

# ***Guide to Joint Development for Public Transportation Agencies***

**The Transportation Research Board**

**TCRP H-57**

**September 2020**



# Purpose of the Guide

*To expand the successful practice of joint development through:*

- *the number and diversity of transit agencies involved*
- *the variety and quality of projects achieved*

MBTA Ashmont Station Joint Development (Dorchester, MA)



BART Fruitvale Village (Oakland)

# The Research Effort: Stakeholder Surveys

## **32 transit agencies**

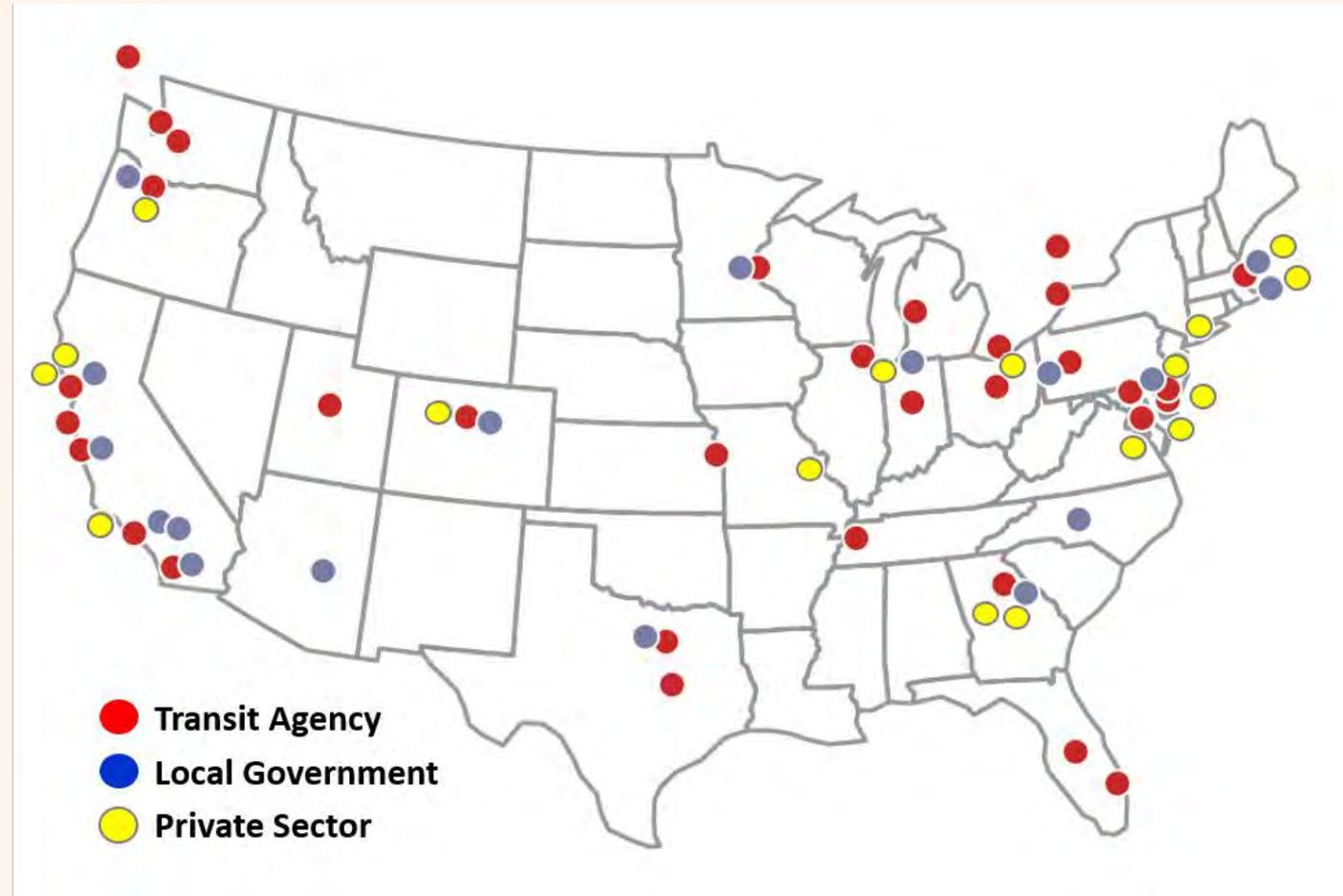
- Diversity of region, system size, transit modes, JD experience

## **18 local government entities**

- Diversity of region and size
- Municipal, county, and regional

## **17 developers, lenders, investors**

- Diversity of size, region, type of development, for-profit/non-profit



# The Research Effort

- An extensive literature review, including peer-reviewed research and agency policies.
- A series of Technical Appendices covering the research and the literature review.

