Rendering of Lake Merritt TOD
Source: Strada, EBALDC

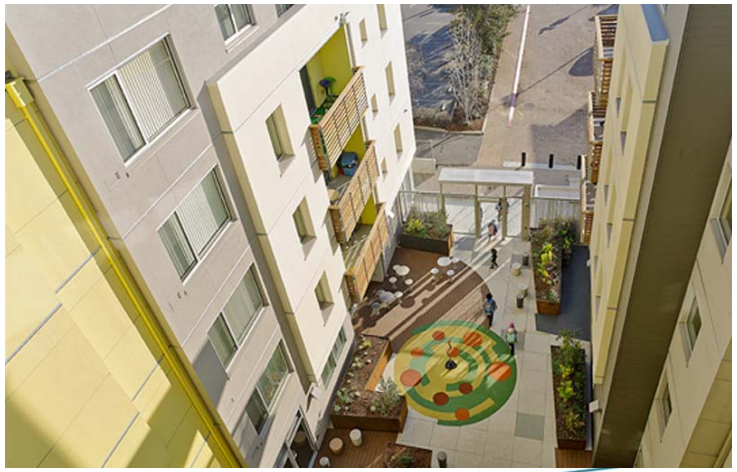
Transit-Oriented Development Policy – Affordable Housing Update

BART Board of Directors

April 23, 2020

Transit-Oriented Development Policy: *Presentation Overview*

- Recap of March 12 Board item
- Addressing Board questions:
  - Ridership Impacts
  - For-Profit vs Non-Profit Developers
- Motion



Transit-Oriented Development Policy: *Presentation Overview*

- Action item – adopt revised TOD Policy (Attachment 1)
- Has been discussed for information twice in 2020:
  - February 14 Board Workshop
  - March 12 Board Meeting

COVID-19 and Housing Crisis – What We Know

Immediate Housing Focus has Shifted Away from Building New Homes

- Tenant protections, emergency rental assistance
- Emergency homeless shelters to reduce COVID-19 exposure for at-risk individuals
- Less revenue in budget for housing production

There Will Still be a Housing Crisis Moving Forward

- Incomes have declined faster than rents, this trend will continue
- Unknown implications for project costs – did this "pop" the construction bubble?

31% Can't Pay the Rent: 'It's Only Going to Get Worse'

As the economic shutdown pares tenants' incomes, April payments have been reduced, deferred or withheld. Some landlords see their property at risk.

New York Times, April 8, 2020

*Source: Terner Center, "Lessons from the Great Recession"

Reminder: TOD Policy Goals

A. **Complete Communities.** Partner to ensure BART contributes to neighborhood/district vitality, creating places offering a mix of uses and amenities.

B. **Sustainable Communities Strategy.** Lead in the delivery of the region's land use and transportation vision to achieve quality of life, economic, and greenhouse gas reduction goals.

D. **Ridership.** Increase BART ridership, particularly in locations and times when the system has capacity to grow.

E. **Value Creation and Value Capture.** Enhance the stability of BART's financial base by capturing the value of transit, and reinvesting in the program to achieve TOD goals.

F. **Transportation Choice.** Leverage land use and urban design to encourage non-auto transportation choices both on and off BART property, through enhanced walkability and bikeability, and seamless transit connectivity.

G. **Affordability.** Serve households of all income levels by linking housing affordability with access to opportunity.

Recap of March 12 Board Item

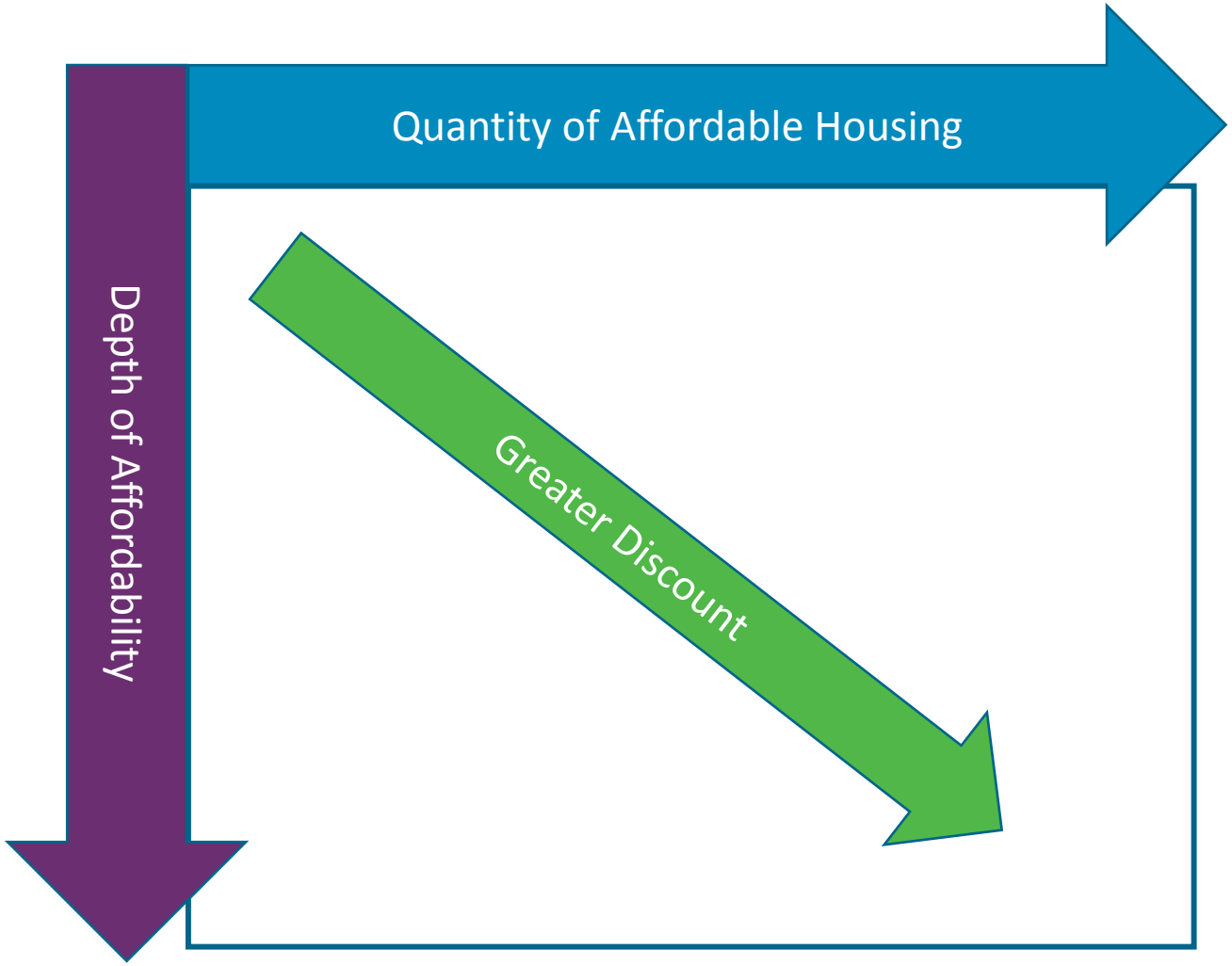
Two Proposed Changes to TOD Policy, and One Clarification

