CALIFORNIA
DEBT AND
INVESTMENT
ADVISORY
COMMISSION

Response to Senate Local Government Committee Request for Information Related to Senate Bill 465 (Soto)

California Debt and Investment Advisory Commission July 1, 2003

EXECUTIVE SUMMARY

On April 24, 2003, the Senate Local Government Committee (Committee) requested that the California Debt and Investment Advisory Commission (CDIAC) provide members of the Committee with advice on the "fiscal feasibility of redevelopment near transit stations" before they cast their final votes on Senate Bill 465 (Soto) (SB 465), a bill that would create a new category of redevelopment project area, among other things. More specifically, the Committee asked CDIAC to respond to a series of questions related to mixed-use redevelopment projects near transit stations, including details regarding the project area (for example, size, distance from the transit station, debt incurred) and broader questions regarding the impact of current redevelopment law and SB 465 (Soto).

CDIAC staff (hereafter referred to simply as CDIAC) conducted a literature review of recent work in the area, and, with the assistance of the California Department of Transportation and the California Redevelopment Association, developed a list of 28 potential mixed-use, transit-oriented redevelopment project areas to contact for a preliminary survey for the purpose of responding to a lengthier written survey addressing the Committee's specific questions. The preliminary survey sequentially removed those project areas that did not meet certain criteria of interest to the Committee. For example, project area managers were first asked if their transit-oriented projects were located within redevelopment project areas. If they were located in redevelopment project areas, the survey continued and the project area managers then were asked if their transit-oriented projects included mixed-use development; otherwise, the phone survey was ended. Of the 28 project areas that took part in the preliminary survey, CDIAC ultimately faxed or emailed the lengthier written survey to five project areas (Attachment 1 contains a copy of the preliminary and final surveys). The five project areas that satisfied the redevelopment area and mixed-use criteria and had on-going or completed projects that were created or amended after January 1, 1994 (the effective date of redevelopment reforms enacted by Assembly Bill 1290 (Isenberg)) included:

- Lafayette Redevelopment Project Area (Location: City of Lafayette)
- North Hollywood Redevelopment Project Area (Location: City of Los Angeles)
- Richards Boulevard Redevelopment Project Area (Location: City of Sacramento)
- Mission Bay North Redevelopment Project Area (Location: City of San Francisco)
- Coliseum Redevelopment Project Area (Location: City of Oakland)

CDIAC's lengthier written survey and discussions with public and private-sector redevelopment professionals yielded the following key findings:

- The size of the five project areas varied considerably, from 65 acres for the Mission Bay North Project Area to 6,785 acres for the Coliseum Redevelopment Project Area.
- Three of the five project area boundaries were within a ¼ mile of the transit station.
- Only one of the project areas was covered by a transit village development plan as defined by Chapter 780, Statutes of 1994 (Assembly Bill 3152 (Bates)).

- Total indebtedness for the five project areas currently stands at $111 million. Of the $111 million outstanding, tax allocation bonds accounted for approximately $66 million, followed by Mello-Roos bonds totaling $40 million.
- Total annual property tax increment revenues generated for each project area varied significantly from $133,247 for the Mission Bay North Redevelopment Project Area to $31.7 million for the North Hollywood Redevelopment Project Area. Year-to-year changes in tax increment also were substantial, in several cases exceeding 100 percent. This contrasts significantly with the five years prior to the project creation/plan amendment in two of the project areas, where year-to-year changes generally were either negative or in most cases less than 7 percent.
- All five project area managers agreed that current redevelopment law, in particular land cost write-downs and local hiring and purchasing incentives, were instrumental in their development efforts. However, one project manager pointed out that current redevelopment law does not specifically promote transit-oriented redevelopment projects, which may limit potential transit-oriented development.
- Some suggestions for changing current law included streamlining environmental reviews to expedite development and requiring a minimum lot size to discourage piecemeal development. The latter would provide for more unified, cohesive development and avoid duplicative environmental reviews.
- Other professionals consulted believe the ¼ mile radius restriction around rail transit station exterior boundaries (specified in the Transit Village Development Planning Act of 1994) is unnecessarily limiting, and that at a minimum, current law should be modified to allow project areas to exceed the ¼ mile radius to the nearest street or complete parcel or be expanded to ½ mile.

