

Caltrain Transit-Oriented Development (TOD) Policy

PURPOSE

This TOD Policy expresses the Peninsula Corridor Joint Powers Board's (JPB) goals and strategic objectives for TOD projects. These goals and objectives will form the policy basis of the Joint Development Guidelines, an administrative document which will provide additional details about the process and requirements for property asset management, including strategic development and, in some cases, acquisition of new properties for development.

While the TOD Policy and the Joint Development Guidelines set forth JPB's goals and objectives for such development, each actual development project and its terms will be negotiated by staff and every transaction will be subject to final approval by the Peninsula Corridor Joint Powers Board of Directors, at their sole and complete discretion.

BACKGROUND

The JPB's primary roles are to operate Caltrain passenger rail service and manage the Caltrain corridor and assets to support current and future rail operations. As defined by the Caltrain Rail Corridor Use Policy (RCUP), a subset of the real estate assets that the JPB owns and manages have been identified as not being required for current or future railroad uses and therefore have the potential to be developed as TOD projects.

In contrast with many other rail transit agencies, the JPB owns a limited number of properties that are suitable and available for development. First, Caltrain is a legacy system that has operated on the Peninsula since 1863. This means the available properties in station areas, particularly parking lots, tend to be smaller in scale than those of other Bay Area transit systems that were developed more recently and were designed to accommodate large park-and-ride facilities. Additionally, when JPB purchased the Caltrain right of way from Southern Pacific Railroad (SP) in 1991, the transaction included only the basic property required to operate the railroad due to funding constraints. SP held onto a number of the best development sites and other wider areas of the right of way. Further, Caltrain's recently-adopted Long-Term Service Vision, developed through the Caltrain Business Plan process, envisions a substantially expanded and different service pattern than exists today, requiring many infrastructure improvements that, either temporarily or permanently, will consume space on JPB property that might otherwise be used for TOD. Over time, it is possible that additional sites may be identified as available for TOD, through the RCUP process, as individual capital projects are planned, designed and delivered.

The TOD Policy applies to properties that are owned by the JPB in fee simple and are available for development independent from a capital project as identified by RCUP.

TOD GOALS

In advancing TOD, the JPB seeks to achieve the following overarching goals:

- **Sustainable Transportation.** Promote Caltrain ridership and sustainable transportation modes.

- **Value Creation.** Create value for the JPB, consistent with the JPB's overall business strategy, which can be reinvested into the railroad's core mission of providing rail transportation service.
- **Equity.** Provide an appropriate balance of land uses, equity in access, and other benefits that align with the priorities of the local community.
- **Complete Communities.** Establish station areas as complete communities in partnership with other stakeholders.

STRATEGIC OBJECTIVES

Below are strategic objectives for private-public TOD projects on JPB properties. Under each objective is a list of strategies that may be used to advance that objective.

Encourage transit-supportive development

1. **Include transit-supportive uses.** TOD on JPB property should encourage transit ridership and enable daily activities that do not require a car. Parking to serve private development should be limited to discourage vehicle trips in favor of other modes, including walking, biking and transit.
2. **Maximize density of development.** TOD should seek the maximum possible density (as measured in floor area or number of dwelling units) in keeping with station area plans and/or community objectives, provided that such plans recognize and reflect the scarcity and value of land in immediate proximity to high capacity transit and are consistent with promotion of transit ridership.