1. **Land discount of up to 60% fair market value,** based on depth of incomes served, and demonstrated project need. Incentivize projects to support BART's 35% affordability goal. Establish framework to determine discount level.

2. Leverage BART's property with **meaningful, large-scale regional funding commitments** for housing and homelessness.

3. Clarify**: Ground lease terms of 75 years**, instead of 66 years, for affordable housing funded with tax credits.

Proposed Framework to Determine Affordable Housing Discount Level



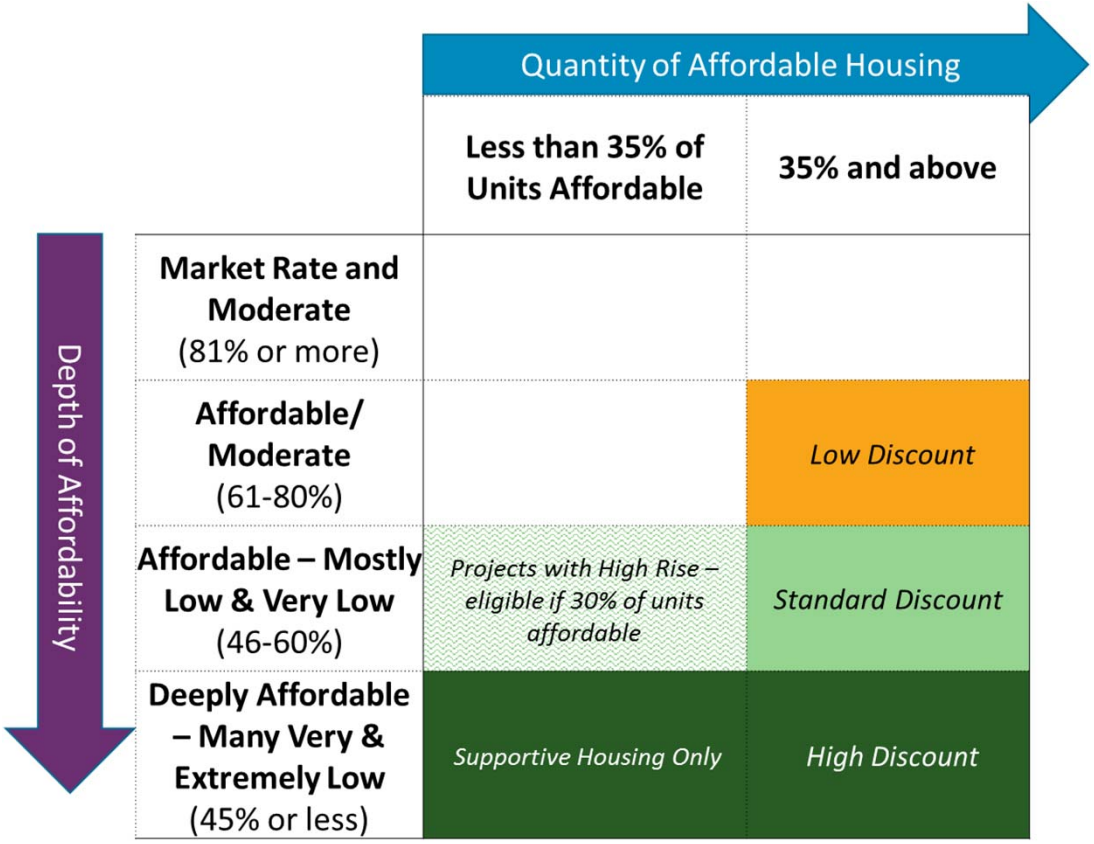
Recommended Framework to Determine Discount Level

