

APPENDIX C

Funding and Implementation Strategy Report



FUNDING AND IMPLEMENTATION STRATEGY

VTA'S BART PHASE II TRANSIT-ORIENTED COMMUNITIES
STRATEGY STUDY

Prepared for:

Santa Clara Valley Transportation Authority

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I. INTRODUCTION AND EXECUTIVE SUMMARY

The Santa Clara Valley Transportation Authority (VTA) is leading a Transit Oriented Communities (TOCs) Strategy Study (the “Study”) for three of the new BART stations that will be constructed as part of VTA’s BART Phase II Corridor extension.¹ These stations are 28th Street, Downtown San José, and Santa Clara. The goal of the TOC Strategy Study is to support the implementation of transit-oriented development (TOD) in the three station areas. Note that Diridon Station is being addressed in a separate study.

VTA’s BART Phase II Corridor extension offers a once in a lifetime opportunity to deliver healthy, connected, prosperous, and equitable TOCs in the three station areas. **This Funding and Implementation Strategy report provides a set of strategies that will enable VTA and its implementation partners – including the City of San José, City of Santa Clara, regional, state, and federal agencies, neighborhood, educational, business, and community-based groups, and the development community – to take full advantage of the opportunity presented by BART Phase II.**

The report provides an initial assessment of implementation priorities and potential costs, demonstrates the magnitude of funding that could be raised using value capture tools, and identifies a remaining funding gap for implementation of critical infrastructure and affordable housing needs. The report also highlights the need for leadership and collaboration on the part of VTA, the Cities, and other key partners in order to ensure that the maximum benefits from the BART Phase II opportunity are realized both by the individual Cities and the region as a whole. In order to successfully move the TOC Strategy Study recommendations forward, VTA and the Cities will need to work closely together to undertake more detailed TOC planning, develop a full funding strategy to pay for the highest-priority infrastructure and affordable investments, and implement value capture districts to help raise funding for implementation.

What This Report Contains

This report is organized into the following sections:

- **Section I** summarizes **the key funding and implementation recommendations.**
- **Section II** discusses the **process for developing this report.**
- **Section III** shows the **TOC development scenario** in comparison to the amount of growth provided for in current City plans.
- **Section IV** describes the **TOC implementation priorities** in more detail.
- **Section V** summarizes the **opportunities and challenges** for implementing the priorities.
- **Section VI** recommends eight **TOC implementation strategies** for the Cities, VTA, and other partners.

¹ For more information on the TOD Strategy Study, see <https://www.vta.org/projects/bart-sv/phase-ii/transit-oriented-communities-study>.

TOC Strategy Study Implementation Priorities

The goal of the TOC Strategy Study is to facilitate the implementation of TOCs in the 28th Street, Downtown San José, and Santa Clara station areas. TOCs are neighborhoods with walkable places to live, work, shop, play, and learn. These communities strive to provide a diversity of jobs, housing types, and economic opportunities while reducing displacement of existing households and businesses and providing a range of affordable housing choices. The vision of the TOC Strategy is closely aligned with adopted policy goals identified by the Cities of San José and Santa Clara related to land use and growth, affordable housing, local economic development, and sustainability (Figure I-1).

The TOC Strategy Study provides a comprehensive set of recommendations for implementing TOCs in the station areas, including recommendations related to land use policy, zoning, parking requirements, and other policies that will enable greater densities and an appropriate mix of uses. These zoning and land use policies are necessary to set the table for TOCs, but they are not sufficient. To enable great TOCs, the public and private sectors must also work together proactively to achieve a broad set of priorities:

- Investing in **improved infrastructure and public amenities**, including bicycle, pedestrian, and transit access improvements, streetscape enhancements, storm drain improvements, parks, plazas, trails, and other open space, sanitary sewer, water distribution, and other utilities.
- Expanding existing funding and programs to **produce new affordable housing, preserve and protect existing affordable housing**, and **mitigate displacement risk** for low- and moderate-income households.
- Enhancing efforts to **support local economic development**, including supporting and retaining small businesses, marketing and promoting local business districts and local cultural heritage, maintaining and programming parks and plazas, and addressing issues that affect local quality of life.
- Coordinating investments in services and programs to **manage parking** efficiently, provide **transportation demand services**, and **enhance multi-modal access**.

FIGURE I-1. TOC STRATEGY STUDY VISION AND CITIES' POLICIES/PROGRAMS WITH SIMILAR GOALS

TOC STRATEGY STUDY VISION	EXAMPLES OF EXISTING CITY POLICIES/PROGRAMS WITH SIMILAR GOALS	
	CITY OF SAN JOSÉ	CITY OF SANTA CLARA
Focused job and housing growth near the stations	<ul style="list-style-type: none"> Envision San José 2040 General Plan 	<ul style="list-style-type: none"> 2035 General Plan
Activation of existing centers of activity	<ul style="list-style-type: none"> Downtown San José Retail Strategy Downtown Design Guidelines Urban Village Plans 	<ul style="list-style-type: none"> Downtown Precise Plan El Camino Real Specific Plan Santa Clara University Five Year Master Plan
Production and preservation of affordable housing	<ul style="list-style-type: none"> Affordable Housing Investment Plan Mayor's 5-year housing plan City of San José inclusionary zoning policy 	<ul style="list-style-type: none"> City of Santa Clara inclusionary housing policy Housing & Community Services programs and services
Small business support and economic development	<ul style="list-style-type: none"> OED business development services Downtown San José Retail Strategy 	<ul style="list-style-type: none"> El Camino Real Specific Plan
Walkable, bikeable, transit accessible neighborhoods	<ul style="list-style-type: none"> Climate Smart San José Better Bikeways Plan for Central San José En Movimiento Transportation Plan for East San José Ongoing plans for Guadalupe River Trail improvement 	<ul style="list-style-type: none"> Climate Action Plan 2035 General Plan
Transition towards green streets, sustainable infrastructure, and reduced greenhouse gas emissions	<ul style="list-style-type: none"> Citywide Green Infrastructure Plan Complete Streets Design Guidelines 	<ul style="list-style-type: none"> Climate Action Plan

Guiding Principles for Successful Implementation

Successful implementation of the TOC Strategy Study recommendations will require VTA, the Cities, and other key partners to take an approach characterized by the following principles:

- Collaborate Across the Corridor.** A coordinated vision and implementation approach will help maximize the resources available for implementation, attract private investment, make infrastructure and affordable housing projects more competitive for grant funding, and build public support for TOCs. VTA, the City of San José, and the City of Santa Clara should work together to develop more detailed TOC plans, identify the most critical investments across the corridor, and develop full funding strategies for those investments. In addition to making projects more competitive for grant funding, a corridor-level approach to implementation may open opportunities to leverage strong market activity in certain locations to help pay for needed improvements throughout the corridor, for example by sharing value capture revenues across station areas. The Cities and VTA should also coordinate planning, affordable housing, and parking policy across station areas on an ongoing basis to ensure that the maximum benefits from the BART Phase II project are realized.
- Create and Capture Value:** BART and other public investments have the potential to create tremendous value in the station areas by encouraging development, improving quality of life,

and attracting new residents, workers and visitors. The Cities should put in place value capture districts (such as Community Facilities Districts and Enhanced Infrastructure Financing Districts) to help pay for infrastructure and affordable housing. By establishing value capture districts as early as possible, the Cities can capture more of the value that BART will create in order to help pay for infrastructure improvements, affordable housing, and other public investments.² Put another way, the longer the Cities wait to establish value capture districts, the less dedicated revenue will be available to the Cities to fund priority improvements in the stations areas that will support the long-term success of the BART Phase II project.

- **Leverage Multiple Sources.** No single funding source will cover the cost of implementation for all of the TOC Strategy Study recommendations. Nearly all projects will require a combination of multiple funding sources, including grants, value capture districts, development fees, or other revenues (such as revenues from a land sale). The Cities, VTA, and other partners must act opportunistically to take advantage of grants and other sources as they become available in order to catalyze implementation of priority, near-term recommendations prior to and concurrent with BART Phase 2 revenue service.
- **Establish City Leadership.** Strong leadership within the Cities, as well as ongoing collaboration between the Cities, VTA, and other key stakeholders, is needed to provide focus and continuity over time. Historically, redevelopment agencies played a primary role in spearheading implementation activities to support development in California cities, such as funding local infrastructure improvements and affordable housing projects. Since the California legislature dissolved local redevelopment agencies in 2011, most cities have struggled to replace the lost funding and dedicated staff focused on these types of implementation activities. This report recommends establishing strong leadership within the Cities focused on implementation, as well as ongoing implementation partnerships between the Cities, VTA, and other key stakeholders, to fill the gap left by redevelopment.
- **Break Down the Silos.** Realizing the vision of the TOC Strategy will require integrated thinking about issues related to land use and growth, infrastructure planning, affordable housing, local economic development, and sustainability. Accomplishing these goals will require working across departments within the Cities, as well as across agencies.
- **Engage.** Potential implementation partners include community-based organizations, private and non-profit developers, local businesses, and major “anchor” institutions such as Santa Clara University and San José State University that have a strong interest in the success of the station areas. Bringing a broad range of partners to the table will help enhance and sustain the Cities and VTA’s implementation efforts with additional expertise and capacity, as well as potentially unlock additional funding sources.

² Note that as discussed below, there is an opportunity to share TIF revenues across station areas within the City of San José. CFDs will be implemented at the station area level.

Comparison of Infrastructure Costs and Potential Sources

The total cost of needed access improvements, streetscape enhancements, and storm drain improvements in the station area is estimated at \$740 million. This assumes improvements are phased in over time through 2040, and that costs escalate by 4.2% a year on average.³

The near-term/high-priority improvements – those that should be made in advance of or concurrently with the introduction of BART service – are estimated to cost \$175 million.

Figures I-2 summarizes potential funding and financing sources which could include:

- **Community Facilities District (CFD):** A Mello-Roos Community Facilities District (CFD) is a special taxing district formed to finance improvements to public facilities. CFDs would apply only to new development and would not result in a tax increase for existing properties. Based on preliminary assumptions, CFD special taxes in the three station areas could raise an estimated \$189 million in net bond proceeds for infrastructure improvements through 2040.
- **Tax increment financing (TIF) district:** A tax increment financing (TIF) district redirects incremental increases in property tax revenues that are generated within a designated geographic area to help fund infrastructure, other public facilities, and affordable housing. Based on preliminary assumptions, TIF districts in the three station areas could generate an estimated \$132 million in net bond proceeds for infrastructure improvements through 2040.
- **VTA's BART Phase II Project:** VTA will contribute access and streetscape improvements that are part of the BART Phase II Project description in the cleared environmental documents.⁴ These access and streetscape contributions are estimated to total \$9 million.⁵

Given that the total estimated cost of access, streetscape, and storm drain improvements in the three station areas could total \$740 million through 2040, and the total potential funding sources and financing proceeds is \$330 million, a \$410 million funding gap exists. This funding gap would need to be covered by other sources such as grants, developer contributions (above and beyond CFD special tax payments), and/or the Cities' Capital Improvement Programs (CIPs).

Figure I-3 illustrates how costs might be phased over time, compared to when funding and financing is expected to be available. The biggest need is for upfront financing to pay for the near-term/high-priority improvements that will enhance access to the stations and accelerate new development. While value capture districts should be put in place quickly to maximize the revenues and financing proceeds they can produce, they will not generate substantial revenues (or allow for the issuance of bonds) until the medium- to long-term when significant development has already occurred.

³ Note that these costs do not include projects for which the Cities' have already identified funding.

⁴ Includes access and streetscape improvements from VTA's BART Phase II Project description cleared in the Final SEIS/SEIR document published in February 2018. VTA also has agreements in place to build out the portion of the Five Wounds trail from East Santa Clara Street to Julian Street, a contribution that is expected to total about \$4.4 million in 2019 dollars, or about a quarter of the cost of building out the trail from Lower Silver Creek to US-280. Figure I-2 does not include this contribution, or other costs and funding sources for parks, trails, and open space.

⁵ Assumes VTA's contributions for access and streetscape improvements are completed in 2020-2030; 4.2% annual cost escalation.

FIGURE I-2: SUMMARY OF COSTS AND POTENTIAL FUNDING/FINANCING SOURCES

	Santa Clara Station Area	28th Street Station Area	Downtown San José	Total, Three Station areas
Estimated Access, Streetscape, and Storm Drain Costs (a)	\$221.9	\$193.5	\$325.3	\$740.7
Funding/Financing Sources				
CFD Financing Capacity (b)	\$54.7	\$33.1	\$101.0	\$188.8
TIF Financing Capacity (b)	\$34.0	\$22.6	\$75.4	\$131.9
VTA's BART Phase II Contribution	<u>\$0.9</u>	<u>\$3.6</u>	<u>\$4.8</u>	<u>\$9.3</u>
Remaining Need (c)	\$132.3	\$134.1	\$144.2	\$410.6

Dollars are nominal (in year in which bonds are issued/revenues accrue).

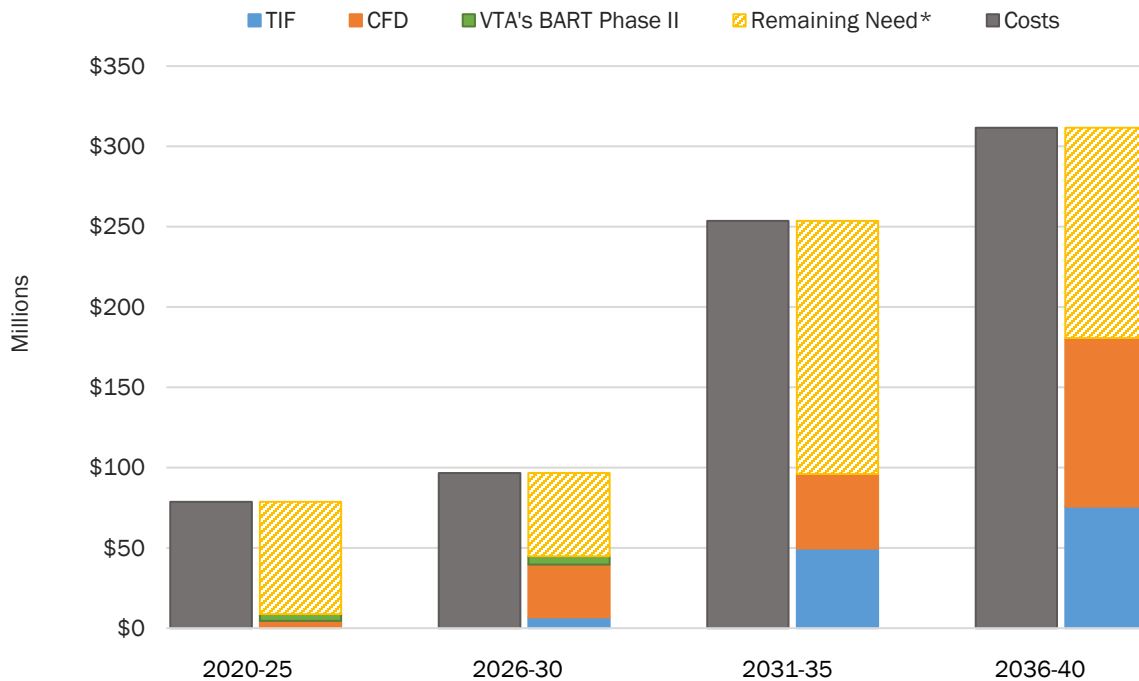
(a) Includes access improvements, streetscape enhancements, and storm drain improvements.

(b) Includes net bond proceeds (net of administrative costs, issuance costs, and potential allocation for affordable housing or transit O&M) and excess pay-as-you-go revenues.

(c) Potential sources to cover the remaining need could include grants, developer contributions (above and beyond CFD special tax payments), and the Cities' Capital Improvement Programs (CIPs).

Source: Strategic Economics, 2019.

FIGURE I-3: POTENTIAL FUNDING/FINANCING CAPACITY AND COSTS OVER TIME (THREE STATION AREAS TOTAL)



Notes:

*Potential sources to cover the remaining need could include grants, developer contributions (above and beyond CFD special tax payments), and the Cities' Capital Improvement Programs (CIPs).

TIF and CFD bars includes net bond proceeds (net of administrative costs, issuance costs, and allocation for affordable housing or transit O&M) and excess pay-as-you-go revenues.

Dollars are nominal (in year in which bonds are issued/revenues accrue).

Source: Strategic Economics, 2019.

Implementation Strategies

This report recommends eight implementation strategies that are critically needed for funding and implementing transit-oriented communities, and to enable the Cities to take full advantage of the BART Phase II opportunity and deliver on the project benefits to their constituents. Figure I-4 briefly summarizes each of the strategies and provides the page number in the report where more detailed information is available. Note that the strategies are numbered for reference, not in order of importance.

FIGURE I-4. SUMMARY OF IMPLEMENTATION STRATEGIES

IMPLEMENTATION STRATEGIES	IMPLEMENTATION PARTNERS	ADDITIONAL DISCUSSION
1. Establish Community Facilities Districts (CFDs) in the station areas to leverage contributions from new development.	Lead: Cities of San José and Santa Clara Support: VTA; other property owners; developers	Page 31
2. Implement Tax Increment Financing (TIF) Districts and consider sharing revenues within the corridor.	Lead: Cities of San José and Santa Clara Support: Other taxing entities (e.g. Santa Clara County); VTA (technical assistance, etc.)	Page 35
3. Work together to identify grants and other upfront funding sources.	Lead: Cities of San José and Santa Clara; VTA Support: Affordable housing developers; regional, state and federal funders, potential new entities (e.g. Community Development Corporation)	Page 39
4. Engage with local partners to expand community and economic development activities.	Lead: Local community groups, institutions, lenders, Business Improvement Districts (BIDs), Property-Based Business Improvement Districts (PBIDs), and/or potential new entities (e.g., Community Development Corporation) Support: Cities of San José and Santa Clara	Page 42
5. Create dedicated staff positions within the Cities of San José and Santa Clara to lead implementation of the TOC Strategy Study recommendations (e.g., TOC Managers).	Lead: Cities of San José and Santa Clara Support: VTA (technical assistance, etc.)	Page 46
6. Establish a framework for ongoing collaboration among the City of San José, the City of Santa Clara, and VTA.	Lead: Cities of San José and Santa Clara; VTA	Page 48
7. Partner to increase production of affordable housing, preserve existing affordable housing, and prevent displacement of households.	Lead: Cities of San José and Santa Clara; VTA Support: Developers (affordable and market-rate), potential new entities (e.g. Community Development Corporation)	Page 50
8. Establish shared mobility districts to manage parking efficiently, provide transportation demand management services, and enhance multi-modal access.	Lead: Cities of San José and Santa Clara Support: VTA; other property owners; transportation management associations (TMAs); BIDs/PBIDs	Page 54

II. PROCESS FOR DEVELOPING THIS REPORT

VTA and the consultant team worked closely with staff at the Cities of San José and Santa Clara over a period of 18 months to identify the TOC implementation priorities and strategies recommended in this report. This collaboration included monthly coordination meetings with City staff, additional meetings on specialized topics with individual City departments, and quarterly meetings with a Technical Advisory Group (TAG) comprised of staff from the City of San José, City of Santa Clara, VTA, and BART. VTA and the consultant team also conducted a series of public workshops and meetings that were hosted by VTA's BART Phase II Community Working Groups and were publicly advertised and open to the general public.

The TOC implementation priorities and strategies recommended in this report are also informed by the analysis of existing and future projected conditions in the station area conducted by Strategic Economics and other members of the consultant team. This analysis is documented in several background reports available on the project website, including the following:⁶

- **Market Analysis and Demand Projections Report:** Real estate market analysis and demand projections for office, multifamily housing, retail, and hotel uses.
- **Fiscal Impact Analyses for the Cities of Santa Clara and San José:** Analysis of the fiscal impacts of the TOC development scenario to San José's and Santa Clara's respective General Funds.
- **Affordable Housing and Displacement Risk:** Assessment of the opportunities and constraints for producing affordable housing and mitigating displacement risk, and for supporting and retaining small businesses.
- **Small Business Support and Retention Strategies:** Detailed recommendations for supporting and retaining small businesses are provided as appendices to the TOC Strategy Study.
- **TOC Parking and TDM Strategies:** Analysis of potential parking/transportation demand management policy and programmatic approaches.
- **Station Access Profiles:** Assessment of opportunities and gaps within the transportation network for each station area, and recommendations of access improvement projects.
- **Infrastructure Cost, Access Improvement, and Streetscape Cost Estimates:** Detailed infrastructure cost improvements.

The Study website also includes **Station Area Playbooks**, which describe the critical policies, strategies, and other actions needed to ensure delivery of TOCs in each station area.

⁶ Available at <http://www.vta.org/bart/tocs>.

III. TOC STRATEGY STUDY DEVELOPMENT SCENARIO

Figure III-1 shows the TOC Strategy Study station area boundaries. The station area boundaries focus on locations within a 15-minute walking distance and 10-minute biking distance of VTA’s future BART Phase II stations in the Cities of San José and Santa Clara.⁷

The TOC Strategy Study envisions a higher level of density in the station areas than called for in the Cities’ current plans. The Cities’ current plans would accommodate only 22.2 million square feet of total development, or about 10,700 new households and 34,400 new jobs.

In order to understand the scale of the opportunity for TOD, the consultant team projected future market demand and analyzed the physical capacity of all of the “opportunity sites” in the station areas.⁸ Based on this analysis, the three station areas have the potential to accommodate 45 million square feet of new TOD, or as many as 32,000 new households and 43,000 new jobs through 2040.⁹ This TOC Strategy Study development scenario assumes that the station areas attract more new development over time due to the introduction of BART services, investments in local access, streetscape, and other improvements, and the implementation of TOD-supportive policies such as increased housing allocations and reduced off-street parking requirements.

Figure III-2 compares the TOC Strategy Study development scenario based on the market demand analysis to existing City plans. Enabling more TOD in the station areas will allow the station areas to achieve the full benefits of TOCs by advancing the delivery of critically-needed housing for all income levels, catalyzing local economic development, generating increased value for property owners, developers, and the Cities’ General Fund (e.g. taxpayers), and making it easier for residents and workers in the station areas to walk, bicycle, and transit to meet their daily needs.