Generate revenue streams to offset operating costs

1. **Favor long-term ground leases.** The JPB favors long-term ground leases for joint development, with terms of 55 to 75 years. Sale of property may be considered in exceptional situations where TOD goals are best served, such as when assembling JPB property with adjacent properties not owned by the JPB or when properties are not large enough to warrant a ground lease.
2. **Receive fair market value for land.** In general, business terms should ensure JPB receives compensation that reflects the fair market value of land.
3. **Participate in project revenues.** JPB should participate in the success of development through participation rents, typically by collecting a percentage of gross revenues generated by the project each year, with a base ground rent as the floor. JPB should also participate in the refinance or sale of TOD projects.
4. **Solicit development proposals using a competitive process.** JPB favors a request for qualifications process to solicit competitive proposals for development. Unsolicited offers may be considered only in special cases to meet specific JPB objectives. For example, if a site is too small, has limited access, or is unable to be developed independently, a competitive process may not be availing. In such cases, staff will evaluate unsolicited offers to determine if an unsolicited approach is warranted and if the proposed project is consistent with JPB's objectives as set forth in this policy.
5. **Secure business terms that protect JPB investment.** Standard business terms for TOD ground leases should ensure that fee ownership and base rent are not subordinated. Leases should also include provisions that limit the JPB's risk exposure, such as performance benchmarks, indemnity and insurance protections, completion guarantees, quality assurances and operating covenants.

Leverage capital projects land acquisition for future TOD

1. **Pursue strategic land acquisition in conjunction with capital projects.** Where capital projects require the temporary use of property (for staging construction equipment, for example), the JPB, where appropriate, should seek to acquire, rather than lease, the property if it will have potential as a TOD opportunity site once it is no longer needed for the capital project. Additionally, if acquisition of a portion of a property leaves the remainder as an uneconomic remnant to the owner, the JPB may offer to purchase the entire site.

Contribute to complete communities in station areas

1. **TOD should complement uses in the surrounding area.** Development should consider the site context and complement other uses in the surrounding area, including a mix of uses where appropriate and financially feasible, provided that such plans are consistent with promotion of transit ridership.
2. **Seek community participation.** Development proposals should consider station area plans and community preferences for use provided that such plans are consistent with promotion of transit ridership. Creation of solicitation documents and the developer selection process should include participation by the local jurisdiction.
3. **Implement high quality, context-sensitive urban design standards.** The JPB will seek developments with high-quality urban design that facilitate station access and the use of other sustainable transportation modes that are complementary to Caltrain operations and station needs.

Support environmental sustainability and alternatives to private vehicle travel

1. **Ensure development projects are environmentally sound and energy efficient.** JPB encourages infrastructure and urban design solutions that minimize the environmental footprint of the construction and operation of the development. JPB should favor development proposals that will achieve high standards of energy efficiency and environmental sensitivity, such as LEED¹ certification.
2. **Limit onsite parking for private development.** In general, TOD on JPB property should discourage vehicle trips by providing limited parking for the private development. JPB encourages creative parking strategies with TOD projects such as unbundled parking, shared parking facilities, and/or transportation demand management, as consistent with community and Caltrain objectives.
3. **Include a balance of station access options at each site, as consistent with Caltrain's access plans and policies.** The extent to which TOD will include new parking facilities to replace existing Caltrain transit patron parking will be studied for each site and determined on a case-by-case basis. The amount of replacement patron parking will balance Caltrain station parking needs with objectives to facilitate non-vehicular access modes and generate TOD density and revenue. The JPB will seek to partner with other transit and transportation providers to provide a variety of access options, with focus on pedestrian and bicycle access.

Provide affordable housing

¹ Leadership in Energy and Environmental Design

1. **Require residential TOD to provide affordable housing onsite.** Residential development will be required offer at least 20 percent of units onsite at below market rents. At least 10 percent of units will be targeted to households with incomes of no more than 80 percent of Area Median Income (AMI) and at least 10 percent of units will be targeted to households with incomes of no more than 50 percent of AMI.
2. **Partner with developers to leverage other sources of affordable housing funds.** Where possible, the JPB will encourage the use of outside sources of funding and financing to deliver affordable housing, such as Low Income Housing Tax Credits.
3. **Explore creative ways to utilize smaller opportunity sites for affordable housing.** JPB will explore ways to utilize small or irregularly-shaped parcels for affordable housing, particularly sites that offer limited opportunity for commercially viable market rate housing development.

Encourage high labor standards and contribute to workforce development

1. **Require prevailing wage for labor.** JPB requires prevailing wage compliance for all TOD projects.
2. **Encourage project labor agreements.**