Redevelopment authority serves an important role in many of the project areas CDIAC reviewed, including those not included in the final survey. While nearly all of the project areas were underwritten in part by private financing, redevelopment agencies helped mitigate developer risk by contributing in some form to the outcome. Absent redevelopment funding and programming support, these transit-oriented projects could not have proceeded. If local governments (including cities and/or counties) did not have access to these redevelopment tools, the only means to assist private developers seeking to undertake a transit-oriented project financially would be through means such as dedicating portions of their annual budgets or issuing bonds repaid from their annual budgets. Given the importance of redevelopment agency contributions to existing transit-oriented project areas, the Committee may wish to consider amending SB 465 to include existing redevelopment project areas in some fashion, since leveraging multiple tools may increase the effectiveness in achieving transit-oriented development goals.

In concluding CDIAC's response to the Committee's request, it has attached a summary of research findings from other organizations' surveys and reports (see Attachment 2). Included is a list of barriers to transit-oriented development nationwide and in California, as well as strategies others have identified for overcoming these barriers. Some of the issues raised above are echoed in these findings. CDIAC also has forwarded to Committee staff a copy of a detailed email response from one contact regarding SB 465.

Response to Senate Local Government Committee Request for Information Related to Senate Bill 465 (Soto)[1]

Background. On April 24, 2003, the Senate Local Government Committee (Committee) requested that the California Debt and Investment Advisory Commission (CDIAC) provide the Committee with advice on the "fiscal feasibility of redevelopment project areas near transit stations." More specifically, the Committee asked CDIAC to respond to a series of questions related to mixed-use redevelopment projects near transit stations, including details regarding the project areas (for example, size, distance from the transit station, debt incurred) and broader questions regarding the impact of current law and the proposed bill [SB 465 (Soto)] on such redevelopment projects. The Committee requested that CDIAC provide its response to the request by July 1, 2003.

Methodology. CDIAC staff (hereafter referred to as CDIAC) determined that conducting a survey of existing transit-oriented redevelopment project areas would provide the Committee with the most complete and accurate information. CDIAC initially relied on data reported in a California Department of Transportation (Caltrans) study on transit-oriented development to determine the scope of project areas to survey.[2] Caltrans also provided CDIAC with access to a website it is currently developing on transit-oriented development. This website contains a searchable database that can be used to find transit-oriented developments that meet specific criteria. CDIAC supplemented this data with information from the California Redevelopment Association (CRA). CRA provided CDIAC with a list of contacts and transit-oriented redevelopment project areas throughout the state.

CDIAC also contacted a variety of public and private sector professionals (some whom the Committee recommended) to obtain additional insight and perspective on transit-oriented redevelopment and, more specifically, SB 465.

CDIAC began its research by reviewing over 50 project areas with potential transit-oriented projects. It narrowed the number of project areas that were contacted to 28 using readily available information from the Caltrans study, Caltrans website, and CRA project detail after removing those that did not meet all of the following criteria specified by the Committee:

- Transit-oriented development project is located within a redevelopment project area;
- Transit-oriented project has been completed or is under construction (that is, beyond planning and entitlement stage) and contains mixed-use development (mixed use is defined, for the purpose of this survey, as including two or more of the following types of development: residential, retail, commercial, industrial, public, or civic); and
- Redevelopment project area was created or amended for the purpose of the transit-oriented project after January 1, 1994 (the effective date of redevelopment reforms enacted by AB 1290 (Isenberg)).

[1]CDIAC especially thanks Gus Koehler from the California Redevelopment Association (CRA) for his assistance in providing CDIAC with a list of transit-oriented redevelopment project areas in California and for notifying CRA membership of the survey and its purpose. CDIAC also thanks Terry Parker from the California Department of Transportation (Caltrans) for information on and access to Caltrans' new website on transit-oriented development.

[2] Caltrans Division of Mass Transportation, Statewide Transit Oriented Development Study: Factors for Success in California, January 2002.

CDIAC conducted a preliminary phone survey of the 28 project areas to determine if they met the above-specified criteria. The preliminary survey used a sequential process of removing those project areas that did not meet the criteria. For example, project areas were first asked if they were located within a redevelopment project area. If they were located in a redevelopment project area, the survey continued and the project area was asked if they included mixed-use development; otherwise, the phone survey was ended.

Of the 28 project areas initially contacted, only five project areas answered "yes" to all of the preliminary survey questions. CDIAC developed a lengthier written survey for these five project areas based upon the questions that the Committee requested to be answered and emailed or faxed the survey to the five projects (see Attachment 1). Information collected included:

- Total acreage covered by the project,
- Distance from transit station,
- Existence of a transit village development plan (Chapter 780, Statutes of 1994),
- Outstanding debt,
- Type of debt(s),
- Defaults or fiscal problems,
- Existing law's promotion of mixed-use, transit-oriented project areas, and
- Proposed changes to current law to promote mixed-use, transit-oriented project areas.