## ***A Note on the Pandemic***

The research was undertaken in 2019, before the advent of COVID-19. *The Guide was written in 2020, as the pandemic was decimating every aspect of American life. While it is likely that real estate markets and transit ridership will take time to recover, the research team and the project panel believe that the findings and recommendations presented in the Guide will transcend current public health issues.*

# Agenda

- Joint development: a definition and framework
- How the *Guide* is organized—what you'll find
- Real-world Best Practice for how to do JD
- An expanding horizon of JD opportunities



# *Definition and Framework*



# Defining Joint Development

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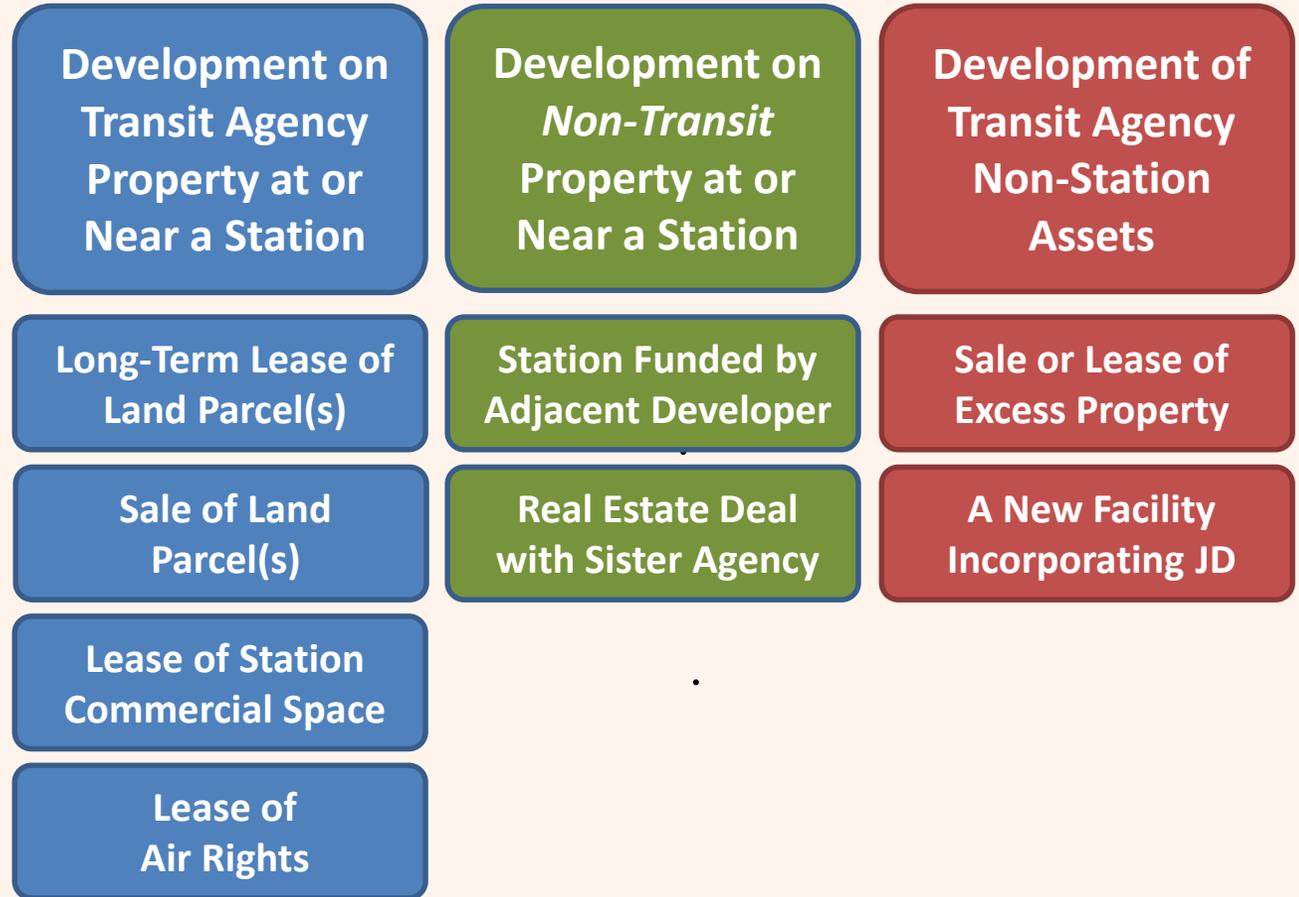
*Joint development is **physically or functionally related** to a transit facility and often involves the coordinated improvement of a transit facility and the affected real property.*