BENEFITS OF TRANSIT-ORIENTED COMMUNITIES

Transit-oriented communities in VTA’s BART Phase II station areas have the potential to achieve multiple benefits, including:

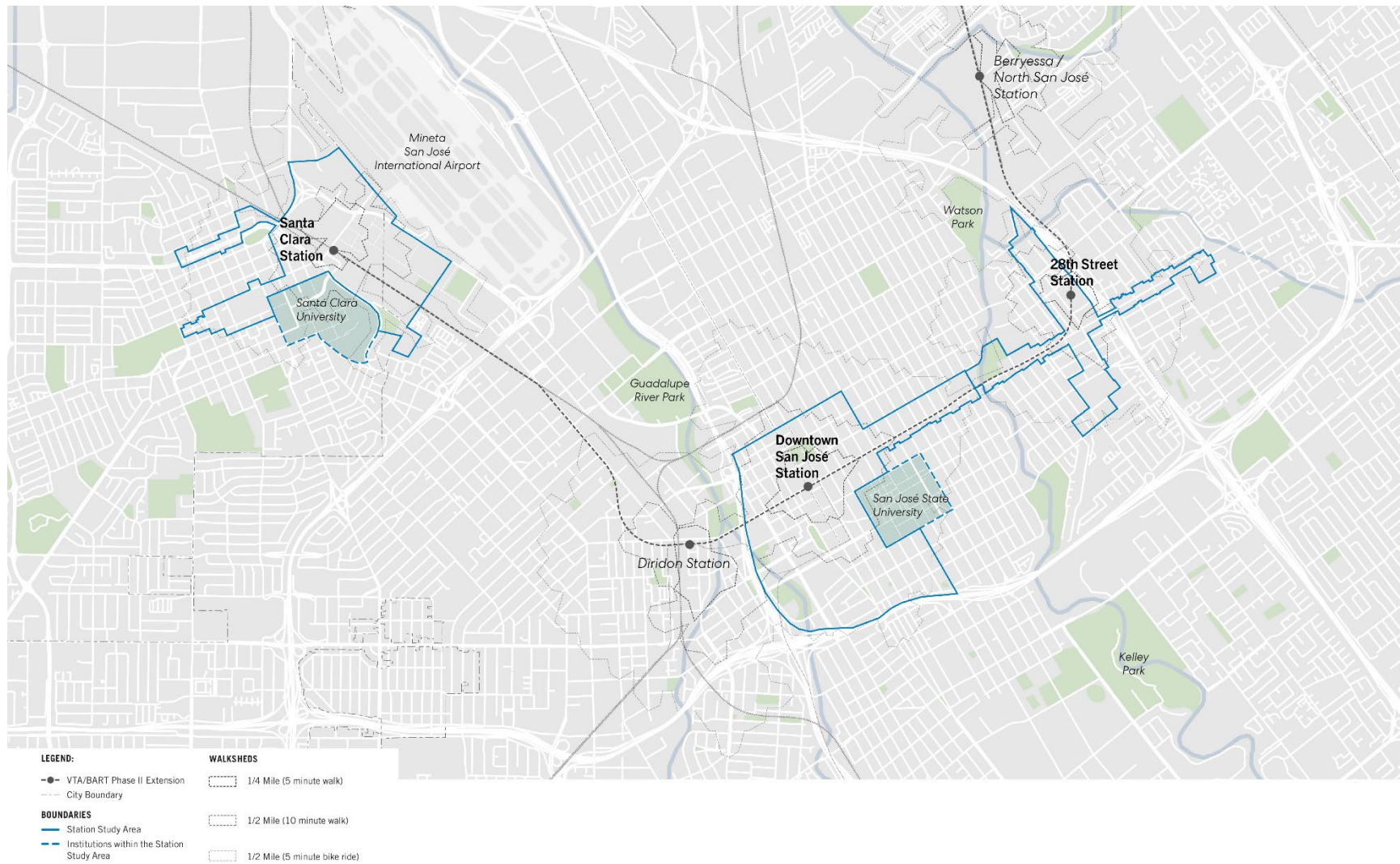
- Delivering critically needed housing for all income levels
- Allowing residents and workers to access goods, services, and meet other daily needs by walking, bicycling, and taking transit
- Enabling healthier, more sustainable lifestyles and strengthening existing neighborhoods
- Creating new value for property owners, developers, and taxpayers
- Catalyzing public and private investment and supporting economic development for existing and new businesses
- Generating a net increase in revenues for the Cities’ respective General Funds
- Reducing per capita vehicle trips and greenhouse gas emissions

⁷ See the TOC Strategy Study project website for more information: www.vta.org/bart/tocs.

⁸ For the purposes of this analysis, the opportunity sites included vacant parcels, surface parking lots, parcels currently zoned as commercial and mixed-use with existing structures of 30 feet height or less, and parcels currently zoned as industrial.

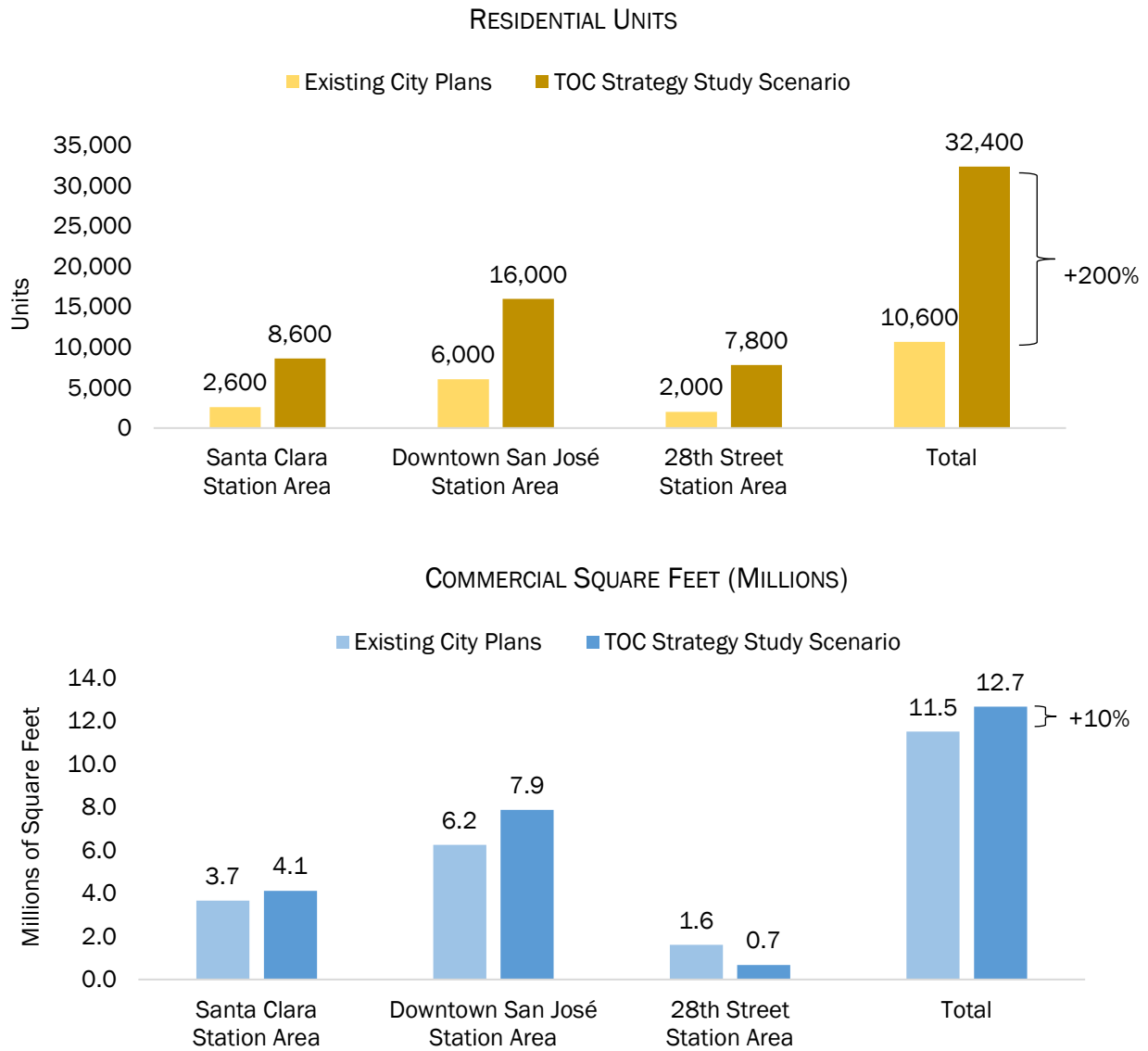
⁹ See Appendix A of this report for a full description of the development scenario and occupancy assumptions.

FIGURE III-1. VTA BART PHASE II TOCS STRATEGY STUDY STATION AREAS



Source: Perkins + Will, 2019.

FIGURE III-2. TOC DEVELOPMENT SCENARIO BUILD-OUT COMPARED TO EXISTING CITY PLANS



Notes:

The existing City plans for the Downtown station area and Diridon station area is the *Downtown Strategy 2040*, which includes both BART Phase II station areas as one single growth area; for the sake of allowing for a more accurate comparison between the existing City plans and the market demand projections, this report assumes that 40% of growth in City's *Downtown Strategy 2040* occurs east of Highway 87 and the remaining 60% occurs west of Highway 87, an assumption that was vetted with City of San Jose staff.

In the Santa Clara Station Area, some residential development may occur on parcels owned by Santa Clara University in the City of San José. This development was not included for the purposes of this analysis. The City of San José does not have an adopted plan for Santa Clara Station Area; current Coleman Highline plans used here for comparison.

Sources: City of Santa Clara General Plan (2035); City of San Jose Downtown Strategy 2040; City of San José Urban Village plans; Strategic Economics, 2019.

IV. TOC IMPLEMENTATION PRIORITIES

The TOC Strategy Study provides a comprehensive set of recommendations for implementing TOCs, including recommendations related to land use policy, zoning, parking requirements, street design, and affordable housing policy. This report focuses on the following TOC implementation priorities:

- Improving infrastructure, access, and other public amenities;
- Producing affordable housing and mitigating displacement risk;
- Supporting local economic development; and
- Managing parking efficiently, providing transportation demand services, and enhancing multi-modal access.

Each of these priorities is described below, including cost estimates where available.

Improving Infrastructure and Other Public Amenities

VTA and the consultant team worked closely with staff at the Cities of San José and Santa Clara to develop recommendations and preliminary cost estimates for the infrastructure and public amenities improvements needed to enable the TOD envisioned in the TOC Strategy Study development scenario. In general, these improvements fall into the following categories: bicycle, pedestrian, and transit access improvements; streetscape enhancements; storm drain improvements; parks, plazas, trails, and open space; sanitary sewer; and water distribution.

Appendix A of this report describes the phasing and cost escalation assumptions that were used for the purposes of this report. Detailed project lists and cost estimates (in 2019 dollars) are available on the project website.¹⁰ Note that the improvements included discussed here are above and beyond those for which the Cities have already identified funding in their Capital Improvement Programs (CIPs).

ACCESS, STREETScape, AND STORM DRAIN IMPROVEMENTS

This report focuses primarily on multimodal access improvements, streetscape enhancements, and storm drain improvements, as described below. These types of improvements are the focus of this report because they have the potential to create tremendous value in the station areas by enabling higher-density development, improving quality of life, and attracting new residents, workers, shoppers, and other users. Despite these benefits, however, there is currently no dedicated source of funding for access, streetscape, and storm drain improvements in the station areas. The existing funding sources that the Cities' use for these types of improvements are allocated on a citywide basis and are extremely constrained.¹¹

¹⁰ See the TOC Strategy Study project website for more information: www.vta.org/bart/tocs.

¹¹ See Appendix B of this report for discussion of the typical funding sources that the Cities of San José and Santa Clara use to pay for infrastructure improvements.

- **Bicycle, pedestrian, and transit access improvements:** Recommended access improvements include additional bike lanes, pedestrian crossings, bus bulb-outs, ADA ramps, upgrading signals for transit, bicycle, and pedestrian priority, and installing wayfinding signage along key access routes.¹² These improvements will allow existing and future residents and workers to reduce their dependency on the automobile and take full advantage of BART Phase II service. In turn, development in the station areas will be able to provide less parking and deliver more building space for living and working, thereby creating a “virtuous circle” by making higher-density TOD more feasible, which in turn increases the resident and worker population in the station areas and generates increased BART Phase II ridership.
- **Streetscape enhancements:** Recommended streetscape enhancements include: street trees, lighting, benches and other furniture, and bike racks along key access routes, designed to reflect the distinct identity of each station area (or in some cases, subareas within the station areas such as Downtown Santa Clara in the Santa Clara Station Area). In addition, the streetscape cost estimates include roadway resurfacing (e.g., repaving and striping) for key streets. The greatest level of pedestrian and bicycle amenities are envisioned in the blocks immediately surrounding the stations. These improvements will contribute to a high-quality street environment, which in turn will encourage residents and walkers to walk, bike, and take transit, attract shoppers to help support local retail, and make the station areas more attractive for TOD.
- **Storm drain improvements:** Recommended storm drain improvements include: upsizing all storm drains that are deficient during a 10-year storm event within the station areas, as well as main storm drains that are directly downstream from the station areas. These improvements would reduce ponding in the streets during 10-year storm events, contributing to improved quality of life for existing and future station area residents and workers.

Figure IV-1 summarizes total needed access, streetscape, and storm drain costs by station area and type. Costs are shown in nominal dollars, assuming they are phased in through 2040 with a 4.2% annual cost escalation. In total, costs are estimated at \$740 million through 2040.

The consultant team worked closely with staff at both Cities to determine which of the access, streetscape, and/or storm drain projects were the **highest priority and should therefore be implemented in the near-term in advance of or concurrent with the introduction of BART service.**

Based on discussions with City staff, none of the identified storm drain projects were categorized as high-priority/near-term therefore only access and streetscape projects were advanced through the prioritization process.¹³

For the purposes of this analysis, high-priority/near-term access and streetscape projects were defined in conversation with the staff at both Cities as:

- Access improvements that should be made in order to enhance non-auto access to the stations and other key destinations in the station areas; and

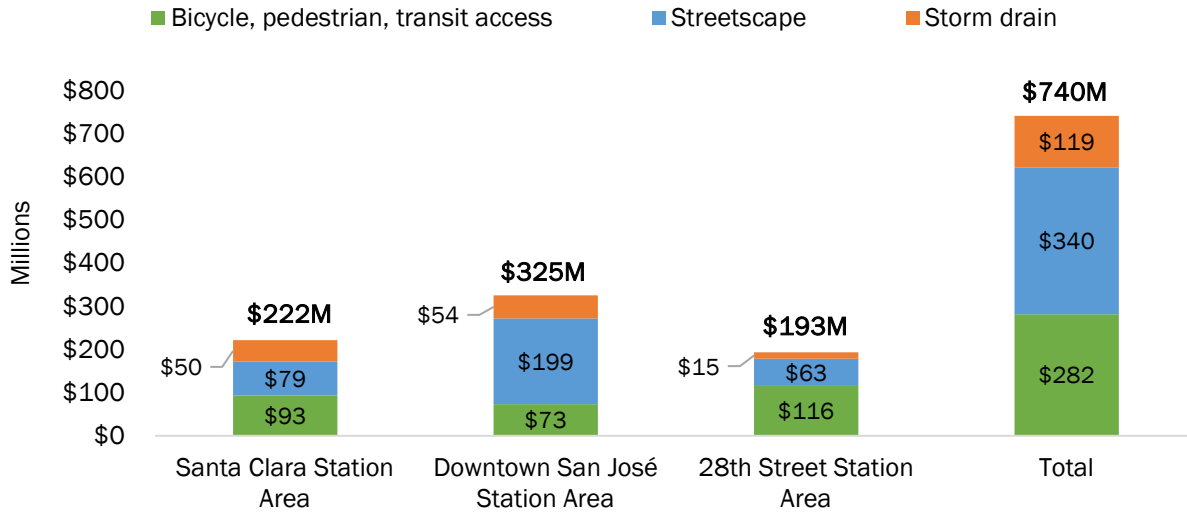
¹² The costs for Santa Clara Station also include one segment of new road (extending Matthew Street to Brokaw Road).

¹³ The Cities' highest storm drain priorities are related to addressing more severe flooding problems in locations outside the station areas.

- Streetscape improvements that should be made to enhance the quality public realm in order to support increased transit ridership.

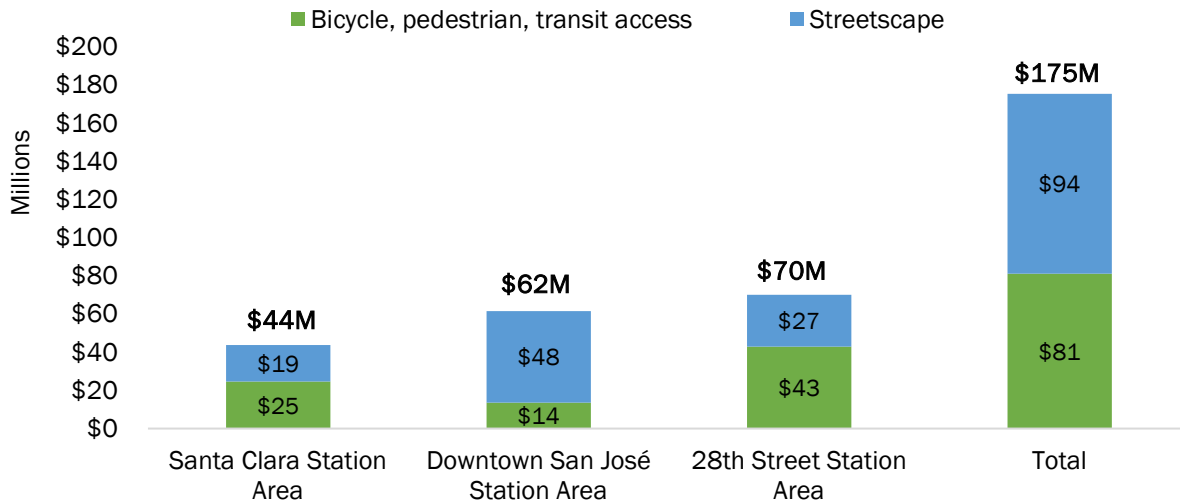
As summarized in Figure IV-2, the total cost of high-priority/near-term access and streetscape improvements is estimated at \$175 million through 2030.

FIGURE IV-1. ESTIMATED ACCESS, STREETScape, AND STORM DRAIN IMPROVEMENT COSTS THROUGH 2040



Note: Costs are shown in nominal (future) dollars, assuming they are phased in through 2040 with a 4.2% annual cost escalation. Sources: BKF Engineers; Kimley-Horn and Associates; Strategic Economics, 2019.

FIGURE IV-2. HIGH-PRIORITY/NEAR-TERM ACCESS, STREETScape, AND STORM DRAIN IMPROVEMENT COSTS THROUGH 2040



Note: Costs are shown in nominal (future) dollars, assuming they are phased in through 2030 with a 4.2% annual cost escalation. Sources: BKF Engineers; Kimley-Horn and Associates; Strategic Economics, 2019.

OTHER NEEDED IMPROVEMENTS

Parks, open space, and utility improvements are also critical to implementing successful TOCs and accommodating future growth. Preliminary project lists were developed for the TOC Strategy Study. However, these projects are not the focus of the funding and implementation strategy because they have at least some dedicated sources of funding. Both the City of San José and Santa Clara have Park Land Dedication Ordinances in place that require developers to dedicate parkland or pay in-lieu fees, making it likely that developers will be required to provide needed parks and plazas as a condition of approval. Sanitary sewer, water, and other utilities generate revenues by charging fees to new development for connecting to the system, as well as rates for use. However, staff from both Cities cautioned that current fees may not be high enough to cover the full cost of making major improvements, so updated fees or other revenue sources may be required.

- **Parks, plazas, trails, and other open space:** Open spaces improvements will be required to create community spaces and connect destinations within the station areas, including the extension of the Five Wounds Trail in the 28th Street station area. Additional analysis outside the scope of this project will be required to estimate the full extent of needed improvements and associated costs.
- **Sanitary sewer:** In both Cities, there may be a need to make improvements to sanitary sewer systems in order to accommodate a higher level of growth than is currently reflected in City plans. Preliminary estimates of sanitary sewer costs were developed for the Downtown San José and 28th Street station areas that reflect projects that are already in the City of San José's existing Sanitary Sewer Master Plan; these planned improvements may need to be accelerated in order to accommodate the higher level of growth anticipated in the TOC Strategy Study.¹⁴ The City of Santa Clara does not currently have capacity improvement projects planned in the station area. In order to identify needed improvements and develop a more complete estimate of costs, the Cities will each need to update their sanitary sewer models.
- **Water distribution:** Improvements to the water distribution system (i.e., water pipes) are required to deliver adequate fire hydrant flows to meet the demands of large, multi-story, potentially wood-framed buildings. Additional storage facilities and water contracts may also be required to serve the higher level of growth anticipated in the TOC Strategy Study. The City of Santa Clara and the San José Water Company (the independent water utility that serves the City of San José) will need to conduct more detailed analysis to evaluate actual impacts and upgrades required to the system to accommodate dense development.¹⁵

Improvements to recycled water, electric, gas, and other systems may be needed. Additional analysis outside the scope of this project would be required to identify needed improvements.

¹⁴ See Appendix A of this report for preliminary sanitary sewer cost estimates in the Downtown San José and 28th Street station areas.

¹⁵ See Appendix A of this report for preliminary water distribution improvement cost estimates.

Producing Affordable Housing and Mitigating Displacement Risk

VTA's BART Phase II extension has the potential to provide significant benefits to low and moderate-income households in the station areas and surrounding neighborhoods, including providing new connections to employment centers, reducing household transportation costs, and creating the opportunity for new affordable housing development.¹⁶ For the purposes of the TOC Study Strategy, housing is defined as "affordable" if a household spends 30 percent or less of its gross income on housing costs. The term "affordable housing" most often refers to regulated units that are restricted to low- and moderate-income households and have limits on the maximum rents or sales prices that can be charged to households (also called "deed-restricted" units). However, unregulated units that have no restrictions on rents or sales prices may also be affordable to low- and moderate-income households due to the age, size, amenities, or similar features of the unit (sometimes called "naturally occurring affordable housing" or NOAH).¹⁷

Both the Cities of San José and Santa Clara have policies and programs in place to help protect existing households from displacement and produce new deed-restricted affordable housing for low- and moderate-income households as new market-rate development occurs. However, additional intervention will be required to ensure that the investment in the BART Phase II station areas does not lead to displacement of existing residents and that the station areas offer a mix of housing types including housing that is affordable to low- and moderate-income residents. In order to address the critical need for affordable housing in the station areas, the TOC Strategy Study recommends policies and programs to address the following three priorities:

- **Produce new deed-restricted affordable housing units to expand the availability of housing for lower-income households in the station areas.** The local contribution needed to meet the affordable housing goals for the Santa Clara, Downtown San José, and 28th Street station areas is approximately \$1.1 billion. This amount of local resources could help build nearly 6,500 new deed-restricted units for low- and moderate-income households by 2040 (Figure IV-3).¹⁸ Some of this contribution is expected to be provided through existing City and County affordable housing funding sources (such as the City of Santa Clara's commercial linkage fee revenue or both Cities' inclusionary housing in-lieu fee revenues) or provided in the form of land donations, and some of the units will be provided through the Cities' existing inclusionary housing ordinances. However, even with the existing policies and funding sources in place,

¹⁶ More detailed analysis of opportunities and challenges, as well as detailed recommendations related to affordable housing and anti-displacement strategies, are provided on the project website at <http://www.vta.org/bart/tocs>.