Discount Tiers

Low Discount: 10-20% ground lease discount

Standard Discount: 20-30% ground lease discount

High Discount: 30-60% ground lease discount



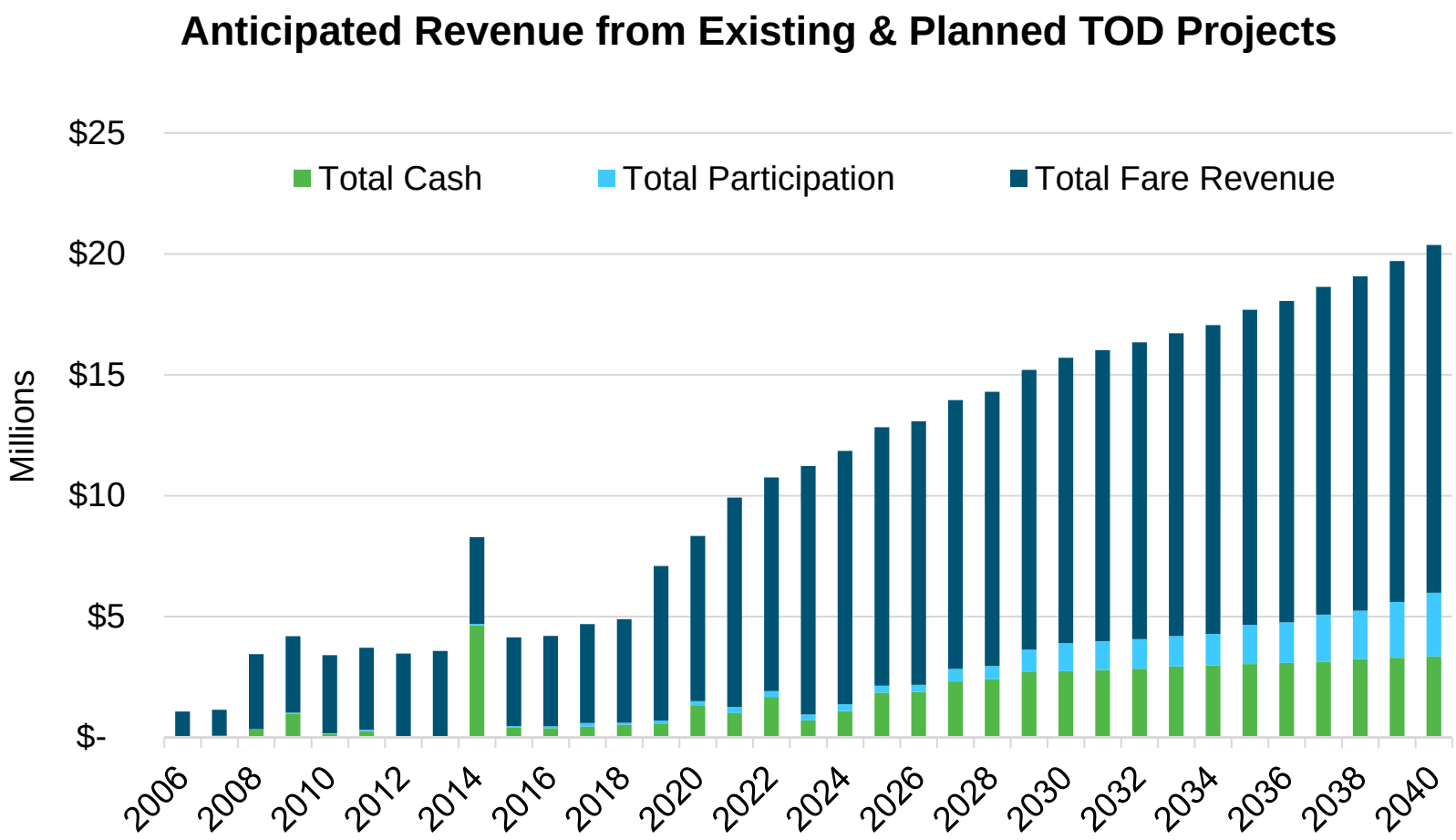
Quantity: % of overall units in a TOD that are affordable
Depth: Average income served by affordable units, as % median income
Discount: Amount of possible reduction from fair market value

Project Examples

	Status	% Units Affordable	Average AMI
West Oakland	Proposed	31%	50%
Lake Merritt	Proposed	44%	63%
Fruitvale II-B	Proposed	100%	49%
Balboa Park	Proposed	100%	47%
Millbrae	Under Construction	20%	64%
MacArthur	Completed & Under Construction	17%	57%
Pleasant Hill	Completed & Under Construction	14%	50%
San Leandro	Completed	100%	47%
Fruitvale II-A	Completed	99%	45%
Castro Valley	Completed	100%	47%
Coliseum	Completed	50%	56%

Board Questions:
Ridership Dynamics

Most BART TOD Revenue is from Ridership



2020: $1.3 million in ground lease revenue
$167,000 in participation (estimate)
$6.8 million in fare box revenue (modeled)

Background – Affordable Housing Income Thresholds for Alameda/Contra Costa Counties

Income Threshold	Income for Family of 4	Affordable Rents (30% of Income)
Area Median Income (AMI)	$111,700	$2,793
Low Income (80% AMI)	$98,500	$2,464
Very Low Income (50% AMI)	$61,950	$1,549
Extremely Low Income (30% AMI)	$37,170	$929

Some of the following charts use benchmarks of $100,000 and $50,000 to provide a sense of mobility trends for median/low income and very low income households

Ridership Impacts – Affordable Housing

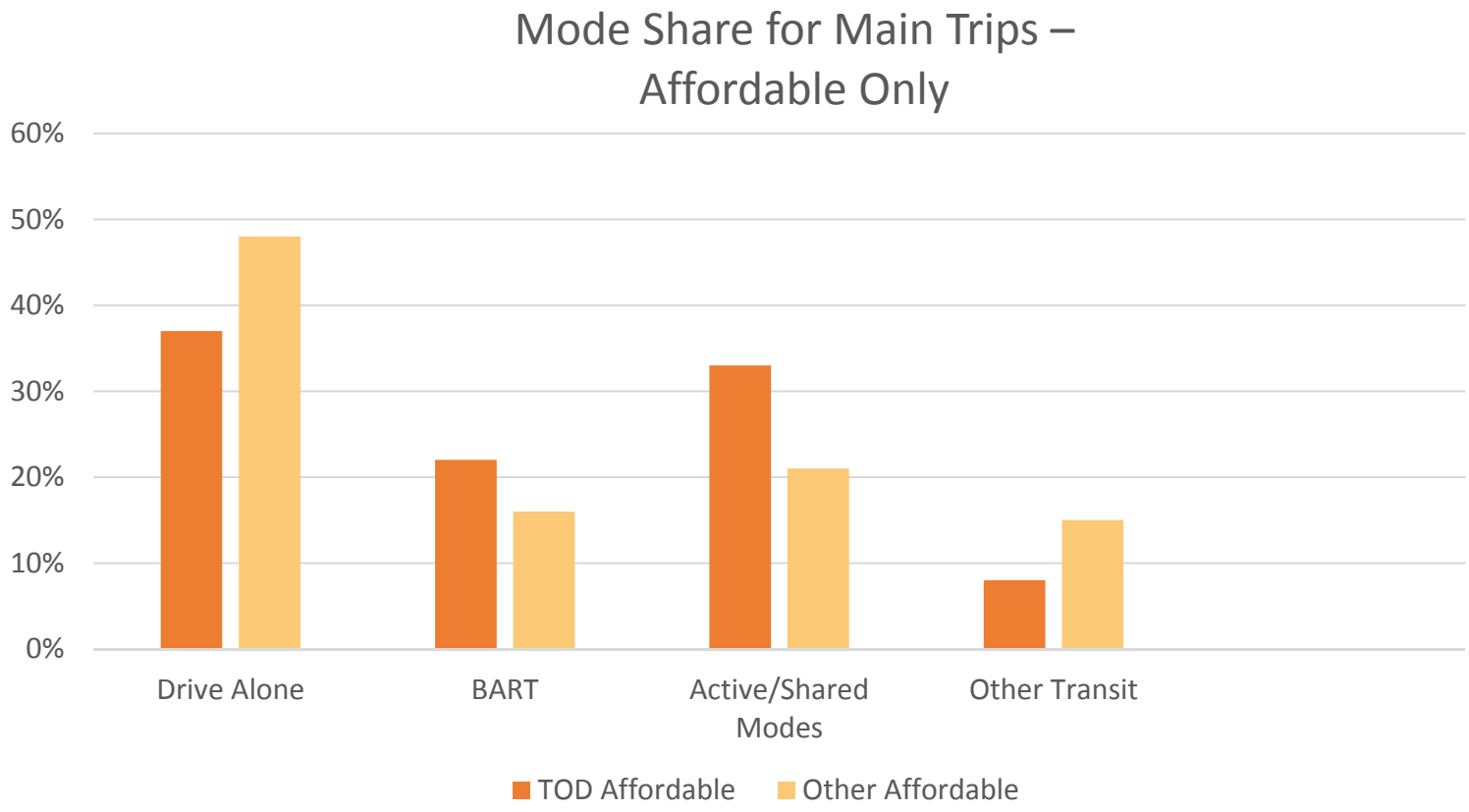
We know residents of market rate housing near BART have higher BART ridership rates. What are BART ridership dynamics for residents of affordable housing near BART?