*Transit agencies actively participate in joint development, generally by contributing property or funding; they benefit by deriving **revenues, increased ridership, or transit improvements**.*

# Defining Joint Development

*This transaction-based definition encompasses a diversity of project types.*

*Joint development most often occurs on transit property at a station—but is not definitionally limited to it.*



# Why Undertake Joint Development?

*Transit agencies cite three over-arching goals, in varying orders of priority.*

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**Raise revenue** from the JD transaction itself—“monetizing” an agency asset to help fund capital improvements and on-going operations.

**Increase ridership**, for its own sake and for added farebox revenue.

**Promote transit-oriented development** as a strategy for placemaking, equity, sustainability, and smart growth.

# Joint Development and TOD

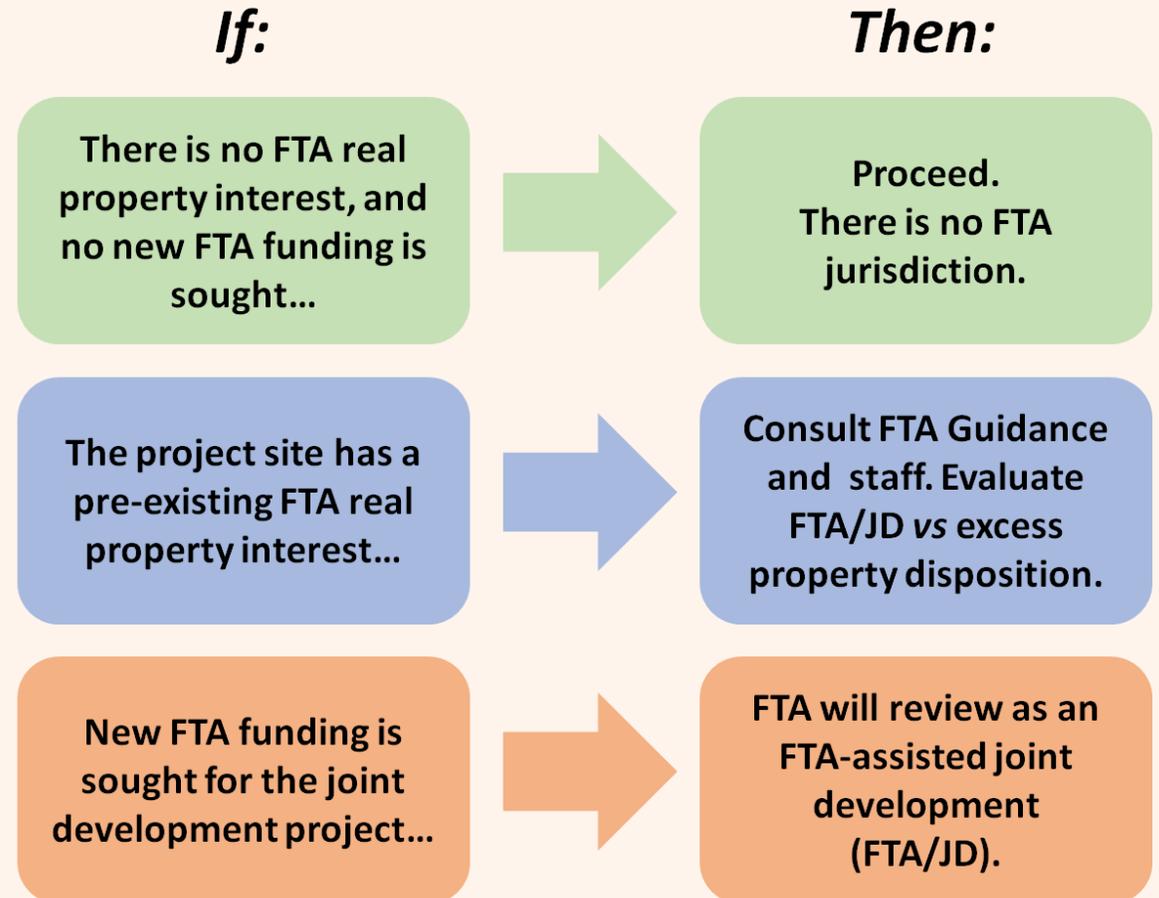
- A foundational principle: station-area development, including JD, should be ***transit-oriented*** rather than merely ***transit-adjacent***.
- Transit-oriented outcomes are ***achieved*** through intentional policies, not assumed by definition.
- You have allies: TOD developers and progressive local jurisdictions.