¹⁷ For the purposes of this report, low- and moderate-income households include households at the following income levels: (a) extremely low-income, or households earning 30 percent of area median income (AMI) and below; (b) very low-income households earning 31 to 50 percent of AMI; (c) low-income households earning 51 to 80 percent AMI; (d) or moderate-income households earning 81 to 120 percent of AMI.

¹⁸ Based on recent affordable housing development activity in Santa Clara County, the cost of developing one affordable housing unit is estimated between \$600,000 to \$800,000. Local funding (City, County, and land donation contributions) typically accounts for around \$173,000 per unit, with the remaining funding provided by state, federal, and other sources. The typical local funding amount (\$173,000) was multiplied by the targeted number of affordable housing units in each station area, based on the TOC Strategy Study development scenario and affordable housing targets specific to each station area.

there will remain a significant gap in the local funding required to meet the affordability targets for the station areas. For example, the City of San José recently extended a City policy to exempt Downtown high-rises currently in the development pipeline from the inclusionary requirement altogether. The City of Santa Clara’s inclusionary ordinance is targeted at producing moderate-income rather than lower-income units. In both Cities, some developers may elect to pay an in-lieu fee instead of providing the units required by the inclusionary housing ordinance on-site, and in-lieu fee revenues may be used citywide. Other existing local sources (such as Santa Clara County’s Measure A¹⁹) are also not restricted to the station areas.

- **Preserve the affordability of existing deed-restricted housing and NOAH in the station area and surrounding neighborhoods.** The three station areas have a substantial supply of deed-restricted, income-restricted affordable housing (approximately 1,580 existing units in total). Of these, 276 units have deed restrictions that are expiring in the next 10 years and may be at risk of conversion to market rate and loss of affordability. The station areas also include many apartments subject to San José’s rent stabilization ordinance, as well as other older apartment buildings, mobile homes, and historic single-family homes (built before World War II) that are not protected by deed restrictions but may be relatively affordable to low- or moderate-income households today.²⁰ These NOAH units could be redeveloped and/or become unaffordable to lower-income households in the future unless appropriate protections are in place.
- **Protect low- and moderate-income tenants and homeowners who currently live in the station areas and surrounding neighborhoods.** The Bay Area is experiencing a housing affordability crisis, and the processes of gentrification and displacement are already occurring in many infill neighborhoods.²¹ The Downtown San Jose and 28th St. station areas are currently home to many households who are vulnerable to displacement, including severely cost-burdened, low-income households spending more than 50 percent of their income on housing. (The data for the Santa Clara station area are insufficient to conclude whether households are at high risk of displacement.) New transit investment and transit-oriented development (TOD) are often associated with increased market activity and rising housing values, raising additional concerns about the affordability of housing in the station areas for vulnerable low-income residents in the future.²² Protecting existing tenants and homeowners from displacement is critical for ensuring that residents of all incomes can experience the benefits from the new transit investment.

¹⁹ Measure A is a countywide affordable housing general obligation bond that was approved by Santa Clara County voters in 2016. The measure allows the County to borrow up to \$950 million in bonds to create and/or preserve affordable housing, with a focus on reducing homelessness and addressing the needs of the poorest and most vulnerable households.

²⁰ Note that because these categories are overlapping and data are pulled from multiple sources, it is not possible to estimate the total number of NOAH units at-risk of conversion to market rates.

²¹ For the purposes of this study, *gentrification* is defined as the process of change that neighborhoods experience when they begin to attract new private and public investments. Change is often observed in the neighborhood’s built environment and real estate investments (such as an increase in home renovations, new construction, or real estate values), as well as the neighborhood’s demographics (primarily the influx of new higher-income residents, often of a different race and higher education level. For the purposes of this study, *displacement* is the process through which households are forced to leave their residence in response to the economic and social pressures of gentrification. Source: The Urban Displacement Project, Center for Community Innovation at the University of California at Berkeley, www.urbandisplacement.org.

²² While the research is not conclusive, studies have begun to establish a relationship between proximity to transit and the demographic changes of gentrification. See Appendix M of the TOC Strategy Study (available at <http://www.vta.org/bart/tocs>) for a more complete discussion of the literature on gentrification and displacement and the role of transit.

FIGURE IV-3. NEEDED LOCAL CONTRIBUTION FOR AFFORDABLE HOUSING PRODUCTION IN VTA'S BART PHASE II STATION AREAS

	Net New Residential Units, 2019-2040 ^(a)	Affordable Housing Target ^(b)	Target Net New Affordable Housing Units, 2019-2040	Total Needed Local Contribution, 2019-2040 (Millions, 2019 Dollars) ^(c)
Santa Clara Station Area	8,626	15%	1,294	\$223
Downtown San José Station Area	15,992	20%	3,198	\$552
28th Street Station Area	7,827	25%	1,957	\$338
All Station Areas	32,445	20%	6,449	\$1,114

(a) Based on the TOC Study Strategy development scenario.

(b) The affordable housing targets represent the Cities' targets for the share of new housing development that should be deed-restricted affordable. The targets shown in the table are based on the City of Santa Clara's inclusionary housing ordinance (for Santa Clara Station); the Downtown Strategy 2000 EIR (for Downtown San José); and City of San José's Urban Villages policy (for 28th Street).

(c) Targeted net new affordable housing units multiplied by the typical local funding provided per affordable unit (\$173,000). The local funding per unit represents the typical amount of funding provided by the City, County, and/or land donations, based on a sample of recent deed-restricted affordable housing projects in Santa Clara County.

Sources: VTA, 2019; California Tax Credit Allocation Committee Staff Reports, 2016-2018; Santa Clara County Office of Supportive Housing, 2017-2018; City of San José, 2018; City of Santa Clara, 2018; Strategic Economics, 2019.

Supporting Local Economic Development

VTA's BART Phase II transit investment, coupled with the Cities' implementation of the TOC Strategy Study recommendations, will support the Cities' economic development goals in a variety of ways. The land use policies and access improvements recommended in the TOC Strategy Study will help the station areas absorb new jobs with fewer traffic and parking impacts. Businesses will benefit from an increase in foot traffic and buying power as new TOD brings additional workers and residents to the station areas. Bicycle and pedestrian improvements will make the streets more pedestrian-friendly, which helps support successful commercial districts. Residents will benefit from expanded opportunities for local entrepreneurship, improved access to local and regional opportunities for employment and education, and reduced transportation costs.

At the same time, future development may result in displacement and/or disruption to existing businesses. And, some small, local businesses may find the commercial space provided in new buildings unaffordable or unusable. In order to maximize the potential economic development benefits of the BART Phase II transit investment and associated TOD, and to mitigate potential disruption and displacement impacts to existing small/local businesses, the TOC Strategy recommends policies and programs to:

- **Support and retain small and microbusinesses.** For example, this includes targeted assistance to businesses that are displaced by TOD, incentives for development to provide appropriate space for small businesses, and expanded technical and financial assistance programs.²³

²³ Detailed recommendations related to supporting and retaining small businesses are provided in Appendix P of the TOC Strategy Study available on the project website at www.vta.org/bart/toocs.

- **Market and promote local business districts and local cultural heritage.** This includes promoting the Latino and Portuguese cultural identities of the East Santa Clara/Alum Rock Avenue corridor; building a strong brand identity for Downtown San José; and developing branding and programming for the distinct nodes within the Santa Clara station area.
- **Provide enhanced maintenance services and programming.** Services such as street and sidewalk cleaning, public safety ambassadors, landscaping and other streetscape beautification, and programmed activities in parks and plazas can help make the station areas more attractive to and improve safety for residents, workers, and visitors.

Managing Parking Efficiently, Providing Transportation Demand Services, and Enhancing Multi-Modal Access

In order to maximize the benefits of TOCs, the TOC Strategy Study recommends policies and programs for the Cities to implement in the station areas to incentivize residents, workers, and visitors to walk, bicycle, carpool, or ride transit instead of drive alone. Examples of transportation demand management (TDM) programs include subsidized transit passes, car share memberships, carpool/vanpool subsidies, or other incentives for workers and residents to reduce single-occupancy vehicle trips. The TOC Strategy Study also recommends programs and policies to help make the best use of the existing parking supply in each station area, such as managing parking as a shared resource within districts and reducing parking requirements for new development.

Together, these programs and policies can provide a broader range of mobility options, enable healthier lifestyles, and reduce greenhouse gas emissions. In addition, TDM and parking management programs create value by reducing parking demand and facilitating higher-density TOD. Reducing parking demand decreases the cost of TOD by as much as \$45,000-\$60,000 per parking space and allows developers to maximize the amount of built space dedicated to housing and employment uses and to generally invest in higher-quality development, design, and public amenities (including affordable residential units or tenant improvements for commercial spaces).

V. OPPORTUNITIES AND CHALLENGES FOR IMPLEMENTATION

This section describes the key opportunities and challenges for implementation, based on the consultant team’s analysis and input from City departments, the TOC Strategy Study Technical Advisory Group, and VTA’s BART Phase II Community Working Groups.

Opportunities

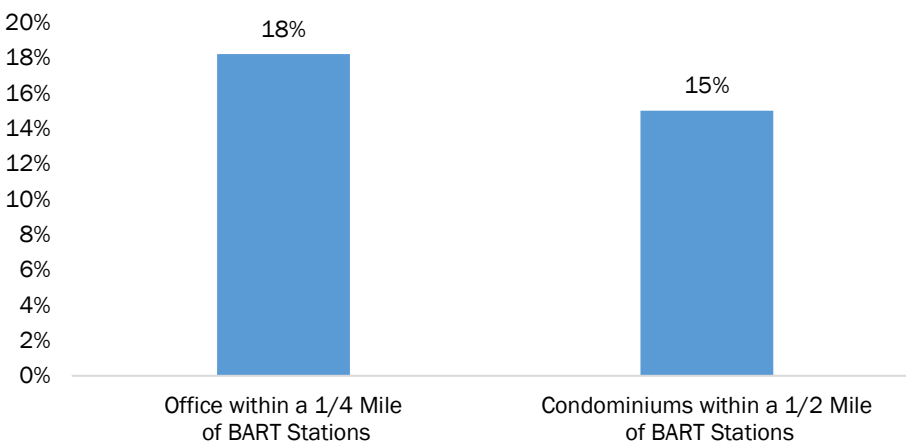
- **There is an opportunity to capture some of the value that the introduction of BART Phase II service – combined with other public investments and supportive land use policies – will create in order to help pay for implementation of the TOC Strategy Study priorities.** The BART Phase II station areas are already attracting major development proposals, both as a result of the strength and prolonged expansion of the regional economy and also in anticipation of the completion of the BART Phase II extension. As described above, analysis of market demand and physical capacity found that there is potential for a total of 45 million square feet of new development in the station areas by 2040. Experience from the East Bay also shows that properties near BART stations can command a significant price premium (Figure V-1) compared to development further away from BART stations. By establishing value capture districts as soon as possible, the Cities can capture some of the value leveraged by the BART Phase II transit investment in order to pay for infrastructure improvements, deed-restricted affordable housing for low- and moderate-income households, and other public investments in the station areas.
- **The TOC Strategy Study development scenario will generate substantial positive fiscal benefits for the Cities.** The level of development envisioned in the Study are expected to generate increased revenues for the Cities’ General Funds that will outweigh the costs of serving new residents and workers. As a result, implementation of the TOC Strategy Study recommendations will generate significant positive net fiscal benefits to the Cities. At build-out of the TOC Strategy Study development scenario in 2040, annual net fiscal benefits are projected to total \$17.2 million per year for the City of San José’s General Fund and \$3.3 million per year for the City of Santa Clara’s General Fund.
- **The VTA-owned TOD sites, along with other TOD opportunity sites in the station areas, represent an opportunity to kickstart implementation.** TOD on VTA-owned sites could generate new revenues for VTA and the Cities, provide affordable housing over and above the Cities’ requirements,²⁴ and contribute to improved station access or other needed infrastructure improvements. Other large TOD opportunity sites represent an opportunity for the Cities to negotiate directly with developers to participate in implementation of TOC Strategy Study’s recommended station area improvements (e.g., by joining CFD districts as a condition of approval).
- **The Cities are already starting to implement many of the TOC Strategy Study implementation priorities.** For example, the City of San José is already starting to incorporate projects

²⁴ In accordance with VTA’s Joint Development policy.

recommended in the TOC Strategy Study into transportation plans (such as En Movimiento, the transportation plan for East San José). The City of San José is also in the process of implementing new programs and funding sources for affordable housing (such as an inclusionary zoning program and proposed commercial linkage fee), with the goal of building 10,000 new affordable housing units between 2017 and 2022. The City of Santa Clara is in the process of drafting area plans to support increased densities and an improved pedestrian environment in Downtown Santa Clara and on El Camino Real, and working to increase the supply of affordable housing in the station area by implementing inclusionary zoning and commercial linkage fees.

- **The State of California has recently passed and is currently considering new tools to finance infrastructure and affordable housing.** The state passed a suite of new affordable housing bills in the 2017 legislative session that created new funding sources for affordable housing. The legislature has also considered a variety of bills to expand and incentivize the use of tax increment financing which, if passed in a future session, could further support implementation of the value capture districts recommended in this report.

FIGURE V-1. OFFICE AND CONDOMINIUM VALUE PREMIUMS NEAR EAST BAY BART STATIONS



Percentage difference in office rents/condominium values, compared to locations more than 1/2 road miles from a BART station for office and more than 5 road miles from a BART station for multi-family residential. Source: Strategic Economics, 2015.

Challenges

- **Significant upfront improvements are needed in advance of and concurrent with BART Phase II passenger service in order to ensure the full success of the transit investment.** The high-priority/near-term improvements identified in Section IV should be implemented in advance of and concurrent with BART Phase increase transit ridership and the vitality of the station areas. Because these improvements are needed in the near-term, paying for them will require identifying funding sources that do not rely on new development and/or funding sources that can be used to support bond financing (i.e., the issuance of debt that is paid back over time).
- **Relying on project-by-project negotiations or development fees to provide improvements can make it challenging to implement district-scale improvements throughout the station areas and to provide needed improvements ahead of development.** Currently, the Cities of San José

and Santa Clara rely in part on a combination of developer negotiations and impact fees to fund infrastructure improvements and affordable housing.²⁵ Individual development negotiations create uncertainty for both developers and communities about the benefits that new development is expected to provide. Relying on individual development projects to provide improvements also makes it challenging to implement district-scale improvements (e.g., access or streetscape improvements that serve the entire station area, not just individual development projects) and to provide needed improvements ahead of development. Development fees create more certainty for developers and communities, but cannot be used to pay for existing infrastructure deficiencies and are challenging to use to finance upfront improvements.²⁶

- **While new development in the station area is expected to result in a significant net increase in General Fund revenues, the Cities both have many competing priorities that would benefit from expanded funding sources and increased revenues.** Both the City of San José and Santa Clara have identified structural budget deficits and a growing backlog of deferred infrastructure needs. The Cities are relying in part on the revenues raised by new development to help support City services and operations. These budget challenges limit the Cities' ability to contribute General Funds to capital improvements and other implementation priorities, and limit staff's capacity to implement new programs.
- **The feasibility of high-density TOD is currently challenging due to rising land and construction costs.** High-rise office and residential development are particularly challenging in the current market because of rising development costs. By establishing value capture districts now, the Cities can be well positioned to capture value from new development when market conditions change. At the same time, development contributions must be complemented with other funding sources to ensure that the vision for increased housing and employment around the stations can be achieved.
- **Successful implementation will require dedicated City staff time and leadership over an extended period of time.** Historically, redevelopment agencies played a primary role in this type of implementation in California cities. Since the California legislature dissolved local redevelopment agencies in 2011, most cities have struggled to replace the lost funding and dedicated staff focused on implementation activities.
- **While VTA's BART Phase II project and associated TOD will create new opportunities for households of all income levels and support local economic development, new public and private investment may also place increased pressures on lower-income households and small businesses.** As described in previous sections of this report, new policies and funding sources are required to ensure that the future station areas offer housing that is affordable to low-income and moderate-income residents, and to minimize the displacement and/or disruption of existing residents and small businesses.

²⁵ For example, the City of San José's new Urban Villages Implementation Framework establishes a process for negotiating contributions, and an expected contribution level, for residential development.

²⁶ Impact fees are challenging to use to finance debt, because the revenue stream is volatile since they are highly dependent on the timing and amount of development.

VI. IMPLEMENTATION STRATEGIES

Recognizing the opportunities and challenges described in the previous chapter, VTA and the consultant team developed eight implementation strategies. This section:

- Compares the potential revenues and financing capacity (from bond debt proceeds) to the total costs of needed access, streetscape, and storm drain improvements; and
- Discusses each of the eight implementation strategies in detail.

Comparison of Infrastructure Costs and Potential Revenues

As discussed in Section IV above, the total cost of needed access improvements, streetscape enhancements, and storm drain improvements in the station area is estimated at \$740 million. This assumes improvements are phased in over time through 2040, and that costs escalate by 4.2% a year on average.²⁷ The high-priority/near-term improvements – those that should be made in advance of or concurrently with the introduction of BART service – are estimated to cost \$175 million.

Figures VI-1, VI-2, and VI-3 summarize potential funding and financing sources which could include:

- **Community Facilities District (CFD):** A Mello-Roos Community Facilities District (CFD) is a special taxing district formed to finance improvements to public facilities. CFDs would apply only to new development and would not result in a tax increase for existing properties. Based on preliminary assumptions, CFD special taxes in the three station areas could raise an estimated \$72 million in total revenues through 2040, assuming all new development in the station area were subject to the special tax.²⁸ This includes \$14.5 million that could be available for transit operations and maintenance, assuming that the Cities allocated 20 percent of revenues for this purpose. One of the advantages of establishing a CFD district is that it may be used to finance upfront improvements by issuing bonds against future revenues. Based on preliminary assumptions about financing, a CFD could support \$189 million in bond issuances and excess pay-as-you-go revenues through 2040.
- **Tax increment financing (TIF) district:** A tax increment financing (TIF) district redirects incremental increases in property tax revenues that are generated within a designated geographic area to help fund infrastructure, other public facilities, and deed-restricted affordable housing for low- and moderate-income households. Based on preliminary assumptions, TIF districts in the three station areas could generate approximately \$52 million in total revenues through 2040, including \$10.4 million for affordable housing if the Cities allocated 20 percent of revenues for this purpose. Like a CFD, a TIF district may be used to finance upfront improvements by issuing bonds against future revenues. Based on preliminary assumptions about financing, a TIF district could support \$132 million in bond issuances and excess pay-as-you-go revenues through 2040.

²⁷ Note that these costs do not include projects for which the Cities' have already identified funding.

²⁸ Net present value of annual projected revenue stream, assuming a 5% discount rate.

- **VTA's BART Phase II Project:** VTA will contribute access and streetscape improvements that are part of the BART Phase II Project description in the cleared environmental documents.²⁹ These access and streetscape contributions are estimated to total \$9 million.³⁰

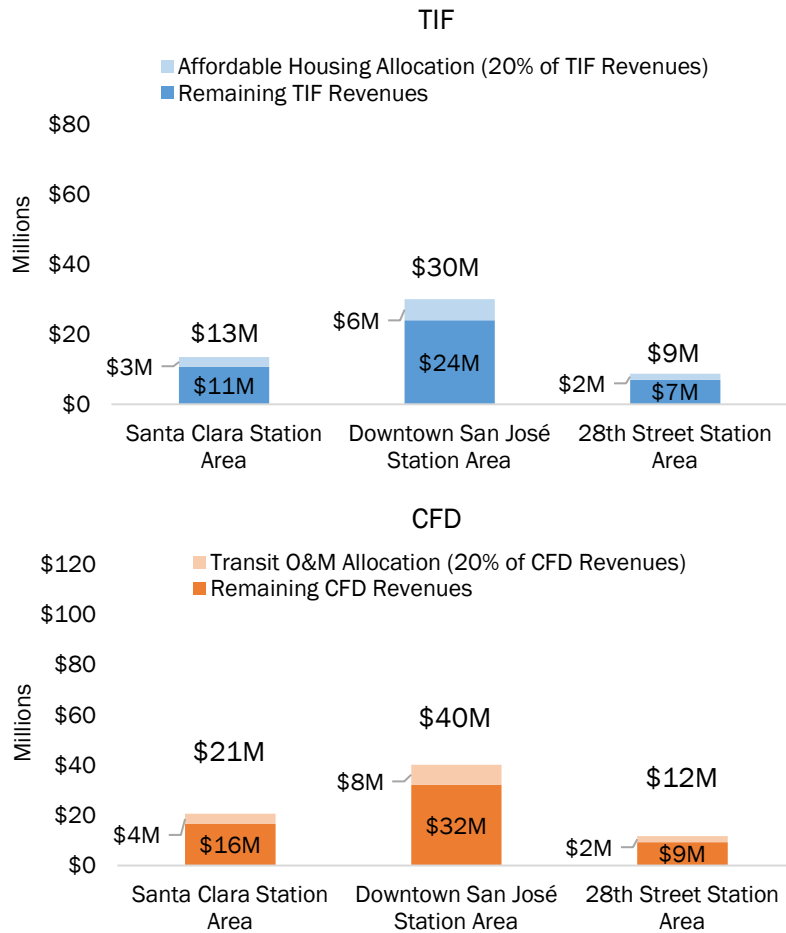
Given that the total estimated cost of access, streetscape, and storm drain improvements in the three station areas could total \$740 million through 2040, and the total potential funding sources and financing proceeds is \$330 million, a \$410 million funding gap exists. The remaining gap in funding that would need to be covered by other sources such as grants, developer contributions (above and beyond CFD special tax payments), and/or the Cities' Capital Improvement Programs (CIPs).

Figure VI-4 illustrates how costs might be phased over time, compared to when funding and financing is expected to be available. The biggest need is for upfront financing to pay for the high-priority/near-term improvements that will enhance access to the stations and accelerate new development. While value capture districts should be put in place quickly to maximize the revenues and financing proceeds they can produce, they will not generate substantial revenues (or allow for the issuance of bonds) until the medium- to long-term when significant development has already occurred.

²⁹ Includes access and streetscape improvements from VTA's BART Phase II Project description cleared in the Final SEIS/SEIR document published in February 2018. VTA also has agreements in place to build out the portion of the Five Wounds trail from East Santa Clara Street to Julian Street, a contribution that is expected to total about \$4.4 million in 2019 dollars, or about a quarter of the cost of building out the trail from Lower Silver Creek to US-280. Figure I-2 does not include this contribution, or other costs and funding sources for parks, trails, and open space.

