

JOINT DEVELOPMENT: INSTITUTIONAL CONSTRAINTS AND POTENTIALS

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The need and the opportunity to achieve joint development of various transportation facilities and such facilities and land use are now greater than ever. However, if joint development is to occur on a significant scale, a number of financing, organizational, legal, and other institutional techniques must be developed and applied. A recent amendment to the National Mass Transportation Assistance Act of 1974 appears to be a step in the right direction. A number of other steps, some of which are described in this paper, should be pursued. For example, legislation should be adopted by states that will permit agencies and corporations to undertake developments that span several modes or functions. In many situations, too, legislation is needed to permit "tax increment" and other innovative forms of financing to be used to stimulate needed development. It is important that further work be done soon to refine these techniques so that they can be applied to the many highway, rail, transit, airport, and similar projects where they are needed.

•INTEREST in the values and potentials of joint development is great; as a result I have been involved in 3 discussions of this subject at professional meetings in less than a year (1, 2). In addition, organizations such as the Urban Land Institute have created special committees to deal with this subject, and the Transportation Research Board has at least 2 committees that are working on some aspect of the coordination of transportation and land use (3). Unfortunately, there is not much solid research to provide the basis for new papers and technical discussions. Relatively little organized work is being done to further knowledge in this area. However, we must do what we can to disseminate the knowledge that is available and stimulate further investigation into finding ways to achieve beneficial joint development. Fortunately, despite the lack of an organized thrust, opportunities for progress continue to emerge.

AREAS OF OPPORTUNITY

Many of the opportunities for close coordination or joint development of transportation and land use that have been the subjects of discussion in the past are probably now lost. The construction of the Interstate Highway System is virtually complete, and no new transportation investments are likely to be made on a comparable scale. In a study completed in the mid 1960s, it was noted that approximately 500 freeway interchanges were scheduled to be built in Illinois (4). Most of these interchanges are now in operation and the lands around them are committed to some new use. Although there will be some opportunities for joint development in connection with new highway construction, these will be relatively few in comparison with those of the past.

However, major potentials for joint development do exist in other areas. In most of these, the satisfactory functioning of both transportation facilities and land use depends on their very close coordination and, in many cases, on actual joint development. Five key areas of opportunity exist.

1. One area of opportunity involves the building and improvement of transit facilities. Most of these opportunities will be found in larger cities where fixed-guideway transit

systems exist or are being built. For example, there are almost 300 stations and station areas along the Chicago rapid transit and commuter rail system. As these systems are improved and extended, additional stations will be provided. In many instances, land is not well or intensively used around these stations. Many of them are located in areas that are subject to redevelopment and change. In a study completed in 1963, it was found that almost 90 of Chicago's rapid transit and commuter rail stations were located within areas that were generally eligible for redevelopment (5). It also was found that some 84 percent of the "sharp curves" along the transit system (which greatly slow transit service) lie within areas where redevelopment could take place. Joint development of lands around stations will be a necessity if transit systems are to function effectively. With an automobile-highway transportation system, the "fit" between land use and transportation can be relatively loose. However, for transit facilities to work, they must be very closely coordinated with land development. In the case of fixed-guideway systems, this coordination requires the use of joint development.

2. The further development and improvement of airports also offer opportunities for joint development. Although most of the major airports of the United States are in place, opportunities for joint development have not been completely lost. Thus this is one area that we should investigate for joint development potential.

3. We have only begun to scratch the surface of opportunities for joint development with railroads. Many of the opportunities in this area will be the result of efforts to combine or abandon or redesign and increase the efficiency of railroad tracks and yards. Virtually every city and every metropolitan area should be proceeding to identify opportunities in this area. Studies now being completed of railroad relocation and consolidation potentials in Saint Louis should be repeated in some fashion in many cities. Opportunities for joint development such as those taking place over the Illinois Central Railroad or the Burlington Northern Railroad in several locations should be pursued. [Major railroad air rights and railroad land reuse projects are proceeding in several cities. In East Saint Louis, this consists of consolidating numerous rail yards and reusing major lands vacated by the old yards. In Chicago, this consists of 2 major projects. One is on land owned by the Illinois Central Railroad for some 17,500 dwellings and 20 million ft² (1.86 million m²) of office and commercial space. The second is to provide space for an entire new town of 10,000 or more dwellings. A major riverfront project also is proposed in Minneapolis on land owned partially by the Burlington Northern Railroad.]

4. Many opportunities for joint development will stem from the need to meet environmental concerns, particularly the need to ameliorate undesirable environmental impacts. For example, in many instances, the only way that a street can be widened or a parking lot can be built without creating unacceptable environmental impacts would be to execute these projects within the context of joint development.

5. Terminals and mode-change points offer great potentials and needs for joint development. In fact, they virtually require it. As we work to obtain greater efficiency and effectiveness from current transportation investments, we will need to give much greater attention to the development of terminal facilities. These will include facilities for goods as well as for person movement. (For example, studies have been completed recently for joint or multiple use or for the improvement of existing multiple-use operations in Grand Central Station in New York City, the Transbay Terminal in San Francisco, and for terminals in cities such as Cincinnati and Syracuse.)