Survey Results/Response to Individual Questions. Figure 1 and Figure 2 below summarize the responses to the preliminary survey of 28 projects and to the lengthier written survey of the five project areas, respectively.

Figure 1

Results of Preliminary Survey of Potential Transit-Oriented Project Areas

Survey Response	Question 1: Project Within Redevelopment Area	Question 2: Mixed-Use Project Completed or Under Development	Question 3: Project Area Created or Amended after 1994
Beginning Total	28	22	12
Yes	22	12	5
No	6	10	7

Figure 2
Survey Results of Mixed-Use Transit-Oriented Redevelopment Project Areas

Project Name	Town Center Project/BART Block	NoHo Arts District Business Transit Oriented District	Sacramento Intermodal Transit Station	Mission Place	Fruitvale Transit Village
Redevelopment Agency	Lafayette Redevelopment Agency	Los Angeles Community Development Agency	City of Sacramento Economic Development Department	San Francisco Redevelopment Agency	Oakland Community Economic Development Agency
Redevelopment Project Area	Lafayette Redevelopment Project Area	N. Hollywood Redevelopment Project Area	Richards Blvd. Redevelopment Project Area	Mission Bay North Redevelopment Project Area	Coliseum Redevelopment Project Area
Date of Creation/Amendment	1994	1979 (Amended 1997)	1990 (Amended 1996)	1998	1995
Acreage of Project Area	294	740	1,365	65	6,764
Distance from Transit Facility	Immediately adjacent to station, extending greater than ½ mile away	1/4 mile	1/4 mile	1/4 mile	Beyond 1/2 mile
Transit Village Development Plan	No	No	Yes	No	No
Outstanding Debt	$5 million	$37 million	$5.9 million	$40 million	$23.085 million
Debt Type(s) and Amount	Revenue Bonds	Tax Allocation Bonds ($36.7 M); Interagency loan ($0.3 M)	Tax Allocation Bonds	Mello-Roos Bonds	Tax Allocation Bonds ($23.085); Interagency loans (unspecified)
Defaults or Fiscal Problems	No defaults or fiscal problems	No defaults or fiscal problems. As with most, start-up difficult due to lack of funding.	Lack of growth in property tax base has limited ability to bond against tax increment flow.	No defaults or fiscal problems	No defaults or fiscal problems
Existing Law -Promotion of Mixed-Use Transit-Oriented Development	Existing law enabled agency to provide incentives to developer to develop underutilized site and affordable housing.	The more recent amendments that have allowed for preference for local hiring and purchasing have had a positive spillover effect that has encouraged a closer tie to the community and supported mixed-use projects.	Existing law has enabled promotion of mixed-use development; however, does not provide incentives for transit-oriented development.	Existing law has enabled promotion of mixed-use development.	Existing law has enabled promotion of mixed-use development.
Changes to Existing Law to Promote Mixed-Use Transit-Oriented Development	No opinion.	To promote mixed-use development especially adjacent to transit facilities. Authorize commission/council to designate potential mixed-use areas not reflected in community plans. Streamline environmental review to expedite development. Need minimum lot size to discourage parcel by parcel development.	Certain portions of the tax increment flow could be directed toward transit-oriented development. Perhaps there could be a more incentivized approach. No other ideas at the moment.	If a city's policy is to develop transit-oriented development then such a policy can be incorporated in a redevelopment plan.	Reduce ERAF for transit-oriented development areas.

Question 1: How many redevelopment project areas have local officials created to promote mixed-use development around transit stations?

As Figure 1 above shows, of the 28 project areas contacted for the survey, 22 project areas are located within redevelopment areas.[3] Twelve of the 22 project areas have been created to promote mixed-use, transit-oriented development, as defined in the *Methodology* section above.[4]

Question 2: How many of these project areas were created after January 1, 1994, the effective date of the redevelopment reforms enacted by AB 1290 (Isenberg)?

As Figure 1 above shows, of the 12 redevelopment project areas created to promote mixed-use, transit-oriented development, five had transit-oriented project areas that were either created or had their development plans amended after January 1, 1994.

Question 3: How many acres are covered by each of these project areas?

As Figure 2 above indicates, the number of acres that each project area covers varies considerably, from 65 acres for the Mission Bay North Project Area to 6,764 acres for the Coliseum Redevelopment Project Area.

Question 4: Do any of these project areas extend more than a ¼ mile from the transit station? More than ½ mile?