Data Sources:

- UC Berkeley Survey (preliminary data – forthcoming)
- Station Profile Survey Data
  (BART specific, not separated for proximity to station)
- U.S. Census – American Community Survey (ACS)

Caveat – UC Berkeley Survey, and ACS/Station Profile Survey station area data include limited samples, with possible variation in the data

UC Berkeley TOD Survey (2019) – Preliminary Results:
Residents of Affordable TOD take BART, walk, bike more than residents of affordable housing elsewhere

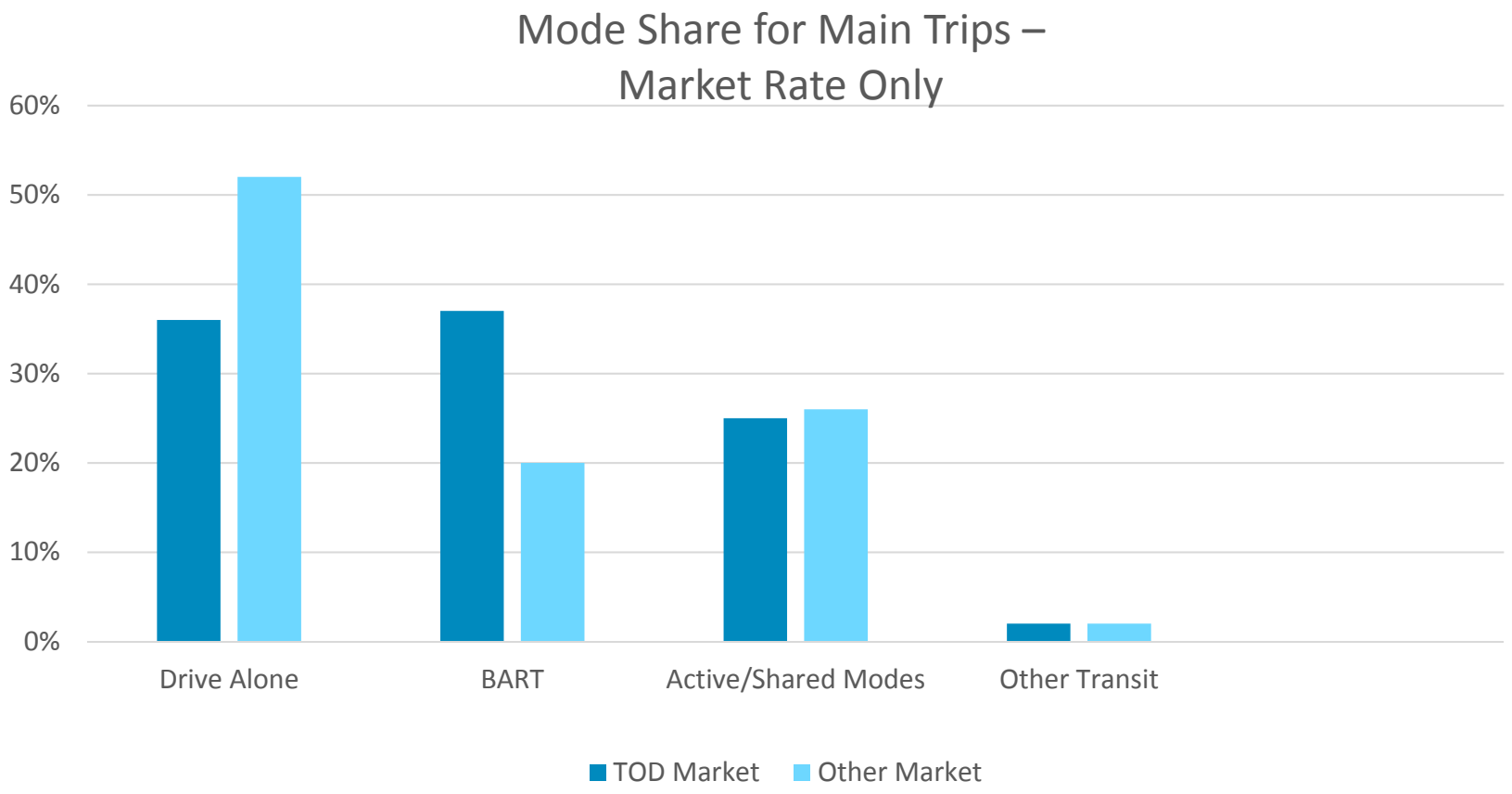


**TOD = within ¼ mile of a BART station*

Other = 1-2 miles from a BART station

Methodology: Survey of 613 residents of developments adjacent to, and further from BART.

