



Caltrain

Transit Oriented Development (TOD) Policy

Peninsula Corridor Joint Powers Board
February 6, 2020

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5. Overview of economics of requiring affordable housing, replacement parking for Caltrain patrons and potential soil remediation
6. Overview of BART and VTA TOD policies, as related to affordable housing
7. Present WPLP recommendation for the affordable housing component of the TOD Policy
8. Request Board Adoption of TOD Policy

PURPOSE AND SCOPE OF TOD POLICY

- Purpose: Create a Board-adopted policy that expresses the Agency's goals and strategic objectives for joint development on its property
- Will apply to properties that are:
 - Owned by the Agency in fee simple
 - Available for development (as identified by RCUP) independently from a capital project
- Key topics the policy will address:
 - Revenue objectives and business terms
 - Affordable housing requirements
 - A process for creating appropriate balance of access and land uses in station areas



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TOD POLICY: PREVIOUS MEETINGS

March 2019 JPB Board Meeting	• <i>Board Discussed Goals and Objectives for TOD Policy</i>
September 2019 Work Program-Legislative-Planning Committee (WPLP)	• <i>Staff received input on the purpose and goals of TOD Policy and a series of draft policy objectives</i>
November 2019 WPLP	• Staff presented an overview of potential development sites
December 2019 WPLP	• Discussion of Draft TOD Policy and affordable housing goals
January 2020 WPLP	<ul style="list-style-type: none"> • <i>Discussion of affordable housing goal and the cost of replacement transit parking and hazardous materials, for sites where applicable</i> • <i>WPLP recommended Draft TOD Policy for adoption by Board, with increased affordable housing requirements</i>



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PRELIMINARY FINDINGS FROM RCUP

The Rail Corridor Use Policy (RCUP) performed a preliminary assessment of JPB sites to understand the remaining potential development opportunities after considering property needed to support the railroad's current and future needs.

LOCATION	Acreage Remaining after Service Vision Capital Project Overlay	Note
Redwood City Station	1.7 acres	Irregularly shaped site includes transit center and creek
Mountain View Station	3.1 acres	Includes transit center and easement to VTA
Total	4.8 acres	



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OTHER POTENTIAL OPPORTUNITY SITES

PRELIMINARY

Location	Acreage Remaining after Service Vision Capital Project Overlay	Note
Williams Ave & Diana St, San Francisco	1.4 acres	Site occupied with community garden and over tunnel
South San Francisco Station	1.3 acres	Most of the site is under 101 and it is not independently developable
San Mateo Station	1.1 acres	Subject to long term lease with City of San Mateo
2 nd Avenue, San Mateo	0.3 acres	Great location, very small site. May be needed to support potential projects in San Mateo
Hillsdale Station	0.6 acres	Not independently developable
Menlo Park Station	1.2 acres	Very narrow, includes many parking spaces and is a historical station site
Sunnyvale Station	0.9 acres	Used as the station's primary access point, shuttle and parking



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SUMMARY OF BOARD AND WPLP DISCUSSIONS AND INPUT

- Important to maximize development potential
 - Work with Cities, private partners, non-profits

- Long term lease with revenue participation makes sense
 - It's good to retain control of property over the long term

- Complete communities
 - Avoid hard and fast rules about mixed use, e.g. ground floor retail may not be needed as a part of every project
 - Work with communities to ensure the use on the JPB property makes sense within that community
 - Complete communities can reduce the need for private auto ownership



SUMMARY OF BOARD AND WPLP DISCUSSIONS AND INPUT

- Affordable Housing
 - Committee recognizes the importance of affordable housing and understands there are trade-offs
 - A reliable revenue source is good, but the Agency should consider tradeoffs between providing affordable housing vs. maximizing revenue
 - Some members expressed desire for a very high level of affordability