Of the five mixed-use, transit-oriented project areas created or amended after January 1, 1994, three indicated that the boundaries of the project area extend more than a ¼ mile from the transit station. One respondent indicated that the transit station (Lafayette BART station) lies adjacent to the project area but not in it. CDIAC noted from the map of the project area, however, that the most extreme boundaries of the project area lie beyond a ½ mile from the BART station. One project area (Coliseum Redevelopment Project Area) indicated it furthest most boundaries lie beyond ½ mile from the transit station.

Question 5: Are any of these project areas covered by a transit village development plan?

Only one of the five project areas (Richards Blvd. Redevelopment Project Area) is covered by a transit village development plan.

Question 6: How much debt has each of these project areas incurred? What kinds of debt has each project area incurred?

The amount of indebtedness reported by survey respondents (including bonds, notes, and loans) totaled approximately $111 million. The amount of redevelopment project area indebtedness varied significantly, from $5 million for the Lafayette Redevelopment Project Area to $40 million for the Mission Bay North Redevelopment Project Area. Of the $111 million issued, tax allocation bonds accounted for approximately $66 million followed by Mello-Roos bonds ($40 million). Project areas also reported other types of indebtedness including revenue bonds and loans.

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[3] One of those not located in a redevelopment project area, The Village/Fremont BART station, indicated an intent to form a project area around the transit-oriented project in the future.

[4] Of the remaining 10 projects surveyed, 7 were still in the design and planning stages (and therefore are not confirmed mixed-use projects) and 3 were single-use projects.

Question 7: How much property tax increment revenue has each of these project areas generated each year since its creation, and in total? How does the change in tax increment revenues compare to the five fiscal years before the project's base year? How much of the project area's tax increment revenues is diverted to school districts?

CDIAC's survey also included gathering tax increment revenues for each of these project areas and amounts diverted to school districts under various provisions of the California Health and Safety Code. Figure 3 below provides year-to-year tax increment amounts for each project since the project area's creation/plan amendment. Total tax increment collected ranged from $133,247 for the Mission Bay North Redevelopment Project Area to $31,745,000 for the North Hollywood Redevelopment Project Area. Figure 4 provides the year-to-year change in tax increment for each of the project areas. Year-to-year percentage changes have been substantial, in several cases exceeding 100 percent.

Figure 3
Redevelopment Agency Tax Increment Revenues

	Redevelopment Project Area Name				
Year	**Lafayette**	**N. Hollywood**	**Richards Blvd.**	**Mission Bay North**	**Coliseum**
1994-95	$0	NA	NA	NA	NA
1995-96	0	NA	NA	NA	$0
1996-97	62,279	NA	$269,027	NA	888,569
1997-98	80,500	$5,638,000	204,169	NA	1,581,075
1998-99	218,846	5,950,000	243,980	NA	2,933,236
1999-00	433,912	6,028,000	273,588	$8,418	5,933,487
2000-01	847,997	6,665,000	325,002	17,137	6,422,964
2001-02	931,774	7,464,000	474,634	107,692	9,853,237
Total	$2,575,308	$31,745,000	$1,790,400	$133,247	$27,612,568

Source: State Controller's Office

Figure 4
Percentage Change in Tax Increment Revenue

	Redevelopment Project Area Name				
Year	**Lafayette**	**N. Hollywood**	**Richards Blvd.**	**Mission Bay North**	**Coliseum**
1994-95					
1995-96					
1996-97	100.00%				100.00%
1997-98	29.26%		-24.11%		77.93%
1998-99	171.86%	5.53%	19.50%		85.52%
1999-00	98.27%	1.31%	12.14%	100.00%	102.28%
2000-01	95.43%	10.57%	18.79%	103.58%	8.25%
2001-02	9.88%	11.99%	46.04%	528.42%	53.41%

Source: State Controller's Office

Figures 5 and 6 below provide tax increment information for two of the five project areas for the five years prior to their project area's most recent amendment. The most recent amendments were for creation of transit-oriented development and therefore are considered the "base year" for these projects. CDIAC was able to obtain information for the N. Hollywood Project Area and Richards Blvd. Project Area because both had defined project areas prior to the amendment of their area plans for the current transit-oriented projects. With the exception of fiscal year 1992-93 for the Richards Blvd. Project Area, the increase in tax increment for the five years prior was modest compared to the gains experienced in the years shown in Figure 3. For half of the years reported in Figure 5, tax increment revenues actually declined.