Charlotte Lynx Blue Line

# Joint Development and FTA

- FTA jurisdiction applies to the subset of US joint development shown here.
- When there is a choice between “FTA-Assisted JD” or “disposition of excess property”, FTA/JD is financially preferable.
- New corridors or extensions are opportunities to inject FTA funding into JD projects.



# *How the Guide is Organized*



# A Step-By-Step “How-To” of Best Practice

*The sequential stages of the joint development process*



# Advancing the Scope and State of the Practice

*Strategic issues that cut across the stages of the process*

**JD and FTA**

**JD Economics**

Financial Return  
Affordable housing  
Parking

**The JD Horizon**

Hub stations  
Sister public agencies  
Adjacent owners  
JD and value capture  
New corridors  
Non-station assets

# Best Practices



***An organizing theme throughout the Guide, reflecting the research, the literature, and agency experience.***

***It is understood that:***

- One size never fits all—some agencies use alternative practices with great success.
- Not every practice is applicable in every case.
- Best practices are conceptual; agencies fill in the details, nomenclature, and precise application.

# *Key Findings and Recommendations*

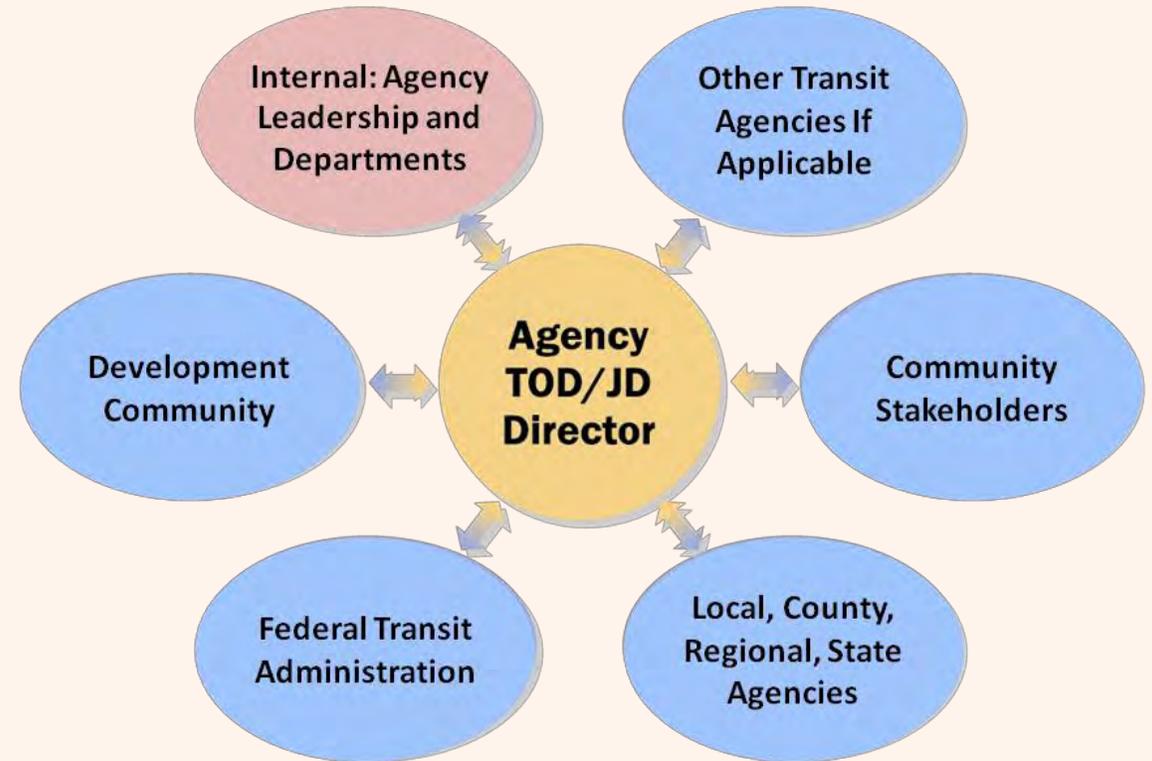




# Organizing for Success

***A strong TOD/JD office reporting to the CEO or senior manager and visible to the Board.***

- Proactive, on-going ***internal*** coordination, among all relevant operational and support departments.
- Proactive, on-going ***external*** coordination with FTA, developers, local government, others.
- Between staff and consultants: command of specialized legal, real estate, and business capabilities—often outside traditional skill set.