REVIEW OF POLICIES AT OTHER AGENCIES

	BART	VTA
Affordable Housing Requirement	35% of units as portfolio-wide goal 20% of housing units in any one development should be affordable	35% of units as portfolio-wide goal 20% of housing units in any one development should be affordable
Affordable Housing Income Targets	No specific requirement, but priority for: <ul style="list-style-type: none"> Low income households (51-80% of AMI) Very low income households (<50% of AMI) 	All units must target households with income below 60% of AMI At least half the units for households with income below 50% of AMI
Inventory of Opportunity Sites	Potential development opportunities at 28 stations* Typical site area is 4-5 acres*	25 potential development opportunities** Typical site area is 4 acres**
Density Requirement	Target 75 units per acre	No specific requirement
Right of First Refusal for Affordable Housing	No	No

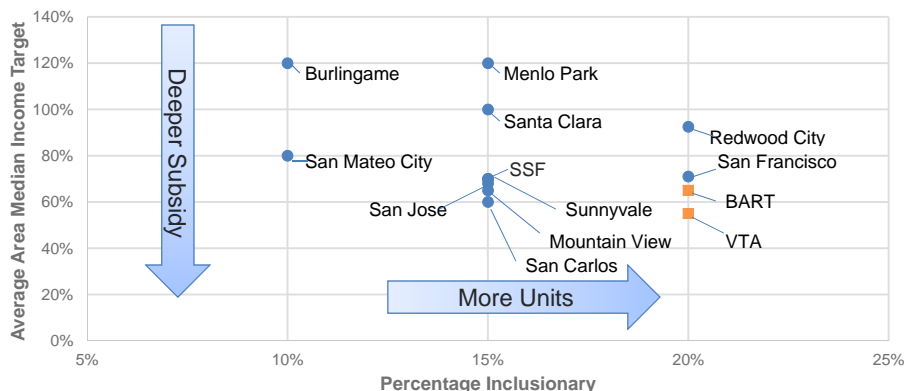
For the purposes of this presentation, "affordable" or "below market rate" housing refer to housing units that are restricted to households at specific income levels. "AMI" = Area Median Income.

* Estimate provided by BART

** Estimated based on information on agency website

REVIEW OF AFFORDABLE HOUSING POLICIES

Affordable Housing Requirements for Rental Projects
for Jurisdictions along the Caltrain Corridor and other Transit Agencies



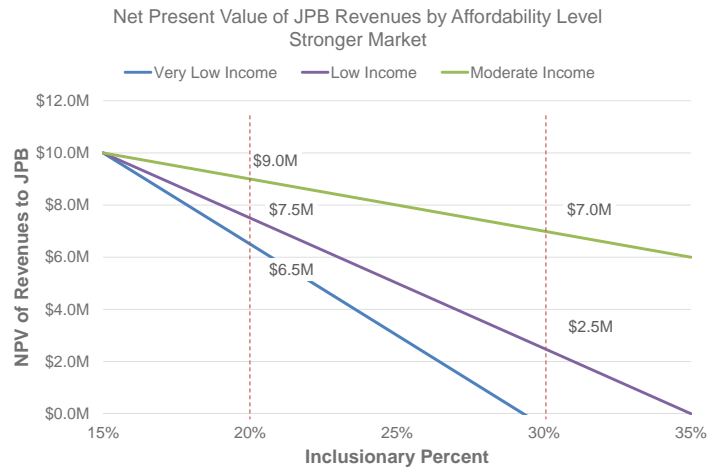
* BART prioritizes Very Low and Low Income households but does not specify the share going to each income category. The 65% AMI target assumes a 50/50 split between units affordable to Low and Very Low Income households.

ECONOMIC IMPACT OF AFFORDABLE HOUSING REQUIREMENTS

ILLUSTRATIVE

To attain a higher level of affordability without outside funding, the Agency may need to accept less ground rent to make up the difference in the reduced income from the development.

