment efforts.
- Provide "success stories" to encourage the integration of transportation and land use throughout the region.
- Forge partnerships between local jurisdictions, community organizations, transportation service providers, and the development community.
- Make a significant contribution to the creation of a livable community.

Planning grants and capital grants are available through the TLC program. Projects that are in an early stage of development are eligible for TLC planning grants. These grants are used to refine project ideas. A planning grant can be awarded up to the amount of \$50,000. Technical Planning Assistance grants, which are also planning grants, can reach \$10,000 per project and can be utilized to secure urban design, architectural, and transportation planning input from professionals and firms. Capital grants are also available and provide funds for projects for pedestrian and bicycle improvements, bus shelters, and landscaping on or near eligible roadway routes or transit projects.<sup>32</sup> These grants range from \$150,000 to a maximum of \$2 million.

Since 1999, a total of 33 planning and capital projects have received over \$11 million in funding. Within Santa Clara County, three projects have

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<sup>31</sup>Metropolitan Transportation Commission, Transportation for Livable Communities Planning Grants - Project Criteria and Application Information, 1999.

<sup>32</sup>Metropolitan Transportation Commission, Transportation for Livable Communities, Capital Program Application Information FY2000, 1999, 1.

received funding. These are shown in Table 1-3.

**Table 1-3: Projects Receiving TLC Funding**

<b>Project Name</b>	<b>Description</b>	<b>Grant Amount</b>
Downtown Gilroy streetscape improvements	Provide streetscape improvements in downtown Gilroy on Monterey Street near the Caltrain station, including lighting, landscaping, and median improvements.	\$554,000 Capital Grant
Ohlone-Chynoweth Commons (San Jose)	Streetscape improvements along Chynoweth Avenue, Main Street, and Pearl Street to create a pedestrian link between the residential development and the light rail station.	\$574,450 Capital Grant
Multimodal Transit Station (Sunnyvale)	Strategic plan formulation assistance to upgrade the transit center at the Caltrain Station in the city's downtown; creation of a public plaza at the Caltrain station, and improvement of pedestrian access to the downtown area.	\$50,000 Planning Grant \$861,000 Capital Grant

Approximately \$18 million in capital funds and \$95,000 in planning funds will be awarded in June of 2000.

Local jurisdictions, transportation agencies, and non-profit organizations certified by the Caltrans District 4 Office of Local Assistance and located in one of the nine Bay Area Counties are eligible to apply for TLC funding. Application for grants must identify a lead agency that will head the project and any partnerships with organizations that may be co-sponsors of the project.

Although no matching grants from local agencies are required, they are preferred. To be eligible for capital program grants, matching funds of 11.5 percent for the total cost of the transportation project are required from the local or state government.



## SECTION TWO

### SUCCESSFUL TRANSIT-BASED DEVELOPMENTS

#### SAN JOSE

##### Background

Santa Clara County, located just south of the San Francisco Bay, contains 15 cities in an area of approximately 1,316 square miles. The largest city is San Jose. Known as the “Silicon Valley,” Santa Clara County is home to an estimated 1,739,800 people<sup>33</sup> whose mean household income is \$83,300 (June 2000). The county contains an estimated 565,730 households with an average of 3.01 persons per household,<sup>34</sup> consisting of mainly flat lands that extend from the San Francisco Bay in the north to the city of Gilroy, 45 miles to the south.<sup>35</sup> The county is bounded by the Diablo Mountains to the east and the Santa Cruz Mountains to the west and southwest.<sup>36</sup>

Prior to 1950, Santa Clara County’s industry was dominated by agriculture and the county was known as the “Valley of Heart’s Delight.” Over the last 50 years, however, electronics and high technology have dominated the business environment.<sup>37</sup> Employment opportunities in “Silicon Valley” have drawn thousands of people from international locations. The growth in population and in housing needs has overwhelmed the inventory of available apartments and homes, inflating apartment rental rates and the sale price of homes. Workers in Silicon Valley have sought relief from high housing costs by relocating to communities in the counties northeast and southwest of Santa Clara County. In exchange for more affordable housing, however, many professionals spend significant portions of their day traveling over 50 miles from their homes to their job sites.

Although some workers avoid congested roadways by using public transit, the majority of Santa Clara County residents rely on private vehicles to travel to

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<sup>33</sup>ABAG, Projections '98, 212.

<sup>34</sup>Ibid, 214, 215, and 223.

<sup>35</sup>McCormack’s Guide, Santa Clara County '98, 9.

<sup>36</sup>Tracks, Tires & Wires, Prologue.

<sup>37</sup>Santa Clara County '98, 9.

work and to leisure destinations. Interstate Highways 280, 680, and 880 and Highway 101 are the major surface transportation routes in Santa Clara County. State Highways 85 and 87 also serve the county. Mass transit modes that serve Santa Clara County include train, light rail transit (LRT), and bus.

Passenger train services are offered by Caltrain and the Altamont Commuter Express. Caltrain carries commuters to and from the northern counties of San Francisco and San Mateo to the Santa Clara County cities of Palo Alto, Mountain View, Sunnyvale, Santa Clara, San Jose, Morgan Hill, and Gilroy.<sup>38</sup> The Altamont Commuter Express provides access to Santa Clara County from Stockton, Tracy, Livermore, Pleasanton, and Fremont.<sup>39</sup>

### **History of Public Transit in Santa Clara County**

Before the rise of the automobile, public transit was important to Santa Clara County's residents. In the mid-nineteenth century, horse drawn cars were used for routine travel in many Northern California cities and towns.<sup>40</sup> For example, in 1850 a tri-weekly horse-drawn car service from San Jose to San Francisco was established.<sup>41</sup> During the latter part of the nineteenth century, a regular railroad service from San Jose to San Francisco was introduced. Although horse-drawn cars were a popular means of transportation, business and community leaders felt the need for better transit in Santa Clara County and local electric and steam rail services eventually replaced horse drawn cars.

The depression of the 1930s had a significant impact on Santa Clara County's mass transit. The reduced demand for travel to sites of employment and less disposable income reduced the need for rail services.<sup>42</sup> Once the effects of the depression had subsided, reliance on public transit flourished again and technological innovations revolutionized transit. For example, the introduction of gas-powered buses during the late 1930s decreased the use of local rail services.<sup>43</sup>

However, gasoline-powered private vehicles soon came to compete with mass transit. The construction of federally funded highways changed the residents'

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<sup>38</sup>VTA, Bus and Rail Map.

<sup>39</sup>Ibid.

<sup>40</sup>Tracks, Tires and Wires, 2.

<sup>41</sup>Ibid.

<sup>42</sup>Ibid., 110.

<sup>43</sup>Ibid.

dependence on mass transit.<sup>44</sup> Housing was constructed further from the city centers and away from rail lines and bus routes. Public transit began to lose customers and governmental agencies shifted their attention from mass transit to the construction of new expressways and freeways.<sup>45</sup>

During the 1960s and 1970s, energy consumption and the pollution created by cars brought attention back to the need for public transportation. A new county agency was established, known as the Santa Clara County Transit District (presently the VTA). Federal monies were provided to stimulate urban transit development, with an emphasis on innovation.

The residents of Northern California continue to struggle, however, with congested roads and pollution. The need for relief from congestion has prompted many civic leaders to seek a resolution based on improved residential development patterns tied to mass transit resources.

## **TRANSIT DEVELOPMENT PARTNERS**

### **Valley Transportation Authority**

The Santa Clara Valley Transportation Authority (VTA) was created by the Santa Clara County Board of Supervisors in 1972 to “oversee the transportation system within Santa Clara County.”<sup>46</sup> In 1995 the VTA separated from the county and merged with the Congestion Management Agency. Through this merger, the VTA assumed the responsibility for managing the county’s plan to reduce congestion and improve air quality.<sup>47</sup>

On its website, the VTA reports that its mission is to “provide the public with a safe and efficient countywide transportation system.”<sup>48</sup> VTA also states that a safe and efficient system increases access and mobility, reduces congestion, improves the environment, supports economic development, and enhances the residents’ quality of life.

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<sup>44</sup>Ibid.

<sup>45</sup>Ibid.

<sup>46</sup>VTA, [www.vta.org/TA\\_Overview.html](http://www.vta.org/TA_Overview.html)

<sup>47</sup>Ibid.

<sup>48</sup>Ibid.

The responsibilities and functions of the VTA are as follows:

- **Transit service.** Operate, maintain and improve bus, light rail, and paratransit services.
- **Transit Planning.** Plan, design and construct new light rail extensions, stations, and facilities.
- **Highway Planning.** Plan, design, and construct new highways and undertake roadway improvements.
- **Caltrain Service.** Administer and fund the Caltrain commuter rail service between San Francisco and Gilroy in partnership with the transit agencies of San Mateo and San Francisco Counties.
- **Congestion Management Program (CMP).** Prioritize transportation projects for local, state, and federal funding, including transit, highway, and roadways.
- **Regional Transit Partnerships.** Join with transit operators in other counties to explore improved transit resources for inter-city travelers through enhanced bus and rail services.

The VTA has an annual operation budget that exceeds \$200 million, a fleet that consists of 460 buses serving a 350 square mile urbanized area, and 50 rail cars that travel over 21 miles of track. Statistics published by the VTA show that in the 1997-1998 fiscal year, its buses served 42.16 million passengers and light rail served approximately 6.88 million passengers.

Light Rail Transit (LRT) has over 40 stations within Santa Clara County.<sup>49</sup> LRT routes extend from South San Jose through Central San Jose to the northern county cities of Santa Clara, Sunnyvale, and Mountain View.<sup>50</sup> Future expansion of the LRT lines into other Santa Clara County areas, such as East San Jose, is under consideration. The bus service operated by the VTA complements the rail services by offering links to the LRT and Caltrain stations. VTA has 65 routes that service employment centers, city halls, parks, and airports.<sup>51</sup>

### **City of San Jose**

San Jose contains the bulk of the county's population with an estimated

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<sup>49</sup>VTA, Bus and Rail Map.

<sup>50</sup>Ibid.

<sup>51</sup>Ibid.

967,600 persons and 290,800 households with 3.27 persons per household.<sup>52</sup> The mean household income in San Jose is \$73,100.<sup>53</sup> Although employment and residential locations are currently dispersed throughout the city, an attempt is underway to redevelop the city's center by adding high-density housing, commercial spaces, and hotels.

Construction activity in San Jose is projected to be active, and an estimated 4,500 residential permits will be granted during the 1999/2000 fiscal year. San Jose's planning staff anticipates that "given a growing shortage of housing in Santa Clara County, brisk new home sales, and relatively low mortgage rates, residential construction activity is expected to remain quite strong beyond the year 2000."<sup>54</sup> Commercial development is anticipated to reach \$350 million with significant renovation activity in the downtown area. "On a citywide basis, pending and approved development applications (as of November 1999) propose a total of over eight million square feet of new commercial space."<sup>55</sup>

## **POLICY FRAMEWORK FOR TRANSIT-BASED DEVELOPMENT**

### **Valley Transportation Authority's Policies**

The VTA has adopted a number of policies that encourage transit-based development in Santa Clara County. These policies were first established in 1993 and were based upon a report by Calthorpe Associates entitled, "Transit-Oriented Development Design Concepts." This report outlined policies for site selection, development criteria for commercial and residential areas, the use of local street circulation systems, the design of transit stops, and parking requirements. According to the report, a walkable environment is the key to these developments. Walkable areas are defined as an area within 2,000 feet or five minutes walking distance of a transit stop. Within a walkable area there should be local retail businesses, parks, and civic services, as well as the ability to combine trips to everyday activities. The walkable area should be pleasant with tree-lined streets and building entrances that connect transit stops with local destinations. To accomplish these goals, VTA applies three key principles to its planning efforts:

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<sup>52</sup>ABAG, Projections 98.

<sup>53</sup>Ibid.

<sup>54</sup>City of San Jose, Development Activity Highlights and Five-Year Forecast, 2.

<sup>55</sup>Ibid.



- Diversifying land uses
- Intensifying activities within walking distances of stations
- Creating pedestrian links to connect transit facilities to the surrounding communities

VTa is applying these concepts to three major projects. These projects are:

- **Ohlone-Chynoweth Conceptual Plan.** The Ohlone-Chynoweth area in South San Jose is approximately one square mile. The plan will emphasize a high concentration of residential development with direct pedestrian links to the adjacent transit station.
- **Almaden Lake Village.** This 250-unit high-density development in the Almaden area of San Jose is the focus of the case study below.
- **Tasman Station Area Concept Plans.** Concept plans have been developed for three stations along the Tasman light rail line. These plans emphasize pedestrian and transit-oriented environments.

### **The City's General Plan**

The City of San Jose's goals and objectives for physical development are described in its general plan. These goals include job capture and creation, land use intensification along major transportation facilities, jobs and housing balance improvement, and modest development beyond the 1993 Urban Service Area Boundary.<sup>56</sup> San Jose's policies to encourage transit-oriented development are based on the findings of the 1991 San Jose Housing Initiative Study, which identified significant opportunities for high-density housing along major transportation corridors.<sup>57</sup>

Of specific relevance to this document is land use intensification. The general plan describes "intensification corridors" (or "transit-oriented development corridors") as areas suitable for higher residential densities, more intensive non-residential uses, and mixed uses.<sup>58</sup> These corridors are centered along existing or planned LRT lines or major bus routes. Though not precisely defined, the corridors include properties within approximately 500 feet of the right-of-way of a corridor's central transportation facility or within 2,000 feet of an existing or planned LRT line.<sup>59</sup> The purpose of these corridors is to

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<sup>56</sup>General Plan, 1994, 30, 130.

<sup>57</sup>Midtown Specific Plan, 5.

<sup>58</sup>General Plan, 130.

“acknowledge the natural tendency toward development intensification in prime urban areas and to channel that development into areas where the intensified uses and public transit will be mutually supportive and will help create pedestrian-oriented neighborhoods.”<sup>60</sup> These corridors are expected to help achieve the city’s objectives of economic growth, more affordable housing opportunities, and the efficient delivery of urban services.<sup>61</sup>

There are “six transit-oriented development corridors where higher intensities of development are encouraged consistent with the goals and policies of the general plan.”<sup>62</sup> These are the Guadalupe, Stevens Creek Boulevard/West San Carlos Street, Santa Clara Street/Alum Rock Avenue, Winchester Boulevard, Capitol Avenue/Expressway, and Vasona LRT Corridors. Intensification along these corridors is expected to occur gradually and will depend on the further development of the LRT system. It is also expected that residential density in these areas will equal or exceed 20 units per acre. Amendments to the General Plan, the use of Discretionary Alternate Use Policies, and a General Plan designation of Transit Corridor Residential of 20 units per acre should encourage dense mixed-use and residential development. However, each site within these corridors is uniquely evaluated and some may contain characteristics that could lead to reduced density.

In general, sites within these transit corridors should conform to the following policies:

- Development inconsistent with the objectives of the corridor, such as low intensity residential uses and automobile related uses, should not be permitted.
- Residential development should occur at the higher end of the allowed density ranges and should typically be at least 20 dwelling units per acre or the maximum density allowed by the existing residential land use.
- Development should be compact and contain efficient use of existing services and facilities.
- Building fronts and entrances should be oriented to transportation facilities

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<sup>59</sup>Ibid, 131.

<sup>60</sup>Ibid.

<sup>61</sup>Ibid.

<sup>62</sup>Ibid.

and designed to encourage transit use and create a pedestrian friendly environment.

- Parking lots should be minimized or located to the rear or side of buildings and away from transit facilities.

The city estimates that at least 10,000 transit-oriented residential units have been constructed or are approved for development. Most of these developments are located near LRT lines. City leaders anticipate that areas designated as Transit-Oriented Development Corridors, in conjunction with the city's Greenline (the designated perimeter of urbanization in San Jose that is intended to preserve open space resources and discourage growth in non-urban areas), will produce intense development and redevelopment within existing residential areas and more compact development near transit resources.<sup>63</sup>

### **Zoning Incentives**

Although the city does not have a specific zoning designation for transit-based development, it has used its Planned Development (PD) zoning for these developments. Properties that are used for transit-based development are re-zoned and designated Planned Development (PD). Zoning applications are reviewed by various public agencies as well as by the city's departments for consistency with the city's general plan policies. These departments review these applications to identify public improvement requirements such as streets, storm and sanitary sewers, fire hydrants, and street lighting. Unlike the conventional zoning districts defined in the city's Zoning Ordinance, which designates development intensities and standards for residential, commercial, and industrial uses, PD zoning provides flexibility in the density and development standards for a particular site. By using a PD zoning, site developers, planners, and the city council can consider the unique characteristics of a site and its surroundings to better implement the objectives, goals, and policies of the General Plan.<sup>64</sup>

### **CASE STUDY: ALMADEN LAKE VILLAGE**

One transit oriented development project in San Jose is the Almaden Lake Village. This apartment complex, which was completed in 1999, contains 250 units and is located upon a nearly rectangular 7.1-acre parcel. The complex is bounded by a LRT station parking lot to the north, Coleman Road to the south,

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<sup>63</sup>General Plan, 38-39.

<sup>64</sup>General Plan, 197.

the Guadalupe River to the west and Winfield Boulevard to the east. Almaden Lake Village is adjacent to and northwest of the headquarters of the Santa Clara Valley Water District, which includes offices, maintenance shops, and recreational facilities available to the public. A trail along the western frontage of Almaden Lake Village was developed to connect to the city's Los Alamitos Trail Corridor. To the east of Winfield Boulevard and Almaden Lake Village is a multi-family, multi-story residential development, and across Coleman Road to the south is the recreational facility, Almaden Lake Park.

Almaden Lake Village was developed by a partnership of the VTA, the city of San Jose, and New Cities Development. No city funds were used for the project. It was financed primarily through \$27 million in city-issued, tax-exempt bonds and some \$5.3 million dollars were obtained from private resources. A provision for the receipt of the tax-exempt bonds was that 50 units, 20 percent of the complex's units, would be available to low-income households for a period of 30 years.<sup>65</sup> The project includes two, three-story residential podium structures. The 250-unit complex contains 100 one-bedroom units, 129 two-bedroom units, and 21 three-bedroom units. Amenities within the project include a clubhouse, pool, spa, and laundry facilities. The density of the project is 35.2 units per acre. In order to provide privacy from the adjacent LRT parking lot and station, the apartments and the parking and common areas are accessed by security gates.