# TOD Land Use and Design Standards

## *Agency policy should include flexible but clear standards for the foundational aspects of TOD.*

- For JD: these indicate, consistent with zoning, what the agency expects in projects to which it is a party.
- For station-area development in general: these signal what the agency will support as a key stakeholder.

**Compactness and density** appropriate to the station area, transit stop, or “TOD place type” in question.

**Mixed uses:** a rich mix of residential and destination uses in the corridor and, if possible, the station area.

**Public realm:** safe, welcoming, interconnected routes and spaces, tied to transit and to the ground floors of buildings.

**Parking:** right-sized, shared, well-designed, and located to avoid conflict with JD and other TOD.



# Pre-Development Planning

## *Before seeking a developer:*

- Determine if site is TOD-ready, based on four interactive criteria.

Site  
Suitability

Transit  
Connectivity

Market  
Demand

Jurisdictional  
Support



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## *If TOD-ready:*

- Create a conceptual, reality-based site plan, transit/site access plan, and development program. Translate these into **Development Requirements & Guidelines**.
- Clearly define roles and responsibilities. What is the developer expected to **build**? To **operate or maintain**? To **pay for**?
- Work with local government **now** to align zoning and pre-position the project for infrastructure and gap financing.

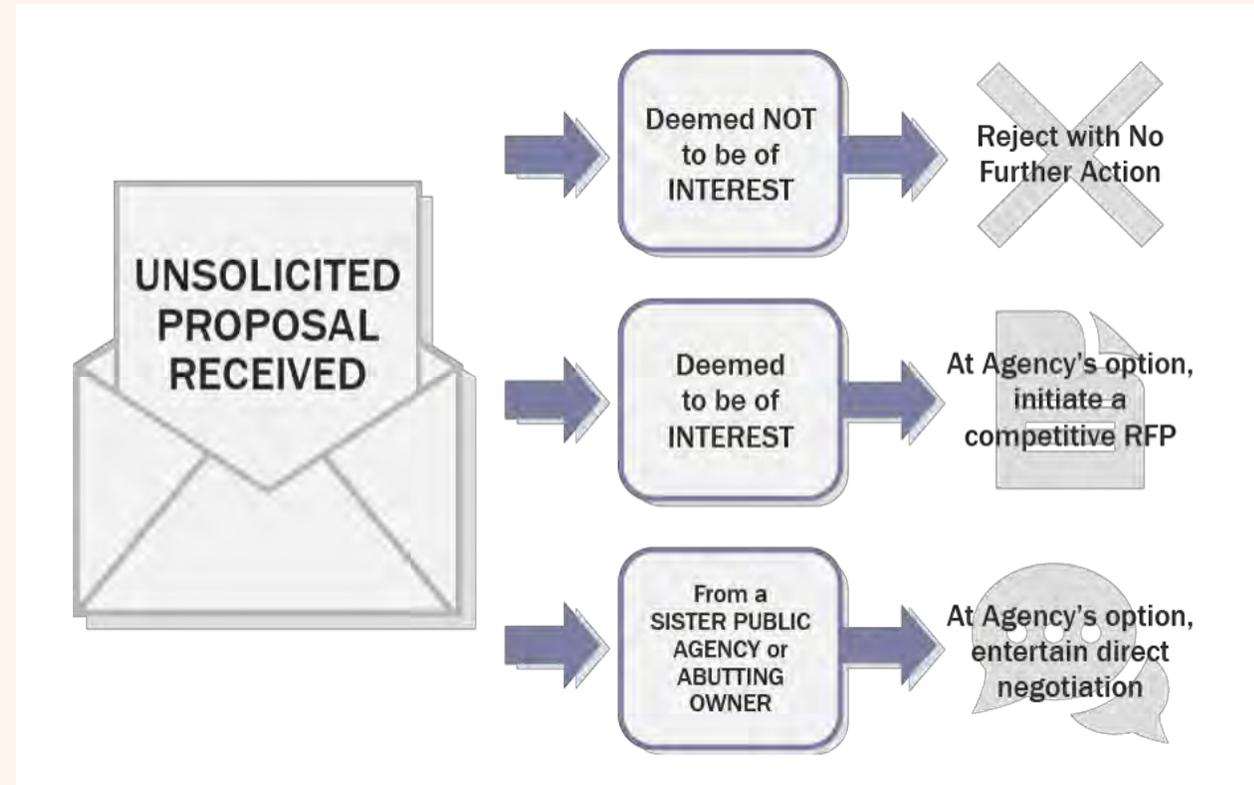
# Choosing a Developer: Public Policy

## ***Unsolicited Proposals:***

- After unsolicited proposals, best practice is to pursue such projects, if at all, via competitive solicitation. Exceptions: sister agencies and uniquely situated abutters.

## ***Method of Conveyance:***

- Best practice is a strong and explicit preference for long-term lease over sale.





# Choosing a Developer: Getting it Right

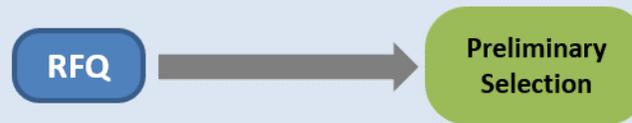
- Which **solicitation format** will enable an informed choice without driving away good developers?