The three remaining project areas do not have tax increment revenues because none could be collected prior to the actual project area creation. CDIAC obtained general maps of the project areas for these three project areas and contacted both the redevelopment agency and county assessor's office for each project area to attempt to obtain a measure for property tax growth (to serve as proxy measure of tax increment) for these areas. The San Francisco Redevelopment Agency was able to provide the total assessed property values for the Mission Bay North Redevelopment area for 1993-94 ($29.1 million) and 1997-98 ($30.9 million). The change in assessed value for this period is significantly lower (1.6 percent average annual growth) compared to the period after project creation (7.3 percent average annual growth). The other redevelopment agencies were unable to provide such measures for the years requested.[5]

[5] The county assessors' offices informed CDIAC that assessed property values for the three project areas are available on microfiche and would require a search by parcel numbers. They indicated that such a search would take several months due to the size of the redevelopment project areas and the number of parcels involved and that they could not dedicate staff to our project for such a significant commitment of time.

Figure 5
Tax Increment Revenues for Five Years Prior to Project Area Amendment

	Redevelopment Project Area Name	
Year	**N. Hollywood**	**Richards Blvd.***
1991-92		47,283
1992-93	6,358,000	747,533
1993-94	6,366,000	399,124
1994-95	6,749,000	370,821
1995-96	5,653,000	$394,896
1996-97	$5,340,000	

* Fiscal years 1992-93 and 1991-92 are from the proposed project area budget. The amount for 1992-93 reflects overly optimistic assumptions.

Source: State Controller's Office

Figure 6
Annual Percentage Change in Tax Increment for Five Years Prior to Project Area Amendment

	Redevelopment Project Area Name	
Year	**N. Hollywood**	**Richards Blvd.**
1991-92		
1992-93		1480.98%
1993-94	0.13%	-46.61%
1994-95	6.02%	-7.09%
1995-96	-16.24%	6.49%
1996-97	-5.54%	

Source: State Controller's Office

Figure 7 below provides information on the amount of tax increment revenues that are "passed through" to school districts as specified in the California Health and Safety Code for the five project areas. Once again, the total amount of pass-through varies considerably by project area, from $0 in the N. Hollywood Redevelopment Project Area to $702,710 in the Coliseum Redevelopment Project Area. In 2001-02, the share of total annual tax increment passed through to school districts ranged from a low of 1.5 percent in the Mission Bay North Redevelopment Project Area to nearly 16 percent in the Richards Blvd. Redevelopment Project Area (see Figure 8 below). This finding excludes the N. Hollywood Redevelopment Project Area, which did not pass through any tax increment revenues to school districts.

Figure 7
Tax Increment Revenues Passed Through to School Districts

Year	Lafayette	N. Hollywood	Richards Blvd.	Mission Bay North	Coliseum
	Redevelopment Project Area Name				
1994-95	$0	$0	NA	NA	NA
1995-96	0	0	NA	NA	$0
1996-97	0	0	$0	NA	38,450
1997-98	9,779	0	0	NA	83,034
1998-99	25,026	0	36,434	$0	0
1999-00	28,494	0	33,709	130	0
2000-01	70,855	0	36,547	0	443,205
2001-02	80,981	0	75,785	1,658	702,710
Total	$215,135	$0	$182,475	$1,788	$1,267,399

Source: State Controller's Office

Figure 8
Annual Percentage Pass Through to School Districts

Year	Lafayette	N. Hollywood	Richards Blvd.	Mission Bay North	Coliseum
	Redevelopment Project Area Name				
1994-95		0.00%			
1995-96		0.00%			
1996-97		0.00%	0.00%		4.33%
1997-98	12.15%	0.00%	0.00%		5.25%
1998-99	11.44%	0.00%	14.93%		0.00%
1999-00	6.57%	0.00%	12.32%	1.54%	0.00%
2000-01	8.36%	0.00%	11.25%	0.00%	6.90%
2001-02	8.69%	0.00%	15.97%	1.54%	7.13%

Source: State Controller's Office

Question 8: Have any of these project areas experienced funding shortfalls that led to either technical default or actual default on their indebtedness? Did these project areas face any unusual fiscal problems?

CDIAC's survey asked the five redevelopment project areas whether they had experienced any unusual fiscal problems since the development of the project area. These problems may not have led to default, but may reflect declining tax increment or underfunded redevelopment of the project areas. Two of the five project areas indicated that they have experienced some fiscal stress. The N. Hollywood Redevelopment Project Area staff indicated the stress was characteristic of a start-up project that is seeking funding. The Richards Blvd. Redevelopment Project Area staff stated that a lack of growth in the property tax base has limited the agency's ability to bond against tax increment flow. The remaining project areas said they had not had any defaults or fiscal problems.