Almaden Lake Village is on land that is leased from the VTA. The land had been vacant at least since the 1950s. Aerial photographs show that the property was paved and utilized as an extension to VTA's Park and Ride lot during the 1980s. At the time of the residential development application, the site was zoned M-1. The application requested that the site be rezoned to A(PD). The general plan designation at the time of the application was Transit Corridor High Density, with a density of 12+ units per acre. Since the site was paved, no significant topographic features existed on the site. Similarly, no rare or endangered species of flora or fauna were known to inhabit the site and no significant trees existed. Finally, no significant hazardous materials were present on the site. Although the parcel was in an area of potential geological sensitivity, all potential problems could be mitigated with standard engineering and construction techniques according to the geotechnical surveys made.

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<sup>65</sup>Department of Housing, *A Decade of Affordable Housing*, 26.

The majority of the development's 400 parking spaces are below grade with a limited number of parking spaces located at grade. There are two access roads to the project: from Winfield Boulevard to the east and Coleman Road to the south, both of which provide public access to the Almaden LRT station and its associated parking lot. The parking ratio that was approved for Almaden Lake Village equaled 1.6 spaces per dwelling unit, 0.1 spaces per unit below that called for by the city's residential design guidelines. This six percent reduction in parking spaces, from 425 to 400 spaces, was acceptable because the project is adjacent to mass transit.

With the limited supply of rental apartments available in both San Jose and Santa Clara County, it is difficult to assess whether Almaden Lake Village is more attractive to renters than other developments. Also difficult to assess is whether residents make use of public transit, like LRT, more often than residents living in other developments that are more distant from public transit resources. No surveys have been made of residents in Almaden Lake Village concerning their methods of travel and routines.

The project should be considered successful as it is compatible with surrounding residential uses, offers residents the opportunity to take advantage of adjacent open spaces and waterways, is conveniently located near mass transit, and has amenities such as a community center and swimming pool. Furthermore, this complex combines units for very low-income residents with units without rental rate restrictions and gives residents of limited financial means the opportunity to live in a pleasant environment.

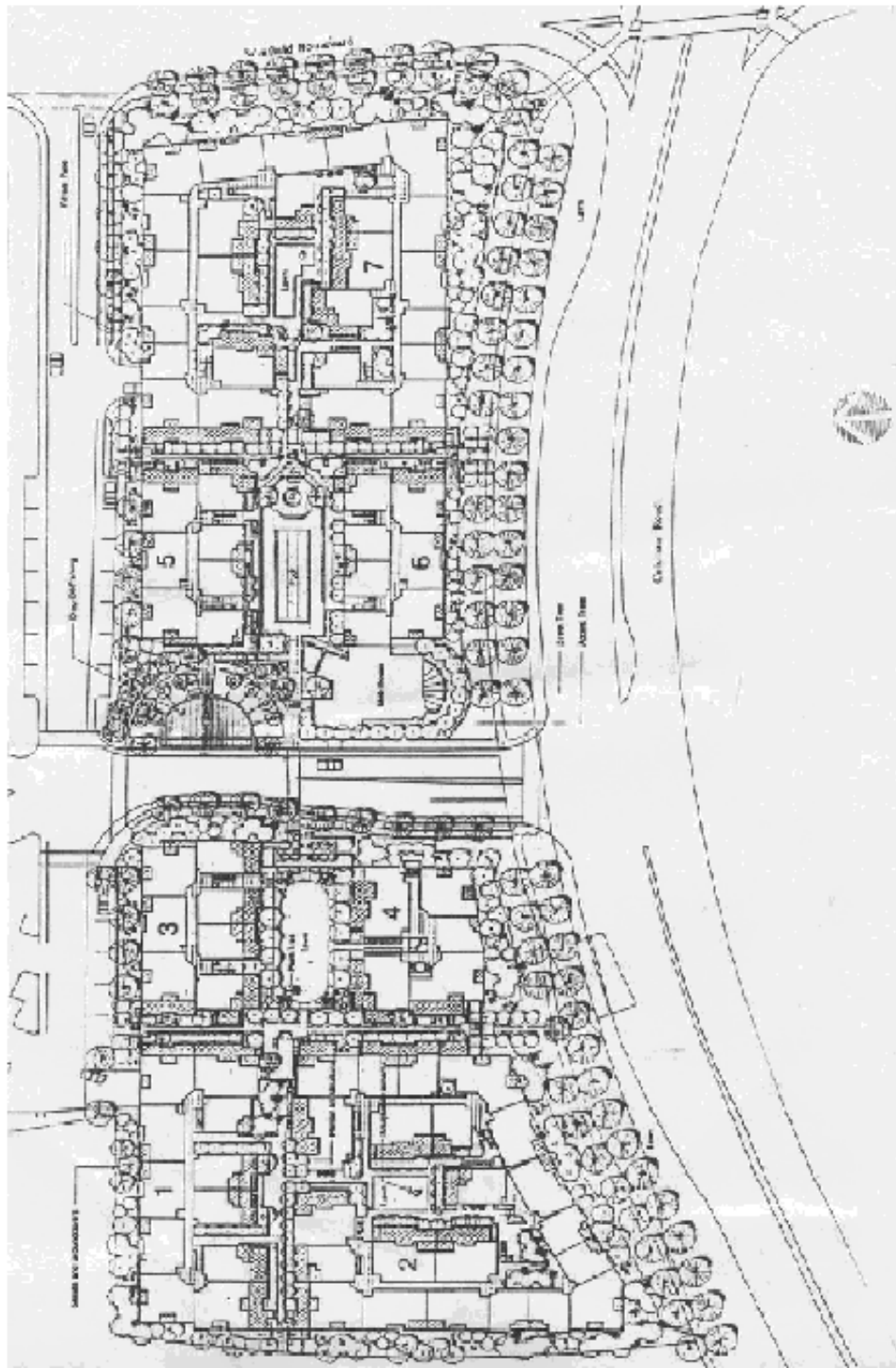
Finally, the project can be judged successful in that it aids in the accomplishment of the goals of three distinct entities: the city, the VTA, and the private developer, New Cities Development. This project serves the city of San Jose's goal of encouraging the development of housing units, the VTA's goal of increasing public transit usage, and the developer's goal of creating profit and producing an appealing product. Unfortunately, opportunities like this one are limited since the VTA has identified only a handful of sites in Santa Clara County with conditions that would allow similar development projects.



**Figure 2-1: Almaden Lake Village**



**Figure 2-2: Almaden Lake Village Neighborhood Map**



**Figure 2-3: Almaden Lake Village Site Map**



## MOUNTAIN VIEW

Mountain View in Santa Clara County, California, is a city committed to mass transit and to development along public transportation routes. Although Mountain View is a low-density residential city dependent on the automobile, city leaders believe that public transportation, bicycles, and walking will help to ease traffic congestion on the city's streets.<sup>66</sup> Mountain View's commitment to mass transit and alternate forms of transportation was shown by its contribution of \$15 million towards the construction of a light rail line through Mountain View. The city also promotes mass transportation through its General Plan goals and policies, which encourage high-intensity development and a concentrated mix of uses along transit lines.<sup>67</sup>

Transit-oriented development (TOD) with high-intensity development is specifically promoted through Mountain View's rezoning strategies and transit overlay zones for commercial areas. Residential properties that have been rezoned and commercial areas identified as suitable for TOD are described in four of the city's precise plans. Precise plans enable the city's leaders and planning commission to guide redevelopment in targeted areas so that proposed changes to the city's landscape will benefit the entire community.<sup>68</sup>

These four precise plans also establish zoning frameworks for residential and industrial community areas near mass transit that are expected to undergo significant changes.<sup>69</sup> Within residential areas, this zoning can permit developers to construct residential units at a density of 15 to 40 units per acre. The construction of commercial TODs is promoted through increased floor area ratios (FAR). FAR is the ratio of the total floor area to the gross site area, including public and private streets.<sup>70</sup> The city's zoning regulations limit the allowable floor area of industrial and office buildings. Floor area restrictions are an attempt to manage traffic congestion by balancing new jobs with new and available housing in the community.<sup>71</sup>

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<sup>66</sup>City of Mountain View, General Plan, 39.

<sup>67</sup>Ibid, 30.

<sup>68</sup>Ibid, 42.

<sup>69</sup>Whisman Specific Plan, 1.

<sup>70</sup>Whisman Specific Plan, 6.

<sup>71</sup>General Plan, 36.

Though each precise plan is unique, examples from the Whisman Station Plan show the methods by which TOD is encouraged. The Whisman Station Plan covers 75 acres north of Central Expressway, between State Route 237 and Whisman Road. Most of this land was re-zoned from industrial to residential in the 1990s.

The Tasman light rail line is adjacent to the properties identified in the precise plan. Mountain View's General Plan proposes that along this section of the light rail line there should be a mix of corporate offices, industrial and multiple-family residences.<sup>72</sup> The objectives found in the Whisman Station Precise Plan implement the goals found in the city's General Plan and serve as the basis for specific development criteria. These objectives require that the precise plan:

- Establish land use and urban design standards and guidelines that embrace the future rail station as the focal point of a new mixed-use community.
- Provide for residential densities and industrial and office intensities that will support the public investment in light rail.
- Integrate new residential uses with existing and redeveloping industrial areas.

Some of the design guidelines described in the Whisman Station Precise Plan require:

- Residential units must contain at least one enclosed and secure bicycle-parking facility (defined as a bike locker, a locked room or enclosure accessible only to owners of the bicycles, or an enclosed cage).
- There is a direct, convenient, and pleasant pedestrian access to the Light Rail Station and to the residential portion of the Precise Plan.
- Industrial areas include rideshare waiting and drop-off areas, preferential parking for carpools and vanpools, bicycle parking, showers, and other features designed to encourage the use of alternatives to the automobile.

The precise plan also encourages mixed-use projects and the placement of the highest density residential projects along major transit lines and around stations, a policy found in the city's general plan.<sup>73</sup>

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<sup>72</sup>Whisman Specific Plan, 2.

<sup>73</sup>Ibid, 3.

The Whisman Station Precise Plan identifies a mix of four types of units that should be developed. These are medium-small lot single family, small lot single family, low-density townhouses, and high-density townhouses.<sup>74</sup> A new transit oriented neighborhood with 580 residential units, a light rail station, and two one-acre neighborhood parks will be constructed within the boundaries of the precise plan and developed in accordance with its objectives. To date, a total of 213 small-lot single-family homes and 98 townhouses have been constructed.<sup>75</sup>

The City of Mountain View has also established a zoning ordinance known as the transit district or T-zone (SEC. 32.22B). This is a floating district that is intended to permit future growth and redevelopment in industrial and office areas that are served by transit and are in need of rejuvenation. The T-zone is also utilized to implement land use, circulation, and urban design policies that encourage rail, bicycle, and pedestrian travel.<sup>76</sup> The T-zone can only be applied to properties that are zoned for industrial and commercial uses and are within two thousand feet of a rail transit station. Other criteria that are examined prior to granting the T-zone designation include the degree to which the site will contribute uses or facilities that reduce users' dependence on automobiles, and whether the site's physical barriers or traffic and pedestrian features make access undesirable or infeasible.<sup>77</sup>

Properties that receive the T-zone designation may apply for a higher floor area ratio (FAR). However, to receive the increased FAR the project must seek a TOD permit, incorporate transit-related facilities, and comply with development standards intended to increase transit ridership. If granted the TOD permit, the number of parking spaces typically required for a commercial development may be reduced and utilized for aesthetic amenities or landscaping. Depending on the size of the project, the developer may be required to accomplish all of the following:

- Incorporate ground level design elements that attract pedestrians and bicyclists and reinforce pedestrian activity.

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<sup>74</sup>City of Mountain View, Development Along the Light Rail Line in Mountain View, December 1999, 6.

<sup>75</sup>Ibid, 6.

<sup>76</sup>Zoning Ordinance 36.22B, 564.

<sup>77</sup>Ibid.

- Build rideshare waiting and drop-off areas and preferential parking for carpools and vanpools
- Institute commuter programs (shuttles to transit and transit pass programs).
- Construct on-site food service or special on-site employee services and facilities such as exercise rooms and automated teller machines.
- Contribute fees or create an assessment district to offset improvements planned as part of the Tasman Light Rail line.

The TOD policies were established to facilitate access to alternate sources of transit and to counter the imbalance of housing and employment that by 2005 is projected to be 1.68 jobs per employed Mountain View resident.<sup>78</sup> Funding from the City of Mountain View for the development of TODs is not needed given the high demand for housing in the San Francisco Bay Area. Instead, developers of TODs benefit from the increased densities and FARs permitted through the policies previously described.

Mountain View utilizes density bonuses as perhaps the most powerful tool in attracting TODs. The city's residential developments have three times the average density of Santa Clara County.

In January of 1999, the City of Mountain View adopted a Below Market Rate program (BMR). The program became effective in March of 1999 and applies to new residential developments of three or more units for sale and five or more units for rental purposes.<sup>79</sup> The program requires that 10 percent of all units meet affordability requirements established by the city and that the sale or rental of these units must first be made available to teachers and public safety employees. Units constructed within precise plan study areas are not exempt from this program's requirements.

### **CASE STUDY: THE CROSSINGS DEVELOPMENT**

Precise planning led to the development of The Crossings, an 18-acre transit-oriented mixed-use development adjacent to a new Caltrain commuter rail station.<sup>80</sup> The development occurred on the site of the Old Mill, a failed 1970s shopping center. The site now includes three parks and 358 housing units that include everything from detached homes to small apartments.

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<sup>78</sup>Mountain View General Plan, 36.

<sup>79</sup>City of Mountain View, Economic Development Highlights, Fall 1999, 14-15.

<sup>80</sup>Theory in Action, [www.abag.ca.gov/planning/theoryia/compmtnview.htm](http://www.abag.ca.gov/planning/theoryia/compmtnview.htm)

The development was enabled by the San Antonio Station Precise Plan, which divided the area into five sub-areas. The Crossings was developed in “Area D,” an area bounded by California Street, Central Expressway, Showers Drive, Pachetti Way, and the Old Mill Office Building Site. The city conceived “Area D” as an opportunity to combine housing, transit, and proximity to shopping services, making it ideal for higher-density residential development.



**Figure 2-4. The Crossings**

Numerous policies helped shape the resulting development of the project site, including the following transit-specific policies:

- The redevelopment of Area D shall facilitate and be coordinated with improvement of transit facilities, including a train platform and station for CalTrain, and bus stop facilities for county buses. Strong visual and physical connections between the transit zone and the core of Area D will be established.
- Retail/service uses in the plan area should be primarily oriented to transit and limited to neighborhood-serving retail and service uses that complement rather than compete with the regional retailing and service activities in the adjacent San Antonio Shopping Center and other nearby shopping areas. Neighborhood-serving uses of this type would include restaurants, personal service uses, entertainment facilities, and specialty retail stores.

In addition to its broader policies, the City of Mountain View provides density

incentives to make the development more attractive to developers. The project site has an average density of 21 to 35 units per acre, but different phases of the development have densities ranging from 21 units per acre to 60 units per acre.

## **SAN FRANCISCO**

### **Background**

San Francisco, named for St. Francis of Assisi, is California's fourth largest city with a population of 801,377 people.<sup>81</sup> Situated on the northern most point of the San Francisco Peninsula, the "City by the Bay" covers 46.7 square miles and is considered the cultural focal point of Northern California. In 1990, the city's population totaled 723,959; by 2010 the total is expected to reach 819,000.<sup>82</sup>

While considered a city for walkers, most residents rely on personal automobiles and mass transit to access employment, shopping, recreation, and other needs. The city is accessible by automobile from Interstate (I) 280 from the south, U.S. Highway 101 from both north and south, and I-80 from the East Bay area. Thousands of automobiles cross the Golden Gate Bridge and the San Francisco-Oakland Bay Bridge daily. The San Francisco Municipal Railway (MUNI) operates trolley, light rail, and bus service throughout the city. Caltrain runs hourly trains between San Francisco and the South Bay. The Bay Area Rapid Transit (BART) offers people an alternative to the automobile for travel to and from the East Bay. Also, thousands of people use ferries to travel across the bay to various destinations every day.

With overly-crowded streets and limited parking in San Francisco, mass transit has become the focal point in local government's efforts to improve circulation and livability within its neighborhoods. In a city with little undeveloped land, San Francisco's planners have been forced to look at new and innovative ways to provide housing and services to its residents, and to address transportation needs. They are trying to reduce reliance on the automobile with plans and policies that develop more transit services between neighborhoods.<sup>83</sup>

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<sup>81</sup>California Department of Finance, California Cities Ranked by Total Population, January 1, 2000, [www.dof.ca.gov/html/Demograp/RcityTP.htm](http://www.dof.ca.gov/html/Demograp/RcityTP.htm)

<sup>82</sup>City and County of San Francisco, Statistics, [www.sf.ci.ca.us/sfststatistics/](http://www.sf.ci.ca.us/sfststatistics/)

<sup>83</sup>City and County of San Francisco, Planning Department, Land Use Support for the Mission Street Transit Corridor, 1, March 12, 1999.

## **TRANSIT DEVELOPMENT PARTNERS**

The following agencies have been working together to form and implement transit oriented policies within San Francisco.

### **City and County of San Francisco**

In 1998, the City and County of San Francisco established a Transit-Oriented Development branch in its Planning Department to address the need for more compact development interlinked with transit service.<sup>84</sup> In 1999, the Planning Department applied for and received a Federal Highway Administration, Transportation and Community, and System Preservation Program (TCSP) grant to prepare a transit-oriented land use plan for the Balboa Park Station in the Mission Street Transit Corridor, which is to be used as a model for transit-oriented development throughout San Francisco.<sup>85</sup> The Department also requested and received funds from the city's budget to support the program to fund two additional transit-oriented community use plans.

The Mission Street Transit Corridor extends along Mission Street, one of San Francisco's main north-south streets and a major commercial thoroughfare. Located in the Mission District within the southeastern part of the City, this high-density corridor is home to mainly low- and medium-income residents. It is a primary regional transit link between San Francisco, the Peninsula to the south, and the East Bay and is served by BART, bus, and rail.<sup>86</sup>

The other two transit-oriented community use plans are the Market and Octavia Neighborhood, and the Central Waterfront Neighborhood.

The TCSP Program is based on a number of objectives that include improving the efficiency of the existing transportation system and reducing the impacts of transportation on the environment.<sup>87</sup> Another key objective is to identify strategies that will encourage private sector development patterns to achieve the program's goals.<sup>88</sup>

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<sup>84</sup>Amit Ghosh, Senior Planner, City and County of San Francisco, Planning Department, personal conversation April 25, 2000

<sup>85</sup>City and County of San Francisco, Planning Department, Land Use Support for the Mission Street Transit Corridor, 1, March 12, 1999

<sup>86</sup>City and County of San Francisco, Planning Department, Land Use Support for the Mission Street Transit Corridor, 3, March 12, 1999

<sup>87</sup>Ibid, 5.