UC Berkeley TOD Survey (2019) – Preliminary Results:
Residents of market rate TOD take BART significantly more than residents of other market rate housing

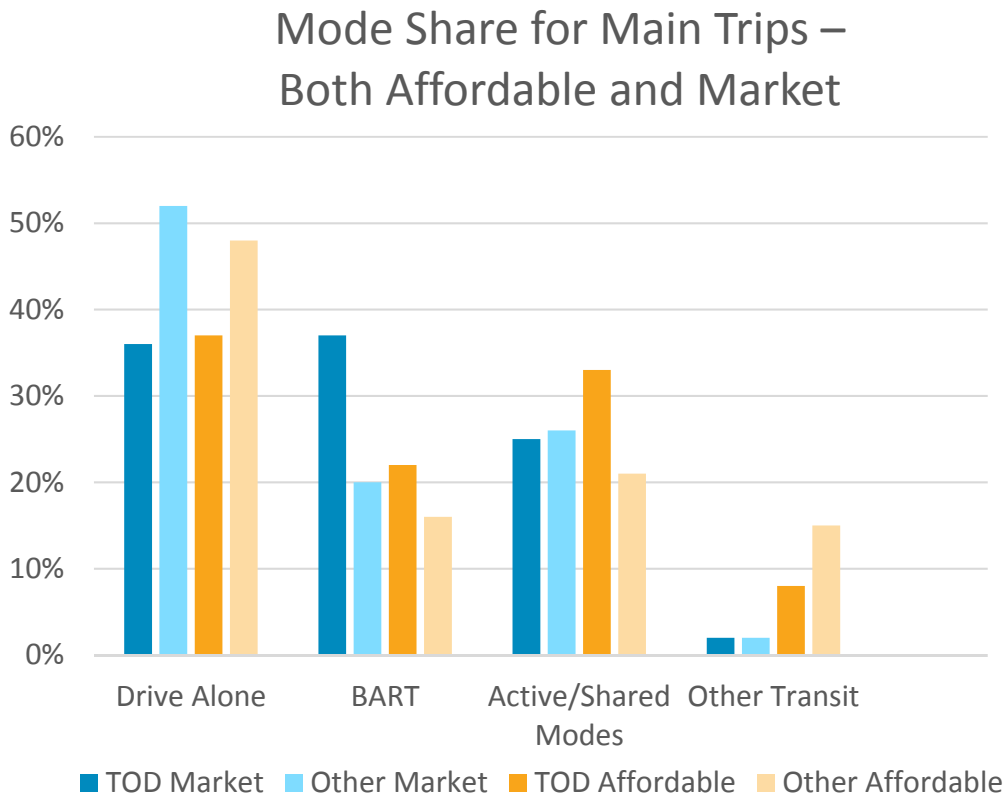


*TOD = within ¼ mile of a BART station

Other = 1-2 miles from a BART station

Note: Overall Sample of 613 households

UC Berkeley TOD Survey (2019) – Preliminary Results:
Market rate TOD has higher BART trip rates than affordable TOD



Hypotheses:

- Low income families prioritize affordable rents, not BART access

- Affordable Workers less likely to receive commuter benefits & less likely to have jobs near BART

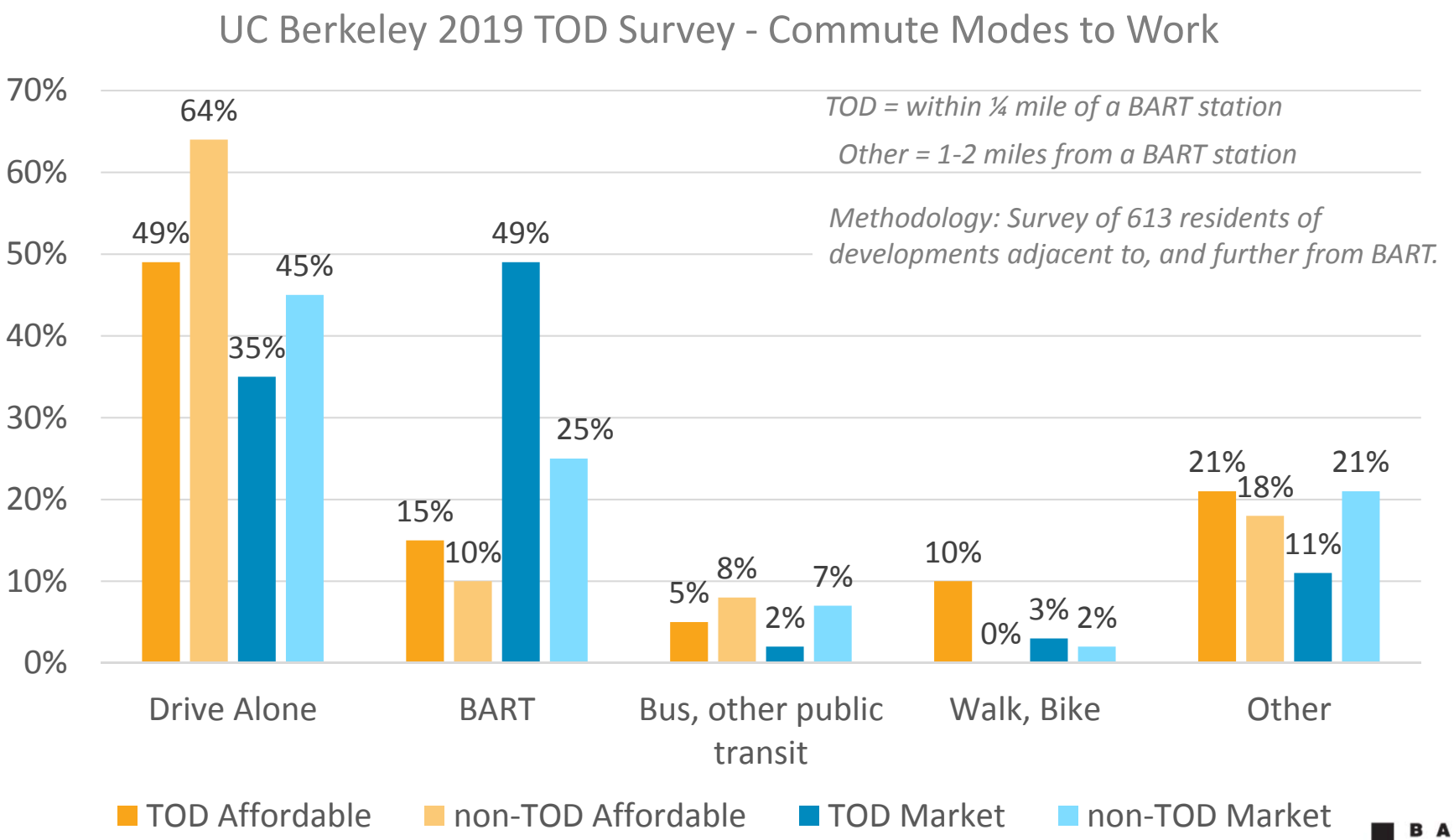
- Small sample size, many respondents were not working members of household