Question 9: Did any communities decide not to form a redevelopment project area to promote mixed-use development around a transit station because the current redevelopment law made the proposed project infeasible?

The Committee's next question asked whether communities in California had decided not to form a redevelopment project area to promote mixed-use development around a transit station because the current redevelopment law made the proposed project infeasible. The general nature of the question would have required a comprehensive survey of all communities in California. Implementing a survey of this magnitude was beyond the scope of CDIAC's analysis. CDIAC restructured the question to determine whether existing redevelopment law had made it more or less difficult for existing redevelopment agencies to achieve project goals. All five project areas indicated that existing law had benefited them in their efforts to develop a mixed-use, transit-oriented project. Use of special benefits, including incentives and land cost write-downs, were instrumental in achieving project development. N. Hollywood Redevelopment Project Area staff indicated that the more recent amendments to redevelopment law that have created local hiring and purchasing preferences have had a positive spillover effect that has encouraged a closer tie to the community and, as such, supported mixed-use redevelopment. All acknowledged that existing law allowed them to carry out their transit-oriented development; however, Richards Blvd. Redevelopment Project Area staff did note that existing law did not provide any special incentives to transit-oriented project areas, which may limit transit-oriented development.

CDIAC's survey also asked whether respondents would suggest changes to existing law that would facilitate the development of transit-oriented project areas. Mission Bay North Redevelopment Project Area staff reported that "(R)edevelopment plans are an implementation of a city's general plan, and if a city's policy is to develop transit-oriented development then such a policy can be incorporated in a redevelopment plan." In effect, existing redevelopment and planning law is adequate to achieve the existing purposes of transit-oriented project managers. N. Hollywood Redevelopment Project Area staff reported that existing law should be amended to promote mixed-use development especially adjacent to transit facilities. It should be amended to authorize the agency's legislative body to designate potential mixed-use areas (not reflected in a community plan) and streamline environmental review to expedite desired development. The law also should be amended to require a minimum lot size to discourage piecemeal development. The latter would provide for more unified, cohesive development and avoid duplicative environmental reviews. Coliseum Redevelopment Project Area staff suggested that the amount of property tax revenues diverted to the state Educational Revenue Augmentation Fund (ERAF) from local governments with transit-oriented developments should be reduced. Finally, the Richards Blvd. Redevelopment Project Area staff reported that existing law should be amended to allow certain portions of the tax-increment flow to be directed toward transit-oriented development. The respondent reported that the program should facilitate the use of incentives as a way to drive development of transit-oriented project areas.

CDIAC also discussed transit-oriented development within redevelopment areas with a variety of public and private sector professionals (some of whom the Committee recommended). They stated that the ¼ mile radius limitation specified within the Transit Village Development Planning Act of 1994 was unnecessarily restrictive, particularly given the amount of roads, highways, and public facilities within these boundaries for which no tax increment is collected. The amount of tax increment collected from other parcels within the area is often limited, particularly in the early years, making it difficult to secure other funding (such as bonds). The law should at a minimum allow the boundaries to extend beyond the radius to the nearest street or complete parcel, so that parcels are not broken up. Also, extending current law to include bus transit stations (as differentiated from bus stops) would allow large cities that already have included most of their rail stations within redevelopment areas to continue to pursue transit-oriented development.

Question 10: Is there any general advice that CDIAC wishes to offer to legislators regarding either the concept of redevelopment around transit stations or regarding SB 465?

The Committee also asked if CDIAC wished to offer general advice to legislators regarding the concept of redevelopment around transit stations or regarding SB 465. In general, CDIAC found redevelopment authority to be a direct or indirect component in all transit-oriented project areas surveyed. The ability to write-down land costs, utilize tax increment revenues for lighting or roadways as a contribution to private development efforts, and access to eminent domain authority made redevelopment agencies an important part of the development team. Nonetheless, nearly all of the project areas were underwritten by private financing. Such project areas appear to require redevelopment agencies to help mitigate private developer risk by contributing in some form to the outcome.