<sup>88</sup>Ibid, 6.

San Francisco's planners are focused on establishing strong links between transit activities and land uses to ensure that neighborhoods have a combination of residential, commercial, service, and employment activities supported by transit. By increasing transit efficiency and opportunities, the city hopes to encourage less use of automobiles, resulting in less negative environmental impact and "safer, more pedestrian-friendly" neighborhoods.<sup>89</sup> Further, the resulting transit oriented, urban community plan will identify opportunities for private sector infill development and improvements and neighborhood initiatives. Neighborhood initiatives will consist of smaller land use improvements that can be implemented by the local residents.

### **San Francisco County Transportation Authority**

San Francisco voters created the San Francisco County Transportation Authority (SFTA) in 1990 to implement the one-half percent sales tax passed the year before. Designated as the Congestion Management Agency for the City and County of San Francisco, SFTA is responsible for developing the Congestion Management Program, and the 20-year transportation plan.<sup>90</sup>

The Authority works with the planning department and other city agencies to develop and implement the long-range transportation plan. The plan includes a prioritized list of transportation investments that are chosen based on funding opportunities and local government and citizen input. A draft transportation plan is being developed, but specific projects are not yet defined.

The SFTA is not actively involved in the initial planning stage for the transit-oriented development plans. Once the community workshops are completed and plans have been finalized, the planning department will work closely with SFTA to determine priority projects and establish funding.<sup>91</sup>

### **San Francisco Municipal Railway**

San Francisco Municipal Railway (MUNI), the seventh-largest public transit system in the U.S., with an average daily weekday passenger boarding of 700,000<sup>92</sup> has been in operation since 1912. MUNI has a fleet of approximately 1,000 vehicles, consisting of Metro streetcars, electric trolley buses,

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<sup>89</sup>Ibid, 6.

<sup>90</sup>San Francisco County Transportation Authority, [www.ci.sf.ca.gov/sfta/](http://www.ci.sf.ca.gov/sfta/)

<sup>91</sup>Ken Rich, Neighborhood Plan Coordinator, San Francisco Planning Department, personal conversation, August 17, 2000.

<sup>92</sup>San Francisco Municipal Railway, [www.sfgov.org/muni/](http://www.sfgov.org/muni/)



diesel buses, and cable cars.

### **Metropolitan Transportation Commission**

The Metropolitan Transportation Commission (MTC) is the San Francisco region's Metropolitan Planning Organization (MPO). It is responsible for the Regional Transportation Plan, and "screens local agencies requests for state and federal funding for transportation projects to determine their compatibility with the plan."<sup>93</sup> After the U.S. Congress enactment of the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991, MTC created the Bay Area Partnership, which advises the commission on the administration of federal funds for reducing congestion and air pollution in the Bay Area. The partnership includes local, state, and federal agencies.

MTC also provides planning and capital grants through its Transportation for Livable Communities (TLC) program. Planning grants are awarded for plan developments, and capital grants are given for the construction of plans already completed. San Francisco has applied for grants under this program to implement its policies but has not been selected. The planning department has submitted a request again this year, 2000.

### **Association of Bay Area Governments**

The Association of Bay Area Governments (ABAG) is the Bay Area's regional planning agency, responsible for investigating and solving local land use, housing, environmental quality, and economic development issues. Sponsored and operated by 100 cities and nine counties in the Bay Area, ABAG relies on the cooperation of all local governments to address current and future planning needs in its 7,000 square mile sphere of influence, with more than 6 million inhabitants.<sup>94</sup> Specific services include demographic information and data analysis, conference services, and training programs. ABAG also provides capital financing.

ABAG supports and encourages regional efforts in developing livable communities that rely less on the automobile and more on pedestrian and transit networks. Its "Making Better Communities by Linking Land Use and Transportation" program supports changing local plans (general plans) and programs to promote community-oriented developments that integrate land uses and development patterns that can utilize transit systems.<sup>95</sup>

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<sup>93</sup>Metropolitan Transportation Commission, [www.mtc.ca.gov/](http://www.mtc.ca.gov/)

<sup>94</sup>ABAG, [www.abag.ca.gov/](http://www.abag.ca.gov/)

### **Bay Area Rapid Transit**

The Bay Area Rapid Transit (BART) concept was born in 1957 as a solution to increasing congestion across Bay Area bridges. BART was opened in September 1972, with the 28-mile span between Fremont and MacArthur Station in Oakland. Today, BART covers 95-miles and has 39 stations along five lines of double track.<sup>96</sup>

In the spring of 2000, BART co-hosted community workshops for the renovation of the 16<sup>th</sup> Street and Balboa Park Stations. The 16<sup>th</sup> Street workshop was co-hosted by the Mission Housing Development Corporation, Mission Economic Development Association, San Francisco Department of Public Works and the Metropolitan Transportation Commission. The second workshop was co-hosted by the San Francisco Planning Department and MUNI. Several hundred local residents participated in the meetings. Supervisor Amos Brown was present for the Balboa Park workshop.

### **POLICY FRAMEWORK FOR TRANSIT-BASED DEVELOPMENT**

#### **Transit-Oriented Community Use Plan**

Through an established work plan, the city's goal is to prepare specific area plans that draw on the strengths of the community to establish strong pedestrian and transit networks, and minimize dependency on the automobile.<sup>97</sup> Through these specific plans, the city will recommend "public improvements, public and private partnerships for preservation and infill, neighborhood initiatives, and incentives for private-sector actions."<sup>98</sup> Currently the city is working on three plans: The Balboa Park Station Area Plan, the Market and Octavia Neighborhood Plan, and the Central Waterfront Neighborhood Plan. The project schedule requires the plans to be finalized by the Planning Department in early 2001 for adoption by the Planning Commission in January 2002. The Board of Supervisors will receive the plans after the Planning Commission adoption. Other agencies involved in the planning process will also review the plans.

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<sup>95</sup>ABAG, [www.abag.ca.gov/planning/lut/](http://www.abag.ca.gov/planning/lut/)

<sup>96</sup>Bay Area Rapid Transit, [www.bart.org/](http://www.bart.org/)

<sup>97</sup>City and County of San Francisco, Planning Department, Work Program and Budget, Transit-Oriented Community Use Plans, 1, March 23, 1999.

<sup>98</sup>Ibid.

**Zoning**

While the city's general plan does not have a land-use element (although it does have an urban design element adopted in 1974), and does not discuss transit-oriented development, the zoning code does make allowances for them. Recent changes to zoning policy have made planning for transit-oriented districts easier for the planning department.

*RC-4 Districts (Residential-Commercial-Combined, high-density)*

RC-4 Districts encourage compatible commercial ground floor uses in high-density residential dwellings in mixed-use neighborhoods. This zone will be helpful in encouraging transit-oriented development because it does not allow for auto-oriented uses.

*Mixed-Use Districts*

Mixed-Use Districts provide comprehensive and flexible zoning. This zoning designation can greatly enhance the prospects of transit based development because it allows for a wide variety of commercial uses at higher densities and can be applied to pedestrian and transit routes.

*NC-Districts (Neighborhood Commercial Districts)*

Neighborhood Commercial Districts are tailored to meet the characteristics of specific areas. Four zones are provided: NC-1 (Cluster District), NC-2 (Small-Scale), NC-3 (Moderate Scale) and NC-S (Shopping Center District).

NC-2, which will be designated in the Balboa Park Station Plan, permits linear shopping streets that serve surrounding neighborhoods and a limited wider market. This type of district allows for a range of goods and services to be provided and is situated along collector and arterial streets that have transit routes. Housing and other land uses may be interspersed between the commercial uses. Mixed-use building with residential units above ground-floor retail is encouraged.

**CASE STUDIES****Balboa Park Station**

Mission Street is a major commercial thoroughfare, and one of the city's main north-south roadways.<sup>99</sup> It is a densely populated corridor, well served by transit. Along with downtown's Market Street corridor, Mission Street is "the primary regional transit link between San Francisco, the Peninsula to the

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<sup>99</sup> Land Use Support for the Mission Street Transit Corridor, 3.

south, and the East Bay.”<sup>100</sup>

Three rail lines, one electric trolley line, and seven bus lines converge at the Balboa Park Station. The light rail lines are the J (Church), K (Ingleside), and the M (Oceanside) lines. The number 14 electric trolley runs the length of Mission Street. Local bus routes are covered by the 36 line (Balboa to Laguna Honda), and the 54 BART line (Balboa to Daly City). Lines 15 and 25 provide service to and from downtown, with connections to San Francisco City College and San Francisco State University respectively. Bus line 29 provides cross-town access by way of the Paul Street Caltrain Station and the Mission District, on to 25<sup>th</sup> Avenue. Another cross-town connection is provided by line 43, which crosses Judah, Geary, the Presidio and Fillmore. Line 88 is the BART/Caltrain Shuttle for East and South Bay commuters.

Residential density along the corridor is high, with most households occupied by low-and medium-income residents, many of whom rely on transit to go to their jobs.<sup>101</sup>

Balboa Park Station is located at the southern end of the Mission Street Transit Corridor, and serves as an intermodal hub. It is a transit center whose surrounding sidewalk and street system is described as hostile to pedestrians, transit, and automobiles.<sup>102</sup> However, the station is located in an established neighborhood from which many transit riders are drawn. Because Balboa Park Station has an established local and regional transit system, the city has pegged the station as having the potential to be a successful transit-oriented urban community.<sup>103</sup> The planning department feels there is a need for a link between the transit systems and identified appropriate land uses that together will strengthen the system and the community. Those identified land uses would include residential, retail, open space, and transit.

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<sup>100</sup>Ibid.

<sup>101</sup>Ibid, 4.

<sup>102</sup>Ibid, 3.

<sup>103</sup>Ibid.



**Figure 2-5: Balboa Park Station on Geneva Avenue**  
**Photo Courtesy of the San Francisco Planning Department, August 2000**

The Outer Mission, Ocean View, West of Twin Peaks, Crocker-Amazon, and Excelsior neighborhoods surround the station. Other neighborhoods in the transit corridor are Glen Park, Bernal Heights, Noe Valley, and the Mission. The work program for the Balboa Park Station plan is based on the involvement of all those neighborhoods in the planning process. The success of the final plan implementation will depend on the communities' direct participation in the planning process and ownership of the transit-oriented urban community plan. The exact area to be studied and planned has been determined by "comfortable walking distances to the station, existing land uses, (and) major destinations" in the vicinity of the station.<sup>104</sup>

Once the planning process is complete, an implementation program will be developed and the necessary planning controls will be improved or established to allow for successful implementation of the plan. Those controls may involve

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<sup>104</sup>Ibid, 9.

changes to the zoning code, development bonuses, or even changes in parking requirements.

Better Neighborhoods 2002 is a program created by the planning department to address changes happening within the city and to create better urban neighborhoods through the planning process. The plans will largely address housing and transportation challenges by establishing a strong relationship between land use and the transit system. The planning department also recognizes that “a great neighborhood also needs a full range of city services, safe and lively streets, gathering places, and an appreciation for its special character.”<sup>105</sup> Balboa Park is one of the first neighborhoods to be improved. The most recent step of the Better Neighborhoods 2002 program was a neighborhood workshop, a walking tour of Balboa Park Station area, and a bus tour of surrounding neighborhoods. Neighbors participating in the planning process were given workbooks as a tool for participation and for keeping abreast of the planning process for the station. Another workshop was held in late August.



**Figure 2-6: Neighborhood Walking Tour**

**Photo Courtesy of the San Francisco Planning Department, August 2000**

## **CONCLUSION**

More than 85 residents attended the Balboa Park Station Workshop in May 2000. Approximately one-fourth of that number participated in the walking

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<sup>105</sup>Better Neighborhoods 2002 Program, [www.betterneighborhoods.org](http://www.betterneighborhoods.org)

and bus tours. Overall, feedback to the planning department was positive.<sup>106</sup> After the August workshop participants will be presented with the collated input from the previous meeting and they will help to decide on ideas for community improvement. An additional workshop will be held sometime around Thanksgiving 2000. The planning department will also hold issue-oriented sessions with the community to present specific details of the plan for open discussion including important details such as parking and affordable housing.

The planning department was successful in involving the neighborhoods in the planning process. Apart from the workshops, tours, and focus sessions, the department has mailed postcard reminders for events, developed newsletters for each plan area, and established a Better Neighborhoods 2002 website.

The department has not yet formalized the incentives process but will probably incorporate the standard density and parking bonuses offered by other cities. Public and private partnerships will be pursued. Further, a program EIR will be developed that will save developers of appropriate projects time and money by alleviating them of the enormous task of preparing project EIRs.

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<sup>106</sup>Ken Rich, Neighborhood Plan Coordinator, San Francisco Planning Department.



**Figure 2-7: Balboa Park Station Study Area.**

**Photo Courtesy of the San Francisco Planning Department, August 2000**

## LOS ANGELES

### Background

The city of Los Angeles, California, founded in 1781, encompasses approximately 466 square miles and is one of 87 incorporated cities within Los Angeles County. Four major geographic regions make up the city: Metro (downtown), Western, San Fernando Valley, and the Harbor. In 1980, the population of Los Angeles was 2,966,763;<sup>107</sup> 20 years later the population has reached 3,823,000.

Within the city are 5,400 miles of roadways and over 160 miles of freeway.<sup>108</sup> According to the Department of Motor Vehicles, there were over 1.8 million registered vehicles within Los Angeles in 1990, which resulted in over 24

<sup>107</sup>City of Los Angeles, Los Angeles Basics, [www.ci.la.ca.us/labasics.htm](http://www.ci.la.ca.us/labasics.htm) (U.S. Census, 1980).

<sup>108</sup>Ibid.



million peak hour trips. The city operates four airports, including Los Angeles International (LAX), which is the fifth busiest airport in the world. Los Angeles is also home to the world's third busiest container port complex, the combined Los Angeles/Long Beach port.

While known for its freeway system, the city also has an extensive public transportation system. Over 200 bus routes cover the city, and its metro-rail system is comprised of three lines covering approximately 58 miles. The Los Angeles County Metropolitan Transportation Authority (LACMTA) oversees both systems.<sup>109</sup>

The city of Los Angeles has forged a partnership with the LACMTA and with the support of the Metropolitan Planning Organization has developed new land use policies that link land use and transportation planning with citizen input. The hope is that the new policies will pave the way for transit-oriented development in the city's neighborhoods.

## **TRANSIT DEVELOPMENT PARTNERS**

### **City of Los Angeles**

The Los Angeles City Planning Department is responsible for the maintenance and implementation of the city of Los Angeles' General Plan. Currently, the department is defining transit-oriented districts and developing a TOD plan.<sup>110</sup> A TOD plan is a policy that encourages transit-oriented projects through incentives such as density bonuses for residential development and parking reductions.

### **Los Angeles County Metropolitan Transportation Authority**

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is responsible for the Joint Development Section, which works to partner with other agencies and with private developers to develop public land. LACMTA is currently working with an economic consultant to determine the highest and best use for all publicly owned properties, and to identify potential partnerships. The Authority awards grants to cities for the undertaking of TOD planning financed by Sales Tax Revenue Bonds. LACMTA is also working with the city of Los Angeles to develop transit-oriented development guidelines.

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<sup>109</sup>Los Angeles County Metropolitan Transportation Authority, [www.mta.net/](http://www.mta.net/)

<sup>110</sup>Kevin Michel, Planner, Joint Development Section, Los Angeles County Metropolitan Transportation Authority, personal conversation, March 2000.

### **Southern California Association of Governments**

The Southern California Association of Governments (SCAG), the region's Metropolitan Planning Organization (MPO), serves Los Angeles, Orange, San Bernardino, Riverside, Ventura, and Imperial counties. Its mission is to provide "leadership, vision, and progress which promote economic growth, personal well-being, and livable communities for all Southern Californians."<sup>111</sup> SCAG's responsibilities include maintaining the Regional Transportation Plan and the resulting Transportation Improvement Program.

In 1996, SCAG produced its *Creating Livable Places Guidebook*, which promoted the creation of mixed-use communities that are pedestrian-friendly and transit-oriented. The guidebook highlights successful projects throughout Southern California, and encourages the implementation of policies and guidelines that will produce other such projects.<sup>112</sup>

### **POLICY FRAMEWORK AND INCENTIVES FOR TRANSIT BASED DEVELOPMENT**

#### **Los Angeles Neighborhood Initiative**

The Los Angeles Neighborhood Initiative (LANI), founded in 1994, is a neighborhood coalition that works with the Los Angeles County Metropolitan Transportation Authority to incorporate community recommended transit enhancements.<sup>113</sup> This community-driven neighborhood revitalization program provides seed funding for community planned improvement projects and trains community members in project planning and development. LANI also provides technical assistance for community organizations involved in the developing and sustaining of neighborhoods.

Initially begun as a three-year demonstration project, LANI has become a permanent non-profit, public-benefit program and is federally recognized as a national model for community-driven revitalization.<sup>114</sup> Its focus is on creating safe and attractive pedestrian and transit neighborhoods. LANI partners with local and federal government to attract public funds for revitalization and has been successful in attracting contributions and technical assistance from local private corporations.

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<sup>111</sup>Southern California Association of Governments, [www.scag.org](http://www.scag.org)

<sup>112</sup>SCAG, [www.scag.ca.gov/livable/](http://www.scag.ca.gov/livable/)

<sup>113</sup>Ibid.

<sup>114</sup>Ibid.

## Zoning

### *R-Zones*

R5 multiple dwelling zones allow for uses including hotels, non-profit clubs or lodges, hospitals, schools, churches, and all forms of residential dwellings.

### *CR-Zones*

Limited Commercial Zones allow for uses including churches, schools, and mini-shopping centers. Also permitted are the following uses, if the businesses are fully confined within an enclosed structure:

- Banks
- Business colleges, professional or scientific schools or colleges
- Hotels
- Child care centers or nurseries
- Nonprofit museums or libraries
- Pharmacies

### *Exceptions*

Developments that combine residential and commercial uses are permitted in C-Zones as long as they are in an area designated as Regional Center, Regional Commercial, High-Intensity Commercial, or any redevelopment area, subject to city council approval.

## General Plan

The Citywide General Plan Framework Element, adopted in 1996, is a long-range growth strategy that guides the update of community plans and other General Plan Elements. The purpose of the element is to present “Concept Los Angeles,” which focuses growth away from single-family neighborhoods and into centers.

To accommodate projected growth, new land use categories were established in order to support the viability of existing communities and to encourage sustainable growth in the form of high-intensity commercial and mixed-use districts. Policies include the designation of districts and centers in areas already served by transit or planned for transit, and the provision of bonus densities for projects that combine housing and commercial development.