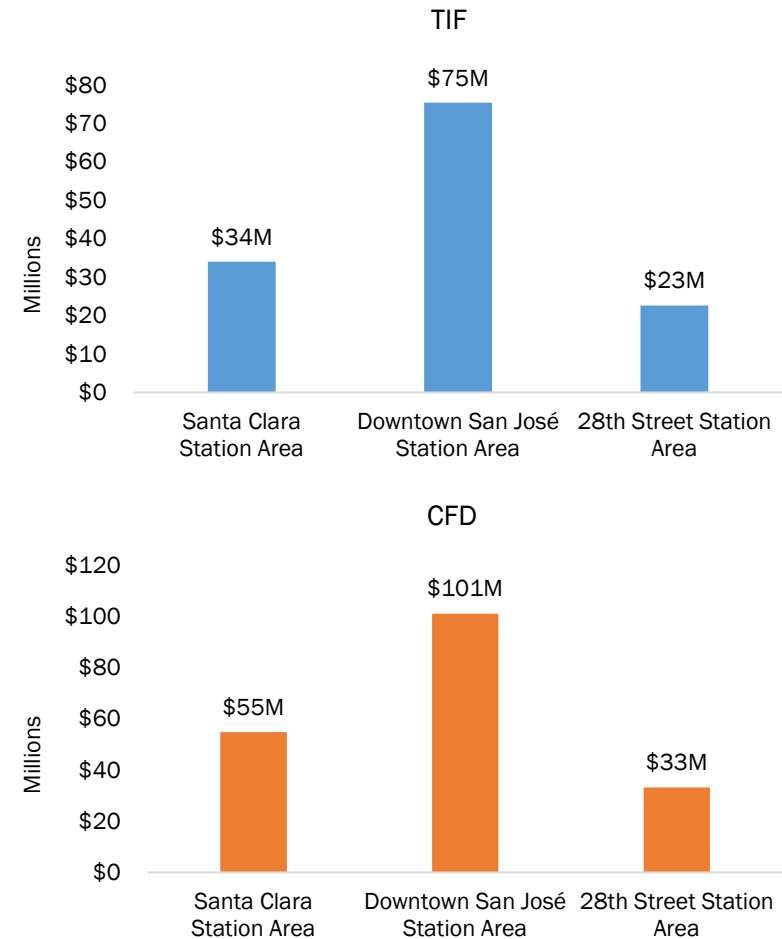
³⁰ Assumes VTA's contributions for access and streetscape improvements are completed in 2020-2030; 4.2% annual cost escalation.

FIGURE VI-1. NET PRESENT VALUE OF POTENTIAL REVENUES THROUGH 2040 ASSUMING NO BOND FINANCING



Notes: Due to rounding, subtotals may not add up to total revenues. Graphs show total gross revenues before administrative expenses or debt service. Assumes 20% of TIF revenues are allocated to affordable housing, and 20% of CFD revenues are allocated to transit operations and maintenance (placeholder assumption). 2040 is the planning horizon for the TOC Strategy Study. Revenues are discounted to 2019, assuming a 5% discount rate. Source: Strategic Economics, 2019.

FIGURE VI-2. POTENTIAL FINANCING CAPACITY THROUGH 2040 ASSUMING BOND ISSUANCES



Notes: Includes net bond proceeds (net of administrative costs, issuance costs, and allocation for affordable housing or transit O&M) and excess pay-as-you-go revenues. Dollars are nominal (in year in which bonds are issued/revenues accrue). Source: Strategic Economics, 2019.

FIGURE VI-3: SUMMARY OF COSTS AND POTENTIAL FUNDING/FINANCING SOURCES

	Santa Clara Station Area	28th Street Station Area	Downtown San José	Total, Three Station areas
Estimated Access, Streetscape, and Storm Drain Costs (a)	\$221.9	\$193.5	\$325.3	\$740.7
Funding/Financing Sources				
CFD Financing Capacity (b)	\$54.7	\$33.1	\$101.0	\$188.8
TIF Financing Capacity (b)	\$34.0	\$22.6	\$75.4	\$131.9
VTA's BART Phase II Contribution	<u>\$0.9</u>	<u>\$3.6</u>	<u>\$4.8</u>	<u>\$9.3</u>
Remaining Need (c)	\$132.3	\$134.1	\$144.2	\$410.6

Dollars are nominal (in year in which bonds are issued/revenues accrue).

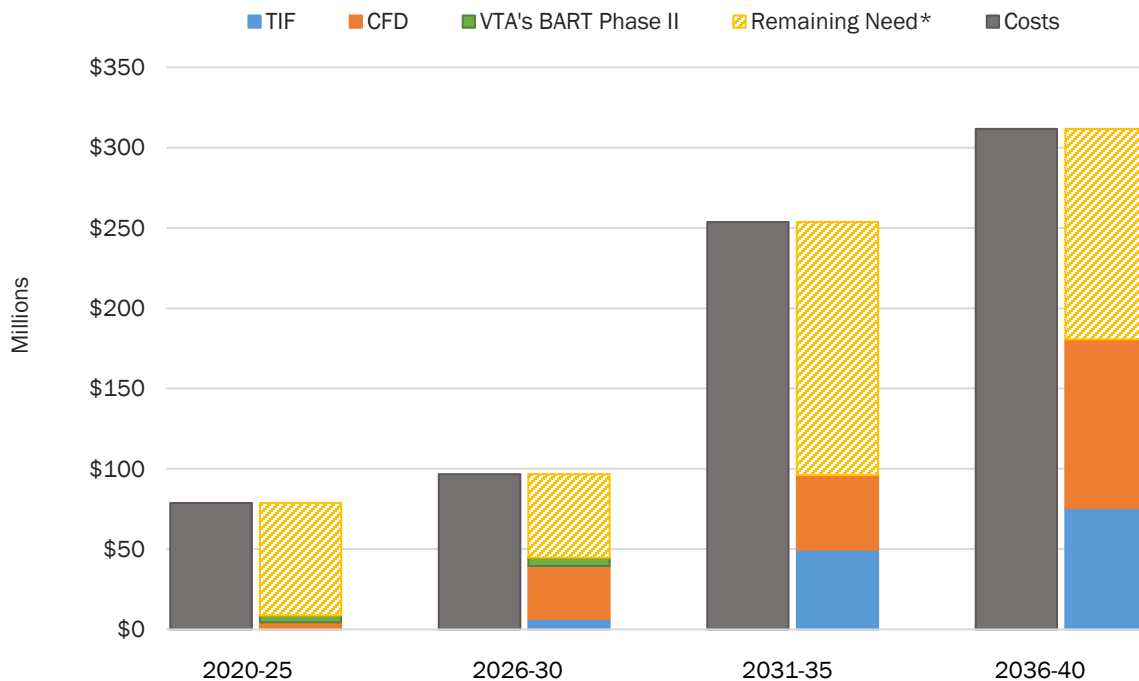
(a) Includes access improvements, streetscape enhancements, and storm drain improvements.

(b) Includes net bond proceeds (net of administrative costs, issuance costs, and potential allocation for affordable housing or transit O&M) and excess pay-as-you-go revenues.

(c) Potential sources to cover the remaining need could include grants, developer contributions (above and beyond CFD special tax payments), and the Cities' Capital Improvement Programs (CIPs).

Source: Strategic Economics, 2019.

FIGURE VI-4: POTENTIAL FUNDING/FINANCING CAPACITY AND COSTS OVER TIME (THREE STATION AREAS TOTAL)



Notes:

*Potential sources to cover the remaining need could include grants, developer contributions (above and beyond CFD special tax payments), and the Cities' Capital Improvement Programs (CIPs).

TIF and CFD bars includes net bond proceeds (net of administrative costs, issuance costs, and allocation for affordable housing or transit O&M) and excess pay-as-you-go revenues.

Dollars are nominal (in year in which bonds are issued/revenues accrue).

Source: Strategic Economics, 2019.

Strategy #1: Establish Community Facilities Districts in the Station Areas to Leverage Contributions from New Development

Lead: Cities of San José and Santa Clara

Partners: VTA, Other Property Owners, Developers

A Mello-Roos Community Facilities District (CFD) is a special taxing district that is formed to finance improvements to public amenities. *CFDs would need to be formed by each City, would apply only to new development, and would not result in a tax increase for existing properties.* CFDs revenues could be used to pay for access, streetscape, or other infrastructure improvements in the station areas, as well as for specified services (e.g. station area cleaning and maintenance, safety and security programs, or transit operations and maintenance) subject to City approval.³¹

Figure VI-1 and VI-2, above, show potential CFD revenues and financing capacity by station area. Because the CFD is assumed to be charged on a per-square-foot basis, the magnitude of revenues is related to the amount of development projected to occur in each station area. For example, a CFD in the Downtown San José station area would generate the most revenue, because that is the station area in the TOC Strategy Study where the most development is expected to occur.

The Cities of San José and Santa Clara should explore establishing policies that incentivize new development to participate in a CFD, by making participation in a CFD a condition of approval for projects that exceed the heights, densities, or other development requirements that are allowed by right. For example, the City and County of San Francisco has implemented this policy as part of the Central SoMa Plan (see case study below).³² Individual CFDs should be established in each station area to ensure a relationship between the properties paying the special tax and the benefit received.³³

CFDs can be structured as non-contiguous districts, and parcels may be annexed into the district as new development occurs. For example, VTA could help accelerate the formation of a district by working with the Cities to establish CFDs on VTA-owned sites planned for TOD. Other development projects in the station areas could be annexed into the CFDs later as a condition of approval for those projects, allowing the potential CFD revenues and bond financing capacity to grow and pay for station area improvements as additional development occurs in the station areas.

Some of the benefits of implementing CFDs throughout the corridor include:

³¹ A CFD may be used to finance the “purchase, construction, expansion, improvement, or rehabilitation of any real or other tangible property with an estimated useful life of five years or longer, or may finance planning and design work that is directly related to the purchase, construction, expansion, or rehabilitation of any real or tangible property.” A CFD may finance facilities including, but not limited to: local parks and open space, libraries, childcare facilities, utilities (e.g. undergrounding of water transmission, natural gas pipeline, telephone, or electrical energy facilities), and flood and storm protection facilities. A CFD may also be used to finance certain services, such as police protection services, fire protection and suppression services, maintenance of parks and open space, flood and storm protection services, and maintenance and operations of any other facilities owned by the local agencies involved in the formation of the CFD, to the extent that those services are in addition to those provided in the territory of the district before the district was created. Bonds may be issued against CFD revenues to finance capital improvements. Source: California Government Code Sections 53313 and 53313.5.

³² Typically a CFD requires approval by two-thirds of property owners so long as there are fewer than 12 registered voters living within the proposed boundary. If there are 12 or more registered voters living within the district, the formation of a CFD requires two-thirds voter approval.

³³ Note that – in contrast to impact fees and special assessment districts – CFDs do not require either a direct “nexus” between the entities paying the fee and the benefit they receive or a “special benefit” to the property owners subject to the assessment.

- **A CFD provides certainty for communities and developers about the public improvements that will be funded, and the amount that developers will be required to contribute.** CFDs create an ongoing revenue stream to help fund public improvements, giving communities and developers confidence that desired improvements will be made. CFDs also reduce the uncertainty that developers face in planning and financing their projects, by providing clarity about the amount that development projects will be required to contribute to public benefits. In turn, reduced uncertainty helps reduce the time and cost of delivering new TOD and its associated public benefits.
- **CFD revenues could be used to issue bonds in order to secure financing for major capital improvements.** Issuing bonds would allow the Cities to pay for major capital projects more quickly, as opposed to waiting for CFD revenues to accrue over time before making larger investments. Note, however, that CFDs will not generate substantial revenues (or allow for the issuance of bonds) until significant development has already occurred. This is another argument for establishing value capture districts as soon as possible in order to be able to access the increased financing capacity from bond issuances more quickly.
- **In addition to paying for local infrastructure improvements, CFD revenues could also help fund operations and maintenance of the BART Phase II extension.** For example, a CFD special tax charged on new development in the three station areas could raise \$14 million over 20 years to help pay for operations and maintenance of the BART Phase II extension, assuming that 20 percent of revenues were allocated for this purpose prior to bonding.

KEY ISSUES FOR IMPLEMENTATION

The analysis conducted for this report is based on conservative assumptions about special tax rates, the timing of district formation, and bond issuances. However, these assumptions and other technical issues will need to be further explored as implementation proceeds as a collaborative effort between VTA and the respective Cities. In particular, some of the key issues for implementation include:

- **Implementing entities:** Formation of a CFD would most likely be initiated by the Cities of San José and Santa Clara, respectively.³⁴ However, VTA could potentially participate in the establishment of a district if desired by the Cities through formation of a joint powers authority.
- **Timing of implementation:** The revenue estimates shown above assume that CFDs would be formed in 2020 and apply to all new development entitled after that time. Establishing CFDs in or around 2020 would help maximize the amount of revenue that could be raised, and enable bonds to be issued sooner to help pay for needed improvements.
- **Defining appropriate rates:** CFD special tax rates may be set on any reasonable basis determined by the local legislative body (e.g., on the basis of building area, parcel size, or linear feet of parcel frontage), except that the tax cannot be *ad valorem* (based on property value). The revenue estimates above assume rates ranging from \$0.13-\$0.50 per square foot. This would amount to less than 0.1 percent of the assessed value of new development, which is

³⁴ CFDs can be initiated by Cities, Counties, special districts (e.g., fire, water, parks, community services districts), school district, joint powers authorities, or any other local government authorized under state law.

not expected to unduly affect property owners' tax burden or the feasibility of new development.³⁵ However, additional analysis would be required to determine appropriate rates considering market-based development costs and Cities' other development fees. Further analysis will also be required to determine how the CFD interacts with the City of San José's Urban Village amenities payment

- **Mechanism for incentivizing participation of new development:** As discussed above, cities including San Francisco have established programs that incentivize new development to participate in a CFD, by making participation in a CFD a condition of approval for projects that exceed the base heights or densities allowed in the zoning code. Typically, this tool is easiest to implement in association with an increase in heights or densities (i.e., upzoning). The Cities of San José and Santa Clara will need to examine their existing land use and zoning policies to determine the best mechanism for enacting similar programs.

CASE STUDY: SAN FRANCISCO CENTRAL SOMA PLAN IMPLEMENTATION STRATEGY

The City and County of San Francisco adopted the Central SoMa Plan in December 2018.³⁶ This plan for the Central South of Market neighborhood is intended to accommodate growth around the future Central Subway extension. The plan allows for 16 million square feet of new housing and employment space and a \$2 billion public benefits package, including affordable housing (33 percent of new housing), open space, street and infrastructure improvements, cultural preservation, and community services (see Figure VI-5).³⁷

To realize this vision, the Central SoMa Plan's Implementation Strategy calls for the adoption of new funding sources, including a CFD and two new impact fees. The CFD plays a critical role in the overall package of funding sources because special taxes generate a reliable and predictable revenue stream, since the taxes are paid annually over for the term of the CFD (as opposed to a one-time payment for impact fees). In addition, the CFD will enable the City to bond against the future revenue stream, thus providing funding to build needed infrastructure much sooner (as opposed to impact fees, which are typically too volatile to serve as security for the issuance of bonds). Finally, CFD revenues may be used for operations and maintenance as well as capital improvements (as opposed to impact fees, which may not legally be used for operations and maintenance).

Following the adoption of the Central SoMa Plan, the CFD was officially approved in January 2019, and is expected to generate up to \$350 million, or 17 percent of the total cost of the public benefits package. Revenues from the Central SoMa CFD can be used for the costs of acquisition and construction of, and improvements to, the following types of facilities:

- Transit facilities (i.e. local and regional transit infrastructure)
- Complete streets (i.e. bicycle, pedestrian, and transit infrastructure)

³⁵ As a rule of thumb, total taxes and assessments on property – including CFD special tax rates – should not exceed two percent of total assessed property value. Based on an initial scan of selected parcels in the three station areas, total existing taxes and assessments appear to range from approximately 1.3 to 1.5 percent of assessed value, suggesting there may be room for an additional special tax measure.

³⁶ An updated version of the Central SoMa Plan, including revisions that were made between the 2016 Draft Plan and the final adoption of the plan in December 2018, has not yet been published online. Once available, it will be accessible at the following link: <https://sfplanning.org/central-soma-plan>

³⁷ "Central SoMa Draft Plan", City and County of San Francisco, 2016, available at: http://default.sfplanning.org/Citywide/Central_Corridor/Central_SoMa_Plan_full_report_FINAL.pdf

- Parks and recreation centers
- Environmental sustainability projects (i.e. green stormwater infrastructure, water energy and conservation improvements, pollution control improvements, etc.)
- Historic preservation
- Sea level rise adaptations

The Central SoMa CFD revenues may also be used for certain service and maintenance costs, including park programming and activation, neighborhood stabilization, small business development, and operation and maintenance of publicly-owned infrastructure.³⁸

Participation in the CFD is required for commercial development and for-sale residential development that exceed certain height and density limits, as defined in the San Francisco Planning Code.³⁹ The CFD was originally intended to apply to rental residential development as well, but in light of the rapid increase in construction costs between the time the plan was first published (August 2016) and its final approval (December 2018), the San Francisco Board of Supervisors exempted rental housing due to concerns over financial feasibility.⁴⁰ This exemption may leave a significant gap in the overall financing plan.

FIGURE VI-5. CENTRAL SOMA TODAY (LEFT) AND CENTRAL SOMA 3-D MODEL OF POTENTIAL DEVELOPMENT (RIGHT)



Source: City and County of San Francisco, Central SoMa Plan.⁴¹

³⁸ “Resolution of Intention: Establishing the Central SoMa Special Tax District, File No. 180622 Resolution No. 375-18”, City and County of San Francisco, November 2018, and “Ordinance levying special taxes within City and County of San Francisco Special Tax District No. 2018-1 (Central SoMa), Ordinance No-21-19, File No. 181172”, City and County of San Francisco, January 2019.

³⁹ “Central SoMa Community Facilities District Program”, San Francisco Planning Code, Section 434.

⁴⁰ “Case Number 2011.1356U Approval of the Implementation Program related to the Central SoMa Plan - Changes to the Plan since February 15, 2018”, City and County of San Francisco Planning Department, May 2018.

⁴¹ Photos from <https://sfplanning.org/central-soma-plan> (left) and http://default.sfplanning.org/Citywide/Central_Corridor/Central_SoMa_Plan_full_report_FINAL.pdf (right)

Strategy #2: Implement Tax Increment Financing Districts, and Consider Sharing Revenues within the Corridor

Lead: Cities of San José and Santa Clara

Partners: Other Taxing Entities (e.g. Santa Clara County); VTA (technical assistance, etc.)

A tax increment financing (TIF) district redirects incremental increases in property tax revenues that are generated within a designated geographic area and invests those revenues to help fund infrastructure, other public amenities, and deed-restricted affordable housing for low- and moderate-income households in the same area where the property tax revenues were generated. TIF does not add any new fee or tax obligations to property owners. Instead, TIF reallocates money from future revenues generated by the existing property tax rate, above and beyond what taxing entities currently receive. Cities, counties, and other taxing entities may choose to contribute to a TIF district.⁴²

California state law currently authorizes the use of several TIF tools, of which Enhanced Infrastructure Financing Districts (EIFDs) are the most flexible and widely used. Jurisdictions that have established EIFDs in the last several years include the Cities of La Verne, West Sacramento, and San Diego (see case study below). In the 2019 legislative session, the state legislature considered measures that would enable TIF districts to access state funds (SB 5 and AB 11, discussed in more detail below).⁴³ While none of the proposals were enacted in 2019, they may be revisited in future legislative sessions.

Figure VI-1 and VI-2, above, show potential CFD revenues and financing capacity by station area through 2040. The highest revenues would be generated in Downtown San José, where the greatest amount of new development is expected to occur.

Establishing one or more TIF districts in the corridor would have multiple benefits, including:

- **TIF districts could allow revenues to be shared across station areas.**⁴⁴ The City of San José's Redevelopment Agency pioneered the use of TIF to finance improvements across different districts in the station areas in 1981, when the agency merged its redevelopment project areas. This innovative strategy allowed revenues generated in other areas to be used to support Downtown revitalization efforts.⁴⁵ Today, there is an opportunity for the Cities of San José and Santa Clara to consider a similar strategy. For example, a district that encompassed all of the BART Phase II station areas in San José could take advantage of the momentum occurring in Downtown (and potentially Diridon), where most of the new development – and TIF revenue generation – is expected to occur.⁴⁶ Revenues could pay for affordable housing,

⁴² Under current state law governing the use of EIFDs, school districts may not contribute to a TIF district.

⁴³ In the form of transfers from school district and/or County Educational Revenue Augmentation Fund (ERAF) revenues, which the state would reimburse.

⁴⁴ The EIFD enabling legislation provides flexibility for how the boundaries are set; districts may even include non-contiguous parcels.

⁴⁵ SPUR, "Shaping Downtown San José: The Quest to Establish an Urban Center for Silicon Valley," *Urbanist*, April 4, 2013, <https://www.spur.org/publications/urbanist-article/2013-04-04/shaping-downtown-san-jose>.

⁴⁶ Note that the majority of the Downtown San José station area is part of the former San José Redevelopment Agency Merged Project Area. Within this area, property tax increment revenues are deposited into a Redevelopment Property Tax Trust Fund and used to pay the existing obligations of the Redevelopment Successor Agency. Any remaining funds in the trust fund are distributed to the local agencies in the project area and are known as "residual" payments. In FY 2017-2018, the Successor Agency reached a sufficiency of funds and began distributing residual revenues to the taxing entities. Unless assessed property values in the Merged Project Area decline significantly below the current

access and streetscape improvements, and other infrastructure. In turn, these investments would help accelerate development throughout the corridor. This approach would be particularly helpful in the 28th Street station area, where major new investments are required but individual development projects are less likely to be able to support the provision of public improvements than in the other station areas. In the Santa Clara station area, San José and Santa Clara could also explore opportunities to share TIF revenues across City boundaries to help pay for infrastructure projects that would benefit the entire station area.