- Based on ongoing analysis of the economics of multifamily housing along the Caltrain corridor, Strategic Economics developed an example to illustrate the economic trade-offs of an affordable housing policy
- Consider a joint development project proposal for 100 dwelling units
- Assume a **baseline level of affordability of 15% Below Market Rate units on-site**, affordable to Low Income and Very Low Income households (50/50 split)
- Assuming this baseline, joint development revenues to the Agency might be **\$10 million** (in net present value)
- This example assumes **no outside funding sources** for affordable housing and **no replacement transit parking**



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COST OF PARKING: HYPOTHETICAL GROUND LEASE EXAMPLE

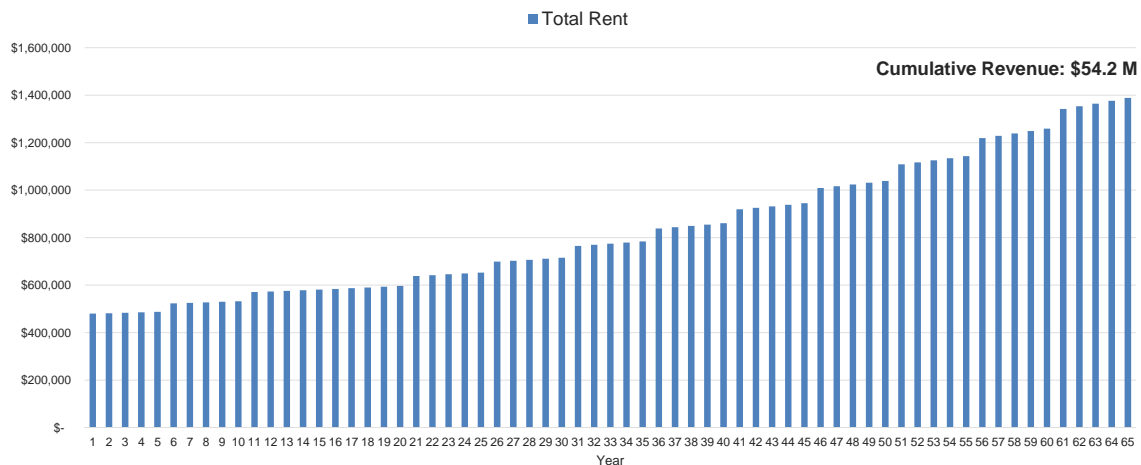
ASSUMPTIONS:

- Residential project with 65-year ground lease
- Net present value of potential ground lease revenues is \$10 M
- Option for developer to deliver 125-space parking garage to replace existing surface lot; developer to be compensated via deferred ground lease payments
 - \$65,000 cost per space x 125 = \$8.125 M

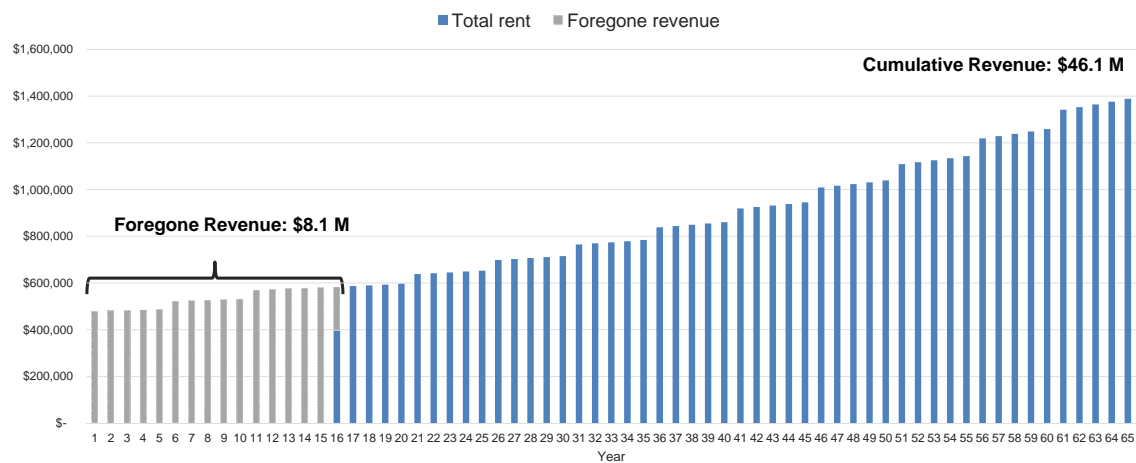


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POTENTIAL ANNUAL GROUND LEASE REVENUES