### *Neighborhood Districts*

Neighborhood districts have a pedestrian-oriented retail focus that serve surrounding residential neighborhoods of 15,000 to 20,000 persons. Intensity

is low.

### *Community Centers*

Community centers contain a diversity of land uses; emphasis is placed on developments that integrate residential and commercial uses. These centers serve as “downtowns” for communities of 25,000 to 100,000 persons and are of medium density.

### *Regional Centers*

Regional centers are focal points that combine corporate business offices, entertainment and cultural facilities, and mixed-use development. They serve 250,000 to 500,000 people and are high density.

### *Mixed-Use Boulevards*

Mixed-use boulevards are served by a variety of transportation facilities, and incorporate commercial and residential development. These boulevards are intended to connect the neighborhood districts, community and regional centers, and the downtown.

Permitted developments in these areas include residential above commercial, side-by-side residential and commercial, and alternating blocks of residential and commercial.

### *Transportation Policies*

The element’s transportation policies encourage the formation of public/private partnerships for joint developments that incorporate transit facilities. The development of transit alignments and station locations is promoted in “activity centers” around stations.

## **CASE STUDIES**

### **Hollywood/Highland Station**

Hollywood/Highland Station is a recent LACMTA joint development project along the Metro Red Line. Located at Hollywood Boulevard and Highland Avenue in Hollywood, the station is one of three new stops opened on the line from downtown Los Angeles to the San Fernando Valley. The Metro Red Line extends 17.4 miles, and within one week of the June 24, 2000 opening, daily boardings have increased from 65,150 to 120,516: an 85 percent increase.<sup>115</sup>

Development around the station will result in a 640,000 square foot retail and

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<sup>115</sup>Los Angeles County Metropolitan Transportation Authority, Press Releases, [www.mta.net/press](http://www.mta.net/press)

entertainment complex. The redevelopment of one-and-a-half city blocks on Hollywood Boulevard adjacent to Mann's Chinese Theater will provide a 500,000 square foot retail area, a 3,300 seat live broadcast theater that will be the future venue of the Academy Awards ceremony, and a multiplex cinema.<sup>116</sup> The TrizecHahn Corporation, based in Ontario, Canada, was selected by the Redevelopment Agency as the developer for this project, and groundbreaking took place on October 8, 1998. The project is under the direction of the TrizecHahn Development Corporation in San Diego.

The city of Los Angeles sold revenue bonds to fund the project's 300-car subterranean garage, which will be leased to the commercial activities. LACMTA provided a portion of the land for development and has forecasted a 10 percent return on its investment upon completion of the project.

### **Willow Street Station**

The recently completed project at Willow Street Station off American Avenue in Long Beach began as a parking expansion for another station one stop north. Funds obtained by LACMTA were to be used to purchase property and build a parking facility for the Wardlow Station on the Metro Blue Line, which had a severe parking shortage. Transit patrons had been parking on city streets and walking up to a third of a mile to the station. However, during the planning process, an adjacent high-rent residential neighborhood opposed the project, forcing LACMTA to look for other solutions. The city of Long Beach Redevelopment Agency happened to own several properties adjacent to the Willow Street Station and approached LACMTA about transferring the funding to another project.

The Redevelopment Agency had been looking to redevelop the area around the Willow Street Station, which includes its own properties and that of a trailer home operator. By working with LACMTA to locate the much-needed parking facility at Willow Street, the Agency was able to accomplish the objectives of both agencies. The result was that the Redevelopment Agency applied to LACMTA for the available funds, acquired the trailer park, reassembled the parcels to provide sufficient area for the parking facility, and developed the rest for much needed community retail services. Thus, LACMTA was able to provide parking for its patrons without having to undertake land acquisition and relocation, while the city of Long Beach was able to provide services for

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<sup>116</sup>TrizecHahn Corporation, [www.trizechahn.com](http://www.trizechahn.com)

its adjacent community.<sup>117</sup>

## CONCLUSION

The city of Los Angeles, like the city of San Diego, has seen the need for and benefit of transit- and pedestrian-oriented development. Unlike San Diego, however, Los Angeles does not have available land for future urbanization, and must instead focus on redeveloping and revitalizing existing neighborhoods in a manner that encourages less dependence on the automobile. The city has provided a framework to encourage growth in existing community centers, in the form of high-density commercial and mixed-used districts. Working with the Metropolitan Transportation Authority and the Southern California Association of Governments, the city has pursued joint development efforts with other agencies and private developers for the development of public land around transit facilities.

While some success has been experienced, it remains to be seen if the residents of Los Angeles will ever be able to leave their automobiles behind. With over 160 miles of freeway and 5,400 miles of roadways over 466 square miles, Los Angeles is built for the automobile.

## SAN DIEGO

### Background

San Diego, California, is a renowned tourist destination with its Pacific Ocean setting, excellent weather, proximity to Mexico, and numerous popular attractions including Sea World and the San Diego Zoo. It is also home to a growing number of major industries such as biotechnology, software, and telecommunications.<sup>118</sup> Situated just 17 miles from the U.S.-Mexico border, San Diego has become a popular location for businesses interested in the Latin American and Pacific Rim markets. With its air, sea, and rail network, the city provides direct access to international trade.

In 1990, the city's population was 1,110,549.<sup>119</sup> By 2000, the sixth largest city in the country has become home to over 1.2 million people; by the year 2020 the population is expected to increase by 1 million to a total population

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<sup>117</sup>Nelia Custodio, Planner, Los Angeles County Metropolitan Transportation Authority, personal conversation, April 2000.

<sup>118</sup>City of San Diego, Facts, [www.sannet.gov/](http://www.sannet.gov/)

<sup>119</sup>Ibid.

of over 2.2 million.<sup>120</sup>

Traditionally, this southern California city has been suburban in nature with an abundant supply of available land for development. In the 1980s, construction of multifamily units outnumbered single-family units. By 1995, the trend had reversed, with single-family home construction comprising more than 70 percent of housing development in the area.<sup>121</sup> As San Diego emerged from the recession of the early 1990s, the trend toward single-family development in suburban settings continued. At the end of the decade local government began to look at the San Diego of the future and realized that many of the consequences of urban sprawl that had already been experienced in other cities within the state, were likely to be experienced locally if their approach to planning and development did not change. Development in San Diego was occurring in a manner that was not transit-supportive, and local government recognized the need to explore opportunities for the promotion of transit-oriented development.

### **Transit System**

To combat continued sprawl and reduce the demand for increased roadway capacities, San Diego's civic and community leaders are looking at transit-oriented developments (TODs) as a means to create more efficient and livable communities.<sup>122</sup>

Public and private partnerships have been formed to develop projects that provide housing, services, and jobs oriented around transit. The San Diego Metropolitan Transit Development Board (MTDB), together with the city of San Diego, has developed new land use policies and strategies to allow for the implementation of several TOD projects and allow for the planning of over a dozen more.

### **Transit Development Partners**

#### *San Diego Metropolitan Transit Development Board*

MTDB is largely responsible for the coordination of transit projects in the San Diego metropolitan area. The agency oversees the San Diego Trolley and

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<sup>120</sup>Ibid.

<sup>121</sup>Bragado, Nancy S., Transit Joint Development in San Diego, Policies and Practices, Transportation Research Record, Paper No. 99-1514, 22-29, September 1999.

<sup>122</sup>Metropolitan Transit Development Board, Transit-Oriented Development in San Diego, 1999.

the region's bus service, and plans for system interaction and expansion. The light rail transit (LRT), or trolley, consists of two lines with plans for far-reaching expansion. As part of the expansion, MTDB has fostered the joint development approach to growth, based on sound TOD principles.

MTDB has focused its planning and coordinating efforts on joint development for the purpose of:

- Integrating transit into development to meet community needs
- Promoting and enhancing the use of public transportation
- Maximizing the recovery of public capital costs and increasing the return on public land investments
- Enhancing and protecting the transportation corridor and the community of which it is a part<sup>123</sup>

### **City of San Diego**

The city of San Diego has been a supportive and active partner in MTDB's efforts to expand transit and promote transit-oriented development. In 1992, the city amended its general plan to incorporate a growth management program that included the redevelopment and reinvestment goal of encouraging in-fill development and the transportation goal of increasing transit ridership. The growth management program was developed to address neighborhood preservation, environmental protection, public facility availability, regional transportation mobility, and regional planning.<sup>124</sup> Each category in the program provides development guidelines and standards based on availability of public facilities and services. Overall goals include development and implementation of a management system to monitor growth in relation to the aforementioned categories, reduction of public capital and operational costs, and the preservation and enhancement of established neighborhoods.<sup>125</sup>

Since that amendment, the city of San Diego has adopted numerous policies and ordinances that have supported MTDB's joint development program. Among these are the development of TOD Design Guidelines, and a zoning

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<sup>123</sup>Bragado, 22-29.

<sup>124</sup>City of San Diego, Planning Department, Guidelines For Future Development (Amendment to the Progress Guide and General Plan), Resolution No. R-276650, adopted October 1, 1990 and amended October 1, 1992.

<sup>125</sup>Ibid.



code update that incorporates standards to support TOD implementation. The zoning code amendments are discussed in a later section of this chapter.

### **San Diego Association of Governments**

Local administrations in the area, working through the San Diego Association of Governments (SANDAG), adopted a Regional Growth Management Strategy. The plan calls for decreased intensity in areas not served by transit and increased development in “transit focus areas,” that is, in those areas where transit corridors exist or are planned.

SANDAG has produced a 2020 regional forecast that advocates the need for transit-oriented development, and in June of 1998 allocated funds for planning TODs.<sup>126</sup> The funds are distributed on a competitive basis to SANDAG member agencies that are planning development along existing or planned transit corridors.<sup>127</sup> The funds can be used for technical support, consultant services, SANDAG assistance, and project coordination activities.

## **POLICY FRAMEWORK AND INCENTIVES FOR TRANSIT-BASED DEVELOPMENT**

### **Zoning<sup>128</sup>**

#### R-Zones (Residential)

The city of San Diego Municipal Code establishes the use of R-zones to allow for residential developments at varying densities. The objective of the R-zones is to encourage residential development that not only provides needed housing units but also is diverse and incorporates pedestrian activity. R-Zones provide for traditional single-family detached zoning on standard-sized lots (5,500 square feet and up), single-family attached and detached on small lots (3,000 to 4,000 square feet), as well as multi-family residential at varying densities, and mixed-use (residential and commercial) opportunities.

#### Pedestrian/Commercial Overlay Zone

The goals of the Pedestrian/Commercial Overlay Zone are:

- Pedestrian-oriented commercial districts designated as such in adopted community plans
- Compact and continuous pedestrian environments that encourage walking

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<sup>126</sup>San Diego Association of Governments, 2020 Regional Transportation Plan, April 2000.

<sup>127</sup>SANDAG, Land Use Distribution Element, [www.sandag.cog.ca.us](http://www.sandag.cog.ca.us)

<sup>128</sup>City of San Diego, Municipal Code, chapter 10 Planning and Zoning, and Land Development Code, chapter 13.

- Established criteria and standards for the development of new buildings

This overlay zone requires ground level development that considers pedestrians and limits vehicular access on abutting alleys. Overlay zones provide additional regulations tailored to specific geographic areas of San Diego. They are applied in conjunction with base zones. A pedestrian/commercial zone would be overlaid in a core neighborhood commercial area and development would incorporate design criteria such as zero front setbacks and architectural articulation to create an environment that is conducive to pedestrian activity rather than the automobile.

#### Urban Village Overlay Zone

The goals of the Urban Village Overlay Zone are:

- Greater variety of uses
- Flexibility in site planning
- Increased intensity of land use

This overlay zone encourages development that increases pedestrian activity and transit accessibility, and reduces dependency on the automobile. Projects in this zone are to be developed in accordance with the TOD Design Guidelines and applicable land use plans.

Urban villages are characterized by interconnected streets, building entries along the street frontage, and architectural features and outdoor activities that encourage pedestrian activity and transit accessibility. Urban villages have a core component that consists of centrally located public, commercial, and residential uses and is the most intensely developed area of the village. Urban villages should be easily traversed on foot and by bicycle. The residential land use component of the village should include a mix of housing types and densities, with the denser development located closest to transit stops. Parks, squares, plazas, and community facilities should be the focus of urban villages.

The average density of combined mixed-use core and residential components should be a minimum of 18 dwelling units per net acre. A 10 percent density bonus is available for projects located within 2,000 feet of an existing or planned light rail station or other transit facility, provided that the applicable land use plan allows for the increased density.

This overlay zone will be incorporated into the Future Urbanizing Areas,

which typically consist of vacant, agriculturally zoned land not needed to meet urban development demand. These areas are to be conserved as open space and protected from premature urbanization.<sup>129</sup>

#### Transit Area Overlay Zone

The Transit Area Overlay Zone reduces parking requirements for high-level transit service areas. This zone is applied to any multiple dwelling unit development and any non-residential development in the vicinity of a transit facility.

#### Parking

Revised parking standards provide for a 15 percent reduction in parking provisions for mixed-use developments in transit areas.

#### RX-Zone (Residential Small-Lot)

The Small-Lot Single-Dwellings Zone allows both attached and detached single dwelling units on smaller lots (minimum 3,000 to 4,000 ft<sup>2</sup>). This zone provides an alternative to multi-family dwellings, permitting single-family units at higher densities than normal. By incorporating single-family dwellings in residential developments along transit lines, instead of traditional multi-family projects, the inhabitants of a variety of housing types will have access to public transit.

#### Commercial and Mixed-Use Zones

These zones require pedestrian-oriented development in areas with community-serving commercial and residential uses. As with the urban village, pedestrian-oriented development would incorporate building, site and street designs that encourage pedestrian activity and reduce dependency on the automobile.

#### **General Plan**

San Diego's *Progress Guide and General Plan* was updated and reprinted in 1989. In 1990 the *Guidelines for Future Development* were adopted; they were amended in 1992. Currently, the city is revising its guidelines to account for future development. According to a planning staff member working on the revision, TODs will be a primary focus of planning in San Diego of the future.

#### Redevelopment and Reinvestment

The 1992 Guidelines incorporate redevelopment and reinvestment goals into

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<sup>129</sup>Guidelines For Future Development, 18.

the Growth Management Program, which has numerous objectives, including the establishment of balanced communities that are self-contained and economically viable, and provide a full range of housing, shopping, employment, and recreation opportunities, thereby reducing inter-community commutes. A significant goal is the city's intent to encourage in-fill development in areas designated for redevelopment or revitalization so as to simultaneously provide housing, employment, and transit opportunities.

### Transportation

To address transportation congestion, the guidelines establish the goal of encouraging transit use and ridesharing by looking at rail and transit opportunities in new developments and incorporating design and land use standards that reduce automobile travel.

The Urban Form framework for the *Progress Guide and General Plan* calls for balanced and self-sufficient communities<sup>130</sup> that incorporate land use standards including expanded commuter and trolley rail systems, the development of employment centers near suburban residential communities, infill development, and redevelopment. The city's growth is to be focused in selected urban nodes and corridors based on the availability of public facilities.

The design of new or expanded communities should incorporate a variety of housing types and prices, local and convenient shopping, strategically located employment centers, and provide educational, cultural, recreational, and health services and facilities within walking distance of residential areas.

### **CASE STUDY: MERCADO APARTMENTS PHASE II, COMMERCIAL**

Mercado Apartments, a residential development located just south of downtown San Diego along the Blue Line Trolley, was completed in May 1994. The project was a joint development between the city of San Diego Redevelopment Agency and the Metropolitan Area Advisory Committee (MAAC), a local non-profit developer. This residential development, which covers 4.3 acres and consists of 144 housing units, is targeted for low-income families.<sup>131</sup> The Redevelopment Agency assembled the parcels through eminent domain

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<sup>130</sup>Guidelines For Future Development, 12.

<sup>131</sup>Public Land and Private Partnerships for Transit-Based Development, Norman Y. Mineta International Institute for Surface Transportation Policy Studies, IISTPS Report 97-1, 127, May 1997.

for a total cost of \$1.5 million. A day care center, community rooms, a Head Start office, social service facilities, and a computer-learning center are also located in the development. Project details for Mercado Apartments are available in a previous TOD Study, funded by the Norman Y. Mineta International Institute for Surface Transportation Policy Studies (IISTPS Report 97-1, May 1997). Phase II of the project will consist of a 100,000 square foot commercial development whose details are specified below.<sup>132</sup>

Located in the Barrio Logan Redevelopment Project Area, which consists of 133 acres of mixed-use development, the Mercado Commercial Project will serve a population of over 4,600, in an area where the median household income is \$12,500.<sup>133</sup> Tax-exempt enterprise zone bonds were sold to allow the construction of the 100,000 square foot neighborhood-serving retail center, which will be anchored by a Hispanic-oriented grocery store. The grocery store is a start-up, financed by a Small Business Administration loan. Other tenants will include both national and local businesses. The project will result in over 200 new jobs; Enterprise Community residents will fill a minimum of 35 percent of these positions.

Enterprise Zones, the result of the federal Empowerment Zone/Enterprise Community Initiative, were created to stimulate business investments in economically disadvantaged areas of cities. The Initiative provides tax incentives, performance grants, and loans to create jobs and expand business opportunities. In San Diego, an Enterprise Zone designation provides several benefits to developers, including permit expedition, the reduction or waiving of some development fees, and in Metropolitan Enterprise Zones, developers may be exempt from urban impact fees and housing trust fund fees.

In 1994, the Redevelopment Agency began working with a developer on the commercial project design, and in 1995 the Agency purchased the properties needed for project implementation. In 1996, buildings were demolished and the properties were cleared; they have stood vacant since that time.

Numerous Request For Proposals (RFPs) were released after the demolition and several developers have been involved in the planning process.<sup>134</sup>

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<sup>132</sup>Public Land and Private Partnerships for Transit Based Development, Norman Y. Mineta International Institute for Surface Transportation Policy Studies, IISTPS Report 97-1, 127, May 1997.

<sup>133</sup>City of San Diego Redevelopment Agency, [www.sannet.gov/redevelopment-agency/](http://www.sannet.gov/redevelopment-agency/)

Recently, the Redevelopment Agency began to work with its current developer to finally bring the commercial project to fruition. The biggest obstacle to the start of construction has been the financing of the project. The project is a 50-50 public/private development, and private financing for implementation proved difficult to obtain, as San Diego banks have been reluctant to risk lending monies for a development that will not be anchored by a national tenant.<sup>135</sup> Financing was finally secured in the summer of 2000, and the commercial project is set to break ground in November 2000.

To date, the Redevelopment Agency has spent \$10 million on the project. Financing of its portion of construction costs has been through the issuance of Enterprise Zone bonds.