- **Establishing new TIF districts could help address help meet the need for new affordable housing units and address displacement concerns by creating a dedicated source of funding for affordable housing.** Any new TIF districts established in the station areas should include a substantial dedicated allocation of revenues for deed-restricted affordable housing for low- and moderate-income households. This analysis assumed that 20 of TIF revenues would be allocated to affordable housing prior to any bond issuances. Based on this placeholder assumption, TIF districts could generate more than \$10 million in revenues for affordable housing through 2040.
- **By establishing TIF districts, the Cities could signal a strong public commitment to improving the station areas and help attract new private investment and other funding sources.** Establishing one more TIF districts in the corridor would send a signal to private investors and potential funders about the strength of the local commitment to supporting successful TODs. In turn, this public commitment could incentivize developers to participate in a TOD. A TIF district could also help attract Opportunity Zone investments by demonstrating the public sector's intention to make needed improvements.⁴⁷ TIF revenues could also help fund the local match typically required for state and federal grants.
- **TIF would create a dedicated source of revenue for needed investments that will help improve local quality of life, attract additional development, and result in faster growth in revenues for the Cities' General Funds.** Assuming the public investments recommended in the TOD Strategy Study are completed, the three station areas could attract 45 million square feet of new TOD by 2040. If each City dedicated 25 percent of incremental property tax revenues to an EIFD, net annual General Fund revenues would total \$8.3 million a year for the City of San José and \$1.0 million a year for the City of Santa Clara.
- **TIF revenues could be used to issue bonds in order to secure debt financing for major capital improvements:** TIF would enable the taxing entities to issue bonds against future property tax increment revenues generated within the districts, allowing the Cities and their partners to invest sooner in needed improvements as opposed to waiting for property tax revenues to accrue to each City's General Fund.

value, it is expected that existing tax increment revenues will continue to be sufficient to pay the Successor Agency's obligations. Therefore, it assumed that the new property tax revenues generated by the TOD development scenarios will be allocated to the taxing entities, including to the City's General Fund, and available to be allocated to an EIFD or other TIF district.

⁴⁷ The federal Opportunity Zone program was created as part of the 2017 Tax Cuts and Jobs Act. It allows investors with capital gains to receive tax benefits in exchange for investing in eligible businesses or real estate developments located in low-income census tracts designated as Opportunity Zones by the U.S. Treasury. Eleven census tracts in San José have been certified as Opportunity Zones, including tracts near the future Downtown San José, Santa Clara, 28th Street, and Berryessa BART stations.

KEY ISSUES FOR IMPLEMENTATION

The analysis conducted for this report is based on conservative assumptions about contributions from local taxing entities, the timing of district formation, and bond issuances. However, these and other issues will need to be further explored as implementation proceeds. In particular, some of the key issues for implementation include:

- **Participation of other taxing entities:** EIFDs must be initiated by a City or County, and require approval by all affected tax entities.⁴⁸ For the purposes of the feasibility analysis, the revenue estimates above made placeholder assumptions that only the Cities of Santa Clara and San José would participate in the TIF district(s), and that they each contribute 25 percent of the property tax increment generated within the station areas.⁴⁹ However, the City of San José only receives about 12 percent of the property tax revenue generated within the station areas, while the City of Santa Clara receives just over 10 percent. Securing the participation of other taxing entities – such as Santa Clara County, which receives approximately 15 percent of the property tax revenue from the station areas – could significantly increase the amount of revenue that TIF districts could raise.
- **Role of the Public Financing Authority:** In order to create an EIFD, the affected taxing entities must create a public financing authority (PFA) to serve as the governing board of the district, with representation from each taxing entity’s legislative body and members of the public. A PFA may also be empowered to access other funding sources, such as special tax, assessment, and grant revenues, and thus could potentially play a significant role in coordinating funds and leading project implementation.
- **Timing of implementation:** This analysis assumes that an EIFD district would be created in 2025. However, earlier formation the district would allow the district to increase the amount of revenues that the district generates. Earlier implementation would also enable for bond issuances to occur earlier, allowing the high-priority/near-term improvements recommended in the TOC Strategy Study to be implemented sooner.
- **Structure of the tax increment contribution and district boundaries:** The current EIFD tool would provide the Cities and other participating taxing entities with significant flexibility to structure an EIFD to protect their General Funds. For example, the taxing entities can each choose how much of increment to dedicate to an EIFD, and the share of increment can vary over time. For the purposes of the feasibility analysis, the revenue estimates shown above made placeholder assumption that the Cities would each contribute 25 percent of incremental tax revenues every year; however, the Cities could choose to contribute a higher percent of revenues in earlier years to jumpstart improvements, and then reduce their contribution over time. EIFDs may also include non-contiguous parcels, so the Cities could choose to only include parcels in an EIFD that are likely to be redeveloped, in order to limit the impact on the General Fund.
- **Potential to leverage state funds:** In the 2019 session, the state legislature considered two bills that would have created a mechanism for the state to contribute funds to TIF districts. SB 5 would have allowed TIF districts to apply to the state for a contribution, which would take the

⁴⁸ Cities, counties, and special districts may choose to allocate tax increment to an EIFD; however, an EIFD may not capture increment from school districts, community college districts, or Educational Revenue Augmentation Funds (ERAF).

⁴⁹ Including property tax, property tax in-lieu of vehicle license fee revenues, and in the case of San José, property tax residual payments from the Redevelopment Property Tax Trust Fund.

form of transferred County Educational Revenue Augmentation Funds (ERAF) that the state would then reimburse. AB 11 would have effectively allowed cities and counties to create new redevelopment agencies, subject to state approval; the agencies could access school district and community college property tax revenues, which the state would backfill. AB 11 would have required that 30 percent of TIF revenues be set aside for affordable housing; SB 5 would have required that 50 percent of TIF revenues be set aside for this purpose. Both bills would have prioritized TIF districts that would support TOD, reduce greenhouse gas emissions, and promote other state goals meaning that the BART Phase II station areas would likely all be eligible and competitive.⁵⁰ SB 5 was passed by the California legislature, but vetoed by the Governor in the fall of 2019 due to concerns about potential impacts on the state budget. However, both bills may be considered again in a future legislative session.

CASE STUDY: CITY OF LA VERNE METRO GOLD LINE TOD ENHANCED INFRASTRUCTURE FINANCING DISTRICT

EIFDs were first authorized by the state of California in 2014. Since that time, several jurisdictions have established EIFDs, including West Sacramento and San Diego. One of the most recent examples is in the City of La Verne, located in Los Angeles County. In October 2017, after an 18-month process, the City adopted an EIFD that covers 46 acres surrounding the City's future Metro Gold Line light rail station, and an additional non-contiguous 65-acre subarea near the University of La Verne's West Campus. LA Metro's Gold Line transit service to the station is expected to begin in 2026.⁵¹

Leading up to the adoption of an EIFD, the City completed an extensive planning process for the area surrounding the future station. In 2014, the City adopted a specific plan that called for higher density, mixed use, and transit-oriented development.⁵² However, in order to enable TOD in a low-density, car-oriented place such as La Verne, significant infrastructure and access improvements would be necessary. To fund these improvements, the City adopted an EIFD in November 2017. The EIFD Financing Plan includes 14 projects with a total cost of \$33 million, including a pedestrian bridge, traffic and streetscape improvements, and various utility improvements (sewer, water, and wastewater).

The City of La Verne has chosen to dedicate 100 percent of its property tax increment in the EIFD subareas to the EIFD. The City projects that the EIFD could raise as much as \$93.7 million in revenues over its duration, supporting approximately \$67 million of net bond proceeds. Increment from property tax in-lieu of VLF is excluded. If and when projects identified in the EIFD Financing Plan are fully funded, the share of tax increment diverted to the EIFD is set to return to the City's General Fund.⁵³ The City of La Verne is the only taxing entity currently contributing to the EIFD. However, the County has expressed interest joining the EIFD, due to (1) benefits it would accrue from the pedestrian bridge connecting the

⁵⁰ Proposed state legislation includes SB 5 (Beall and McGuire) and AB 11 (Chiu). See "SB-5 Affordable Housing and Community Development Investment Program (2019-2020)", California Legislative Information, available at: https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201920200SB5;

and "2019 AB- 11 Community Redevelopment Law of 2019 (2019-2020)", California Legislative Information, available at: https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB11

⁵¹ "City of La Verne Enhanced Infrastructure District #1 Final Adopted Infrastructure Financing Plan", City of La Verne, October 2017, Available at: <https://www.ci.la-verne.ca.us/index.php/documents/community-development/eifd-documents/740-la-verne-final-adopted-ifp/file>

⁵² "Old Town La Verne Specific Plan", City of La Verne, March 2013. Available at: <https://www.cityoflaverne.org/otlvsp.pdf>

⁵³ "City of La Verne EIFD IFP Fiscal Impact Analysis", Kosmont Companies for the City of La Verne, September 2018, Available at: <https://www.ci.la-verne.ca.us/index.php/documents/community-development/eifd-documents/916-la-verne-eifd-fiscal-analysis-091718/file>

station to the nearby County-owned fairgrounds; and (2) the unusually high share of the property tax received by the City of La Verne (18 percent).

Strategy #3: Work Together to Identify Grants and Other Upfront Funding Sources

Lead: Cities of San José and Santa Clara, VTA

Support: Affordable Housing Developers; Regional, State, and Federal Funders; Potential New Entities (e.g., CDC)

While CFDs and TIF districts would contribute substantial resources to TOC Strategy Study implementation, additional funding will still be needed. In particular, there will be a need to identify upfront funding sources to make the highest priority improvements in the station area, which would ideally be completed before BART service begins. The Cities and VTA should work together to:

- **Prioritize key station area projects in the Cities' plans and Capital Improvement Programs (CIPs):** For example, many of the access projects identified in this Study are already being incorporated into the City of San José's *En Movimiento* transportation plan for East San José. In addition to continuing to carry forward projects into City land use and transportation plans, it will be critical to ensure that projects are prioritized in the Cities' respective CIPs and capital budgets, which are the documents that guide the Cities in the planning, scheduling, and budgeting of capital improvement projects.
- **Identify eligible projects for competitive grant programs:** The Cities and VTA should work together to monitor funding availability for grant programs that may be appropriate for projects identified in this Study. In particular, the agencies should collaborate to determine which projects may be eligible for competitive grant programs administered by VTA, such as the Measure B Bicycle and Pedestrian Program and One Bay Area Grant (OBAG) 2 County Programs.
- **Integrate projects to leverage multiple funding sources:** Examples of types of projects that could be combined to access a broader range of funding sources include:
 - *Projects that include pedestrian improvements and green stormwater elements (e.g., streetscape redesigns that involve bioswales and other green streets improvements)* may be able to access both bicycle/pedestrian improvement grants and urban stormwater management grants.⁵⁴ These types of improvements could also help meet the Cities' green infrastructure commitments.⁵⁵
 - *Projects that include affordable housing and pedestrian, bicycle, or transit access improvements* may be eligible for state grant programs intended to encourage affordable housing in infill and transit-oriented locations, such as the Affordable

⁵⁴ Examples include California's Urban Greening Program and the state's Local Partnership Program. See Appendix C of this report.

⁵⁵ For example, the City of San José is in the process of finalizing a Green Stormwater Infrastructure Plan and has committed to spending \$100 million over the next decade to reduce sewage spills and the amount of trash flowing into storm drains.

Housing Sustainable Communities (AHSC) and the Infill Infrastructure Grant (IIG) programs.

- *Community-led projects in the 28th Street station area that integrate environmental, health, and social-economic benefits.* The 28th Street station area may be eligible for The Transformative Climate Communities (TCC) program, administered by California’s Strategic Growth Council, provides competitive grants for community-led development and infrastructure projects that are focused on achieving environmental, health, and economic benefits.⁵⁶
- **Collaborate on grant applications:** For example, VTA could write letters of support or otherwise advocate for grant applications submitted by the Cities. In some cases, it may be appropriate for VTA to dedicate staff time to coordinate with Cities on grant applications for projects that are critical to the success of the BART Phase II extension, in order to expedite the implementation of the TOC Strategy Study recommendations in the station areas.
- **Coordinate to submit projects that may be eligible for inclusion in VTA’s upcoming Valley Transportation Plan (VTP) 2050 update.** As the Congestion Management Agency for Santa Clara County, VTA is responsible for the countywide long-range transportation plan, which includes a financially-constrained list of transit, bicycle/pedestrian, and street/road projects that reflect the county’s funding priorities over the plan’s horizon. Listing projects in the VTP is beneficial because it demonstrates a public commitment to these projects, formally inserts them into the county and regional funding pipeline, and prioritizes them for existing and future funding. Projects must be submitted by the Cities, and the deadline for submission will be in 2020 (exact date not yet determined). Access and streetscape improvements in the BART Phase II station areas – including those identified in the TOC Strategy Study – may be particularly competitive for inclusion in the VTP, since they support other emerging regional policy priorities (e.g. linking transportation investments to support increased affordable housing production). VTA should coordinate with the Cities to submit proposals in early 2020 for the VTP 2050 update.

Appendix C of this report provides a matrix of potential regional, state, and federal grant programs that projects in the station areas may be eligible for.

CASE STUDY: AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES (AHSC) PROGRAM

The Affordable Housing and Sustainable Communities (AHSC) program is a competitive state grant program that promotes infill development and the reduction of greenhouse gas emissions through transportation and land use change. AHSC encourages combined investments in deed-restricted

⁵⁶ The TCC program, administered by California’s Strategic Growth Council, provides competitive grants for community-led development and infrastructure projects that are focused on achieving environmental, health, and economic benefits. Examples of eligible projects include affordable housing, transit, bicycle, pedestrian improvements, and urban greening infrastructure. The TCC program offers both “Implementation Grants” and “Planning Grants.” The TCC program prioritizes disadvantaged communities that have been most impacted by pollution, as measured by CalEnviroScreen, the state’s Census Tract-level measure of socio-economic and environmental disadvantage. According to the TCC FY 2018-2019 Final Guidelines, places that have a majority of Census Tracts in the top 5 percent of disadvantaged communities are most likely eligible for “Implementation Grants,” and places that have a majority of Census Tracts in the top 25 percent of disadvantaged communities are likely eligible for “Planning Grants.” Given that several census tracts in and around the 28th Street station are in the CalEnviroScreen top 25 percent, it is possible that projects in this station could be eligible for TCC funding, with a higher chance of eligibility for “Planning Grants.” See: California Strategic Growth Council, “Transformative Climate Communities Program FY 2018-2019 Final Guidelines,” July 2018, available at: http://sgc.ca.gov/programs/tcc/docs/20180815-TCC_Final_GUIDELINES_07-31-2018.pdf.

affordable housing, transit, and active transportation infrastructure.⁵⁷ The City of San José and local affordable housing developers have received AHSC funding for several affordable housing projects, including 777 Park Avenue, North San José Pedro Studios, and Renascent Place.⁵⁸ These awards included funding for active transportation improvements such as bicycle paths, recreational trails, pedestrian amenities, and sidewalks.⁵⁹

A recent AHSC project in Oakland demonstrates how cities, transit agencies, and nonprofit organizations can collaborate to bundle projects together and leverage state funding. In AHSC's 2016-2017 funding cycle, the City of Oakland, AC Transit, and Resources for Community Development (a nonprofit affordable housing developer) submitted a joint application and were granted a \$14 million award. Funds will go towards the construction of Coliseum Place, a 59-unit affordable housing development (see Figure VI-6), as well as segments of the planned International Boulevard AC Transit Bus Rapid Transit line and the East Bay Greenway projects. The award will also fund a transit pass program and bicycle education classes for Coliseum Place residents.⁶⁰

FIGURE VI-6. RENDERING OF COLISEUM PLACE, AN AHSC-AWARDED AFFORDABLE HOUSING PROJECT IN OAKLAND CA



Source: Resources for Community Development.⁶¹

⁵⁷ "Affordable Housing and Sustainable Communities Fact Sheet" California Strategic Growth Council, 2018, available at: <http://sgc.ca.gov/programs/ahsc/docs/20180731-Update-Fact%20Sheet-AHSC.pdf>

⁵⁸ Note that the City of Santa Clara has not received any AHSC grants.

⁵⁹ Detailed information on all AHSC applications and winning grantees is available for download on the California Strategic Growth Council website: <http://sgc.ca.gov/programs/ahsc/resources/previous-awards.html>

⁶⁰ "AHSC 2015-2016 Transit-Oriented Development Project Profile", California Strategic Growth Council, 2017.

⁶¹ Photo available at: <https://rcdhousing.org/housing-development/coming-up/coliseum-place/>.

Strategy #4: Engage with Local Partners to Expand Community and Economic Development Activities

Lead: Local Community Groups, Institutions, Lenders, Business Improvement Districts (BIDs), Property-Based Business Improvement Districts (PBIDs), and/or Potential New Entities (e.g., CDC)

Partners: Cities of San José and Santa Clara

Creating successful TOCs requires ongoing investment in programs and services that create opportunities and benefits for local residents and businesses. For example, community and economic development activities in Downtown San José can capitalize on the introduction of BART service to support Downtown's emergence as the central business district of Silicon Valley. Stakeholders in the 28th Street station area place a high priority on protecting and promoting the district's Latino and Portuguese cultural identities, while limiting the displacement of small businesses and households. In the Santa Clara station area, there is a desire to support Downtown Santa Clara as a retail, dining, and entertainment destination, while also creating a new node of activity near the station.

Community-based organizations – such as Business Improvement Districts (BIDs), Property-Based Improvement Districts (PBIDs), Community Development Corporations (CDCs), and Downtown Development Corporations – can provide services and programming that go above and beyond standard municipal services that are tailored to meet local needs. Community-based organizations can access funding sources such as foundation funds, grants or loans from banks meeting their Community Reinvestment Act requirements, and/or special assessments on businesses or properties.⁶² Figure VI-7 provides additional information on the different types of community-based entities that could play a role in the station areas, including potential functions and funding sources. Note that one organization can sometimes play multiple roles; for example, the Unity Council in Fruitvale is a CDC that also administers a BID (see case study discussion below).

The Cities should work with existing organizations and other community stakeholders in each station area to identify opportunities to enhance the business environment, support and retain small businesses, and reduce the risk of household and business displacement. Potential partners include the Downtown San José Association, the Downtown Santa Clara Merchants' Association, the Alum Rock Merchants' Association, Santa Clara University, San José State University, and other local non-profits, property owners, and institutions. VTA can also play a supporting role as a local property owner; for example, VTA already participates in the Downtown San José BID.

Some of the specific opportunities discussed during the TOC Strategy Study process are described below:

- **Santa Clara station area:** Explore the potential for a BID or PBID that would include new development in the immediate vicinity of the Santa Clara station area (i.e., on the northeast side of the rail tracks). A BID or PBID could provide services such as street cleaning,

⁶² The Community Reinvestment Act (a federal law enacted in 1977) is intended to encourage banks to meet the credit needs of low- and moderate-income communities. The Community Reinvestment Act requires federal regulators to measure how well banks are fulfilling this requirement. This measure is then considered as part of federal evaluation and approval of applications for bank mergers, branch openings, acquisitions, etc. As an example, some banks seek to fulfill their CRA obligations by providing financing to affordable housing or other community based organizations. See: "Community Reinvestment Act Fact Sheet", Office of the Comptroller of the Currency, 2014, available at: <https://www.occ.gov/topics/community-affairs/publications/fact-sheets/pub-fact-sheet-cra-reinvestment-act-mar-2014.pdf>

beautification, maintenance and programming of plazas and other public space, and public safety ambassadors.

- **Downtown San José station area:** Expand services and coordination among agencies to address homelessness, pedestrian and bicycle safety, and quality of life issues (e.g., late night noise, parking management), as recommended in the Downtown San José Retail Strategy. Create and promote a strong brand identity for Downtown to help attract new businesses, residents, and visitors.
- **28th Street station area:** Continue the process of studying a BID to create a dedicated source of funding for local economic development activities. In addition, consider exploring a CDC that could access a broader range of funds and provide tenant advocacy, small business support and assistance, and/or other local services (e.g., health-related). A CDC could also potentially develop affordable housing or other community-based projects such as a small market or food court to provide affordable space for emerging Latino and/or Portuguese businesses.

FIGURE VI-7. TYPES OF ORGANIZATIONS FOCUSED ON LOCAL COMMUNITY AND ECONOMIC DEVELOPMENT

TYPE OF ENTITY	DEFINITION	EXAMPLES OF TYPICAL FUNCTIONS	TYPICAL FUNDING SOURCES	EXAMPLES
Business Improvement District/Property-Based Improvement District (BID/PBID)	A type of special assessment district that assesses and provides benefits to either business owners (in a BID) or property owners (in a PBID). Managed by a non-profit organization that is formed by the business and property owners who pay the assessment.	<ul style="list-style-type: none"> • Operations, maintenance, programming of plazas, other public space • Street/public realm maintenance and beautification • Public safety • Marketing, promotions, and advocacy • Small business support and assistance 	<ul style="list-style-type: none"> • Special assessment district • Grants and donations 	<ul style="list-style-type: none"> • Downtown San José Association BID/PBID • Downtown Santa Clara BID
Community Development Corporation (CDC)	Non-profit organization that provides programs and services to support community development. Typically focused on serving lower-income residents in a specific neighborhood.	<ul style="list-style-type: none"> • Real estate development (e.g., affordable housing, commercial development) • Tenant advocacy and community organizing • Small business support and assistance • Local services (e.g., youth, seniors, health-related) 	<ul style="list-style-type: none"> • Community development intermediaries (e.g. LISC and Enterprise) • Community Development Financial Institutions (CDFIs) • Foundations • Community Reinvestment Act (CRA) investments • Development fees and tax credits for development projects 	<ul style="list-style-type: none"> • Unity Council (Fruitvale District, Oakland)
Downtown Development Corporation	Non-profit community development corporation focused on downtown revitalization.	<ul style="list-style-type: none"> • Constructing and managing public spaces and access improvements • Advocacy, marketing, and organizing local business interests • Land assembly/land banking and residential/commercial development (more typical in downtowns with weak real estate markets) 	<ul style="list-style-type: none"> • Private investment • City funding • Foundations • Grants • Development fees 	<ul style="list-style-type: none"> • Cincinnati Center City Development Corporation • Central Philadelphia Downtown Corporation

Source: Strategic Economics, 2019.

CASE STUDY: THE UNITY COUNCIL AND THE FRUITVALE TRANSIT VILLAGE

The Fruitvale Transit Village in Oakland, California, is a nationally recognized example of successful TOD. A major reason for the project's success is the active role played by a local community-based organization, The Unity Council, throughout the planning and development process.

The Unity Council has been active in the Fruitvale neighborhood since the 1960s, and first established its Community Development Corporation arm in the 1990s.⁶³ This allowed The Unity Council to take the lead on the development of the Fruitvale Transit Village, a multi-phase mixed use TOD project directly adjacent to the Fruitvale BART station (see Figure VI-8).⁶⁴ The Fruitvale Transit Village has been community-led and has incorporated many elements that respond to community needs, such as affordable housing, a health clinic, a community resource center, and a public market. Specific partnerships and financing tools were also pivotal in making this project possible: BART-owned land was dedicated to the project for joint development; redevelopment tax increment financing was leveraged; and local affordable housing developers are currently assisting The Unity Council on Phase II of the project, which includes a much larger number of affordable units.⁶⁵

The Unity Council also plays an important role in ongoing community and economic development initiatives. The Fruitvale Business Improvement District (BID) was created by The Unity Council in the late 1990s, and today the BID represents hundreds of businesses in the neighborhood. The BID's main activities include façade improvement, street beautification, small business assistance, and other promotional events. The BID also works with a Safety and Neighborhoods Ambassador team, which provides street cleanup services and acts as "eyes and ears on the street." Part of the team's mission is to hire persons with significant barriers to employment, such as criminal backgrounds or language barriers.

