CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

DEBT LINE

Off Prints

California Debt And Investment Advisory Commission

Philip Angelides, Chair

Volume 22, No. 8

August 2003

CDIAC RESPONDS TO SENATE LOCAL GOVERNMENT COMMITTEE ON TRANSIT-ORIENTED DEVELOPMENT

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

Survey Methodology

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

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

Survey Findings

Figure 1 on page 4 shows the results of CDIAC's written survey and discussions with public and private-sector redevelopment professionals.

Some of the key findings include:

- The size of the five project areas varied considerably, from 65 acres for the Mission Bay North Project Area to 6,785 acres for the Coliseum Redevelopment Project Area.
- Three of the five project area boundaries were within a ¼ mile of the transit station.
- Only one of the project areas was covered by a transit village development plan as defined by Chapter 780, Statutes of 1994 (Assembly Bill 3152 (Bates)).
- Total indebtedness for the five project areas currently stands at $111 million. Of the $111 million outstanding, tax allocation bonds accounted for approximately $66 million, followed by Mello-Roos bonds totaling $40 million.
- Total annual property tax increment revenues generated for each project area varied significantly from $133,247 for the Mission Bay North Redevelopment Project Area to $31.7 million for the North Hollywood Redevelopment Project Area. Year-to-year changes in tax increment also were substantial, in several cases exceeding 100 percent. This contrasts significantly with the five years prior to the project creation/plan amendment in two of the project areas, where year-to-year changes generally were either negative or in most cases less than 7 percent.
- All five project area managers agreed that current redevelopment law, in particular land cost write-downs and local hiring and purchasing incentives, were instrumental in their development efforts. However, one project manager pointed out that current redevelopment law does not specifically promote transit-oriented redevelopment projects, which may limit potential transit-oriented development.
- Some suggestions for changing current law included streamlining environmental reviews to expedite development and requiring a minimum lot size to discourage piecemeal devel-

opment. The latter would provide for more unified, cohesive development and avoid duplicative environmental reviews.

- Other professionals consulted believe the ¼ mile radius restriction around rail transit station exterior boundaries (specified in the Transit Village Development Planning Act of 1994) is unnecessarily limiting, and that at a minimum, current law should be modified to allow project areas to exceed the ¼ mile radius to the nearest street or complete parcel or be expanded to ½ mile.

Conclusions

Redevelopment authority serves an important role in many of the project areas CDIAC reviewed, including those not included in the final survey. While nearly all of the project areas were underwritten in part by private financing, redevelopment agencies helped mitigate developer risk by contributing in some form to the outcome. Absent redevelopment funding and programming support, these transit-oriented projects could not have proceeded. If local governments (including cities and/or counties) did not have access to these redevelopment tools, the only means to assist financially private developers seeking to undertake a transit-oriented project would be through means such as dedicating portions of their annual budgets or issuing bonds repaid from the local government's annual budgets.

Individuals interested in receiving a copy of the complete report should contact CDIAC by phone at (916) 653-3269 or by email at cdiac@treasurer.ca.gov.

This Offprint was previously published in DEBT LINE, a monthly publication of the California Debt and Investment Advisory Commission (CDIAC). CDIAC was created in 1981 to provide information, education, and technical assistance on public debt and investment to state and local public officials and public finance officers. DEBT LINE serves as a vehicle to reach CDIAC's constituents, providing news and information pertaining to the California municipal finance market. In addition to topical articles, DEBT LINE contains a listing of the proposed and final sales of public debt provided to CDIAC pursuant to Section 8855(g) of the California Government Code. Questions concerning the Commission should be directed to CDIAC at (916) 653-3269 or, by e-mail, at cdiac@treasurer.ca.gov. For a full listing of CDIAC publications, please visit our website at http://www.treasurer.ca.gov/cdiac.

Figure 1
Survey Results of Mixed-Use Transit-Oriented Redevelopment Project Areas

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