## **CONCLUSION**

The city of San Diego has realized the value of preparing land-use policies and development guidelines to combat the typical urban sprawl experienced by other cities throughout the state of California and to support growth in an environmentally and fiscally responsible manner. The city has successfully promoted transit-oriented development, fostered partnerships with other local and regional agencies, introduced incentives aimed at reducing the demand for increased roadway capacity, and created more efficient and livable communities.

Although funding for public-private partnerships to develop mixed-use, transit-oriented projects remains a slow process, the city has carried out several successful developments that provide its residents with travel options other than the automobile.

## **PORTLAND**

### **Background**

Portland, Oregon's largest city with a population of 515,000 people, is located in the northwestern region of the state where the Columbia and Willamette Rivers meet. Across the Columbia River to the north is Washington State, to the east are the Cascade Mountains, and to the west are the Coast Ranges.<sup>136</sup>

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<sup>134</sup>Ingrid Johnson, Project Manager, San Diego Redevelopment Agency, personal conversations, March 2000.

<sup>135</sup>Ibid.

<sup>136</sup>Portland: an Informal History and Guide, 5.

“Central Portland is divided east and west by the Willamette River, to the east a slightly sloping plain rising here and there into buttes and mounts, to the west a narrow shelf sloping to the southwest and ending at the West Hills.”<sup>137</sup>

Portland is the third largest commercial maritime center on the West Coast.<sup>138</sup> Its thriving port has played a major role in the shipment of lumber, produce, and livestock to other West Coast ports and beyond.<sup>139</sup> During both World Wars, Portland thrived on ship building for the U.S. Navy.

In the 1960s, environmental problems and international competition in timber and Pacific fisheries affected Portland’s economy.<sup>140</sup> The decline of both these industries affected secondary service and retail businesses.<sup>141</sup> The city, community business leaders, and planners viewed the slowing down of Portland’s economy as an opportunity to institute changes in the city’s growth patterns and to focus attention on developing its downtown. A “Downtown Plan” to reinvigorate local retail, housing, and entertainment opportunities was born.<sup>142</sup>

As Portland’s economy grew, so did suburban sprawl. Civic leaders and planners responded with the creation of an urban growth boundary to promote infill development and to prevent further sprawl.<sup>143</sup> This strategy, along with tax incentives for constructing low-income housing, was successful in preventing the decay of Portland’s center. Today downtown Portland is filled with dense housing and lively businesses.<sup>144</sup>

Portland’s economy in the 1980s and 1990s was increased by the relocation of silicon wafer chip manufacturers from California. Attracted to Portland’s suburbs by relatively inexpensive electricity (generated by dams on the Columbia River), clean water, and tax incentives, many chip makers moved into the area.<sup>145</sup>

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<sup>137</sup>Ibid, 5.

<sup>138</sup>Insider’s Guide to Portland, 5.

<sup>139</sup>Ibid, 5.

<sup>140</sup>Ibid, 5.

<sup>141</sup>Ibid, 5.

<sup>142</sup>Ibid, 5.

<sup>143</sup>Ibid, 6.

<sup>144</sup>Ibid, 6.

Portland is the hub of a metropolitan area that encompasses the six counties of Clackamas, Columbia, Multnomah, Washington, and Yamhill in Oregon, and Clark County in Washington State. In 1998, Portland's population was estimated at 509,610 and the metropolitan area was home to approximately 1.8 million people.<sup>146</sup> In 1997 the per capita income of Portland's metro area residents was estimated to be \$27,388.<sup>147</sup>

Services dominate employment in the Portland area, at 28.4 percent, and employment in the wholesale and retail trades is 25 percent. Manufacturing, at 15.4 percent, remains an important component of the Portland area's economy. Durable goods, including electronics, metals, machinery, lumber and wood products provide 67 percent of the employment in this sector.<sup>148</sup> High technology employment in the Portland area has increased 65 percent since 1990.<sup>149</sup> The largest private sector employer in the Portland area is Intel with 11,000 employees.

### **TRANSIT IN THE PORTLAND METRO AREA**

The Portland area is served by two transcontinental railroads and locally by bus and light rail services operated by the Tri-County Metropolitan Transportation District of Oregon (Tri-Met). Tri-Met serves the approximately 600 square miles of Portland's metropolitan area.<sup>150</sup> The Metropolitan Area Express (MAX) light rail line travels some 33 miles and connects the cities of Portland and Gresham with the suburban cities of Beaverton and Hillsboro to the west.<sup>151</sup> The 60,000 daily trips that MAX generates are expected to increase once the construction of a 5.5-mile extension to the Portland International Airport is completed.<sup>152</sup> Another project under development is the Interstate MAX, a 5.8-mile segment that would connect the Expo Center in North Portland with downtown.<sup>153</sup>

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<sup>145</sup>Ibid, 6.

<sup>146</sup>Portland, Oregon Facts, 8.

<sup>147</sup>Ibid, 9.

<sup>148</sup>Ibid, 4.

<sup>149</sup>Ibid, 5.

<sup>150</sup>Ibid, 14.

<sup>151</sup>Ibid, 14.

<sup>152</sup>Ibid, 14.

<sup>153</sup>[www.tri-met.org/maxpage.htm](http://www.tri-met.org/maxpage.htm)



Tri-Met also serves mass transit riders with 101 bus routes, 88 of which connect with MAX stops, including the downtown Portland transit mall and other major transit centers. It is estimated that the bus service provides two hundred thousand rides per day.<sup>154</sup> All transit rides are free within a three hundred-block area around Portland's downtown.

Transit corridors within the Portland Metro area are encouraged and viewed as successful elements of the transit system. The existing MAX system forms the east-west spine of the transit framework. Interstate MAX and Airport MAX are expected to enhance transit corridors in the northern part of the Portland region.<sup>155</sup> Improvements to bus transit, the development of new shelters, and improved lighting will improve services in the southern transit corridor.

### **PORTLAND AREA TRANSIT HISTORY**

Portland first made use of horse drawn streetcars, or trolleys, in the 1870s and in the 1890s electric streetcars began to compete with horse-drawn trolleys in the city and out to the suburbs. The electric streetcar service continued to grow through 1912, when automobiles began to offer an alternative to mass transit. Growth in trolley services slowed in the 1920s and electric trolleys and buses were replaced by gas-powered buses in the 1940s. In 1969 the Tri-Met agency was formed to oversee the area's mass transit resources. In the 1970s, Tri-Met embraced the concept of light rail and the re-introduction of electric trolleys. The MAX light rail service began in the mid 1980s and a limited vintage trolley service began in 1991.

MAX is a resounding success and Portland is the only region in the country where mass transit ridership is growing faster than vehicle miles traveled.<sup>156</sup> According to information published by Tri-Met, \$2.4 billion have been invested along the MAX line. This investment has taken the form of mixed use and mixed income residential and retail developments and new communities created from greenfields.<sup>157</sup>

Tri-Met's mission is to assure people increased mobility in a growing, compact urban region. The following are Tri-Met's goals for the years 1998

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<sup>154</sup>Ibid, 14.

<sup>155</sup>[www.tri-met.org/transitplan/corridor.htm](http://www.tri-met.org/transitplan/corridor.htm)

<sup>156</sup>[www.tri-met.org](http://www.tri-met.org)

<sup>157</sup>[www.tri-met.org](http://www.tri-met.org)

through 2003.<sup>158</sup>

**Goal 1: Customer Service**

Steadily increase system quality, reliability, and customer satisfaction.

**Goal 2: Ridership**

Increase public transit ridership significantly faster than the growth in automobile trips.

**Goal 3: Human Resources**

Attract, train, and retain highly competent employees who put customers first.

**Goal 4: Fiscal Stability**

Steadily decrease the cost of each ride provided. Maintain three months' working capital. Seek support for a regional revenue source sufficient to meet the region's transit and growth management goals.

**Goal 5: Service Expansion**

Provide more options for people to travel conveniently throughout the region. Work with regional partners to expand and improve existing bus service; create transit services tailored to specific community needs; open MAX to the airport and advance South/North MAX to construction; work with employers and commuters to reduce automobile use.

**Goal 6: Land Use**

Work with public and private partners to assure that a majority of all new housing and jobs within the urban growth boundary are within a convenient five-minute walk of the primary transit network. Advocate for development of pedestrian and transit friendly communities.

The success of the Portland area transit system is the result of regional planning that originated from the desire of the area communities to be connected and to discourage sprawl. An example of this commitment was expressed through the passage of Urban Growth Boundaries (UGB) legislation. As part of a statewide land-use planning program of the 1970s, Oregonians set boundaries to separate rural and urban lands.<sup>159</sup> It is expected that the bounded areas will provide enough buildable land to accommodate growth over a 20-year period, thus preventing urban sprawl.<sup>160</sup>

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<sup>158</sup>[www.tri-met.org](http://www.tri-met.org)

<sup>159</sup>[www.metro-region.org](http://www.metro-region.org) (Urban growth boundaries)

<sup>160</sup>Ibid.

The Portland metro area's UGB, adopted in 1979, contains approximately 369 square miles and encompasses 24 cities plus the urban portions of Washington, Multnomah, and Clackamas counties. The management of the UGB is under the auspices of Metro, an organization governed by directly-elected regional council members with an executive officer. Metro oversees a variety of services including regional transportation and land use planning.<sup>161</sup>

Another of Metro's responsibilities is the oversight of the Regional Transportation Plan (RTP). The RTP is a 20-year blueprint of "transportation policies for all forms of travel and the specific objectives, strategies and projects which guide the local and regional implementation of each policy."<sup>162</sup> The periodic updates to the RTP can take years as they are subject to review by a citizen advisory committee, local governmental agencies, community groups, and business leaders. The RTP guides local governments as they develop local transportation plans. Local jurisdictions must update their plans to reflect new regional policies. The RTP is currently under review to incorporate another significant plan known as the Region 2040 project, a long-range transportation plan. The plan's goals are to accommodate anticipated growth inside the region and limit sprawl in the regions that surround Portland. Region 2040 is also intended to improve air quality, reduce auto dependency, and preserve the region's livability. To accomplish these goals, Metro's policies include:

- Maintaining a tight UGB
- Focusing growth on centers and transit corridors
- Preserving residential neighborhoods as the dominant land use
- Developing a system of urban green spaces
- Aggressively expanding MAX and the bus system

### **TRANSPORTATION, GROWTH MANAGEMENT AND TOD**

The Transportation and Growth Management Program (TGM) "promotes community planning and design for compact development that is friendly to pedestrians, bicycles, and public transit, with options for local communities."<sup>163</sup> TGM is the combined effort of two state agencies: the Oregon

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<sup>161</sup>Metro at a Glance, [www.metro-region.org](http://www.metro-region.org)

<sup>162</sup>FAO, [www.metro-region.org](http://www.metro-region.org)

<sup>163</sup>[www.lcd.state.or.us/issues/tgmweb/grants/grants.htm](http://www.lcd.state.or.us/issues/tgmweb/grants/grants.htm)

Department of Transportation and the Department of Land Conservation and Development. TGM was formed in 1993 to “integrate transportation planning with the statewide land use planning program to achieve benchmarks for mobility, air quality and community design.”<sup>164</sup> It provides a number of programs that include technical assistance and grants to localities to assist their efforts to manage growth.<sup>165</sup>

Some grants are available through TGM to assist local governments with the preparation of updated transportation and land use plans. These grants are used to evaluate and develop land use alternatives that promote compact, mixed-use development that is conducive to walking, cycling, and public transport in order to reduce reliance on the automobile. These goals can be reached by promoting mixed use and increased densities along transit lines and near major activity centers; the provision of neighborhood shopping centers near residential areas; the balance of jobs and housing in communities; and increased density in commercial developments. The products can include transportation efficient land use plans, ordinances, designs, and strategies; specific development plans, including refinement plans; and concept plans for land use and transportation alternatives arrived at through a process of community involvement. Within the last three years, Portland metro area cities, counties, and metropolitan planning organizations have received over \$2.6 million in grants from TGM. Local governments and special districts may also apply for TGM grants for cooperative and urban service agreements. “Grants are awarded on a biennial basis in odd numbered years.”<sup>166</sup>

### **The Portland Development Commission and Housing Incentives**

To encourage private interests to develop housing, a limited 10-year property tax exemption may be granted for multi-family rental units and mixed-use projects near major public transit facilities. This program is administered through the Portland Development Commission (PDC).

Portland voters created the PDC in 1958 as a city agency with responsibility for delivering projects and programs that achieve the city's housing, economic development and redevelopment priorities and for linking citizens and jobs.<sup>167</sup>

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<sup>164</sup>[www.lcd.state.or.us/issues/tgmweb/about/index.htm](http://www.lcd.state.or.us/issues/tgmweb/about/index.htm)

<sup>165</sup>[www.lcd.state.or.us/issues/tgmweb/grants/grants.htm](http://www.lcd.state.or.us/issues/tgmweb/grants/grants.htm)

<sup>166</sup>[www.lcd.state.or.us/issues/tgmweb/grants/grants.htm](http://www.lcd.state.or.us/issues/tgmweb/grants/grants.htm)

<sup>167</sup>[www.portlanddev.org/about/](http://www.portlanddev.org/about/)

The PDC administers several public housing finance and development programs and provides information about their programs to interested parties. The programs encourage the development of rental housing units for low-income residents throughout the city. PDC's website states that "over the past 20 years, it has provided financing to private and nonprofit developers for the construction and rehabilitation of over 5,000 rental housing units in the city."<sup>168</sup>

### **General Plan and Zoning Incentives in Portland**

One of the goals clearly expressed in Portland's comprehensive plan is its desire to maintain its downtown as a major activity center as a financial, retail, industrial, cultural, and residential core that is alive and energetic.<sup>169</sup> Its comprehensive plan describes Portland's downtown as a close-in industrial and distribution area that provides diverse employment opportunities close to a broad range of housing options.<sup>170</sup> The comprehensive plan also calls for maintaining a focus on opportunities in its downtown while providing direction for responding to future demands.<sup>171</sup>

Portland's comprehensive plan policies strive to employ land use patterns that keep intense residential densities within areas that support public transportation.<sup>172</sup> As with housing, commercial centers developed along transit corridors will be designed to limit dependence on the automobile. In addition to general statements that encourage activity in the downtown area and the development of housing and commercial projects that connect and stimulate public transit usage, specific objectives are described in the comprehensive plan to achieve these goals. The following is a sample of these objectives taken from Portland's comprehensive plan.

### **Urban Development (Section 2)**

- Through the community planning process, establish average minimum residential densities of 15 units per acre within one-quarter mile of existing and planned transit streets, main streets, town centers, and transit centers.
- Establish average minimum residential densities of 25 units per acre within

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<sup>168</sup>[www.portlanddev.org/housing/multi.html](http://www.portlanddev.org/housing/multi.html)

<sup>169</sup>Comprehensive Plan Goals and Policies, City of Portland, Oregon, Revised, October 1996.,

<sup>170</sup>Comprehensive Plan Goals and Policies, City of Portland, Oregon, Revised, October 1996.,

<sup>171</sup>Ibid.

<sup>172</sup>Ibid.

one half mile of light rail stations and regional centers.

- Establish minimum floor area ratios for non-residential development at light rail centers of 0.5:1.
- Where these densities are not realistic or desirable due to existing, well-established development patterns or environmental constraints, use other methods to increase densities such as encouraging infill through accessory units in single-family zones or increased density on long-vacant lots.
- Encourage infill and redevelopment in the central city, at transit stations, along main streets, and as neighborhood infill in existing residential, commercial, and industrial areas.

### **Housing**

- Place new residential developments at locations that increase potential ridership on the regional transit system and support the central city as the region's employment and cultural center.
- Establish development patterns that combine residential with other compatible uses in mixed-use areas such as the Central City, Gateway Regional Center, Station Communities, Town Centers, Main Streets, and Corridors.
- Promote safe and pleasant bicycle and pedestrian access to and circulation within commercial areas. Provide convenient, secure bicycle parking for employees and shoppers.
- Encourage a wide range of goods and services in each commercial area in order to promote air quality and energy conservation.
- Pursue special opportunities for alternative modes of transportation to serve as attractors themselves. Such projects include water taxis, streetcars, and bicycle/pedestrian facilities and amenities.
- Pursue transportation and parking improvements that reinforce commercial, industrial, and residential districts and promote development of new commercial, industrial, and residential districts.

- Encourage the retention and development of higher density housing and mixed-use development within commercial areas.

**Transportation (Section 6)**

- Make the existence or ease of providing transit to office buildings and other major employment centers a major consideration in approving locations for these activities.
- Locate all new medium and high-density development in transit-oriented developments.
- Require all major developments along transit lines to orient to the transit line and provide either a transit stop on site or connection to a transit stop.
- Provide the infrastructure needed to support public and private transit-oriented development.
- Design transit routes and transit facilities to support transit use by providing bus stops, pullouts, and shelters, pedestrian facilities, and other similar improvements.
- The highest priority is the development of an effective feeder bus or vanpool service for regional transit access; the lowest priority is park-and-ride lots.
- Support walking to transit by giving priority to the completion of the pedestrian network that serves transit centers, stations, and stops; by providing adequate crossing opportunities at transit stops; and by planning and designing pedestrian improvements that allow adequate space for transit stop facilities.
- Improve the quality of the pedestrian environment by implementing pedestrian design guidelines to ensure that new public and private development meets a pedestrian quality standard and by developing special design districts for pedestrian districts and main streets.
- Increase pedestrian safety and convenience by identifying and analyzing high pedestrian collision locations; by making physical improvements, such as traffic calming, signal improvements, and crossing improvements in areas of high pedestrian use; and by supporting changes to adopted statutes and codes that would enhance pedestrian safety.
- Encourage walking by developing educational programs for both motorists and walkers and by supporting and participating in encouragement events for walkers.

- Explore a range of funding options for pedestrian improvements to supplement reliance on general transportation revenues.
- Complete a network of bikeways that serves bicyclists' needs, especially for travel to employment centers, commercial districts, transit stations, institutions, and recreational destinations.
- Provide bikeway facilities that are appropriate to the street classifications, traffic volume and speed on all rights-of-way.
- Maintain and improve the quality, operation, and integrity of bikeway network facilities.
- Provide short- and/or long-term bicycle parking in commercial districts, along main streets, in employment centers and multifamily developments, at schools and colleges, in industrial developments, at special events, in recreational areas, and transit facilities such as light rail stations and park-and-ride lots.
- Provide showers and changing facilities for commuting cyclists. Support development of such facilities in commercial buildings and at "Bike Central" locations.
- Increase the number of bicycle-transit trips. Support Tri-Met's "Bikes On Transit" program.
- Develop and implement education and encouragement plans aimed at youth, adult cyclists, and motorists. Increase public awareness of the benefits of bicycling and of available resources and facilities.
- Promote bicycling as transportation to and from school.
- Implement measures to achieve Portland's share of the mandated 10 percent reduction (per the Transportation Rule) in parking spaces per capita within the metropolitan area over the next 20 years. Through the land use process, these measures should include restrictions on the development of new spaces and the redevelopment of existing parking spaces for other uses.