*TOD = within ¼ mile of a BART station

Other = 1-2 miles from a BART station

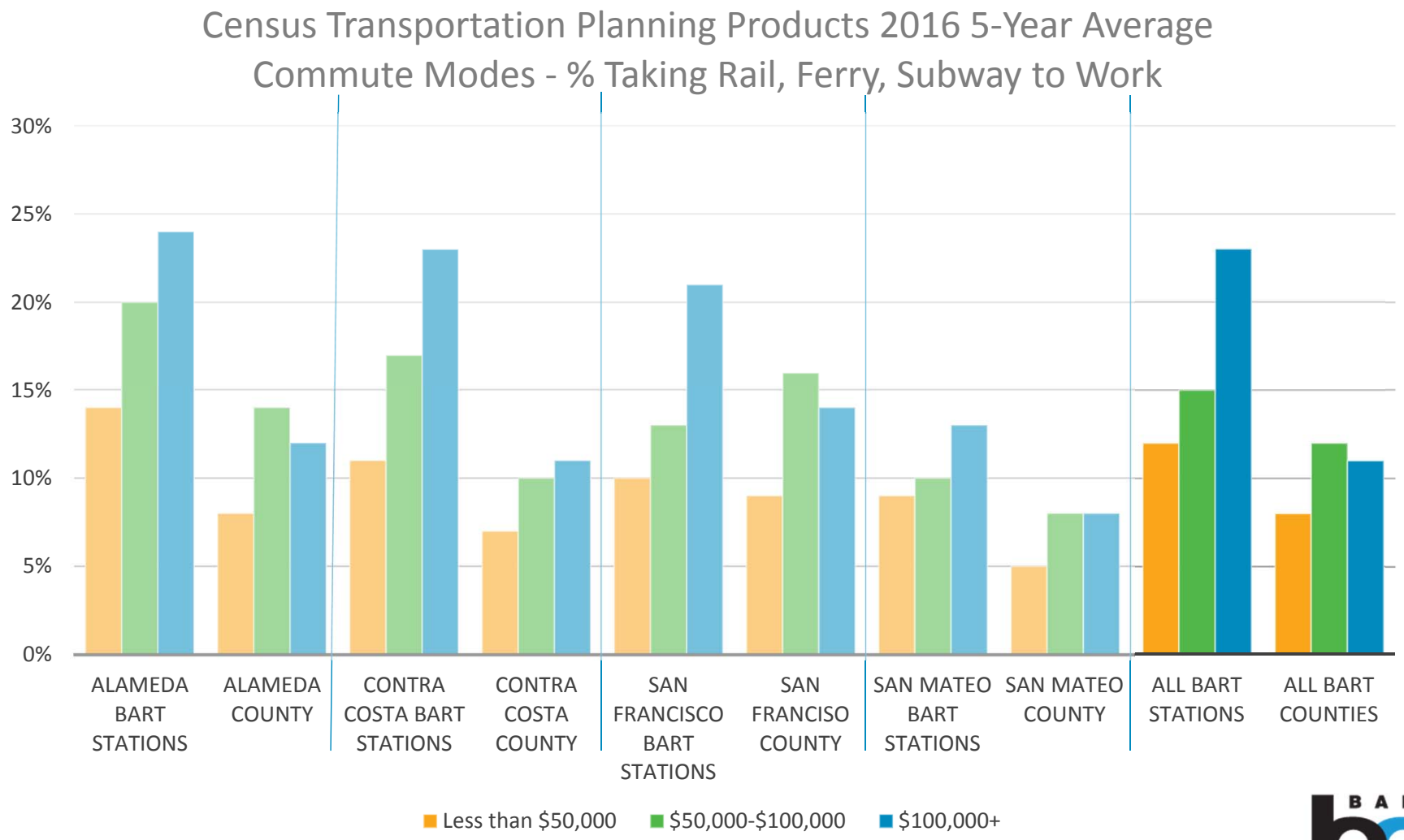
Note: Overall Sample of 613 households

UC Berkeley TOD Survey (2019) – Preliminary Results: *49% of Market Rate TOD Commutes take place on BART*