- Find the **sweet spot** between flexibility and prescriptiveness—between “must-haves” and opportunities for creativity.
- Use a **multi-criterion best value** selection—not simple “high bid”.

## Two-Step RFQ/RFP



- Provides the agency with the most information prior to selection
- Defers proponents’ heavy cost and effort until short-listed
- Most costly and time-consuming

## One-Step RFQ



- Reduces cost and time prior to selection
- Selection precedes program and financial details; terms not set by competition
- Requires longer and more complex negotiation with greater risk of no deal

## One-Step RFP



- Reduces cost and time prior to selection
- Should include a Statement of Qualifications as part of proposal
- May include a Best and Final Offer
- Proposed program and financial terms known prior to selection



# The Joint Development Agreement

## *The JDA: blueprint for project execution*

- Sets the terms of the real estate closing, the process to get there, and the events to follow.
- Negotiated, the lease or deed, in an Exclusive Negotiating Period after developer selection.
- A pivotal moment in a joint development project—keep it moving, get it right.

## Joint Development Agreement Contents

**The Project: Substantive and Business Terms**

**Process from JDA to Closing**

**Closing Conditions and Deadline**

**After the Closing: Building the Project**

**Durable Governance Framework**



# Some Key Project Execution Issues

## *In the JDA and subsequent implementation:*

- **Design review:** should reflect proximity to transit and cover, *at minimum*, operations, safety, accessibility, and consistency with the JDA plan.
- **Construction oversight:** maintain an Adjacent Construction Manual for building next to transit facilities, to be applied in site-specific plans.
- **Long-term contractual benefits:** requires an on-going commitment to monitor and enforce.
- **Future phases:** must be structured to prevent the developer from “sitting on” development rights.



Capitol Hill Joint Development (Sound Transit)