CDIAC's analysis focused on existing transit-oriented redevelopment project areas. However, SB 465 will not benefit transit-oriented development already within redevelopment project areas. As a result, CDIAC notes that the results of its survey may not reflect issues facing local governments with new project areas not within or supported by redevelopment project areas. If any conclusions can be drawn from the survey group, it is that absent redevelopment funding and programming support, these projects could not have proceeded. If local governments (including cities and/or counties) did not have access to these redevelopment tools, the only means to assist private developers seeking to undertake a transit-oriented project financially would be through means such as dedicating portions of their annual budgets or issuing bonds repaid from their annual budgets. Given the importance of redevelopment agency contributions to existing transit-oriented project areas, the Committee may wish to consider amending SB 465 to include existing redevelopment project areas in some fashion, since leveraging multiple tools may increase the effectiveness in achieving transit-oriented development goals.

While this analysis sought to select mixed-use, transit-oriented project areas based on criteria that matched the composition of projects that would benefit from SB 465, it should be acknowledged that few of the transit-oriented project areas were the result of a proactive planning process that sought to create and enhance mass-transit and transit-oriented development simultaneously. It would be more accurate to describe these project areas as steps in the evolution of transit infrastructure that, over time, came to accommodate mixed-use activities. Through the efforts of local governments and, in many cases, private developers, mixed-use project areas were created around pre-existing transit infrastructure to mitigate social and environmental problems and to allow property owners to achieve economic returns. They were, in the end, the result of non-sequential processes that may or may not have begun with the concept of a transit-oriented development.

Additional Information. In concluding CDIAC's response to the Committee's request, it has attached a summary of research findings from other surveys and reports (see Attachment 2). Included is a list of barriers to transit-oriented development nationwide and in California as well as strategies for overcoming these barriers. Many of the issues raised above are echoed in these findings. In addition, CDIAC has forwarded to Committee staff an email from one contact, Don Spivack from the Los Angeles Community Redevelopment Agency, because he had specific comments to SB 465 that could not easily be summarized in this response.

ATTACHMENT 1

Transit-Oriented Development (TOD)
Survey of Redevelopment Project Areas

PRELIMINARY SURVEY

Question 1. Is this TOD project located in a redevelopment area?

______ YES ______ NO

If "**NO**", end preliminary survey.

Question 2. Is the project a mixed-used development? (Mixed use is defined for the purposes of this project as:

i. Encompassing two or more of the following types of uses – Residential (multi-family preferred); Employment (commercial, retail, industrial); Shopping; Public and Civic Space; and,
ii. Close to and served by "transit;" and,
iii. The project is developed or currently under development.)

______ YES ______ NO

If "**NO**", end preliminary survey.

Question 3. What is the project area name in which this TOD is located?

________________________________ Project Area Name

Question 4. When was the project area created or most recently amended to reflect TOD project?

_____________ Date of Creation/Amendment

If "**EARLIER THAN JANUARY 1, 1994**", end preliminary survey.

CONTINUATION OF SURVEY FOR QUALIFIED PROJECT AREAS
Question 5

a). What is the total acreage of the project area?

_____________ Total Project Area Acreage

b) Do the boundaries of the project area extend beyond ¼ mile? ½ mile? (Circle the one that applies)

Question 6. Is the project area covered by a Transit Village Development Plan as provided for in the Transit Village Development Planning Act of 1994 (Chapter 780, Statutes of 1994)?

_______ YES _______ NO

Question 7.

a) How much debt has this project area incurred? (Debt includes loans)

______________________ Total Debt Obligation

b) What types and how much of each type of debt has the project area incurred?

________ General Obligation debt
________ Revenue Bonds
________ Tax Allocation Bonds
________ Other Type of Bond Obligation (COP Lease Obligation)
________ Other Type of Note Obligation (Bond Anticipation Note)
________ Interagency Loans
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Question 8.

a) Has the project area experienced funding shortfalls that led to a technical default or actual default on any form of debt?

_______ YES _______ NO

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b) Has the project area experienced any other unusual fiscal problems?

_______ YES _______ NO

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Question 9. Has existing redevelopment law enabled you to promote mixed-use, transit-oriented development?

_______ YES _______ NO

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____

Question 10. How could existing redevelopment law be changed to promote mixed-use development?

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____
____

Please provide your contact information

Name ______________________________

Title ______________________________

District Name

____

Work Phone Number

____

Work E-mail Address

____

ATTACHMENT 2

Barriers to Transit-Oriented Development Reported Nationwide
As reported in the Transit Cooperative Research Program Literature Review[6]

Based on a survey of transit-oriented development (TOD) activities associated with 11 U.S. and Canadian transit systems, 17 barriers to TOD implementation were identified and broken down by the institutional bodies most able to cope with the problems:

State:
- Lack of concurrency between transportation and land use decision-making.
- Lack of understanding of TOD benefits.
- Deficiencies in land condemnation powers.