TECHNIQUES FOR IMPLEMENTATION OF JOINT DEVELOPMENT

If we are to achieve any significant joint development, we must develop and use a variety of techniques. To the extent that we are engaged in joint development now, it is almost solely through the application of techniques that have been developed in other contexts. Redevelopment or renewal projects are usually prime examples of joint development, although they are seldom described as such.

In an earlier paper on this subject (1), I identified several criteria that should be

met and several organizational measures that might be taken in applying the concept of joint development.

1. Agencies responsible for stimulating joint development must have flexible use of funds. Although 1 purpose may predominate, it must be possible to allocate money to stimulate and help implement secondary activities that are related to the primary objective.

2. Entities responsible for joint development should have a relatively broad charge. This charge should go well beyond simply building or helping to build a route from point A to point B. Rather it should recognize the interrelated nature of various systems and transportation, land use, and other facilities or activities of significance and enable necessary action to be taken in connection with any of them.

3. Programs for joint development at the corridor or sector level probably should work through existing institutions to the fullest extent possible. Joint development at these levels requires mainly the mobilization and orchestration of programs and activities already under way. There is no need—and there may be considerable harm—in creating superagencies to achieve joint development objectives. It may be best to develop ways of using subtle but strong incentives to obtain the coordination and action required. I have sometimes suggested the Tennessee Valley Authority (TVA) as an example of the type of organization required. Although the TVA did many things directly, it perhaps originally did more by working through existing governmental and private entities and by education and persuasion than it did directly or alone (6).

4. The corporation concept should be used as a model or point of departure for the organization of joint development agencies, at least at the project scale. Such corporations should be held publicly accountable, but should be permitted latitude comparable to that of private companies in such important matters as buying and selling land, generating income and profit, and charging for services rendered. (The example of the New York State Development Corporation should be examined here. Legislation establishing the corporation perhaps represents the ultimate in authority for joint or multipurpose development. The New Towns Corporations of Great Britain are comparable but have a somewhat more restricted charge.)

Several organizational alternatives also were discussed in earlier papers.

1. Expand the powers and responsibilities of transportation agencies to include the assembly of land for joint development and at least the management of the implementation process. Transportation terminal authorities often have the kind of responsibility implied here. (Port authorities in cities such as New Orleans, San Diego, and Miami have used joint development potentials extensively. The Port Authority of New York and New Jersey also is a prime example here.)

2. Establish multifunctional public corporations to implement major joint development projects or programs. The New York State Development Corporation is the best current example of this type of organization (7).

3. Charter or otherwise commission private corporations to achieve joint development. Usually such charters or franchises are for a single or limited purpose such as building a railroad or pipeline. However, they presumably could be expanded. Current experience in Alaska should be instructive in this area.

4. Use the concept of land banking and create public land assembly and management organizations to purchase and hold land for a wide range of public and associated private uses. Such public land or building commissions have been established in a number of areas (7). However, for various reasons, they apparently have not been used in as many ways as might be possible.

5. Create special multipurpose development districts with jurisdiction over areas with substantial joint development potentials. This technique is being employed extensively in Minnesota in connection with tax-increment financing.

6. Use contracts to establish the necessary public-private relationships required for joint development. This tool has been used effectively in situations where potentials and values are very high, as in the Illinois Central air rights project in Chicago. How-

ever, it is difficult to use where the benefits may not justify the work of developing elaborate contract documents.

If we want to achieve any significant joint development, we need to make possible the use of all of these techniques, and, more important, we need to establish institutional settings that create incentives or even pressures to apply them. One of the most effective incentives is that which provides access to money.

One method is tax-increment financing, which is not a totally new technique. It has been used in California and Missouri for many years. However, new permissive legislation in several states is making it more widespread. Eugene Jacobs, an attorney, has been instrumental in the development and application of tax-increment financing in California. At a conference in Chicago dealing with this subject Jacobs said the following (8):

We ought to get a few terms straightened out. The California law contains the phrase, *Tax Allocation*, to describe how tax monies shall be distributed among the various taxing agencies and the redevelopment agency. However, I like the term *Value Increment Financing* . . .

The basic point is, you must start from an increase in property values. If you are not going to have any increase in the value of private property, you are not going to have tax increment financing.

The basic idea in value increment financing is to capture that increase in some form. For instance, you build a transit system—every station creates fantastic value increment around it and private people who own those properties benefit without cost. I would think any kind of enlightened transportation agency in the future would make sure that, in one way or another, the value increment will work its way back to help pay for the transportation system rather than being used by other entities not connected with it.

How does the Tax Increment System work? In its simplest legal terms, a city council adopts an ordinance setting up a redevelopment project. On that day, we look to the last equalized assessment roll to determine the assessed value of all property within the project's boundaries. Let us assume 100 acres assessed at \$1 million as of March 1. The \$1 million assessment value becomes what is referred to as your *frozen base*. If the assessment has increased—for any reason—by March 1st of each succeeding year, an increment is created.