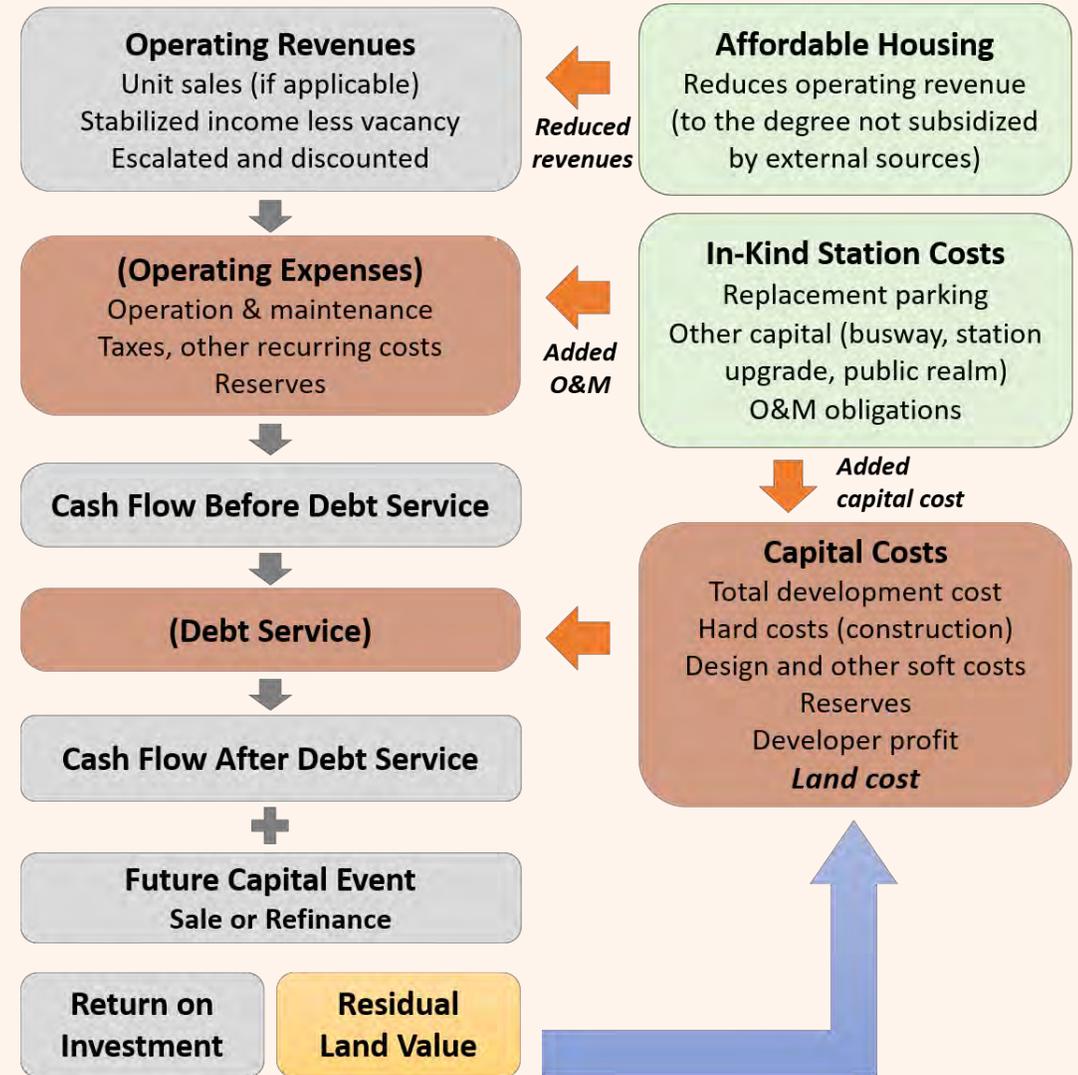


# Agency Financial Return

***An agency's assessment of financial return depends on how they define it at the outset.***

- It is broader than lease or sale payments—it's the “business case” for the project.
- It should recognize in-kind developer obligations; downstream participation in project revenues; and net new farebox revenues from the project.
- Fair market value of the site should be defined as its ***residual land value***—what a developer can pay when ***all*** project costs are recognized.