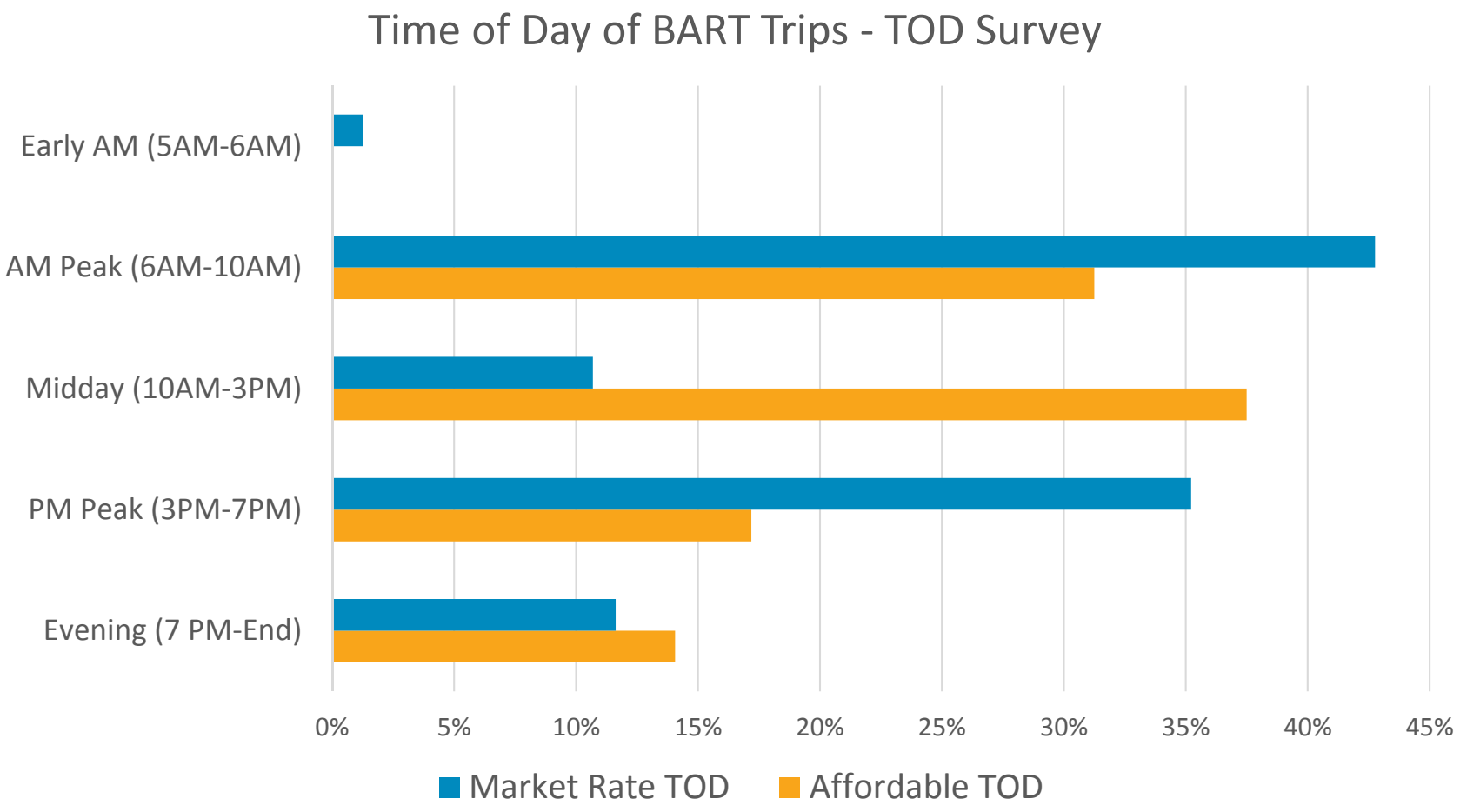


Note: Overall Sample of 613 households

American Community Survey (2011-2016) generally shows consistent trends with UC Berkeley Survey

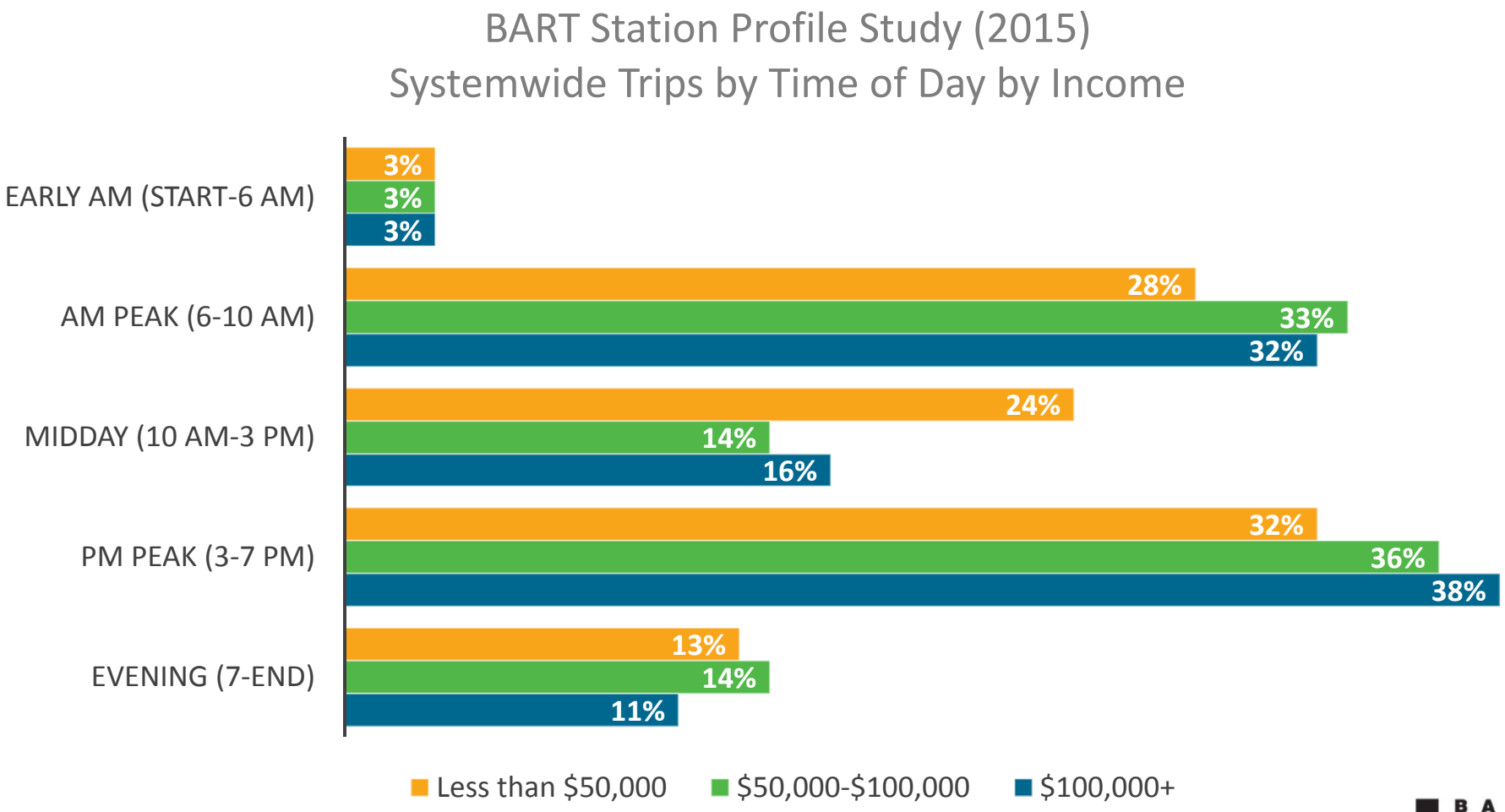


UC Berkeley TOD Survey (2019) – Preliminary Results: *Residents of affordable TOD are more likely to take BART in off-peak period*