For example, because of new development, reevaluation of values, or some other reason, the new equalized assessed value is \$2 million of which \$1 million has been added to the frozen base. If the tax levy is \$10 per \$100, the taxing agencies—the school district, the county, the city, and other districts—receive a total of \$100,000 from the frozen base . . . distributed as if there had not been a redevelopment project. The \$1 million increment, would then produce \$100,000 for the redevelopment agency to take care of its expenses.

Depending on state law, tax-increment financing can be used to obtain money to assemble lands, prepare plans, build public facilities and utilities, and subsidize land costs. Thus this financing technique provides the force to help drive the joint development process, but it will not work solely by itself, nor will it work in every situation. As Jacobs indicates, the market must generate significant increases in values and taxes. Moreover, public authority must exist to permit the necessary participation in the development process and to allow a mingling of various public and private funds.

However, the ability to raise money often provides the incentive needed to overcome other obstacles. Through new enabling legislation, this ability is being extended to a number of states beyond California, including Iowa, Minnesota, and others.

The ability to pool or commingle funds also has been substantially increased recently, at least in the area of public transportation. Section 104 of the National Mass Transportation Assistance Act of 1974 contains a new provision that allows money provided under the act to be used by "public or quasi-public development corporations or entities" in connection with the acquisition of

personal . . . and real property including land (but not public highways), within the entire zone affected by the construction and operations of transit improvements, including station sites, needed for any efficient and coordinated mass transportation system which is compatible with socially, economically, and environmentally sound patterns of land-use.

An initial interpretation of this language is that transit money can be used to help achieve compatible and supporting joint development. Obviously, administrative and funding procedures related to this new language have not yet been prepared. However, it would appear that the way has been opened for much more flexibility in the use of transit funds in connection with the development of station areas and lands near or related to a transit right-of-way.

At current levels of funding, diverting money from transit facilities to development probably would not be wise. However, the possibility that transit and development money can be commingled should be tremendously significant. For example, it should open up several possibilities.

1. Federal transit and local development funds could be used together to acquire land and build facilities. Each would cover the portions of cost attributable to the functions benefited but with the kind of coordination that would be possible only through joint development.

2. Federal transit funds could be used to cover the initial costs of land assembly or site preparation on a loan basis with revenues from development or the tax increment pledged to the coverage of the loan.

3. Local funds could be used to acquire and prepare right-of-way, station area, and related joint development sites for use; portions of these expenditures could be used to meet matching requirements for transit, and costs could be recovered through proceeds from development or from tax increments.

4. A transit agency could contract with a quasi-public development corporation to provide space or facilities needed in support of the transit systems as part of a joint development.

Although the most dramatic opportunities for use of this section will be found along new fixed-guideway transit systems, good potential should exist wherever terminal, waiting or transfer facilities, or special travel ways for transit are needed. For example, regardless of technology, using transit funds to provide waiting and transfer facilities within commercial or other buildings should be possible where they can be heated and air-conditioned, more adequately cleaned and policed, and provided with services useful to the transit user. Using this money to help provide special roadways for transit to or through major destination areas, such as medical or educational centers, or air, rail, or other terminals, also should be possible.

It would, of course, be easy to begin to combine transit money with other funds without any guidelines. It also could be possible to establish so many restrictions and regulations that the ability to merge funds into joint development would be meaningless. Some guidelines should, of course, be established. At a most basic level, these should call for land use and developmental planning for corridors, as well as for projects, to match the planning now required to substantiate the provision of transit. Care must be taken to make sure that individual investments develop a cumulative and synergistic value; although opportunities for sound joint development should be grasped, investments should not be made in a solely opportunistic way.

CONCLUSIONS

There are 4 concluding points.

1. The amendment to Section 104 of the National Mass Transportation Assistance Act is a major step in the right direction. Comparable provisions should be made now in legislation for the funding of other types of transportation facilities. The development of guidelines for the use of this legislation presents a major challenge. We should all watch closely and be prepared to help the Urban Mass Transportation Administration and local governments find the best ways to use the important powers and principles involved.

2. Tax-increment financing also promises to be an important tool. However, it will

need to be extended so that it can be used in many additional states.

3. In many situations, entities that can effectively use these tools may need to be created, and new skills and attitudes may need to be introduced. Where strong redevelopment programs have been carried out, the basic skills and institutional structures may be in operation. However, their jurisdiction may be limited geographically or by type of development, and changes may be needed to provide the coverage needed. Although no single pattern should be imposed, institutions for effectively implementing joint development, especially in connection with transportation, should be created in every metropolitan area.

4. Finally, strong incentives—perhaps even requirements—for the creation of needed institutions and implementation tools for joint development should be built into the basic legislation or administrative guidelines related to each mode of transportation. The needs for and the potential benefits of joint development are so great that it should be a required element in the planning and construction of transportation facilities.

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