### **Zoning Policies**

To aid in the implementation of General Plan policies, several of Portland's residential zones encourage high-density residential, commercial, and mixed-use developments.<sup>173</sup> Taken from the city's Zoning Ordinance, these are:

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<sup>173</sup>[www.planning.ci.portland.or.us/zoning/100/130.html](http://www.planning.ci.portland.or.us/zoning/100/130.html)



### RH Zone

This residential zone does not specify a maximum number of units per acre. Instead, the maximum size of buildings and intensity of use are regulated by floor area ratio (FAR) limits and other site development standards. In general, the density of projects under this zoning designation ranges from 80 to 125 units per acre. The permitted housing is characterized by medium to high height and a relatively high percentage of building coverage. These housing developments include low, medium, and high-rise apartments and condominiums that are well served by transit facilities or are near areas that are near supportive commercial services.

### RX Zone

Like the RH Zone, the RX zone does not specify a maximum number of units per acre and intensity is regulated by FAR limits and other site development standards. The density typically experienced under this zone exceeds 100 units per acre and the development is characterized by a very high percentage of building coverage. These housing units are typically medium and high-rise apartments and condominiums, which often contain retail, institutional (i.e. schools, colleges, medical centers, parks, religious institutions, etc.), or other service oriented uses. RX zoned properties are typically located near the city center where transit is readily available and where commercial and employment opportunities are nearby. The RX zone is typically applied in conjunction with a specific plan or plan district.

### Neighborhood Commercial 1 Zone

The Neighborhood Commercial 1 (CN1) zone is intended for small sites that are in or near dense residential neighborhoods. The zone is utilized to encourage small-scale retail and service uses for nearby residential areas. Some uses that are not retail or service in nature are also allowed so that a variety of uses may be located in existing buildings. Uses are restricted in size to promote local orientation and to limit adverse impacts on nearby residential areas. Developments under this zone are intended to be pedestrian-oriented and compatible with the scale of surrounding residential areas. Parking areas within the CN1 zone are restricted, since their appearance is generally out of character with the surrounding residential development and the desired orientation of the uses.

### Mixed Commercial/Residential Zone

The Mixed Commercial/Residential (CM) zone is utilized to promote the

development of combined commercial and housing uses in a single building. This zone encourages increased development on busier streets and does not encourage strip commercial development. The Mixed Commercial/Residential zone is utilized to support transit use, provide a buffer between busy streets and residential neighborhoods, and provide new housing opportunities in the city. The emphasis of the nonresidential portion of the development is on locally oriented retail, service, and office uses. Other uses are allowed to provide a variety of uses that may locate in existing buildings. Development consists primarily of businesses on the ground floor with housing on upper stories. Properties developed under this zone are intended to be pedestrian-oriented with buildings close to and oriented to sidewalks, especially at corners.

#### Storefront Commercial Zone

The Storefront Commercial (CS) zone is utilized to preserve and enhance older commercial areas that have storefront character. The zone is intended to promote new development within these areas that will be compatible with the storefront character. The zone allows a full range of retail, service, and business uses with a local and regional market area. Industrial uses are allowed but are limited in size to ensure that they do not dominate the character of the commercial area. The desired character includes areas that are predominantly built-up, with buildings close to and oriented towards the sidewalk, especially at corners. Developments under the CS zone are to be pedestrian-oriented and contain buildings with a storefront character.

#### Central Commercial Zone

The Central Commercial (CX) zone is intended to provide for commercial development within Portland's most urban and intense areas. A broad range of uses is allowed under this designation. Development is intended to be very intense with high building coverage, large buildings, and buildings placed close together. Development is intended to be pedestrian-oriented with a strong emphasis on a safe and attractive streetscape.

#### Light Rail Transit Station Zone

This zone is an overlay zone that is used to encourage a mix of residential, commercial, and employment opportunities within designated light rail station areas. This zone also permits more intense development of land with increased densities. This zone attempts to create more intense development that is oriented to pedestrians and transit usage. The development standards within this zone are employed to encourage a pleasant pedestrian environment near

transit stations that contain shops and activities and amenities such as benches, kiosks, and outdoor cafes.

### **CASE STUDY: THE MCKENZIE LOFTS**

One transit-oriented development constructed in Portland is the McKenzie Lofts. Recognized as a project that “reinforces Oregon’s quality of life and supports its transportation and land use goals,” the McKenzie Lofts received the Governor’s Livability Award in 1999.<sup>174</sup> This development is an infill, mixed-use residential and retail project that offers market-rate lofts for sale.<sup>175</sup>

The development is located at Northwest 12<sup>th</sup> and Gilson, north of downtown, in the historic Pearl District.

The Pearl District is under renewal and changing from a primarily industrial area to a residential area. The Pearl District is located within a planning area known as the River District Housing Implementation Strategy.<sup>176</sup> The River District is a triangular area of about 310 acres that is centrally located and contains a significant quantity of vacant land that was a rail yard.

The Implementation Strategy was adopted in 1994 and designed to promote high-density residential units for a broad range of income levels.<sup>177</sup> The plan anticipates that approximately 5,000 units within the Implementation Strategy area will be for sale or for rent over the next 20 years. Housing is expected to be constructed in this area to serve income levels that range from extremely low (30 percent of median family income) to upper incomes (120 percent of median family income). Approximately 40 percent of this housing will probably be targeted to those in the upper income bracket.

Previously an aging industrial district, much of the Pearl District has been transformed into retail establishments and art galleries and is now home to many urban professionals. On the McKenzie Lofts site were two architecturally significant buildings, one of which was the 1910-era Reliable Transfer Building.<sup>178</sup> However, settling of the buildings by as much as two feet made

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<sup>174</sup>[www.livable.org/](http://www.livable.org/)

<sup>175</sup>[www.livable.org/awards/mckenzie.html](http://www.livable.org/awards/mckenzie.html)

<sup>176</sup>[www.mckenzielofts.com/neighbor/neighbor.htm](http://www.mckenzielofts.com/neighbor/neighbor.htm)

<sup>177</sup>City of Portland, River District Housing Implementation Strategy, Annual Report, Spring 2000, 2.

<sup>178</sup>[www.planning.ci.portland.or.us/Highlights/Highlight03.CC.pdf](http://www.planning.ci.portland.or.us/Highlights/Highlight03.CC.pdf)

these buildings too difficult and too costly to salvage.

Developed by Carroll Investments and designed by Ankrom Moisan Associated Architects, the property occupies 134,000 square feet and contains nine ground-floor spaces that offer 13,500 square feet of retail space, 68 housing units (the lofts) on five upper stories, and an underground, electronically accessed garage. The Lofts contain either one or two bedrooms and range from 682 to 1,725 square feet.<sup>179</sup> The development is adjacent to bus lines and is near Portland's downtown financial district. Ninety per cent of the units in the project were sold prior to its completion in the fall of 1997.<sup>180</sup> The total cost of the project was \$14.5 million. Financing for the Lofts was conventional and Fannie Mae approved, so no public subsidies were used. The McKenzie Lofts project serves households with medium to upper incomes, as described in the "strategy" plan.



**Figure 2-8: The McKenzie Lofts, Portland**  
**Source: Ankrom Moisan Associated Architects**

<sup>179</sup>[www.mckenzielofts.com/features/features.htm](http://www.mckenzielofts.com/features/features.htm)

<sup>180</sup>[www.livable.org/awards/mckenzie.html](http://www.livable.org/awards/mckenzie.html)

## **CONCLUSION**

The city of Portland is attempting to prevent sprawl through the development of public transit and centrally located high-density housing. The city uses zoning, the General Plan, specific plans, and transportation policy to encourage the development of intense commercial and residential projects adjacent to public transit. Authorities at the regional level also promote rational transit planning and prevent the city of Portland from developing without considering the metro area as a whole. Regional and local authorities are working cooperatively to improve the quality of life for residents who reside in the city of Portland and in the greater metropolitan area.



**Figure 2-9: Portland Regional Map**  
**Source: CSAA Washington Oregon Map**



## SECTION THREE:

### EXPANDING INCENTIVES FOR TRANSIT-BASED DEVELOPMENTS

#### FEDERAL AND STATE TAX POLICIES

##### TAX REDUCTIONS

###### Background

Governments have a variety of methods at their disposal to accomplish projects that are in the public interest. They may design and implement a project using tax dollars and control the project through their own agencies. However, governments are finding that it is often more efficient, less disruptive, and less controversial to entice development by making it attractive to both for-profit and non-profit organizations. The modification of standard taxes is one technique for controlling the shape of the community by encouraging private sector development rather than a government agency taking on the burden of the project.

Local and state governments obtain taxes from the development and use of property. Those taxes usually include property taxes and sales taxes. Under special circumstances and for specific purposes, these taxes can be abated or reduced to encourage development and economic well-being or to encourage a specific use of the land.

There are three methods of tax modification that can be used to encourage development in a preferred direction. They are tax abatement, tax incentives, and tax credits.

**Tax abatement** is the suspension of taxes for a specified period of time or for the duration of a specified use. During the stated period, a project does not pay a particular tax.

**Tax incentive** means that a project pays a reduced tax or that some or all of a tax will be returned to the project if it implements certain, specified public policies. A tax returned to a project is called a subvention.

Since 1965 the State of California has used tax abatements and incentives for a variety of favored land uses. These include agriculture, open space, historic



preservation, and enterprise zones. Tax and assessment relief are also provided for zoning and developmentally restricted properties.

**Tax Credit** is a credit against income taxes that would otherwise be paid by an individual or corporation. Tax credits are granted by the federal or state government. Credits are used as incentives by governments to induce investors to put money into qualified projects sanctioned by these governments. Under a tax credit program, for every tax credit dollar awarded as an incentive for a particular program or project, a dollar is deducted from the income tax liability that would otherwise be owed by that individual or corporation. These tax credits may be used by the particular sponsor of the program or project, or the credits may be sold to corporations or individuals. If the credits are sold, the funds earned from the sale must be used as additional equity in the program or project. An example where tax credits are used is the construction or rehabilitation of low-income housing, where the sale of tax credits is used to raise equity for the project.

#### **Why are Tax Incentives and Tax Abatement Important?**

The operating expenses that a project saves from tax incentives and abatements allow a project to borrow a higher amount of bank debt for construction or rehabilitation. For example, California's property tax exemption is available to tax credit developments that have a 501(c)3 non-profit entity as the managing general partner. The amount of bank debt available to a development with the property tax exemption ranges from 25 to 30 percent for a 4 percent tax credit project to 35 to 40 percent for a 9 percent tax credit project.

#### **Reduced Taxes for Favored Uses**

California's Constitution (Article XI, Section 12) requires all real property to be assessed on the basis of its "highest and best use." The highest and best use is not necessarily the present use of the property. The land may be subject to a better economic use based on surrounding development. The legislature has recognized the "highest and best use" could lead to agricultural, open space, and historic properties becoming economically untenable, forcing owners to sell because of the burden of taxes. By constitutional amendment and legislation, property can be assessed on a method other than the normal highest and best use. This method is called the capitalization of income method, whereby the land is assessed according to its present use. Property can be assessed by this method only if that property's uses are restricted for a set period of time. The restricted uses must be for the specific purposes of agriculture, timberland,

or open space, or for a designated historic property.

Enterprise zones are also included as a restricted use that can qualify for reduced taxes. Cities may establish an enterprise zone to stimulate business and industrial growth. In these enterprise zones the state allows the relaxing of regulatory controls that have impeded private investment as well as lower taxes in the form of exemptions, credits and deductions. (*See CA Gov Code 7070 et seq. and Enterprise Zone Tax Act of 1982, 97<sup>th</sup> Congress, 2<sup>nd</sup> Session, Statutes 2298.*)

### **Enterprise Zones**

California's enterprise zone program encourages business development in 39 designated areas through special zone incentives. Companies within the enterprise zone can take advantage of special tax credits and incentives not available to other companies. These special tax credits and incentives include:

Hiring Tax Credits. Firms can earn \$26,895 or more in state tax credits for each qualified employee hired.

- Sales and Use Tax Credit. Zone companies may receive a sales tax and use tax credit for machinery and equipment to be used in the zone.
- Business Expense Deduction. Up front expensing of certain depreciable property is permitted.
- Net Operating Loss (NOL) Carryover. Up to 100 percent of the NOL may be carried forward for 15 years.
- Net Interest Deduction. Lenders to zone business may receive an interest deduction.
- Unused tax credits can be applied to future tax years.

### **Zoning and Development Restricted Property**

According to the California's Revenue and Taxation Code, the County Assessor must consider the effect of enforceable restrictions when valuating property (*CA Rev. and Tax. Code 402.1*). Enforceable restrictions include:

- Zoning
- Certain contracts with government agencies
- Permits issued by government agencies
- Development controls of a local government in accordance with local coastal programs or local environmental protection programs

- Environmental constraints applied to the use of land based upon state statutes (i.e. earthquake fault area, wetlands, etc.)

When these enforceable restrictions are considered, a property's taxes may be lowered substantially.

### **The Welfare Exemption and Housing**

Article XII, Subsection 4(b) of the California State Constitution allows the legislature to exempt property owned or held in trust by non-profit organizations operating for religious, hospital, or charitable purposes. This exemption from property taxes is popularly known as the welfare exemption. This exemption can also be applied to housing.

Property used for housing can be exempt for a variety of defined purposes according to Section 214 of the Revenue and Taxation Code. These include:

- Housing for lower-income households
- Housing for low and moderate-income elderly and/or handicapped families
- Housing for employees of qualified (charitable) organizations
- Emergency or temporary shelter and related facilities for homeless persons and families

For low-income housing to be exempt, the project must meet one of the following criteria:

- Twenty percent or more of the occupants are lower-income households (those who make 60 percent of the median income or lower in the county where the project is located) whose rent does not exceed levels prescribed by the state (see Section 50053 of the Health and Safety Code).
- The acquisition, rehabilitation, development, or operation of the property (or any combination) is financed with tax-exempt mortgage revenue bonds or general obligation bonds, or is financed by local, state, or federal loans or grants and the rents of the lower income occupants do not exceed those prescribed by deed restrictions or regulatory agreements as part of the terms of the financing.
- The owner of the property is eligible for and receives low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code, as added by Public Law 99-514.

The property owner is also required to do the following:

- Certify and ensure that there is a deed restriction or agreement that restricts

the project's usage, that the units will only be rented to qualified lower income people, and that the rents charged do not exceed the terms of the financing or financial assistance.

- Certify that the funds that would have been necessary to pay property taxes are used to maintain the affordability of, or reduce rents otherwise necessary for, the units occupied by lower income households.

A partnership of a for-profit and non-profit organization can be used to build lower income housing and qualify for the welfare exemption. Under this partnership arrangement, called a two-entity operational structure, a limited partnership owns the low-income housing, and another entity, an eligible non-profit corporation, is the managing general partner of that limited partnership.

### **Redevelopment Agency and Taxes**

A redevelopment agency can be formed in any community when the local legislative body adopts an ordinance declaring the need for an agency. Most large cities in California have an agency in place. Redevelopment funds must be focused on areas that are 80 percent urbanized and “physically and/or economically blighted.” Redevelopment agencies have two broad powers: eminent domain and tax increment financing. These powers provide the redevelopment agency with the authority to do the following:

- Assemble land
- Prepare the site for private improvement
- Finance necessary public improvements
- Impose conditions and restrictions on the development of an area
- Finance the development of an area

Tax increment financing is the primary financing tool of redevelopment agencies. This type of financing is based on the assumption that the revitalization of an area will generate higher property taxes than the existing uses. In implementing this financing, the agency borrows against the future taxes levied on property within the project area. The agency then receives the increase in the valuation of the land. To obtain initial funding the agency issues tax allocation bonds. These bonds do not constitute a debt of the enabling jurisdiction (city or county), and do not require a vote. Repayment to bond holders relies entirely on the completion of the project and its financial success. The financing works as follows:

- A government invests money from tax increment bonds to improve a blighted area.
- With the money, existing owners improve their buildings and property.
- The assessed value of property in the area goes up.
- Property taxes increase.
- The amount of property taxes existing before redevelopment took place goes to existing taxing entities (i.e., the county, school district, or special districts).
- The increase in the amount of property taxes, produced by the higher assessed value of the redeveloped properties, goes to the redevelopment agency.
- The agency uses the tax increments to pay the principal and interest of the initial debt and to finance further projects.

A redevelopment agency can also subvent sales tax revenue in the same manner. As redevelopment occurs, sales taxes from the development may increase so that the increment of sales tax can be subvented to the developers or be used to pay for portions of the development. An example of this type of subvention occurred with Redwood City and the Sequoia Station project. (See the case study in *Public Land with Private Partnerships for Transit Based Development*, MTI Report 97-1.)

Sequoia Station is a 17.43 acre commercial project located adjacent to the Caltrain Station in Redwood City. It lies within the city's redevelopment area. The city, through its redevelopment agency, agreed to provide subsidy payments to the developer of up to \$300,000 per year for a maximum of 15 years. This subsidy was paid through the use of either the property tax increment or the sales tax increment.

### **What Can Be Done to Encourage Transit-Based Housing?**

- **Expand the enterprise zone concept.** The state can, through legislation, specifically allow areas along transit lines to be included within the definition of a qualified enterprise zone. It can further define what types of projects within this "transit" enterprise zone will qualify for special treatment. For example, the definition can indicate that if a project is within one-quarter mile of a rail line, or designated future rail line, and the project contains a mixture of development (such as residential with commercial, retail, or office) it can qualify for special treatment. The definition can further state that a minimum of 50 residential units must be

included and that at least 50 percent of those units must be rented to or sold to families making 60 percent of that county's median income.

- **Focus on lower income housing and the welfare exemption.** It is not necessary to require that a non-profit organization be involved as a partner in a project to qualify for the welfare exemption. Businesses operating for profit can build low-income housing under the same rules with or without a non-profit partner. State legislation could remove this unnecessary requirement making it administratively less difficult to build housing.
- **Use Redevelopment Agency's sales tax subvention capability.** As demonstrated in Redwood City, property tax increment financing is only one way to use the power of local tax subventions to bring about transit-based developments. Sales tax subventions can also be used successfully. Redevelopment agencies should aggressively use sales tax subventions for transit-based developments.