ANNUAL GROUND LEASE REVENUES WITH DEFERRED RENT FOR REPLACEMENT PARKING



IMPACT OF POTENTIAL SOIL REMEDIATION

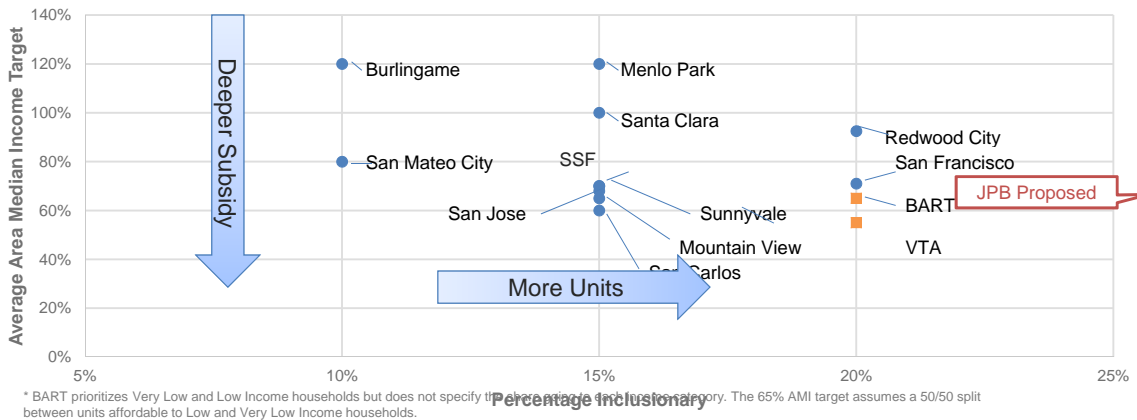
Often former railroad sites are impacted by soils that need to be remediated, which has 2 potential impacts on the development of JPB sites:

- Constitute materials in the soils may impact potential uses of the site
 - Sometimes high levels of certain materials may limit uses that can occur on sites
 - Cost of remediation might make certain uses infeasible
- JPB may be responsible for paying the cost to remediate soils on its property
 - Costs are reduced if remediation occurs in conjunction with development
 - In the Hayward Park deal JPB is responsible for 90% of incremental costs to remediate hazmat with a cap of \$2 Million
 - Funds “come off the top” of lease revenue



PROPOSED AFFORDABLE HOUSING POLICIES

Affordable Housing Requirements for Rental Projects
for Jurisdictions along the Caltrain Corridor and other Transit Agencies



WPLP RECOMMENDATION FOR AFFORDABLE HOUSING

1. Require residential TOD to provide affordable housing onsite
 - Require a minimum of 30% of units affordable at each station area:
 - At least 10% of units targeted to Very Low Income households (no more than 50% of AMI)
 - At least 10% of units targeted to Low Income households (no more than 80% of AMI)
 - The remainder of units targeted to Moderate Income households (no more than 120% of AMI)
 - No portfolio-wide goal because there are so few sites
2. Partner with developers to leverage other sources of affordable housing funds
3. Explore creative ways to utilize smaller and less conventional opportunity sites for affordable housing

AFFORDABLE REQUIREMENT ALLOWS FOR FLEXIBILITY

- Example approaches:
 - JPB partners with a private developer who meets the requirement with a mixed income project (previous example)
 - JPB partners with an affordable housing developer that can leverage funding sources to deliver a 100% affordable project
 - JPB partners with both a conventional developer and an affordable developer for a combined TOD that meets or exceeds the requirement
- At Board discretion, JPB may accept reduced revenues in exchange for additional affordable units

RECOMMEND TOD POLICY FOR ADOPTION

- The WPLP Committee recommended the Board adopt the TOD Policy, with a 30% affordable requirements, at its February 6, 2020 meeting
- The WPLP Committee discussed if the TOD Policy should include density or height minimums in the TOD Policy
 - Staff would suggest minimums of 50 units per acre, for residential projects, and at least 4 stories, should the board wish to impose such requirements

Questions?