Given Fruitvale's demographics as a predominantly Latino, lower-income neighborhood, The Unity Council's involvement has been vital in shaping TOD to enhance, and respond to the needs of, existing communities, rather than accelerate household and small business displacement.⁶⁶

⁶³ Unity Council, <https://unitycouncil.org/>

⁶⁴ Fruitvale Transit Village Phase I, completed in 2004, includes 47 housing units (of which 10 affordable), 135,000 office square feet (of which 115,000 square feet is dedicated to non-profits), 40,000 retail square feet, and a public plaza. Phase II-A is under construction, and will result in 94 affordable units. It is a partnership with the East Bay Asian Local Development Corporation. Phase II-B is currently in planning, and will result in 181 affordable units and 7,500 square feet of non-profit office space. It is a partnership with BRIDGE Housing.

⁶⁵ "BART Phase II Transit Oriented Communities Strategy Study: Case Study Review", GB Placemaking, April 2019, available at: http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/TOD-TOC-Case-Studies.pdf

⁶⁶ Research conducted by the Latino Politics and Policy Initiative (LIIP) group at the University of California, Los Angeles, found that the equitable TOD model used in the Fruitvale Transit Village has been associated with increases in the socio-economic status of existing residents and with the preservation of the area's racial/ethnic diversity. As highlighted in several articles published in response to this research, it is difficult to conclude with certainty that displacement was prevented. Nonetheless, several indicators point to successes. See: "Should I Stay or Should I Go? How Effective Transit Oriented Development Can Lead to Positive Economic Growth Without Displacing Latinos", Matt Barreto, Sonja Diaz, and Tyler Reny, Latino Politics and Policy Initiative (LIIP) at the University of California, Los Angeles, 2018, available at: <https://ucla.app.box.com/s/Oytk7qpg7fjlocOggIwb8iuuxt94uk12>; "Is Fruitvale gentrifying? Did it prevent displacement?", Joe Cortright, City Commentary, August 2018, available at: <http://cityobservatory.org/is-fruitvale-gentrifying-did-it-prevent-displacement/>

FIGURE VI-8. FRUITVALE TRANSIT VILLAGE PHASE I (LEFT), AND FRUITVALE TRANSIT VILLAGE PHASE II-A, CASA ARABELLA AFFORDABLE HOUSING PROJECT (RIGHT)



Source: Unity Council.⁶⁷

Strategy #5: Create Dedicated Staff Positions within the Cities of San José and Santa Clara to Lead TOC Implementation

Lead: Cities of San José and Santa Clara

Support: VTA (technical assistance, etc.)

Implementation of the TOC Strategy Study recommendations in the BART Phase II station areas will require staff time and commitment from the Cities of San José and Santa Clara, involving multiple departments within each of the two Cities (e.g., Planning, Economic Development, Housing, Public Works, Building/Code Enforcement, Transportation, etc.). Each City should establish a senior-level staff position (e.g., a “TOC Manager”) dedicated to implementation of the TOC Strategy Study recommendations in their BART Phase II station areas. The specific responsibilities of the TOC manager will change over time, but may include:

- Leading implementation of the TOC funding strategies.
- Ensuring implementation of the land use, parking, design, and other policy changes to support good TOCs.
- Working across departments to prioritize TOC implementation.
- Engaging with partner agencies to support TOC implementation throughout the corridor.

Each City should determine the department or office where the position should be housed in order to provide the TOC Manager with sufficient authority to lead implementation efforts and coordinate

⁶⁷ Photos available at: <https://unitycouncil.org/property/fruitvale-village/> (left), and <https://unitycouncil.org/property/casa-arabella/> (right).

efforts across departments. Over time, additional staff may be required to support implementation. Numerous cities including Honolulu, Minneapolis, St Paul, Seattle, and Denver have created dedicated staff positions focused on TOD implementation. See case study discussion below of Denver’s citywide TOD Manager for more information on the role that TOD managers can play and the benefits of this approach.

CASE STUDY: CITY OF DENVER TOD MANAGER

In 2014, the City of Denver adopted a citywide TOD Strategic Plan.⁶⁸ Multiple departments were involved in the plan, including Community Planning and Development, the Office of Economic Development, Public Works, Parks and Recreation, and Finance. The plan emphasized that implementing TOD would require actions that cut across multiple departments. For this reason, a major recommendation identified in the plan was to:

“Appoint a senior level staff person to act as a champion for TOD related policies and projects. The position should have the authority to coordinate and direct city departmental activities related to station/TOD development and investment. As this position becomes more defined, consider the roles of the position to include real estate development assistance to both property owners and potential developers. If needed, expand this position to a small team of TOD professionals with specific expertise in TOD related activities – planning, infrastructure, and finance.”⁶⁹

Subsequent to the TOD Strategic Plan’s adoption, the City created a new citywide TOD Manager position in 2014. In 2015, the City hired a TOD Manager who had experience in municipal politics and a familiarity with the local development and advocacy communities. The TOD Manager works across departments to expedite approval of TOD projects and ensure that new development contributes to infrastructure improvements required to support TOCs. The TOD Manager sits on the West Line Corridor Collaborative Board (as discussed in the West Line Corridor case study below) and was instrumental in the formation of the cross-jurisdictional West Corridor Transportation Management Association.⁷⁰

The TOD Manager is officially housed in the Community Planning and Development department. However, other cities have found that placing this position in the Economic Development department can be more effective in facilitating cross-departmental coordination efforts.

⁶⁸ “City of Denver Transit-Oriented Development Strategic Plan”, City and County of Denver, 2014, available at: https://www.denvergov.org/content/dam/denvergov/Portals/193/documents/TOD_Plan/TOD_Strategic_Plan_FINAL.pdf

⁶⁹ Ibid, see page 70.

⁷⁰ Most of the information included in this case study was obtained from personal communication with Chris Nevitt, Citywide TOD Manager for the City of Denver, and Mike Hughes, Executive Director of the West Corridor Transportation Management Association, May 2019.

Strategy #6: Establish a Framework for Ongoing Collaboration among the City of San José, the City of Santa Clara, and VTA

Lead: Cities of San José and Santa Clara, VTA

As part of the TOC Strategy Study, VTA organized regular meetings with staff at both the Cities of San José and Santa Clara, as well as quarterly meetings with a broader technical advisory group comprised of additional staff from the City, VTA, and BART. The City of San José, the City of Santa Clara, and VTA should develop a framework for continuing this coordination on an ongoing basis. Other partners (such as BART, community organizations) should be involved as well, either regularly or on specific issues. For example, the framework could include monthly staff meetings and quarterly meetings with department directors, similar to the structure that the Cities of Denver, Lakewood, and their respective housing authorities created to form the West Line Corridor Collaborative (see case study below).

The topics that need to be covered will likely change over time. Some key topics are expected to include:

- Implementing value capture districts.
- Identifying and pursuing grant funding opportunities jointly in a coordinated fashion.
- Implementing shared mobility districts.
- Coordinating land use policy and zoning, especially in the Santa Clara station area given its boundaries include two jurisdictions.

CASE STUDY: WEST LINE CORRIDOR COLLABORATIVE AND WEST CORRIDOR TRANSPORTATION MANAGEMENT ASSOCIATION

The West Line Corridor Collaborative (WLCC) – a nonprofit organization that brings together the City of Denver, the City of Lakewood, and their respective housing authorities – is an example of a cross-jurisdictional partnership focused on TOD implementation.

In 2004, Denver’s Regional Transportation District announced the new West Line, a planned expansion of Denver’s light-rail system from Downtown Denver to the City of Lakewood and unincorporated Jefferson County. In preparing for the new transit line, the four public agencies mentioned above came together as the “West Line Corridor Working Group” to lead an extensive TOD planning process. This resulted in a corridor-level TOD implementation strategy, published in 2011. One of the main recommendations of this report was to create a permanent, multi-jurisdictional partnership to ensure successful implementation of TOD. Thus, the West Line Corridor Working Group became the WLCC.⁷¹

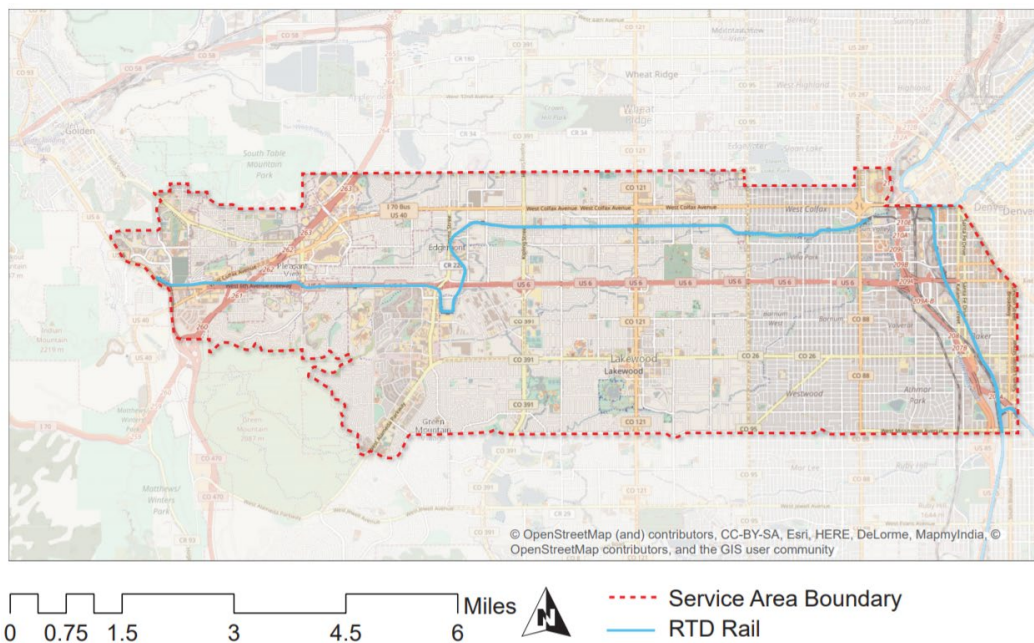
Light-rail service on the West Line began operating in 2013, and the WLCC remains active today. The group meets for quarterly board meetings and monthly staff meetings to coordinate TOD

⁷¹ “Connecting the West Corridor Communities: An Implementation Strategy for TOD along the Denver Region’s West Corridor”, Center for Transit Oriented Development for the City of Denver, the City of Lakewood, the Denver Housing Authority, and Metro West Housing Solutions, 2011, available at: <http://www.reconnectingamerica.org/resource-center/browse-research/2011/connecting-the-west-corridor-communities-an-implementation-strategy-for-tod-along-the-denver-region-s-west-corridor/>

implementation and review topics such as rezoning, specific development projects, and housing authority affordable housing projects. The WLCC board is comprised of Denver’s TOD Manager, Lakewood’s City Manager, and the Executive Directors of each City’s housing authority.

In late 2018, the WLCC established a cross-jurisdictional Transportation Management Association (TMA), which is staffed by an Executive Director and governed by the WLCC board. The TMA works with employers across the corridor to encourage transit ridership and other alternative modes of transportation. This, in turn, supports higher-density TOD with lower parking requirements. The TMA receives funding from the federal Congestion Mitigation and Air Quality Improvement (CMAQ) program, as well as City and member employer contributions.⁷² The cross-jurisdictional boundaries of the WLCC’s TMA are shown in Figure VI-9.

FIGURE VI-9. BOUNDARIES OF THE WEST CORRIDOR TRANSPORTATION MANAGEMENT ASSOCIATION, IN THE DENVER METROPOLITAN REGION, CO



Source: Transportation Solutions Foundation, West Corridor TMA Feasibility Study.⁷³

⁷² Information included in this case study was obtained from personal communication with Chris Nevitt, Citywide TOD Manager for the City of Denver, and Mike Hughes, Executive Director of the West Corridor Transportation Management Association, May 2019.

⁷³ Photo available at: http://www.transolutions.org/wp-content/uploads/2017/04/WLCC_Service_Area_Draft_04112017.pdf.

Strategy #7: Partner to Increase Production of Affordable Housing, Preserve Existing Affordable Housing, and Prevent Displacement of Households

Lead Agencies: Cities of San José and Santa Clara, VTA

Partners: Developers (affordable and market-rate), Potential New Entities (e.g., CDC)

The TOC Strategy Study generated detailed recommendations for producing new deed-restricted affordable housing, preserving existing deed-restricted affordable housing and naturally occurring affordable housing (NOAH), and preventing displacement of low- and moderate-income residents in the three station areas.⁷⁴ Figure VI-10 summarizes the recommended strategies, including the respective role of the Cities and VTA in implementing each strategy. In general, the Cities have primary responsibility for implementing policies and services to protect existing tenants and homeowners from the risk of displacement and preserve existing affordable housing. The Cities also have opportunities to increase local funding for affordable housing, such as citywide affordable housing bond measures, a commercial linkage fee in the City of San José,⁷⁵ and tax increment financing. VTA's primary role is in facilitating affordable housing development on agency-owned land, to meet VTA's on-site affordability requirements for joint development sites.⁷⁶

However, there are also a number of implementation activities that will require partnerships between the Cities, VTA, affordable housing developers, and existing and potential new community-based organizations (such as a community development corporation). Implementation actions that will benefit from collaboration include:

- **Partner on grant applications for affordable housing and TOCs.** Some programs, such as the Affordable Housing for Sustainable Communities and Infill Infrastructure Grants programs (discussed above in Strategy #3), require joint applications that include a public agency as well as an affordable housing developer. In other cases, public agencies may be able to submit letters of support to assist affordable housing developers with successfully pursuing grant applications.
- **Advocate for new state funding sources for affordable housing and TOD.** In the current legislative session, several bills have been proposed to create new or expanded state funding sources, such as the state Low-Income Housing Tax Credit program. The Cities, VTA, and other partners should work together to advocate for passage of bills that would increase funding.
- **Support citywide affordable housing bond measures.** These measures would need to be initiated by the Cities of San José and Santa Clara, respectively. VTA could play a supporting

⁷⁴ See Appendix M of the TOC Strategy Study report, available on the project website at www.vta.org/bart/tocs.

⁷⁵ The City of Santa Clara already has a commercial linkage fee in place, and the City of San Jose is studying the potential for a new commercial linkage fee.

⁷⁶ VTA's Joint Development (JD) Policy requires that at least 20 percent of housing units on any given JD site be made affordable to households earning no more than 60 percent of AMI, and half of these units must be targeted to households earning 50 percent of AMI or less. VTA's policy also requires that 35 percent of units in its overall joint development portfolio be made affordable to lower income households.

role by working with City staff and officials to place a measure on the ballot, and advocating for its passage.

- **Monitor new private funding sources to help fill the funding gap.** For example, there may be some potential to use Opportunity Zones to attract new kinds of investors to affordable and workforce housing development projects. Private companies are also playing an increasing role in funding affordable housing through philanthropic initiatives. For example, the Partnership for the Bay Area's Future, announced in early 2019, is a coalition of funders that includes Facebook, Genentech, the Chan Zuckerberg Foundation, and the San Francisco Foundation.⁷⁷ The coalition aims to raise \$540 million for affordable housing in the region: \$500 million will be for community development projects, and \$40 million will be awarded to jurisdictions with affordable housing plans. Details regarding how to access these funds are not yet publicly available. The Cities, VTA, and other partners should work together to advocate that funds be used to support TOD.
- **Explore opportunities for affordable housing development on sites owned by other public agencies (e.g., Santa Clara County, the State of California).** In addition to VTA, the Cities, Santa Clara County, the State of California, and other public agencies also own land in the station areas.

⁷⁷ Partnership for the Bay's Future. For more information, see www.baysfuture.org.

FIGURE VI-10. STRATEGIES FOR PRODUCING AFFORDABLE HOUSING AND MITIGATING DISPLACEMENT RISK IN THE BART PHASE II TOC STUDY STATION AREAS

STRATEGIES	STATION AREAS			IMPLEMENTATION PARTNERS		
	28th Street	Downtown San José	Santa Clara	City	VTA	Other*
PROTECT EXISTING TENANTS AND HOMEOWNERS						
1. Ensure that existing tenants and homeowners can stay in place by expanding existing policies and resources						
1.1. Expand tenant protections in San José’s Apartment Rent Ordinance (ARO) and/or San José’s Tenant Protection Ordinance (TPO) to single-family homes and duplexes	X			Lead		
1.2. Increase targeted emergency rent assistance for at-risk households	X	X		Lead		
1.3. Increase legal services and outreach for tenants facing evictions	X	X		Lead		Support
1.4. Closely monitor evictions, rent increases, and foreclosures in the station area	X	X		Lead		
1.5. Improve protections for tenants of deed-restricted affordable housing	X	X	X	Lead		
1.6. Increase assistance to low-income homeowners	X	X		Lead		
1.7. Implement tenant protections for conversions of deed-restricted to market-rate housing			X	Lead		
1.8. Expand the City of Santa Clara’s existing tenant services and protections			X	Lead		
2. Make it easier for low-income tenants to access affordable housing in the station area						
2.1. Implement a source of income ordinance	X	X	X	Lead		
2.2. Consider establishing a new policy that would give displaced tenants a better chance of obtaining an affordable unit	X	X		Lead		
PRESERVE EXISTING AFFORDABLE HOUSING						
3. Implement more robust policies to preserve existing affordable housing						
3.1. Continue to require replacement or equivalent alternatives when rent-stabilized units are demolished	X	X		Lead		
3.2. Explore additional protections for mobilehome parks	X			Lead		
3.3. Continue to track and preserve expiring deed-restricted units		X	X	Lead		
3.4. Partner with funders and affordable housing developers to create a new acquisition and rehabilitation program for naturally occurring affordable housing (NOAH)	X	X	X	Lead		Lead or Support

STRATEGIES	STATION AREAS			IMPLEMENTATION PARTNERS		
	28th Street	Downtown San José	Santa Clara	City	VTA	Other*
PRODUCE NEW AFFORDABLE HOUSING						
4. Leverage public land for affordable housing production						
4.1. Follow through on VTA's on-site affordability requirements for VTA Joint Development sites.	X	X	X		Lead	
4.2. Identify opportunities to offer VTA-owned land at a discounted rate for affordable housing development.	X	X	X		Lead	
4.3. Explore further opportunities for affordable housing development on publicly-owned sites.**	X	X	X	Lead		Lead
5. Increase local funding for deed-restricted affordable housing production						
5.1. Support a citywide affordable housing bond measure.	X	X		Lead	Support	Support
5.2. Implement a commercial linkage fee.	X	X		Lead		
5.3. Explore dedicating a portion of potential future tax increment financing (TIF) district revenues to affordable housing.	X	X	X	Lead	Support	Support
6. Pursue new partnerships and funding for affordable housing production						
6.1. Pursue new state funding sources for affordable housing and TOD.	X	X	X	Lead	Support	Lead
6.2. Monitor new private funding sources to help fill the funding gap.	X	X	X	Lead	Support	Lead
6.3. Explore a partnership with Santa Clara University to pursue workforce housing development.			X	Support		Lead
7. Eliminate regulatory barriers to, and create incentives for, affordable housing production in the study area						
7.1. Consider eliminating or significantly reducing the Urban Village commercial requirement for 100 percent deed-restricted affordable housing development.	X			Lead		
7.2. Kickstart ADU development by streamlining the permitting process and providing additional financing options.	X		X	Lead		Support
7.3. Explore policies to keep ADUs accessible to low- and moderate-income households.	X		X	Lead		

*Other partners include Santa Clara County, Santa Clara County Housing Authority, nonprofit affordable housing developers, local advocacy groups (e.g. SV @ Home, Silicon Valley Law Foundation), and/or other community-based groups.

**The Cities of San José and Santa Clara, Santa Clara County, the State of California and other agencies own land in the station areas. These public agencies should determine whether any of their parcels are subject to California's Surplus Land Act. MTC's Viable Public Land for Workforce Housing online database is one possible resource to help identify parcels.

Source: Strategic Economics, 2019.

Strategy #8: Establish Shared Mobility Districts to Manage Parking and Provide Transportation Demand Management Services

Lead: Cities of San José and Santa Clara

Support: VTA, Other Property Owners, Transportation Management Associations, BIDs/PBIDs

A shared mobility district is an entity that helps to manage parking resources and facilitate non-auto forms of transportation to reduce parking demand within a district. Shared mobility districts would be charged with identifying and facilitating opportunities to more efficiently use existing parking spaces, negotiating with private owners of existing parking facilities, building and managing new parking facilities as needed, and implementing wayfinding, signage, and other improvements to encourage visitors to park once and walk to destinations within the station area. Shared mobility districts would also provide transportation demand management (TDM) services to all members of the district within the station area, such as subsidized transit passes, incentives for commuters to take alternative modes of transit, and car and bike sharing programs. The district would also be in a position to work with VTA on tailored transit services, including off-peak service schedules that meet the needs of local businesses/employees.

Options to manage each station's Enhanced Access District could include the following:

- **Downtown San José and 28th Street station areas:** San Jose's Department of Transportation (DOT). DOT (under "ParkSJ" branding) currently manages all publicly owned off-street parking in Downtown San José, as well as one facility in the 28th Street station area.
- **Santa Clara station area:** The Santa Clara Department of Traffic, or a Joint Powers Authority including representation from Santa Clara, San Jose, VTA.

Note that existing agencies would need to expand their responsibilities (for example, to include TDM programming) in order to play the role of an enhanced access district. Shared public parking may be self-sustaining, assuming that the combined revenue from developer in-lieu fees and parking rates cover the cost of providing and managing the shared public parking facilities.⁷⁸ As demand rises, some of the funds raised from parking fees may even be available to help pay for (i.e. cross-subsidize) other transportation projects or programs that reduce parking demand and therefore directly benefit those paying the parking fees.

The Cities could also support the establishment of shared mobility districts by encouraging – or requiring as a condition of approval – property owners and developers to enter into shared parking agreements for making some portion of their private parking available to the public when not needed for their existing or new development. This approach is especially appropriate for mixed-use districts where a significant amount of new development is anticipated, as in the BART Phase II station areas.

In order to be successful, shared mobility districts should be combined with reduced or eliminated parking minimums, new parking maximums, and residential parking permit districts. By setting an

⁷⁸ Developer in-lieu fees should be set below the cost of parking construction in order to incentivize developers to participate in the district. Parking rates should be set at levels that manage parking demand. The combined revenues, however, are expected to be sufficient to cover the cost of providing and managing the shared public parking facilities.

allowable parking maximum instead of a required parking minimum, the Cities can provide context-sensitive and evidence-based guidance to developers, with the goal of not overbuilding parking supply for new TOD while also meeting expected levels of parking demand at the district level. Finally, the Cities should consider residential parking permit districts where determined necessary to prevent spillover parking from BART passengers parking in existing station-adjacent neighborhoods.

The Station Area Strategy Reports provide more information on recommended parking maximums, shared parking, and TDM strategies.⁷⁹

⁷⁹ The Station Area Strategy Reports are available on the TOC Strategy Study project website at www.vta.org/bart/tocs.