## **TAX EXEMPT PRIVATE ACTIVITY BONDS**

### **Background**

Tax credits can only be used in combination with tax-exempt private activity bonds. These bonds are issued by the state and are used to finance privately held, qualified, low-income housing projects, student loans, and privately held industrial developments. These bonds, when issued, are tax exempt from both state and federal taxes because the projects they finance are deemed to be in the public interest. Federal tax law defines the term "private activity bond," limits the volume of private activity bonds, defines the type of programs and projects that qualify for tax-exempt bond financing, and specifies record keeping requirements.

The Federal 1984 Tax Reform Act imposed annual limits on the dollar amount of these bonds that may be issued in a state. The current amount is \$50 per capita, resulting in California being permitted to issue \$150,000,000 in bonds for approved private activities in the year 1999. Beginning in 2003 through 2007, the ceiling will rise incrementally to \$225,000,000 or an amount equal to \$75 per capita.

### **California Debt Limit Allocation Committee (CDLAC)**

The California Debt Limit Allocation Committee (CDLAC) was created by the Governor in 1984 in response to the Federal 1984 Tax Reform Act. CDLAC is a three-member body comprised of the State Treasurer, the Governor, and the State Controller. The Committee's staff reports to the State Treasurer's office

and the Treasurer directs the Committee's activities.

CDLAC's responsibilities are defined and limited by federal tax law. These include:

- Setting the annual state ceiling. CDLAC is required to establish the state ceiling at the beginning of each calendar year.
- Allocating the state ceiling. CDLAC is the sole authority for allocating the annual ceiling. To this end, the Committee implements specific procedures that set forth the priorities and allocation of the private activity bonds.

### **The Procedures and Housing**

The procedures for allocating bonds are written by staff members and, after review and comment by the public, implemented by the Committee. The Committee can amend these procedures at any time, after a proper review and comment period. Generally they are updated and amended annually.

The year 2000 procedures for qualified multi-family rental units were substantially rewritten to reflect State Treasurer Angelides' focus on sustainable development. Because the amount of bonds is limited, there is a competition between projects to obtain a bond allocation. This competition takes the form of a points system based on threshold criteria. In other words, points are awarded by the Committee if projects do certain things, include certain features, or are located in certain areas. The criteria and the points given for each criterion are spelled out in the procedures. The criteria include points given if the project is considered at risk of going from low income to market rate housing, or if it is located in a high housing cost area or in a high job growth area. Sustainable development is now one of these criteria. Of the 140 points possible, 25 points are awarded to projects that are considered sustainable.

### **The Sustainable Criterion and Transit-Based Development**

Of the 25 points given for sustainable development, projects currently located in a community revitalization area are awarded 15 points. A community revitalization area means a distressed community for which a comprehensive community revitalization plan has been adopted and efforts specific to the plan have occurred. A community revitalization plan is a comprehensive plan adopted by a public entity that contains specific efforts undertaken in a neighborhood or a community that will result in the improvement of the economic conditions and the quality of life in that area.

Another 10 points are awarded for site amenities. One sub-category for site

amenities is a project located within a public transit corridor or in rural areas where there is no public transportation system, a project using a van, or a dial a ride service. Five points (of the 10 points available) are awarded to projects within a public transit corridor. A public transit corridor is that area within one-quarter mile of a route on which a regular service provided by a transit system, or within one-quarter mile of an existing or planned mass transit route or bus station, or within one-quarter mile of a multi-modal transportation terminal.

### **Opportunities for Changing the Points**

To emphasize transit-based development, greater weight can be given by the committee to projects located within a transit corridor. Since the committee is responsible for the procedures and the points awarded to each criterion, this change could easily occur. At least 10 points or more could be given to such projects. Furthermore, the area for inclusion in a transit corridor could be extended to a half mile.

If points are added for transit corridor projects, other criteria could be de-emphasized or eliminated. Examples include points awarded for being within a half-mile of a public school, and points for projects located within a half-mile of a grocery store and other essential shopping. It quickly becomes apparent that the heavier the weighting given to transit based development the more likely it is that such development will take place, given the competition for private activity bonds and the limited number of points in each category.

### **Designated Set Asides**

California also designates a specific amount of bond allocation for specific categories of projects. Those categories include new developments, projects in economically distressed areas, and projects in rural areas. A separate designated category could be projects within a half-mile of a designated transit corridor.

### **Other States**

Other states, such as Virginia and Oregon, do not have the elaborate point system used by California. They have a “First come, first served” basis for awarding bond allocation. As long as a project meets certain minimal criteria to qualify for low-income housing based upon federal tax credit law, the project can be funded. No weight is given to sustainable development or to proximity to transit corridors. This can be changed. State governments have the ability to adopt criteria that emphasize specific types of development. They



also have the ability to designate portions of the bond allocation for certain types of development. One type could be development within a half-mile of a designated transit corridor.

**Table 3-1: CDLAC Criteria and Points: Year 2000 Procedures**

Criterion	Points		
Federally Assisted At-Risk Projects & Hope VI Projects			20
Exceeding the Minimum Affordability Requirements			35
Terms of Affordability			10
High Housing Cost Areas			10
High Job Growth Area			10
Large Family Units			5
Leveraging			10
Service Amenities			10
New Construction			5
Sustainable Development			25
1. Project in a Community Revitalization Area		15	
2. Site Amenities (a maximum of 10 points only)		10	
a. Location in a public transit corridor	5		
b. Located a half-mile from a park	5		
c. Located a half-mile from shopping	5		
d. Located a half-mile from a public school	5		
<b>Total</b>			<b>140</b>

## TAX CREDITS FOR LOW-INCOME HOUSING

### Background

Transit-based housing developed or built for people with low and moderate incomes may be eligible for tax credit financing. The federal tax credit program was authorized by Congress in 1986 and is covered by the Internal

Revenue Code Section 42. The program enables rental housing sponsors and developers to raise project equity through the sale of tax benefits to investors, who are typically public corporations. Affordable housing is defined as housing for renters earning 60 percent of the median income or less. Obtaining funds through tax credits is a cumbersome but viable source of financing. Each state administers its allocation of federal tax credits through a competition geared to each state's individual housing priorities. In 1999 \$342 million in tax credits were allocated nationwide, of which \$40 million was apportioned to California.

To qualify for tax credits a project sponsor or developer elects one of the following minimum federal set-aside requirements:

- A minimum of 40 percent of the units must be occupied by households earning 60 percent or less of the area median income, adjusted for family size.
- A minimum of 20 percent of the units must be occupied by households earning 50 percent or less of the area median income, adjusted for family size.

Federal law requires tax credit projects to remain affordable for 15 years, and in California the minimum requirement is thirty years. Typically equity earned through the sale of federal tax credits generates 30 percent or more of a project's cost.

### **The California Tax Credits Allocation Committee**

Each state has a committee that is designated by that state to allocate tax credits. In California the tax credit committee is under the auspices of the State Treasurer. There are three voting and four non-voting members of the committee. The voting members are the State Treasurer, the State Controller, and the Director of the State Department of Finance.

An application for a project allocation is sent to the California Tax Credit Allocation Committee (TCAC). The committee's staff reviews and recommends eligible projects to the Committee. To obtain tax credits, the project must meet the standards of the State Qualified Allocation Plan (QAP), which includes:

- The percentage of low and very low income housing to be provided
- The minimum number of bedrooms and bathrooms in a new project
- The minimum investment in major rehabilitation for an older project

- The minimum site amenities
- The social programs available

### **The Qualified Allocation Plan (QAP)**

State allocating agencies must design and implement a Qualified Allocation Plan that establishes priorities for allocating tax credits, based upon state and local needs. Before establishing priorities, the TCAC holds public hearings to consider the concerns and interest of the public and local jurisdictions before adopting the QAP.<sup>181</sup>

Federal law defines a QAP as a document which:

- Sets forth selection criteria to be used to determine housing priorities
- Gives preference in allocating housing credit dollars to projects that will serve low income tenants for the longest period of time
- Provides a monitoring procedure that the state agency must follow to insure compliance with Internal Revenue Code, Section 42 and a process for notifying the IRS of noncompliance

Section 42 of the Internal Revenue Code (IRC) further requires that the QAP include the following selection criteria:

- Project location
- Housing needs characteristics
- Sponsor characteristics
- Participation of local tax-exempt organization
- Tenant population with special housing needs
- Public school waiting lists

Title 4, Chapter 17 of the California Code of Regulations (“regulations”) also specifies the policies and procedures governing TCAC’s management of the Tax Credit program.

### **Threshold Criteria**

State law and TCAC regulations require that projects must meet certain minimum criteria when the application is filed. These criteria insure that applicants do not apply before a project is ready to be developed or rehabilitated. If

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<sup>181</sup>A Description of California Tax Credit Allocation Committee Programs. California Tax Credit Allocation Committee, December 1999, [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

the criteria are not met, the Federal Government may impose harsh sanctions upon TCAC that will affect its ability to allocate tax credits. Threshold criteria include:<sup>182</sup>

- The type of housing proposed is needed by and affordable to the targeted population in the community
- Enforceable financing commitments for at least 50 percent of the total estimated financing needed
- Control of the site
- Compliance with the applicable local land use and zoning ordinances
- Development team experience and financial capability to ensure project completion and operation
- Financial viability throughout the compliance period of the project
- Minimum construction standards
- A commitment for all deferred-payment financing, grants, and subsidies at the time of application
- The project's size is limited to no more than 200 units for non-rural set-aside applications, and 80 units for rural set-aside applications (tax-exempt bond projects excepted)
- Other TCAC criteria as applicable to the targeted populations

TCAC issues due dates for applications and funding rounds. There may be up to four funding rounds per year. TCAC has also specified targeted populations for tax credits and has used set-asides for that purpose. Target populations include rural areas, projects receiving direct subsidies from cities and counties, and high cost of living areas.

### **TRANSIT-BASED DEVELOPMENTS**

Although some projects adjacent to transit lines may qualify as a tax credit project, TCAC does not have a special category for transit-based developments. Under federal and state laws it could create a special category that would encourage low and moderate-income housing projects along transit corridors, increasing the availability of affordable housing.

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<sup>182</sup>Ibid, 6.

**Some Difficulties**

The states are hindered in their efforts to offer low income tax credit housing by the ceilings imposed by the federal government. These ceilings are on a per capita basis at a rate of \$1.25 per person. This rate has not changed since 1988. There have been several attempts by Congress to increase the ceiling but all have failed. The demand for affordable housing has grown over the years but the amount available for tax credit has remained the same. A more realistic ceiling would be at least \$1.75 per person with annual automatic increases based upon inflation.

**CEQA AND ENVIRONMENTAL EXEMPTIONS****Background**

The California Environmental Quality Act (CEQA) establishes the policies of environmental law in California in an effort to reduce or eliminate environmental damage caused by both public and private development. CEQA was first adopted by the California State legislature in 1970 and has been amended over the years. All development that requires a government permit is subject to CEQA, and must be evaluated by local or state agencies as to its CEQA application. Some developments are legislatively exempt from CEQA. For example, the 1984 Los Angeles Summer Olympic Games and all development that took place as a result of the Olympics were legislatively exempt from CEQA. Also, the Governor of California can declare disaster areas in which all development to restore homes and property is legislatively exempt from CEQA.

Other projects are exempt because they fall into certain specific categories, such as remodeling an existing house or re-roofing an existing commercial building. There are 129 classes of categorical exemptions in CEQA.

If a development is not legislatively or categorically exempt from CEQA, the project must go through a time-consuming review process to determine the extent of its impact upon the environment and any mitigation necessary to minimize its impact. The staff of the appropriate governmental agency will conduct an initial study to determine the project's "initial" impact on the environment. If the staff determines the impact is minimal, the agency, declaring that there is minimal or no impact on the environment, can issue a negative declaration. This process can take from two to six months depending on the nature and location of the project. If the project may have a significant impact upon the environment, or has unmitigatable impacts, an

Environmental Impact Report will be necessary. This report may take years to write, circulate, discuss, and be adopted by the public agency, depending on the size of the project and the extent of controversy associated with the proposed development.

Large transit-oriented projects, for the most part, are subjected to a CEQA review, and most require an Environmental Impact Report.

## **PROJECTS AND CEQA**

Projects, as defined by the CEQA Guidelines Section 15378(a), are the “whole of an action which has the potential for resulting in a physical change in the environment, directly or ultimately.” The term, therefore, does not refer to the government permits required to undertake an activity, but rather to the activity itself.<sup>183</sup> All activities directly undertaken by a public agency or financially supported (in whole or part) by a public agency are considered projects under CEQA.<sup>184</sup> However, there are CEQA exemptions that can be applied to some transit-based projects.

## **TRANSPORTATION-RELATED PROJECTS AND EXEMPTIONS**

Projects instituting or increasing passenger or commuter service on existing rail or highway rights-of-way are exempt from CEQA. A variety of projects have been given a blanket exemption under CEQA by the legislature entitling them to bypass CEQA procedures and policies.<sup>185</sup> Statutory exemptions include ministerial projects, emergency actions, such as repairs to public service facilities that are required to maintain service, and housing-related projects that are part of a comprehensive regulatory document.<sup>186</sup>

Activities identified as exempt under this type of action include regional and state transportation programs, and projects to establish or increase passenger or commuter service on an existing rail right-of-way. “Mass transit extensions of less than 4 miles for the transfer of passengers” are also exempt.<sup>187</sup>

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<sup>183</sup>CEQA Deskbook, 19 (CEQA Guidelines Section 15378(c)).

<sup>184</sup>Ronald E. Bass, Albert I. Herson, and Kenneth M. Bogdan, CEQA Deskbook, 19, September 1996.

<sup>185</sup>CEQA Deskbook, 21.

<sup>186</sup>CEQA Deskbook, 21–27.

<sup>187</sup>CEQA Deskbook, 22 (Public Resource Code 21080(b)(12)).

## HOUSING-RELATED PROJECTS AND EXEMPTIONS

Housing or neighborhood commercial facilities in urbanized areas that are consistent with a comprehensive regulatory document and meet certain criteria are exempt from CEQA.<sup>188</sup> These projects must be implemented as part of a general plan or a specific plan. Projects that relate to the construction, conversion, or use of low-income housing projects of 45 units or less situated in urban areas are also exempt activities.<sup>189</sup> Urban areas are defined as those that are within a city or county's urban growth boundary. Urban areas are highly developed and contain a variety of land uses, specifically commercial, residential, cultural, and industrial.<sup>190</sup>

## PROPOSED REVISIONS

Three California Assembly Bills (AB) were introduced in the Year 2000 legislative session, any of which, if passed, would have an impact on CEQA.

### AB 2048

AB 2048, introduced by Assembly Member Torlakson, Democrat, 11<sup>th</sup> District, was titled the "Job-Center, Community Infill Housing Development Incentive Act of 2000." The bill proposed to "promote, encourage, and facilitate adequate housing development to provide affordable housing to California's growing work force."<sup>191</sup> If enacted, the legislation would have allowed the state to provide a fiscal incentive to local government by rewarding mixed-use, infill, and transit-oriented development. Funding would come from an annual \$500 million property tax return.

AB 2048 would have removed barriers to high-density, mixed-use, and infill development. Further, a set of proposals would have been developed to promote public, private, and community-based partnerships for the development of incentive based and environmentally accountable projects. Environmentally accountable projects are those that do not export housing demand to non-urban areas, and instead utilize opportunities for infill and redevelopment

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<sup>188</sup>CEQA Deskbook, 22 (Public Resource Code 21080.7).

<sup>189</sup>CEQA Deskbook, 23 (Public Resource Code 21080.14).

<sup>190</sup>Harvey S. Moskowitz and Carl G. Lindbloom, The New Illustrated Book of Development Definitions, 288, Rutgers, New Jersey, 1997.

<sup>191</sup>California Legislature, 1999–2000 Regular Session, Assembly Bill No. 2048, Assembly Member Torlakson, February 18, 2000.

in existing urban areas and suburban housing developments.

AB 2048 was set for a second hearing on May 24, 2000 and held under submission. The bill was re-referred to the Committee on Appropriations. As funding for jobs-housing imbalance programs has been provided in the 2000–2001 state budget, and another bill, AB 2864, was signed into law by the Governor on July 5, 2000, AB 2048 was not considered an urgent matter and did not pass the State Legislature.

AB 2864 (Torlakson) created the Jobs-Housing Balance Improvement Program (JHBIP), which recognizes cities and counties that are providing their fair share of a region's housing needs.<sup>192</sup> Grants and low-interest loans will be provided to qualifying local governments to fund a variety of activities including pre-development planning for projects within one-half mile of a transit station. AB 2864 also allocates funding councils of government, sub-regional councils of government, or single counties working cooperatively with state or federal governments to plan for qualifying inter-regional projects.

#### **AB 2340**

Introduced by Assembly Member Ducheny, Democrat, 79<sup>th</sup> District, this bill proposed to amend Sections 21000 and 21001 of the Public Resources Code, which pertain to environmental quality. Currently, Section 21000 of the Code requires state agencies “which regulate activities of private individuals, corporations, and public agencies which are found to affect the quality of the environment, shall regulate such activities so that major consideration is given to preventing environmental damage, while providing a decent home and satisfying living environment for every Californian.” It also provided that environmental thresholds should be defined and actions be taken to prevent those thresholds from being reached. AB 2340 would add the statement that environmental laws should “recognize the importance of affordable housing in protecting the natural environment.” Further, “environmental laws [should] be implemented in a manner that promotes, to the extent feasible, the ability of California's residents to secure a desirable place to live close to their employment.”

Section 21001 of the Code requires that state and local agencies protect, rehabilitate, and enhance the environmental quality of the state and that

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<sup>192</sup>AB 2864 Fact Sheet, provided by Robert Oakes, Director of Communications, Assemblyman Torlakson



long-term protection of the environment will be a guiding criterion in public decisions. If enacted, AB 2340 would have included the statement that all governmental agencies must recognize the importance of affordable housing, and promote such housing to the extent feasible while respecting and protecting the natural environment.

AB 2340 was heard on May 9, 2000 and re-referred to the Committee on Natural Resources. The bill did not pass the legislature during its Year 2000 session.

### **AB 2343**

Assembly Member Ducheny also introduced AB 2343, which proposed adding an exemption to CEQA for residential developments in urbanized areas.

If enacted, AB 2343 would have exempted residential development projects from CEQA if they consist of less than 200 units, are located within a community or neighborhood revitalization area, are consistent with appropriate general and specific plans, and are located within one-quarter mile of a major public transportation node or one-half mile of a major employment center.

The hearing was held on May 8, 2000, and no recommendations were made. The bill did not pass the legislature in its Year 2000 session.