Note: Overall Sample of 613 households

Station Profile Survey (2015): *Low Income BART Riders Are More Likely to Take BART in Midday than Peak Periods*



How can we encourage more BART ridership from affordable housing residents?

Transportation demand management:

- Require Clipper Cash for residents in affordable BART TOD from State Affordable Housing – Sustainable Communities funds
- Means-based fare discount pilot program
- On-site support to educate about transportation options

Discourage Parking in Affordable Housing Projects: Reduce parking levels, encourage shared parking, require unbundled

Encourage jobs for low, middle-income workers to be near BART
Encourage employers to offer commuter benefits for lower income workers

Summary: Benefits of Proposed TOD Policy Changes

- **TOD Policy goals/targets are unchanged, and data supports desired outcomes:**
  - Complete communities: strive for balanced, complete communities offering diversity including mix of incomes
  - Ridership: Grow ridership, especially at times and locations with capacity
  - Transportation choice: encourage non-auto transportation choices
  - Affordable housing: 35% affordability target. Serve a range of incomes but especially lower income households
- **Faster delivery time for TOD:**
  - More competitive for state, federal funds = fewer grant cycles to reach construction phase
  - Reduced project cost with BART discount
- **More competitive for state housing and infrastructure funds:**
  - Leverage CA Affordable Housing and Sustainable Communities (AHSC), Infill Infrastructure Grants (IIG), and Transit-Oriented Development (TOD) program funds to support BART Station access and transit improvements

Board Questions:
For-Profit vs Non-Profit Developers

For-Profit vs. Non-Profit Developers

Interviewed seven developers to understand implications.

Findings:

- Little difference between for-profit and non-profit affordable developers:
  - Rely on same public funding programs
  - California LIHTC program caps developer fees, so all developers have same level of fee (for-profit developers do not make more money)
  - Both developer types build general low income housing as well as housing for special needs (formerly homeless, veterans e.g.)
- Mission-driven non-profit might be more likely to keep project affordable in long term. BART can make this happen in other ways.
- "Non-profit Only" approach would limit competition:
  - Reduces competition for proposals
  - May hinder innovation – e.g. mixed-income housing

For-Profit vs. Non-Profit Developers: Alternative approaches to address possible concerns

Concern	Alternative BART Approach	Done before
1. Offering discount to a developer "in it for the profit"	Restrict discounts for publicly traded developers but not all for profit developers	
2. Ensuring lasting affordability beyond 55 year restrictions	Require affordable housing for life of ground lease as a deal term	X
3. Reassigning project rights to a different developer rather than owning for long term	Evaluate developers commitment to long term ownership/ management during solicitation	X
4. For profits may target higher income households vs serving deepest need	Specify BART's goals in solicitation, or early in process	X
5. Desire to ensure smaller, community based organizations can compete	Specify this preference in RFQ and scoring criteria	X

Board Motion

Board Motion & Framework

The BART Board of Directors hereby adopts the attached revised Transit-Oriented Development Policy, which supersedes the previously adopted Transit-Oriented Development Policy.

Per the policy revision, the Affordable Housing Discount Framework will be staff level document, dynamically updated to reflect changing economic and financial conditions in the housing industry.

Proposed TOD Policy Amendments - Redlines

Transit-Oriented Development Policy

Adopted June 9, 2016 | Amended August 22, 2019

Proposed Update March 12, 2020

E. Invest Equitably

1. Increase scale of development at and near BART stations through catalytic investments in TOD, to help address the regional shortfall in meeting housing and other sustainable growth needs.
2. Implement BART's adopted Affordable Housing Policy and aim for a District-wide target of 35 percent of all units to be affordable, with a priority to very low (<50% AMI), low (51-80% AMI) and/or transit-dependent populations. To aid in achieving BART's 35% affordability goal, provide up to a 60 percent discount in ground lease for projects with at least 35% affordable housing (30% for projects with a high rise). Establish a framework for varying the eligible project discount based on the depth of affordability of the deed-restricted housing units, the demonstrated need for discounted ground rent, and efforts to benefit BART in other ways.
3. Pursue state, regional, and philanthropic partnerships that alleviate and prevent homelessness through production of affordable housing. BART's property will be offered at a greater discount if matched with regional-scale, external funding commitments for housing and homelessness.
4. Ensure the 4-Year Work Plan addresses how BART will achieve its affordable housing goals.

Proposed TOD Policy Amendments - Redlines

STRATEGIES

A. Manage Resources Strategically to Support Transit-Oriented Development

1. Develop a 4-Year Work Plan to assess how staff and financial activities toward TOD will be most fruitful. Identify BART staffing priorities and assignments to promote TOD on and around District property, including contributions to efforts such as planning and development, community engagement, funding and financing strategies.

2. Favor long-term ground leases of no more than 66 years, rather than sale of property, as the standard disposition strategy for joint development projects, except in cases where alternative approaches are required to achieve specific development objectives (e.g., Low Income Housing Tax Credit-funded affordable housing, requiring a ground lease term of no less than 75 years), or where other strategies would generate greater financial return to the District.

3. Solicit proposals for transit-oriented development in localities that have an adopted plan allowing for transit-supportive land uses as defined in the TOD Guidelines. Utilize a competitive selection process but ensure the solicitation process considers property assembly with adjacent land owners for optimal TOD.