APPENDIX A: KEY ASSUMPTIONS AND METHODOLOGY

This appendix provides additional information on some of the key assumptions and methodology used in this report, including the TOC Development Scenario and associated service population (residents and workers), potential EIFD TIF revenues, and potential CFD special tax revenues.

Transit Oriented Communities (TOC) Development Scenario and Service Population

Figure A-1 shows the TOC development scenario, which serves as the basis for the EIFD and CFD revenue assumptions, and the associated service population (residents and workers). Figure A-2 shows the assumptions used to calculate the service population. The development scenario is based on projected future market demand through 2040 and an analysis of the physical capacity of the station areas for development.⁸⁰ The scenario assumes that the station areas attract more new development over time due to the introduction of BART service; investments in local access, streetscape, and other improvements; and the implementation of TOC-supportive policies (e.g., regulatory changes to allow for increased housing development and reduced parking requirements).

Note that the development scenario represents the potential for *net new development* through 2040 (e.g. net of existing development). The scenario *includes* development proposals that were in the pipeline as of early 2019 (i.e. under construction, approved, or proposed).

FIGURE A-1. TOC DEVELOPMENT SCENARIO AND ASSOCIATED SERVICE POPULATION: NET NEW DEVELOPMENT, RESIDENTS, AND WORKERS, 2019-2040

	Santa Clara Station Area	Downtown San José Station Area	28th Street Station Area	Total (3 Station Areas)
Market Projections (Square Feet)				
Office	3,500,000	6,500,000	500,000	10,500,000
Residential	8,626,000	15,992,200	7,827,000	32,445,200
Hotel	510,000	1,158,000	114,000	1,782,000
Retail	102,852	212,852	58,328	374,031
<i>Total</i>	<i>12,738,852</i>	<i>23,863,052</i>	<i>8,499,328</i>	<i>45,101,231</i>
Residential Units	8,626	15,992	7,827	32,445
Hotel Rooms	850	1,930	190	2,970
Service Population				
Residents	21,565	39,981	19,568	81,113
Workers	14,432	26,940	2,167	43,540

Sources: Strategic Economics and Perkins + Will, 2019.

⁸⁰ See VTA's BART Phase II TOD Corridor Strategies and Access Planning Study: Opportunities and Constraints Report, January 21, 2019. http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA-B2-OpportunitiesConstraintsReport.pdf

FIGURE A-2. SERVICE POPULATION AND OCCUPANCY ASSUMPTIONS

Residential Unit Size (Gross Sq. Ft.)	1,000
Hotel Room (Gross Sq. Ft.)	600
Residents per unit	2.5
Office (Gross Sq. Ft. Per Employee)	250
Hotel (Gross Sq. Ft. Per Employee)	2,250
Retail (Gross Sq. Ft. Per Employee)	500

Sources: Strategic Economics, 2019.

Infrastructure Cost Estimates

Figure A-3 summarizes all infrastructure costs that were estimated for the purposes of this analysis, in 2019 dollars. As shown, total costs are estimated at \$502 million in 2019 dollars; the cost of high-priority/near-term improvements is estimated at \$113 million in 2019 dollars. Section IV of this report summarizes the types of improvements included in each category. Additional details on the cost estimates are provided in the Appendices to the TOC Strategy Study.⁸¹

For the purposes of comparing future potential value capture revenues to costs, a conceptual phasing model was developed for access, streetscape, and storm drain improvements (sanitary sewer and water distribution improvements were not included, since they were not the focus of the study). The costs associated with high-priority/near-term improvements were assumed to be incurred in the 2020-2030 period; all other costs were assumed to be incurred between 2031 and 2040. A conservative annual cost escalation factor of 4.2 percent a year was applied to arrive at order-of-magnitude level estimates of total future costs. Based on this methodology, the total cost of needed access improvements, streetscape enhancements, and storm drain improvements through 2040 in the station area is estimated at \$740 million. The high-priority/near-term improvements – those that should be made in advance of or concurrently with the introduction of BART service – are estimated to cost \$175 million in future dollars.

⁸¹ Available on the project website at www.vta.org/bart/tocs.

FIGURE A-3. ESTIMATED INFRASTRUCTURE COSTS BY STATION AREA AND PRIORITY (IN MILLIONS, 2019 DOLLARS)

	Santa Clara Station Area	Downtown San José Station Area	28th Street Station Area	Total (3 Station Areas)
All Improvements				
Bicycle, pedestrian, and transit access improvements	\$53	\$40	\$69	\$163
Streetscape enhancements	\$45	\$113	\$39	\$196
Trails (a)	\$0	\$0	\$16	\$16
Storm drain (b)	\$25	\$27	\$8	\$60
Sanitary sewer (c)	\$0	\$47	\$8	\$55
Water distribution (d)	\$3	\$3	\$6	\$12
Total estimated costs	\$126	\$230	\$146	\$502
Total access, streetscape, and storm drain costs (e)	\$123	\$180	\$116	\$419
High-Priority/Near-Term Access and Streetscape Improvements (f)				
Bicycle, pedestrian, and transit access	\$19	\$10	\$33	\$62
Streetscape enhancements	\$15	\$37	\$21	\$72
Total high-priority access and streetscape costs (f)	\$33	\$47	\$53	\$133

(a) Installation of Five Wounds Trail from Lower Silver Creek to US-280. Additional analysis outside the scope of this project would be required to estimate the full extent of additional park, plaza, and open space costs. Both the City of San José and Santa Clara have Park Land Dedication Ordinances in place that require developers to dedicate parkland or pay in-lieu fees, making it likely that developers will be required to provide needed parks and plazas as a condition of approval.

(b) Only includes storm drains that are within the station areas, and main storm drains that are directly downstream from the station areas.

(c) Reflects projects that are already in the City of San José's existing Sanitary Sewer Master Plan. The City of Santa Clara does not currently have capacity improvement projects planned in the station area. In order to identify additional needed improvements and develop a more complete estimate of costs, the Cities will need to update their sanitary sewer models.

(d) Improvements to the water distribution system (i.e., water pipes) required to deliver adequate fire hydrant flows.

(e) Bicycle, pedestrian, and transit access improvements, streetscape enhancements, and storm drain improvements are the focus of this strategy.

(f) In conversation with City staff, access improvements and streetscape enhancements were determined to be the highest priority near-term improvements. These highest-priority, near-term improvements should be made in advance of or concurrent with the introduction of BART service in order to enhance non-auto access to the stations and other key destinations in the station areas and to enhance the quality public realm in order to support increased transit ridership. Based on discussions with City staff, none of the identified storm drain projects were categorized as high-priority/near-term needs.

Sources: BKF Engineers and Kimley-Horn and Associates, 2019.

Enhanced Infrastructure Finance District (EIFD) Tax Increment Financing (TIF) Revenues

This analysis assumes that the Cities establish EIFDs, according to the parameters discussed below. Under state law, cities, counties, and other taxing entities can choose to allocate a share of both incremental property tax revenues (i.e., future increases in property tax, over and above the property tax revenues generated in the designated base year) and property tax in-lieu of vehicle license fee (VLF) revenues.

Note that this simplified analysis makes two key assumptions:

- 1) The analysis assumes that only tax increment generated from *new development* is allocated to the EIFD. This assumption is conservative in that it excludes the potential tax increment associated with increases in the assessed value of existing uses in the station areas over time.

- 2) On the other hand, the analysis also does not account for the fact that much of the new development in the station areas will require redevelopment of existing properties, which are currently generating property tax revenues to the City. By not accounting for the existing property tax revenues from the identified development opportunity sites within the station areas, this assumption overestimates the potential TIF revenue from an EIFD. However, this overestimation is likely small given that redevelopment is expected to result in a significant increase in property values, and likely to be more than offset by the conservative assumption described above.

DISTRICT FORMATION, BOND ISSUANCE, AND TERMINATION

The analysis assumes that the EIFD is established and the base is set in 2025, allowing the EIFD to capture incremental property tax revenue generated by future development in the district after that year. The first bond issuance is assumed to occur five years later, in 2031, with a subsequent bond a subsequent bond issuance in 2036.

The EIFD sunsets 45 years after the first bond issuance (in 2075), the maximum term allowed by state law.

ESTIMATED ASSESSED VALUATION

Under California's Proposition 13, properties are reassessed to market value when major construction occurs or upon sale; otherwise, assessed values may only increase at the rate of inflation, not to exceed two percent per year. Therefore, to calculate the change in assessed property values over time, the following methodology was used:

- **New development is assumed to be assessed at market value in the year in which it is completed.** Market values for new market-rate residential, office, retail, and hotel space (shown in Figure A-4) were developed based on rents and sales prices from recently completed projects in and around the station areas, as documented in Strategic Economics' recent market analysis conducted for VTA's BART Phase II TOD Strategy.⁸² Values are assumed to increase by an average of 3 percent per year. Note that future residential development in the station areas is assumed to include 80 percent market-rate units and 20 percent below-market-rate units.⁸³ The residential assessed values shown in Figure A-4 are averages reflecting these affordability levels.
- **Beginning in the year after each phase of development is completed, the assessed value is assumed to increase at a rate of 2.5 percent per year.** This represent the 2 percent inflationary increase permitted under Proposition 13, plus a factor to account for increases in assessed value resulting from property sales or major renovations.

⁸² See VTA's BART Phase II TOD Corridor Strategies and Access Planning Study: Opportunities and Constraints Report, January 21, 2019. http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA-B2-OpportunitiesConstraintsReport.pdf

⁸³ Of the below-market-rate units, half are assumed to be provided in 100% affordable, non-profit owned buildings that are exempt from property taxes. The other half are assumed to be provided in mixed-income buildings (i.e. inclusionary housing units), with a mix of income levels reflecting the Cities' respective inclusionary housing ordinances. For San José, we assume a mix of units affordable to households earning 120% of area median income (AMI), 80 percent of AMI, and 60 percent of AMI. For Santa Clara, we assume that inclusionary units are affordable to households earning 100% of AMI. The assessed value of inclusionary units are estimated based on Santa Clara County's maximum allowable rents at the income levels specified.

FIGURE A-4. AVERAGE ASSESSED VALUES OF NEW DEVELOPMENT BY STATION AREA AND LAND USE, IN 2018 DOLLARS

	Santa Clara Station Area	Downtown San José Station Area	28th Street Station Area
Residential (per gross sq. ft.) (a)	\$617	\$607	\$503
Office (per gross sq. ft.)	\$649	\$617	\$519
Retail (per gross sq. ft.)	\$570	\$570	\$448
Hotel (per gross sq. ft.)	\$583	\$583	\$500

All values are in 2018 dollars. Values are assumed to increase by 3 percent a year.

(a) Assumes 80 percent market-rate units and 20 percent below-market-rate units. Of the below-market-rate units, half are assumed to be provided in 100% affordable, non-profit-owned buildings that are exempt from property taxes. The other half are assumed to be provided in mixed-income buildings (i.e. inclusionary housing units), with a mix of income levels reflecting the Cities' respective inclusionary housing ordinances.

Source: Market research conducted by Strategic Economics, 2018.

EIFD REVENUES

EIFD revenues are estimated by calculating the Cities of San José and Santa Clara's incremental property tax revenues associated with new development in the station areas, assuming a fixed share of City property tax revenues are allocated to the district. Key assumptions used to estimate EIFD revenues are described below and summarized in Figure A-5.

Note that much of the Downtown San José station area is within the former San José Redevelopment Agency Merged Project Area. Within this area, property tax increment revenues are deposited into a Redevelopment Property Tax Trust Fund and used to pay the existing obligations of the Redevelopment Successor Agency. Any remaining funds in the trust fund are distributed to the local agencies in the project area and are known as "residual" payments. In FY 2017-2018, the Successor Agency reached a sufficiency of funds and began distributing residual revenues to the taxing entities. Unless the total assessed property value in the Merged Project Area declines significantly below the current total assessed property value, it is expected that existing tax increment revenues will continue to be sufficient to pay the Successor Agency's obligations. Therefore, it is assumed that the new property tax revenues generated by the TOD development scenarios will be allocated to the taxing entities, including to the City's General Fund, and could be available for allocation to an EIFD consistent with state law.⁸⁴

- **Incremental property tax revenues.** The Cities of San José and Santa Clara currently receive between 11 and 13 percent of the one percent general property tax rate in the station areas, or \$0.11 to \$0.13 of new tax revenues (tax increment) for each \$1 increase in assessed value (values rounded).
- **Property tax in-lieu of vehicle license fee (VLF) revenues.** Property tax in-lieu of VLF revenues are allocated to Cities and Counties proportionally to each jurisdiction's total assessed value. The City of San José receives \$0.481 of property tax in-lieu of VLF for each \$1,000 increase in assessed value.⁸⁵ The City of Santa Clara receives \$0.337 of property tax in-lieu of VLF for each \$1,000 increase in assessed value.⁸⁶
- **Share of tax revenues allocated to the district:** This analysis assumes that the City of San Jose and Santa Clara allocate 25% of future tax increment generated within the station area

⁸⁴ SB 628 allows Cities to allocate property tax residual payments from Redevelopment Property Tax Trust Funds to an EIFD.

⁸⁵ Provided by ADE based on Santa Clara County Assessor data for FY 2018-2019.

⁸⁶ Calculated from the City of Santa Clara's Consolidated Annual Financial Report for FY 2018.

(including property tax and property tax in-lieu of VLF) to an EIFD. The analysis does not assume that tax increment from other taxing entities is redirected to the EIFD.

- **Dedicated allocation for affordable housing:** This analysis assumes that 20 percent of EIFD revenues would be allocated for affordable housing, prior to bond issuances.

Note that the share of tax revenues allocated to the district and the allocation for affordable housing are placeholders for the purposes of this analysis. Each City would ultimately determine the specific percentage of their future property tax increment that would be allocated to an EIFD, if any, as well as how the revenues would be used.

FIGURE A-5. SUMMARY OF EIFD REVENUE ASSUMPTIONS

City/Station Area	Property Tax Rate Dedicated to the City General Fund (a)	Property Tax In-Lieu of VLF Rate per \$1,000 Assessed Value (b)	Share of Tax Increment Allocated to the EIFD (c)	Placeholder Allocation for Affordable Housing
City of Santa Clara				
Santa Clara Station Area	0.1063%	\$0.337	25%	20%
City of San José				
Santa Clara Station Area	0.1258%	\$0.481	25%	20%
Downtown San José Station Area	0.1300%	\$0.481	25%	20%
28th Street Station Area	0.1239%	\$0.481	25%	20%

(a) Average allocation in the Tax Rate Areas (TRAs) located in the potential district boundaries, weighted by total assessed value in each TRA.
 (b) City of Santa Clara's rate calculated from the City of Santa Clara's Consolidated Annual Financial Report for FY 2018. San José rate provided by ADE based on Santa Clara County Assessor data for FY 2018-2019.
 (c) Includes property tax and property tax in-lieu of VLF increment.
 Source: Santa Clara County Assessor's Office, 2017; Strategic Economics, 2018.

Community Facilities District (CFD) Revenues

This section describes the key assumptions and methodology used to calculate CFD special tax revenues. Note that the analysis assumes that only new development is subject to the CFD special tax.

DISTRICT FORMATION, BOND ISSUANCE, AND TERMINATION

This analysis assumes that CFDs are established in 2020 and begin collecting revenues in 2021. The first bond is assumed to be issued five years later, in 2026, with subsequent bond issuances in 2031 and 2036.

For consistency with the EIFD, the CFD is assumed to sunset in 2075. In actuality, CFDs may continue indefinitely or until any date set when the district is established.

CFD REVENUES

New development in the station areas is assumed to pay a special tax based on building area (per square foot), charged annually beginning when development is completed. New development would

be included in the CFD as part of the City’s entitlement approval process, either as a condition of approval or as part of a negotiated agreement. Key CFD revenue assumptions are described below.

- **Base rate:** Figure A-6 summarizes the CFD tax rates used in this analysis. The rates shown are the base rates for the year in which the CFD is first applied (2021). The special tax rates were set to ensure a reasonable contribution from properties, based on precedents from other CFDs, as well as research about the benefits of proximity to new transit investments for different land use types, which tend to be greater for office than for residential. For residential and office, the rates shown amount to between 0.03 and 0.08 percent of assessed value, depending on the station area. The hotel and retail rates amount to approximately 0.02 percent of assessed value.
- **Annual rate escalation:** Rates are assumed to increase by 2 percent per year, starting in 2022. This is a standard rate used for many CFDs.
- **Dedicated allocation for transit operations & maintenance (O&M):** 20 percent of gross revenues are set aside to contribute to O&M of the VTA’s BART Phase II extension.

Note that the special tax rates and the allocation for transit O&M are placeholders for the purposes of this analysis. Each City would ultimately determine what the CFD special tax rates to charge, if any, as well as how the revenues would be used.

FIGURE A-6: CFD SPECIAL TAX RATES

Base Rates, Per Square Foot of New Development (2021)	
Office	\$0.50
Residential	\$0.25
Hotel	\$0.13
Retail	\$0.13
<hr/>	
Annual Tax Rate Escalation	0.02

Source: Strategic Economics, 2019.

Bonding Capacity and Excess Pay-As-You-Go Revenues

Figure A-7 summarizes key financing assumptions used to estimate bonding capacity. As described above, EIFDs are assumed to be established in 2025 and begin collecting revenues in 2021; CFDs are assumed to be established in 2020 and begin collecting revenues in 2021. Bonds are assumed to be issued every five years after the districts begin collecting revenues. Debt service coverage ratio, annual interest rate, and other bonding capacity financing assumptions are based on a scan of recent special revenue bond issuances by local governments in California. Note that these assumptions were developed for the purposes of a high-level feasibility analysis and are not intended for financial planning purposes.

Estimated excess “pay-as-you-go” revenues were calculated as annual revenues net of: debt service, administrative expenses, dedicated allocations for affordable housing (EIFD) or transit O&M (for CFD), and contributions to a debt reserve fund.

FIGURE A-7: FINANCING ASSUMPTIONS

Year of Bond Issuances	
CFD	2026, 2031, 2036
EIFD	2031, 2036
Bonding Capacity Assumptions	
Debt Service Coverage Ratio	130%
Annual Interest Rate	5%
Cost of Issuance	5%
Bond Term	30 years
Administrative Expenses	2.5%
Total Debt Reserve Fund	100% of annual debt service payment

Source: Strategic Economics, 2019.

APPENDIX B: EXISTING INFRASTRUCTURE FUNDING SOURCES IN SANTA CLARA AND SAN JOSÉ

This section provides background information on the funding sources that the Cities of San José and Santa Clara typically use to pay for infrastructure improvements, and the major constraints on existing sources. The findings below are based on research conducted in the summer and fall of 2018, including discussions with City staff and a review of the Cities' Capital Improvement Programs. The Capital Improvement Program (CIP) is a five-year plan for a city or county's capital investments.

Note that the access, streetscape, and storm drain improvements identified in the TOC Strategy Study are generally not included in the Cities' existing CIPs. In the future, some CIP funds may be allocated to the TOC Strategy Study projects; however, as described below, there are significant constraints on existing funds and it was not possible for the purposes of the Study to estimate how much might be available for the TOC projects.

Some of water distribution and sanitary sewer improvements identified in the Study are included in the Cities' existing capital plans. However, updates to the City's existing plans will be required to identify the full scale of water and sanitary sewer needs associated with level of development projected in the TOC Strategy Study, and determine what funding gaps exist.

Typical Funding Sources

Figures B-1 and B-2 (below) summarize the typical funding sources that the Cities of San José and Santa Clara, respectively, use to pay for infrastructure improvements. The figures also summarize the major constraints identified by staff and/or in the Cities' respective CIPs.

In general, the sources that the Cities typically use include:

- **Local (General Fund) tax revenues:** Local governments have traditionally dedicated some portion of property, sales, and other General Fund tax revenues to infrastructure. However, the Cities of Santa Clara and San José are both projecting General Fund shortfalls in the coming years, and therefore anticipate making very limited General Fund contributions to capital projects.⁸⁷ In addition to allocating a small share of General Fund tax revenues to capital improvements, the City of San José has in place several construction taxes⁸⁸ that are dedicated to the CIP. The majority of construction tax funds are allocated to traffic improvements, with a smaller share allocated to parks and other capital improvements.
- **General Obligation bond measures:** In November 2018 San José voters approved Measure T, a \$650 million bond for upgrading emergency and disaster response, repaving street, repairing bridges, and preventing flooding. The measure allows the City to levy additional ad valorem property taxes in an amount sufficient to pay interest and principal on the bonds. Santa Clara's City Council has also considered a variety of potential tax measures to provide new operational

⁸⁷ Santa Clara does not anticipate any General Fund revenues to be allocated to the CIP in FY 2018/19; however, the Capital Projects Reserve – which is funded by General Fund operating savings and/or surpluses from previous years – had a \$30.9 million beginning balance for FY 2018/19 that is fully allocated to projects in the FY 2018-22 CIP. The City of San José's FY 2018-22 CIP includes \$71.1 million in General Fund contributions, down \$26.6 million from the last CIP, and accounting for just 2 percent of the total CIP.

⁸⁸ Including the Construction and Conveyance Tax, Construction Excise Tax, and Building and Structure Construction Tax.

and/or capital funds, including a General Obligation bond to pay for capital projects. The City decided not to place any tax measures on the ballot in 2018, in part due to polls showing limited voter support, but plans to revisit the issue in 2020.

- **Impact fees and other developer contributions:** Developer contributions can take the form of fees or payments (including a payment into a Community Facilities District), or the direct provision of the improvements either on- or off-site. The most common form of developer contribution currently in use in San José and Santa Clara are impact and in-lieu fees, one-time fees imposed on new development and used to mitigate impacts resulting from development activity. For example, both Cities charge park in-lieu fees on residential development.⁸⁹ The City of Santa Clara charges a citywide traffic mitigation fee on industrial and commercial uses, while San José currently imposes traffic impact fees on residential, industrial, and commercial uses in a limited number of transportation development policy areas (Evergreen, North San José, and Route 101/Oakland/Mabury⁹⁰). San José also recently adopted an impact fee to fund needed infrastructure improvements in the Diridon Station Area.
- **State, federal, and regional formula allocations and competitive grants:** The Cities rely on a variety of state, federal, and regional grant sources. Some grants are provided as formula allocations based on a jurisdiction's population, road miles, or other factors. For example, major funding sources for transportation improvements in San José and Santa Clara include expected allocations from the state gas tax and VTA's 2016 Measure B, a 30-year, half-cent countywide sales tax to enhance transit, highways, expressways and active transportation.⁹¹ Other grants are competitive, and require cities to apply for funds on a project-by-project basis. For example, VTA manages several competitive grant programs for bike/ped and other transportation improvements, including the OneBayArea Grant (OBAG) Program and the 2016 Measure B Bike/Ped Program. Competitive grants are also an important source for San José's trails program.
- **User fees and rates:** These include sewer and storm sewer connection fees, water rates, sewer service and use charges, and other rates and fees charged for utilizing public infrastructure. These fees and rates are used to pay for capital improvements, operations, and maintenance of the utilities on which they are charged (water, sewer, and storm drain). Where fees do not cover the full cost of a development project's local impacts, the Cities will often require developers to build needed improvements as a condition of approval.