Municipalities/Counties:
- Lack of TOD supportive zoning.
- Lack of TOD opportunity identification.
- Lack of land acquisition authority.
- Ignorance about TOD benefits.

Transit Authorities:
- Limited ability to provide high service levels.
- Lack of funds.
- Lack of transit authority commitment.
- Limitations on joint development capabilities.
- Station area constraints, like poor access and scarcity of land.
- Complex station ownership.

Development Community:
- Lack of demonstrated market demand.
- Difficulty of partnering with transit agency.
- Lack of TOD zoning and development opportunities.
- Lack of TOD lending policies.

[6] Source: Starr, P., *Transit Reinvestment District Proposed Legislation*, Philadelphia: Southeast Region Pennsylvania Environmental Council.

Barriers Encountered and Lessons Learned from Select California TOD Projects As reported in the California Department of Transportation (Caltrans) Statewide Transit-Oriented Development Study

Major Barriers to Implementing TOD Projects in California

- Transit system designs with poor pedestrian access, separation from the surrounding community, and poor station locations.
- Local community concerns about density and traffic.
- Local zoning is not transit-friendly.
- Mixed use, higher density projects with reduced amounts of parking (such as in TOD) can significantly increase risks for developers and financiers.
- Obtaining private financing for TODs is often a barrier. Public financing available for implementing TOD is very limited and often difficult to obtain in California.

Lessons Learned from Select California TOD Projects

- Building higher-density portions of a development before the single-family houses are constructed eliminated potential neighborhood opposition (because there were no neighbors yet). *Aspen Neighborhood, West Davis*
- EmeryStation is an example of how a developer with a long-term view and a small city can partner and create a significant TOD. Development is not moving according to the approved "master plan." Rather, Wareham has taken a fluid approach to address market demands. *EmeryStation, Emeryville*
- Implementation of the Transit Village has been hampered by the complexity of the project and the enormity of the vision. This has been a weakness holding back major progress on the project. The power of the community to develop solutions that meet its needs should be tapped into. *Fruitvale Transit Village, Oakland*
- Moffett Park is a powerful example of an incentive-based local plan leveraging a TOD design. Learned the value of continuing efforts to reduce the number of vehicle trips associated with new developments. *Moffett Park, Sunnyvale*
- Learned how to deal with a lack of "TOD institutional memory." Working out issues with the homeowner associations and the school district helped City staff discover a process that will facilitate future projects. There is no single model to follow- each station is unique and the process changes to match it. *Ohlone-Chynoweth, San Jose*
- Developing a TOD is a long process, particularly in an infill setting. It is important to formalize agreements while the people who adopted the plan are still in decision-making roles. Having a strong community process from the beginning is critical. The importance of a determined political advocate who is persistent in working to achieve community consensus cannot be overstated. *Pleasant Hill Bart Station*

Strategies for Overcoming Barriers to TOD
Compiled from the Transit Cooperative Research Program and Caltrans Reports

- Explore supportive finance and tax policies such as grants, sliding-scale impact fees, tax abatement, creative financing, direct financial participation, tax increment financing, benefit assessment districts, empowerment zones and enterprise zones, and loans.
- Utilize land-based initiatives including land assembly, swaps, banking, and sale of lease of development rights.
- Pursue more supportive local government policies such as flexible zoning and local government regulation, planned urban development, specific plans, and transfer of development rights.
- Support complementary infrastructure investments.
- Improve procedural and programmatic approaches to development by streamlining development review, engaging in remediation, resource sharing, siting government facilities close to transit, and promoting alternative modes of travel.
- Strategies for facilitating TOD implementation at the state level in California include the following:
  - Encourage improved coordination of land use and transportation planning at local and regional levels.
  - Facilitate the use and sale of state-owned land near major transit stations for TOD.
  - Examine state environmental review requirements in relation to TOD to determine whether changes may be indicated to reduce barriers.
  - Contribute to improved data on travel and economic impacts of TOD, and incorporate data into improved analysis and decision-making tools.
  - Provide information and technical assistance on TOD implementation.
  - Provide funding to local jurisdictions to prepare plans and adopt ordinances that facilitate transit-oriented development.
  - Provide financial incentives to enable local agencies and private organizations to implement TOD.
  - Offer funding for specific types of TOD demonstration projects.
  - Change existing law to allow local agencies to provide tax-increment financing around major transit stations, even if they are located outside redevelopment areas.
  - Allow greater flexibility in the use of state transportation funds for TOD.
  - Help to make private TOD mortgage instruments more widely available.