### **OPPORTUNITIES FOR EXPANDING EXEMPTIONS**

High-density developments based on general plan and zoning requirements may not require the extent of environmental review currently conducted. Currently, cities and counties are required to prepare a program environmental impact report that addresses the land use designation and diagram of a general plan. Specific plans are also required to have an associated Environmental Impact Report (EIR). For those communities that support high-density development, the impact of such projects on the environment is addressed by the program or specific EIR. Environmental review should therefore be limited to project specific impacts, and addressed through a negative declaration or through the reuse of the appropriate EIR. The project specific environmental review for such high-density developments should be a process that takes minimal time, and does not hold up the approval process of such projects.

Infill development based on general plan and zoning requirements that meet program EIR requirements could be exempt from extended environmental review. As with high-density housing, any infill development in an urbanized

area should be addressed by a general plan EIR or specific plan EIR. If projects meet all policy requirements and incorporate any needed mitigation measures identified in the appropriate EIR, there should be no further environmental review required. By eliminating double-review, the permit process would become more streamlined, allowing needed developments to occur at a quicker pace.

In its legislative session of Year 2001, Assembly Member Calderon has introduced AB 1086 which will require only limited review of infill developments. This bill will require a lead agency, as defined in the California Environmental Quality Act (CEQA), to adopt a negative declaration (ND) or a mitigated negative declaration (MND) if the lead agency determines that a residential infill development, not exempt from CEQA, meets certain criteria. The criteria includes:

- The residential infill development project is located within an urbanized area.
- The development is located within an incorporated city with a population of 100,000 or an incorporated city with less than 100,000 if the population of that city and two contiguous cities combined equals at least 100,000 persons.
- The development complies with the applicable community general plan, zoning ordinance and other community, specific or local coastal plans.
- The development consists of no more than 10 acres.
- The development can be adequately served by existing utilities.
- The development does not contain significant wetlands or have significant value as a wildlife habitat; and is not included on any list of hazardous wastes or public drinking water wells with organic contaminants.
- The development is subject to a preliminary endangerment assessment prepared by a registered environmental assessor.
- The development does not require the demolition or substantial adverse change in any building or site that is listed or may be listed in the California Register of Historical Resources.
- The development is within one-half mile of a major public transit node.

As of August, 2001, Assembly Bill 1086 passed the Assembly and is now before the Senate Committee on Environmental Quality as a non-urgency bill.

## LOCAL ORDINANCES

### INTRODUCTION

The following are specific examples of local ordinances and standards that have been used by cities in this study to implement their transit-based development strategies. These measures include the general plan, the specific plan, and zoning.

#### **The General Plan**

The general plan is a comprehensive document that is the basis for decision-making regarding the community's long-term physical development. It is the community's blue print for future development. The state of California requires that each local planning agency prepare and adopt a comprehensive, long term, general plan for the physical development of that city or county. Every general plan contains seven mandatory elements or policy areas that must be addressed within the document: land use, circulation, housing, conservation, open space, noise, and safety. No new development within a jurisdiction can be approved unless it conforms to that community's general plan policies.

The general plan can be used for purposes other than guiding the physical development of the community. These include the determination of city development policy, as a communication vehicle for that policy, for the conveyance of advice, and for education. Several of the cities reviewed during our research used the general plan to promote and implement transit-based developments.

#### The City of San Jose

San Jose's general plan has specifically described intensification corridors that are to be used for transit-oriented development. These corridors are areas designated for higher residential densities, more intensive non-residential uses, and for mixed uses that will contain some combination of residential, commercial, office, and retail development. All these corridors are along existing or planned light rail lines and major bus routes. The general plan not only designates these corridors in its land use plan, but also elaborates development policies to be followed within the corridors. These policies specify that:

- Residential development occur at the higher end of the allowed density range designated on the use plan (i.e., if the range is 15 to 25 units per acre, the city wants 25 units not 15 units per acre). In the past, cities like San Jose were very wary of higher density development outside down-

town. Now, because of higher population and diminished open space, they see the need to encourage and extend the areas of high density.

- Building fronts and entrances should be oriented toward the transportation facilities and designed to encourage transit use and a pedestrian friendly environment. This means that the streetscape design becomes less important than the “transit-scape” design. The design needs to appeal to the transit rider, not the private automobile driver.
- Parking lots are to be minimized and located to the rear or side of buildings and away from transit facilities. This policy is a major change from parking standards and regulations designed to maximize car parking, to new standards minimizing parking because people will be using public transit not cars, thus preserving the land for other transit-based uses.

#### Portland, Oregon

Portland also uses its general plan to control development within its transit corridors. Portland uses several sections within its comprehensive plan to elaborate transit policies instead of grouping the policies under one section as San Jose does. Examples of policies found under these sections include:

##### *Urban Development:*

- Establish average minimum densities of 25 units per acre within one half mile of light rail stations.
- Establish minimum floor area ratios of 0.5:1. for non-residential development at light rail centers.

##### *Housing*

- Place new residential developments at locations that increase ridership on the regional transit system.
- Establish development patterns in mixed-use areas that include residential compatible uses.

##### *Transportation*

- Locate all new medium and high-density development in transit-oriented developments. The highest priority is the development of an effective feeder bus or vanpool service for regional transit access; the lowest priority is park and ride lots.
- Implement measures to achieve Portland’s share of the mandated 10 percent reduction in parking spaces per capita within the metropolitan area over the next 20 years. Through the land use process, these measures should include restrictions on the development of new spaces and the redevelopment of existing parking spaces for other uses.

### **Specific Plans**

Specific plans are detailed development plans for a specific area of a community. William Fulton, in his book, *Guide to California Planning*,<sup>193</sup> states that a specific plan is “a special set of development standards that apply to a particular geographic area.” These plans set forth basic development conditions and constraints in much greater detail than the general plan. These details may include specific design criteria and standards, specific densities and uses, and architectural styles and features as well as special zoning districts. Within the state of California, all details within the specific plan must conform to and comply with the city’s adopted general plan and its policies. Specific plans should be looked upon as an implementing tool to carry out the general policies of a comprehensive general plan.

#### Mountain View

Mountain View has successfully used specific plans to implement its transit-based policies. Although Mountain View called the four specific plans “precise plans,” the end result is a specific development strategy for specific geographic areas within the city. The Whisman Station Precise Plan is a very good example. This plan implements land use and design standards for properties adjacent to the soon-to-be-built light rail line running between Mountain View and San Jose. The plan encourages mixed-use projects (projects with residential, commercial, or retail components developed together). It identifies four residential unit types that should be developed including medium-small lot single family (lots less than 6,000 square feet), small lot single family (lots less than 5,000 square feet), low-density townhouse (10 to 12 units per acre) and high-density townhouse (12 to 16 units an acre).

Its design criteria include such items as requiring residential units to have at least one enclosed bicycle parking facility, that there be a direct pedestrian access to the Light Rail Station, and that all industrial areas be required to include rideshare drop-off and waiting areas as well as preferential parking for carpools and vanpools.

#### San Francisco

The city of San Francisco is currently developing three transit-oriented community use plans that focus on public improvements, private/public partnerships, and incentives for private sector actions to assist in the improve-

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<sup>193</sup>Fulton, William. *Guide to California Planning*, 204.

ment of these communities. Specific plans are being developed for three areas: the Balboa Park Station Area, the Market and Octavia Neighborhood, and the Central Waterfront Neighborhood. These plans should be completed and presented to the Planning Commission and the Board of Supervisors early in 2001.

### **Zoning**

Zoning is the regulation of the height and bulk of structures and the uses of land and standards to which uses of land must comply. Zoning regulations implement general plan and specific plan policies by designating land for a particular purpose such as residential, commercial, office, and retail or a mixture. With these zoning regulations a developer will know:

- How many stories the building can be (height)
- What the setbacks, lot coverage, and floor area ratios are (bulk)
- What uses are allowed (single family, multi-family, commercial, retail, etc.) and their densities (units per acre or square footage per acre)
- What intensities are allowed (a combination of height and bulk)
- What performance standards are required to either minimize the negative affects of the development (parking requirements, landscaping) or enhance certain other aspects (pedestrian access, design standards)

Several cities reviewed in our case studies have used zoning regulations both to encourage transit-based development and to shape the type of development that occurred.

### **Mountain View**

The city has established a zone called the transit district or T zone (Section 32.22B of the Zoning Ordinance). This is a floating or overlay zone, which means it can be applied in conjunction with the existing zoning. That existing zoning must be either industrial or commercial, and must be within two thousand feet of a rail transit station. When granted by the city, a T zone designation modifies the underlying, existing zone to allow uses and performance standards that are more attuned to transit needs.

These standards include:

- Higher floor area ratios, which allows for a greater density of development
- Reduction of required parking
- Allowance for mixed use development

### Portland, Oregon

Portland has instituted several zones that encourage development in and around transit corridors. These include the RX zone, the Mixed Commercial/Residential zone and the Light Rail Transit Zone. This last zone is an overlay zone used to encourage a mix of residential, commercial, and retail within light rail station areas. Development standards within this zone encourage pedestrian focused environments near the transit station that contain smaller retail shops, restaurants, and coffee houses, and amenities such as benches, kiosks, and outdoor cafes.

### San Francisco

San Francisco has not created a specific ordinance for transit-based development, but has chosen to use existing zoning districts to implement its transit development policies, as established in the city's Transit-Oriented Community Plan. Two zones that can be utilized easily are the RC-4 District and the Mixed-Use District. The RC-4 District (Residential-Commercial-Combined, high density) encourages compatible commercial ground floor uses in high-density residential dwellings in mixed-use neighborhoods. The Mixed-Use Districts allow for a wide variety of commercial and residential uses at higher densities and can be oriented along transit routes.

## **CONCLUSIONS**

Cities can adopt any number of planning tools to implement their transit oriented development policies, from specifying those policies in their general plan to formulating specific plans and adopting zoning ordinances. The method a city uses will depend on how much depth and guidance it wants to pursue in its implementation of transit-oriented development. For example, specific plans are more time consuming to put together but offer greater details and guidance. General plan policies can give direction and can show interest and intent, but will still need implementing tools, such as zoning or development standards, to carry out the policies.

Each of the case studies in this report has used some combination of planning tools to develop and carry out its transit oriented policies.

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## **ELEMENTS OF SUCCESS**

### **DEVELOPMENT IS AT THE LOCAL LEVEL**

In California, and in most other states, approval for land development projects is relegated to the local city or county government. To be successful, any state or federal program seeking to change the patterns of development or influence environmental policies cannot ignore the reality of that power. Development policies should not be mandated from above; however, state and federal governments can encourage appropriate development at the local level with the judicious use of tax and environmental policies and incentives.

#### **CASE STUDIES POINT THE WAY**

The case studies included in this research have shown different methods by which local jurisdictions can control development adjacent to transit corridors and encourage transit ridership. Each jurisdiction focused on three main elements:

- Taking an active lead in the land use process
- Encouraging the private sector to develop appropriately with incentives and assistance
- Using state and federal programs to foster development beneficial to the community

#### **LOCAL GOVERNMENTS MUST TAKE THE LEAD**

Permission to undertake land-use developments rests with the local government. In each case study, the local jurisdictions used this power to foster successful developments. In Mountain View, the city created specific zoning categories for transit-based and mixed-use development (the T-zone). They rezoned the land they wanted developed, relieving prospective developers of the effort and expense required to request a change in the zoning laws or the general plan. By taking the lead and preparing the way for appropriate projects, the city created the conditions that led to successful community development.

Both Mountain View and San Francisco used the specific plan process to designate the design criteria and standards, habitation densities, architectural styles and features, and the land use they desired. The specific plans were submitted to the public participation process and environmental reviews by the



city and then the developers were invited to participate. These two tasks are the most costly and time consuming chores in a development project and the results are unpredictable. By taking the initiative and assuming responsibility for environmental safeguards and public acceptance of the specific plan, the city reduced the risks and lowered the costs of private development. The result was faster and more efficient development, a protected environment, and a public that was informed and accepting of the changes to their neighborhood.

### **Encourage the Private Sector With Incentives**

As was pointed out in the publication “Public Land with Private Partnerships for Transit Based Development,”<sup>1</sup> most developers who had formed a partnership with a local jurisdiction to construct a transit-based development would not do so again because of the difficulties they had working with the local jurisdiction. Development is not an easy undertaking even in the best of times. Transit-based development projects are considered financially risky by the banks, the tax credit investors, the limited partner investors, and by the developer. Assuming the burden of changing a general plan or rezoning is a first big step in relieving some of the risk for the developer, but other incentives must also be considered. Density bonuses, use of redevelopment money for gap financing, sales tax rebates, or building some of the public infrastructure can all play an important role in making a project successful.

The local jurisdiction has the legal ability to determine which uses or businesses are appropriate to a project and which locations it will approve. However, these decisions should not be made in a vacuum. The realities of the marketplace must be considered.

The developer cannot be burdened with excessive requirements that will make the project economically unfeasible. The public sector needs to understand how business works and what can and cannot be built realistically. Which businesses are truly acceptable to the public and will be profitable must be considered. The realities of the marketplace must take precedence over an abstract ideal. Another 30,000 square feet of retail may not be feasible, but office space may be. Another movie theater may not be needed, but a local credit union may be. Another day care center may not be feasible, but a learning center allowing all age groups to participate in educational and training programs may be. The local jurisdiction must consult with local

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<sup>1</sup> Lefaver, 2.

business people and the developer to determine what is feasible and what is not.

### **Use State and Federal Programs to Foster Development**

To enhance the opportunities for transit-based development, a number of tools are available to local governments. The federal Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) coupled with the Transportation Enhancement Fund and the Transportation Infrastructure Financing and Innovation Act of 1998 (TIFIA) can all be used to encourage and fund local transportation projects that help implement the construction of transit-based developments.

Legislation at the state level can also be of use. California's High Density Housing/Mass Transit Act of 1991 (SB 2559) and the Transit Village Act (AB 779) can be used to assist local governments in meeting their development policies. A realistic environmental policy that recognizes housing as important in urban areas around transit corridors is also important. AB 2343, introduced by Assembly Member Ducheny, accomplishes this objective.

Tax credits and the use of set asides within the tax credit, and tax-exempt private activity bond program can be used to focus attention on transit-based development. Enterprise zones can be coupled with these programs to create even more incentives.

### **WHAT GOVERNMENTS CAN DO**

Based on our research, governments can use the following strategies and changes in the law to further encourage transit-based development.

#### **Local Government**

- Lead the way by adopting local land use policies that encourage transit-based developments. These include general plan policies, specific plans, and zoning ordinances.
- Implement the policies and ordinances adopted. Do not wait for a developer to obtain a general plan amendment before proceeding with that amendment or rezoning a property for transit-based development.
- Formulate incentives that will attract development. These incentives include density bonuses, flexibility within certain ordinances such as parking, and the use of redevelopment and enterprise zone legislation.
- Understand the limits of public policy requirements and how they fit into the market. Financial feasibility drives markets; local jurisdictions must understand commercial financing needs.

**State Government**

- Adopt legislation that encourages transit-based development, such as the High Density Housing/Mass Transit Act of 1991 (SB 2559) and the Transit Village Act (AB 779). Expand existing legislation, such as Enterprise Zones, to specifically include transit-based development.
- Use tax credit and tax-exempt private development set-asides to encourage affordable housing within transit corridors.
- Use the welfare exemption (not paying local property tax) to encourage affordable housing within transit corridors. Allow private developers the same latitude as non-profit organizations in developing low-income housing.
- In California, exempt housing that is within a designated transit corridor from the California Environmental Quality Act, as suggested in AB 2343, introduced by Assembly Member Ducheny.

**Federal Government**

- Expand legislation, such as TEA 21 and the Transportation Enhancement Fund, to encourage transit-based development.
- Raise the limit on tax credits and tax-exempt private activity bonds for affordable housing or, for specific period of time, perhaps four years, eliminate the ceiling for low-income housing projects within transit corridors.

**GLOSSARY OF ABBREVIATIONS AND ACRONYMS**

ABAG	Association of Bay Area Governments
BART	Bay Area Rapid Transit
BMR	Below Market Rate
Caltrans	California Department of Transportation
CDLAC	California Debt Limit Allocation Committee
CEQA	California Environmental Quality Act
CMAQ	Congestion Mitigation and Air Quality Fund
CMP	Congestion Management Program
CPCFA	California Pollution Control Financing Authority
DOT	U.S. Department of Transportation
EIR	Environmental Impact Report
EPA	Environmental Protection Agency (federal)
F&WS	Fish and Wildlife Service
FAR	Ratio of the total floor area to the gross site
FHWA	Federal Highway Administration program
FTA	Federal Transit Administration
HTF	Highway Trust Fund of California
IISTPS	International Institute for Surface Transportation Policy Studies (the Mineta Transportation Institute)
ISTEA	Intermodal Surface Transportation Efficiency Act of 1991
LACMTA	Los Angeles County Metropolitan Transportation Authority
LANI	Los Angeles Neighborhood Initiative
LRT	Light Rail Transit
MAAC	Metropolitan Area Advisory Committee, San Diego

MAX	Metropolitan Area Express (Portland, Oregon)
MOU	Memorandum of Understanding
MPO	Metropolitan Planning Organization
MTC	Metropolitan Transportation Commission (California, Bay Area)
MTC	Metropolitan Transportation Commission of San Francisco
MTDB	Metropolitan Transit Development Board (San Diego, California)
MUNI	San Francisco Municipal Railway
NMFS	National Marine Fisheries Service
NOL	Net Operating Loss
NPS	National Parks Service
PD	Planned Development
QAP	Qualified Allocation Plan, California
RFP	Request For Proposal
RSPA	Research and Special Programs Administration (federal)
RTP	Regional Transportation Plan (Portland, Oregon)
SANDAG	San Diego Association of Governments
SCAG	Southern California Association of Governments
SFTA	San Francisco County Transportation Authority
T-Zone	Transit District Zone
TBD	Transit Based Development (also called TOD)
TCAC	California Tax Credit Allocation Committee
TCSP	Transportation & Community & System Preservation Pilot
TCSP	Transportation Enhancement, and Environmental Streamlining
TE	Transportation Enhancements

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TEA-21	Transportation Equity Act for the 21 <sup>st</sup> Century
TGM	Transportation and Growth Management Program (Portland, Oregon)
TIFIA	Transportation Infrastructure Finance and Innovation Act
TLC	Transportation for Livable Communities
TOD	Transit Oriented Development (also called TBD)
Tri-Met	Tri-County Metropolitan Transportation District (Oregon)
UGB	Urban Growth Boundaries (Portland, Oregon)
VTA	The Santa Clara Valley Transportation Authority



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