⁸⁹ Known as Park Impact Ordinance/Parkland Dedication Ordinance (PIO/PDO) Fees in San José; Quimby Act and Mitigation Fee Act Fees / Parkland Dedication Fees in Santa Clara.

⁹⁰ The Route 101/Oakland/Mabury fee may apply to some development in the 28th Street station area, and is intended to pay for (1) the improvement of the US-101 Oakland Road interchange by upgrading the facility to maximize capacity; and (2) the construction of the new US-101 interchange at Mabury Road, which has been identified in the City's General Plan as a needed freeway gateway to alleviate congestion at the US-101/Oakland Road interchange.

⁹¹ The state gas tax was recently increased, as a result of the State Road Repair and Accountability Act of 2017 (SB1). VTA is expected to begin dispersing funds from 2016 Measure B as of January 30, 2019, following a lawsuit that was dismissed by the California Supreme Court.

Major Constraints on Existing Funding Sources

This section briefly describes the major constraints on existing funding sources that the Cities of San José and Santa Clara typically use to pay for local infrastructure. Additional constraints are summarized in Figures B-1 and B-2, by infrastructure type. Note that the constraints identified in this section are based on discussions with available City staff, as well as a review of the Cities' CIPs and other publicly available sources, and may not be comprehensive.⁹²

CITY OF SAN JOSÉ

- **Unfunded infrastructure needs:** The City has identified a persistent gap between available resources and the optimal level of capital investment, resulting in a growing backlog of deferred infrastructure needs. For example, a 2017 report to City Council identified a \$1.51 billion backlog of unfunded infrastructure needs, and found that the City would need to spend approximately \$144 million a year to maintain and prevent further degradation of the City's infrastructure.⁹³ Transportation had the largest backlog of unfunded needs, despite new funding sources – including VTA's 2016 Measure B and the 2017 increase in the state gas tax (the State Road Repair and Accountability Act, or SB1) – that resulted in a significant increase in expected funding in the FY 2018-22 CIP. After transportation, storm sewer had the second highest backlog of unfunded needs. Prior to the passage of Measure T, there was no consistent funding source for storm sewer projects other than extremely limited storm sewer connection fee revenue from new development. Measure T is expected to provide funding for some of the most urgently needed storm sewer repairs needed to prevent flooding, as well as repairing other critical infrastructure (e.g., bridges vulnerable to earthquakes).
- **Volatility of funding sources tied to new development:** Many of the City's major funding sources for infrastructure – including the various construction taxes and development impact fees – are tied directly to new development. As a result, funding availability fluctuates significantly depending on the amount of new construction occurring in the community. This volatility makes it more challenging to finance debt using these sources, or to otherwise plan for long-term investments.
- **Low user fees:** Sanitary sewer, water, and other utilities generate revenues by charging fees to new development for connecting to the system, as well as rates for use. However, current fees and rates may not be high enough to cover the full cost of making major improvements, so updated fees or other revenue sources may be required.
- **Need for upfront financing for grant-funded projects:** The City relies heavily on competitive grants from state, federal, and regional agencies to pay for needed improvements. Grant programs typically require the City to pay for improvements upfront and then submit costs for reimbursement. This creates a cash flow challenge. For example, the City recently submitted a \$33 million grant application to Caltrans' Active Transportation Program for a 1.5-mile stretch of the planned Five Wounds Trail, one of the City's largest trail projects to date. The

⁹² Staff from the City of San José Departments of Parks, Recreation & Neighborhood Services and Public Works were interviewed, as well as staff from the City of Santa Clara's Departments of Public Works and Water and Sewer Utilities.

⁹³ City of San José, "Status Report on Deferred Maintenance and Infrastructure Backlog," 2017, <https://www.sanjoseca.gov/DocumentCenter/View/71810>; City of San José, 2017-2018 Capital Budget and 2018-2022 Capital Improvement Program.

City has typically covered the upfront costs for trail projects using parks impact fees. However, park fees will not be sufficient for this project, so the City is considering issuing short-term commercial paper notes for the first time if the grant application is successful.

CITY OF SANTA CLARA

- **Unfunded infrastructure needs:** The City's 2018-22 CIP reflects \$111.6 million in unfunded projects over the five-year planning period. Unfunded needs include major projects that affect City services including a new Civic Center Campus, City maintenance yard, and fire stations. There are also major unfunded quality of life improvements including a new swim center, other parks and recreation facilities, and community services facilities.
- **General Fund structural deficit:** The Finance Department currently projects General Fund deficits for the next ten years, mainly a result of rising CalPERS (pension) costs. While the City is exploring strategies for balancing the budget through on-going expenditure reductions and new revenue sources, the projected operational deficit potentially affects capital funding in at least two ways: 1) by limiting the City's ability to contribute General Funds to the capital budget; and 2) by limiting staff's capacity to implement any new infrastructure investment programs.
- **Low user fees:** As in San José, City staff noted that existing fees may be too low to cover major upgrades to sewer, water, and other utility systems. However, the City of Santa Clara is in the process of conducting a study to update existing user fees.

FIGURE B-1: TYPICAL FUNDING SOURCES FOR INFRASTRUCTURE IMPROVEMENTS: CITY OF SAN JOSÉ

IMPROVEMENT TYPES	TYPICAL FUNDING SOURCES	MAJOR CONSTRAINTS
Roadway, Bicycle, and Pedestrian Improvements*	<ul style="list-style-type: none"> • Building and Structure Construction Taxes and Construction Excise Taxes • Formula allocations from state and county taxes, such as: <ul style="list-style-type: none"> ○ VTA 2016 Measure B ○ State Gas Tax (including SB1, the State Road Repair and Accountability Act of 2017) ○ Vehicle registration fees • Competitive state and federal grants • Traffic impact fees (Evergreen, North San José, and Route 101/Oakland/Mabury Transportation Development Policy areas only) • 2018 Measure T Infrastructure Bond • Other developer contributions 	<ul style="list-style-type: none"> • Citywide unfunded traffic improvement needs estimated at \$79.2 million annually, plus \$857.1 million in one-time unfunded needs – despite near doubling of funding availability from 2017 to 2018 CIP due to new grant funding (inc. VTA Measure B 2016 and SB1) and increase in construction tax revenues. Note that this estimate was developed prior to the passage of the 2018 Measure T Infrastructure Bond, which will provide funding for some of the most critically needed improvements (e.g., urgent bridge repairs, repaving streets and potholes in the worst condition).
Parks, Trails, and Open Space	<ul style="list-style-type: none"> • Park Impact Ordinance/Parkland Dedication Ordinance (PIO/PDO) Fees • State, federal, and regional grants (e.g., California Active Transportation Program, Santa Clara Valley Open Space Authority) 	<ul style="list-style-type: none"> • Grant sources require upfront financing • Federal grants entail significant overhead • PIO/PDO fees must be used within the vicinity of the development from which they originate (within three-mile radius for trails; three-quarters of a mile for local parks)
Storm Drain and Flood Control	<ul style="list-style-type: none"> • Storm sewer connection fees • 2018 Measure T Infrastructure Bond 	<ul style="list-style-type: none"> • Major stormwater improvements are required to address existing deficiencies • Existing funding only covers the most urgent repairs required to address local flooding
Sanitary Sewer and Water Delivery	<ul style="list-style-type: none"> • Sewer connection fees • Water rates, sewer service and use charges • Other development contributions 	<ul style="list-style-type: none"> • Improvements typically paid for by new development on a project-by-project basis

*Department of Transportation staff were not available; information on funding for roadway, bicycle, and pedestrian improvements is taken entirely from the City’s CIP.
 Sources: City of San José, 2017-2018 Capital Budget and 2018-2022 Capital Improvement Program; Interviews with staff from Departments of Parks, Recreation & Neighborhood Services and Public Works.

FIGURE B-2: TYPICAL FUNDING SOURCES FOR INFRASTRUCTURE IMPROVEMENTS: CITY OF SANTA CLARA

IMPROVEMENT TYPES	TYPICAL FUNDING SOURCES	MAJOR CONSTRAINTS
Roadway, Bicycle, and Pedestrian Improvements	<ul style="list-style-type: none"> • Formula allocations from state and county taxes, such as: <ul style="list-style-type: none"> ○ VTA 2016 Measure B ○ State Gas Tax (including State Road Repair and Accountability Act of 2017, SB1) ○ Vehicle registration fees • Competitive state and federal grants • Traffic Mitigation Impact Fee • Other developer contributions • Capital Projects Reserve (funded by General Fund operating savings and/or surpluses from previous years) 	<ul style="list-style-type: none"> • General Fund structural deficit limits the City's ability to contribute General Funds to the capital budget; and limits staff's capacity to implement any new infrastructure investment programs.
Parks, Trails, and Open Space	<ul style="list-style-type: none"> • Quimby Act and Mitigation Fee Act Fees / Parkland Dedication Fee • Other developer contributions • Grants • Donations 	<ul style="list-style-type: none"> • Quimby Act and Mitigation Fee Act Fees are restricted to major park rehabilitation to accommodate increased use, new parkland acquisition and facilities development • Fee revenue stream is related to the pace of development and difficult to predict
Storm Drain and Flood Control	<ul style="list-style-type: none"> • Capital Projects Reserve (funded by General Fund operating savings and/or surpluses from previous years) • Storm Drain Outlet Charge for new development (minimal) 	<ul style="list-style-type: none"> • No significant funding outside the General Fund
Sanitary Sewer and Water Delivery	<ul style="list-style-type: none"> • User Rates • Developer Fees 	<ul style="list-style-type: none"> • Unfunded projects are expected to require higher rates and/or debt financing, unless a new funding source is identified

Sources: City of Santa Clara, "Public Infrastructure Assessment and Priorities," Council Study Session (18-303), April 24, 2018; City of Santa Clara, Proposed Biennial Capital Improvement Program Budget, Fiscal Years 2018-19 & 2019-20.

APPENDIX C: COMPETITIVE GRANTS

Figure C-1 provides a matrix of county, regional, state, and federal grant programs that could be leveraged to help pay for the access, streetscape, parks, open space, trails, and stormwater improvements necessary to realize the VTA BART Phase II TOC Strategy Study vision. Only competitive grants are included in the matrix.

The matrix includes a brief description of each grant source and shows which types of projects may be eligible for funding. Note that grants may be applicable to one or more types of improvements.

The matrix is intended to include grant programs that are currently active, have recently been active, or have announced future funding activity; however, the list may not be exhaustive. Additional project-level analysis of specific projects will be required to determine grant eligibility.

FIGURE C-1. COMPETITIVE GRANTS FOR CAPITAL INFRASTRUCTURE IMPROVEMENTS

PROGRAM	ADMINISTERING AGENCY	DESCRIPTION	ELIGIBLE CAPITAL PROJECTS			
			BICYCLE AND PEDESTRIAN ACCESS	STREETScape	PARKS, TRAILS, OPEN SPACE	STORM DRAIN AND FLOOD CONTROL
County/Regional						
Santa Clara County Vehicle Emissions Reductions Based at Schools (VERBS)	VTA	VERBS is Santa Clara County’s locally programmed portion of the Metropolitan Transportation Commission’s (MTC) Safe Routes to School program, which focuses on reducing greenhouse gas emissions and increasing safety by encouraging walking, biking, transit, and carpooling access to schools (K-12). Eligible capital projects include the construction of new bicycle and pedestrian facilities serving specific schools.	X			
Santa Clara County Measure B: Bicycle and Pedestrian Program	VTA	Measure B was passed by Santa Clara County voters in 2016. Measure B authorized a 30-year, half-cent countywide sales tax to invest in transit, highway, and active transportation projects. Measure B includes nine different program areas, one of which is the Bicycle and Pedestrian Program (BPP). The BPP provides funding for bicycle and pedestrian capital projects and planning studies. Priority is given to projects that connect schools, transit and employment centers, and that fill gaps in existing bike/ped networks.	X			
Lifeline Transportation Program (LTP)	VTA/MTC	MTC created the LTP program in 2005 to fund projects that improve transportation access for low-income communities. LTP in Santa Clara County is administered by VTA, and VTA awards grants on a competitive basis. Projects must be community-based, and developed through a collaborative and inclusive planning process. Eligible capital projects include, for example, bicycle and pedestrian improvements and bus stop enhancements.	X			

PROGRAM	ADMINISTERING AGENCY	DESCRIPTION	ELIGIBLE CAPITAL PROJECTS			
			BICYCLE AND PEDESTRIAN ACCESS	STREETScape	PARKS, TRAILS, OPEN SPACE	STORM DRAIN AND FLOOD CONTROL
One Bay Area Grant 2 (OBAG 2) County Program: Transportation for Livable Communities (TLC)	VTA/MTC	OBAG 2 is MTC's comprehensive policy and funding framework for distributing federal funding. OBAG 2 includes a Regional Program and a County Program. The County Program, administered by VTA, includes various competitive sub-programs. One of these is the Transportation for Livable Communities (TLC) program, which supports community-based transportation projects focused on encouraging alternatives to single-occupancy vehicles.	X	X		
OBAG 2 County Program: Bicycle and Pedestrian Improvement Program (BPIP)	VTA/MTC	As mentioned above, the OBAG 2 County Program includes various competitive sub-programs. Another relevant sub-program is the Bicycle and Pedestrian Improvement Program (BPIP), which funds a range of bicycle and pedestrian improvements. Projects may not be solely recreational in nature.	X		X	
Access to Trails & Open Space Grant	Santa Clara Valley Water District	In 2012, Santa Clara County voters approved the Safe & Clean Water ballot measure, which authorized a countywide special parcel tax through 2028. The Access to Trails & Open Space Grant Program was created through this new funding source. This program funds projects in Santa Clara County that create new public access to trails and open space where it did not previously exist. Projects must include a creekside trail or significant link to support the creekside trail network.			X	
Transportation for Clean Air (TFCA) Regional Program: Bicycle Facilities Grant Program	Bay Area Air Quality Management District (BAAQMD)	In 1991, the State Legislature authorized a \$4 surcharge on registered vehicles to provide funding for projects that reduce on-road motor vehicle emissions. This created the TFCA program, administered by the BAAQMD. Sixty percent of funds collected go to the TFCA Regional Fund for competitive grants. Eligible projects must demonstrate air quality benefits and reduction of emissions from motor vehicles. One sub-program within the TFCA Regional Fund is the Bicycle Facilities Grant Program, which funds the construction of new bikeways and the installation of new bike parking facilities.	X			

PROGRAM	ADMINISTERING AGENCY	DESCRIPTION	ELIGIBLE CAPITAL PROJECTS			
			BICYCLE AND PEDESTRIAN ACCESS	STREETScape	PARKS, TRAILS, OPEN SPACE	STORM DRAIN AND FLOOD CONTROL
State						
Urban Greening Program	California Natural Resources Agency	Proceeds from the State's Cap-and-Trade Program help fund California's Urban Greening Program. The Urban Greening Program provides competitive funding for projects that reduce greenhouse gas emissions and provide other benefits related to reducing air/water pollution and the consumption of natural resources, and/or to increasing green spaces and green infrastructure. Eligible projects include the enhancement or expansion of neighborhood parks, green streets, urban trails, facilities that encourage active transportation, and other urban heat island mitigation measures. The program prioritizes projects that benefit disadvantaged communities, as determined by the CalEnviroScreen index.	X	X	X	X
Green Infrastructure Program	California Natural Resources Agency	Proposition 68, passed by California voters in 2018, authorized a general bond obligation to fund state and local parks, environmental protection/restoration projects, and water/flood infrastructure projects. The Green Infrastructure Program was created out of Prop 68. This program provides funding for a variety of green infrastructure projects such as parks, green streets, recreational trails, creek restoration, and stormwater projects. Projects must benefit disadvantaged communities, and projects that reduce greenhouse gas emissions are prioritized.	X	X	X	X
Trails & Greenways Program	California Natural Resources Agency	The Trails & Greenways grant program is another competitive funding program that came out of Proposition 68. The program targets non-motorized trails that provide new access to parks and other natural environments. The program prioritizes projects that include stormwater capture, carbon sequestration, and greenhouse gas reduction. Note that the most recent guidelines indicated that "urban or commuter trails that do not promote access to natural environments" are not eligible.			X	

PROGRAM	ADMINISTERING AGENCY	DESCRIPTION	ELIGIBLE CAPITAL PROJECTS			
			BICYCLE AND PEDESTRIAN ACCESS	STREETScape	PARKS, TRAILS, OPEN SPACE	STORM DRAIN AND FLOOD CONTROL
Urban Stormwater & Waterways Improvement Program	California Natural Resources Agency	The Urban Stormwater & Waterways Improvement grant program is another competitive funding program that came out of Proposition 68. The program targets projects that address flooding in urbanized areas. Eligible use of funds include, for example, projects that capture and reuse stormwater, restore streams/watersheds, or increase in permeable surfaces.				X
Affordable Housing Sustainable Communities (AHSC)	California Strategic Growth Council	Proceeds from California's Cap-and-Trade Program help fund the AHSC program. AHSC is a competitive state grant program that promotes infill development and the reduction of greenhouse gas emissions through transportation and land use change. AHSC encourages combined investments in affordable housing, transit, and active transportation infrastructure, with a majority of funds typically awarded to the affordable housing component of a project.	X	X	X	
Infill Infrastructure Grant (IIG)	California Department of Housing and Community Development	The Infill Infrastructure Grant (IIG) program, which had previously run out of funds, is expected to receive new funding from the passage of SB 3 and Proposition 1 in 2017/2018. Updated guidelines have not been released, but in the past, the IIG program provided funds for the infrastructure improvements necessary to enable residential or mixed-use infill development (e.g. parks or open space, water, sewer or other utility service improvements, streets, roads, transit linkages, transit shelters, sidewalks and streetscape improvements, etc.)	X	X	X	X

PROGRAM	ADMINISTERING AGENCY	DESCRIPTION	ELIGIBLE CAPITAL PROJECTS			
			BICYCLE AND PEDESTRIAN ACCESS	STREETScape	PARKS, TRAILS, OPEN SPACE	STORM DRAIN AND FLOOD CONTROL
Transformative Climate Communities (TCC)	California Strategic Growth Council	Proceeds from California's Cap-and-Trade Program help fund the Transformative Climate Communities (TCC) program. The TCC provides competitive grants for coordinated, community-led development and infrastructure projects focused on achieving multiple environmental, health, and economic benefits within a given community. Examples of eligible projects include affordable housing, transit, bicycle/pedestrian improvements, and urban green infrastructure. The TCC program prioritizes disadvantaged communities that have been most impacted by pollution, as measured by the CalEnviroScreen index. The TCC program offers Implementation Grants and Planning Grants. According to the FY 2018-2019 guidelines, places with a majority of Census Tracts in the top 5 percent of the CalEnviroScreen index are most likely eligible for Implementation Grants, and places with a majority of Census Tracts in the top 25 percent are likely eligible for Planning Grants. Because several Census Tracts in the 28th Street station area are in the top 25 percent of the CalEnviroScreen index, projects in this station may be eligible for TCC funding, especially Planning Grants.	X	X	X	X
Land and Water Conservation Fund (LWCF)	California Department of Parks and Recreation	The LWCF is a competitive grant program focused on creating new outdoor recreation opportunities for Californians. The program funds the acquisition or the development of recreational space. Eligible projects include the acquisition of land to create a new park, a buffer for an existing park, or a recreational/active transportation trail corridor, or the development of recreational features (e.g. sports fields, dog parks, gardens, open space, etc.)			X	

PROGRAM	ADMINISTERING AGENCY	DESCRIPTION	ELIGIBLE CAPITAL PROJECTS			
			BICYCLE AND PEDESTRIAN ACCESS	STREETScape	PARKS, TRAILS, OPEN SPACE	STORM DRAIN AND FLOOD CONTROL
Senate Bill 1: Local Partnership (LP) Program	California Transportation Commission	SB 1, which was signed into law in 2017, is a \$54-billion legislative package to fix and enhance roads, freeways, bridges, and transit across California. Funds are split among numerous programs. SB 1 created the LP program to reward jurisdictions and transportation agencies that have passed sales tax measures, developer fees, or other imposed transportation fees. The LP program includes a formula allocation as well as a competitive component. Eligible projects include a wide variety of transportation improvements – roads, pedestrian/bicycle facilities, transit facilities, and other improvements to mitigate urban runoff from new transportation infrastructure. For the competitive grant program, funds can only be used for capital improvements.	X	X		X
Active Transportation Program (ATP)	California Transportation Commission/ Caltrans	ATP was created in 2013 by consolidating various federal and state funding sources into a single program to encourage the use of active transportation across California (note that SB 1 is one of several sources contributing to ATP). ATP provides statewide competitive grants for pedestrian and bicycle capital projects. Certain trail projects are also eligible if they meet the requirements of the Recreational Trails Program (RTP), a sub-program within ATP. Beyond the statewide competitive grants, ATP funds are also distributed to MPOs. A minimum of 25% of ATP funds must be allocated to disadvantaged communities.	X	X	X	

PROGRAM	ADMINISTERING AGENCY	DESCRIPTION	ELIGIBLE CAPITAL PROJECTS			
			BICYCLE AND PEDESTRIAN ACCESS	STREETScape	PARKS, TRAILS, OPEN SPACE	STORM DRAIN AND FLOOD CONTROL
Caltrans Highway Safety Improvement Program (HSIP)	Caltrans	HSIP is funded by the federal surface transportation act and administered by Caltrans. HSIP seeks to achieve significant reductions in traffic fatalities and injuries on public roads. Funds are eligible for work on any public road or publicly owned bicycle or pedestrian pathway or trail, so long as the investment is focused on improving user safety for and addresses a specific safety problem. Non-safety related capital improvements (e.g. landscaping, street beautification) cannot exceed 10 percent of project costs. Caltrans requires that projects be consistent with California's Strategic Highway Safety Plan.	X	X		
Federal						
Better Utilizing Investments to Leverage Development (BUILD)	U.S. Department of Transportation	Previously known as Transportation Investment Generating Economic Recovery (TIGER) Grants, BUILD Grants are a highly competitive, discretionary federal grant program for surface transportation infrastructure projects that have a significant local or regional impact. Road, rail, transit, port, and intermodal projects are eligible. Based on the latest Notice of Funding Opportunity (Fiscal Year 2019), up to 50% of BUILD funding will be set aside for projects in rural areas. Given recent changes in the program's direction and priorities, potential eligibility of VTA's BART Phase II TOC Strategy Study infrastructure needs is uncertain.	X	X	X	X

Source: Strategic Economics, 2019.