## ***Residual Land Value***





# Parking and JD

***The economic and land use impacts of parking arise from both park & ride and the development.***

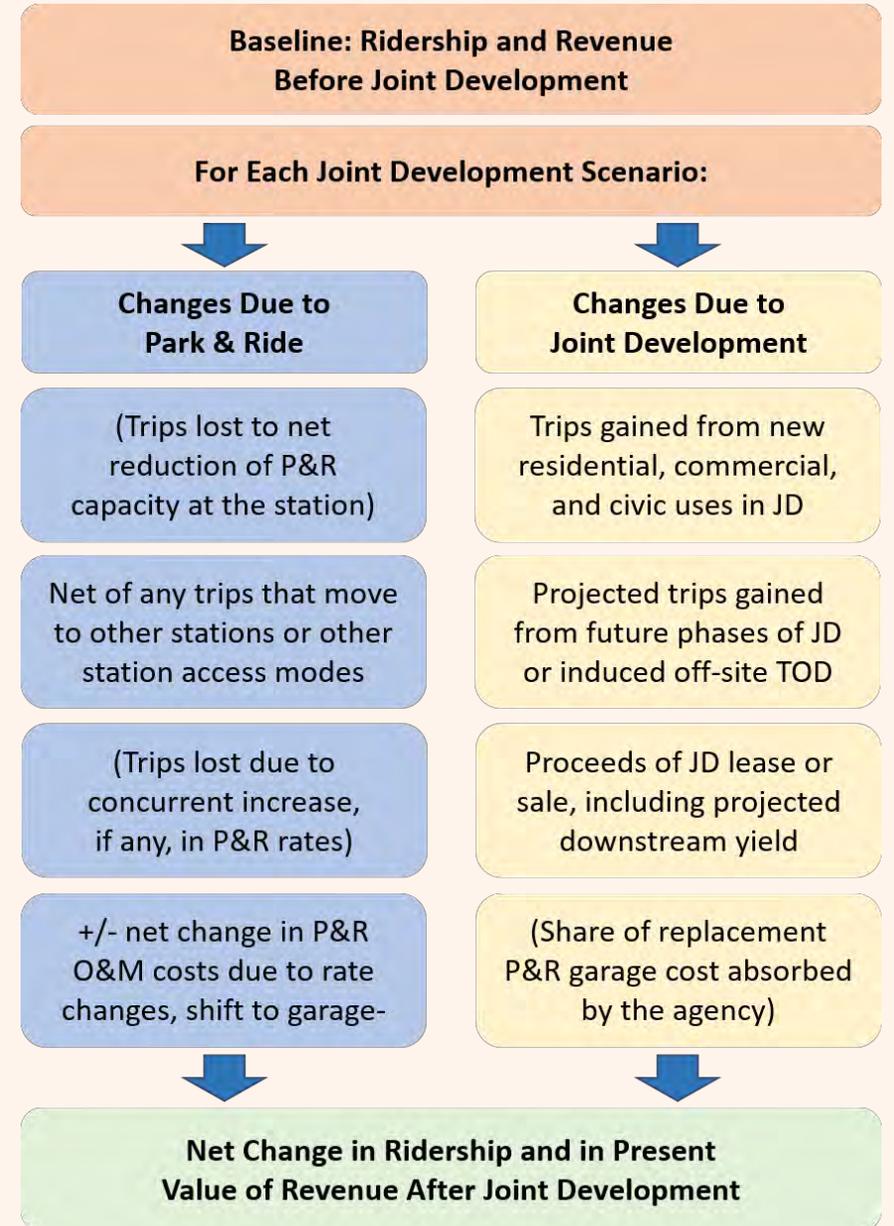
## ***Park & Ride:***

- Do not assume 1:1 replacement.
- Use a case-by-case, all-in analysis, which could result in substantial reduction or elimination at a given site.

## ***Development:***

- To the degree consistent with zoning (or anticipated relief), establish parking ratios and shared parking allowances that reflect a mixed-use transit setting.

## ***Park & Ride Replacement Analysis***





# Affordable Housing and Joint Development

***In regions with housing cost issues, JD should help advance affordability.***

- ***Inclusionary policy.*** This *may* be appropriate, but not in every case. (There may also be an applicable inclusionary policy in the local jurisdiction.)
- ***Land value.*** Agencies may discount land value to support affordable units, either as explicit policy or by factoring affordability costs into the appraisal.
- ***Help from state, local, and non-profit partners.*** Line up support prior to developer solicitation.
- ***Parking.*** No more than needed—developers agree.



**Eastside Village, Plano, TX (DART)**

# *The Joint Development Horizon*





# Hub Stations & Transit Centers

- A JD opportunity for transit agencies of all types and sizes.
- May involve complex ownership and operational patterns.
- In pioneering markets, seek institutional tenants that need transit.
- The key: create a *place*, not merely a *node*.



Denver Union Station  
Denver Regional Transportation District



Holyoke (MA) Transportation Center  
Pioneer Valley Transit Authority



# Sister Land Owning Agencies

***A versatile strategy for transit agencies of all sizes. For street-running bus, light rail, and streetcar systems, a path to JD.***

- Work flexibly and opportunistically with city, county, or other jurisdictions.
- Combine adjacent holdings; issue joint RFPs; let local government act as developer or agent.
- Obtain right-of-way donations from agencies whose land is enhanced by new transit.



**Allianz Field and Superblock  
Metro Transit and City of St. Paul**



# Adjacent Private Land Owners

***An emerging model: an off-site adjacent developer funds an infill station, replacement station, or major station improvements.***

- The developer agrees because the market location is “hot”—but for high-capacity transit.
- If the developer contribution is partial, require that it be the “first money in”, enabling pre-construction steps to advance.
- If advantageous, negotiate for the developer to design and/or build the station, under agency supervision and to agency standards.



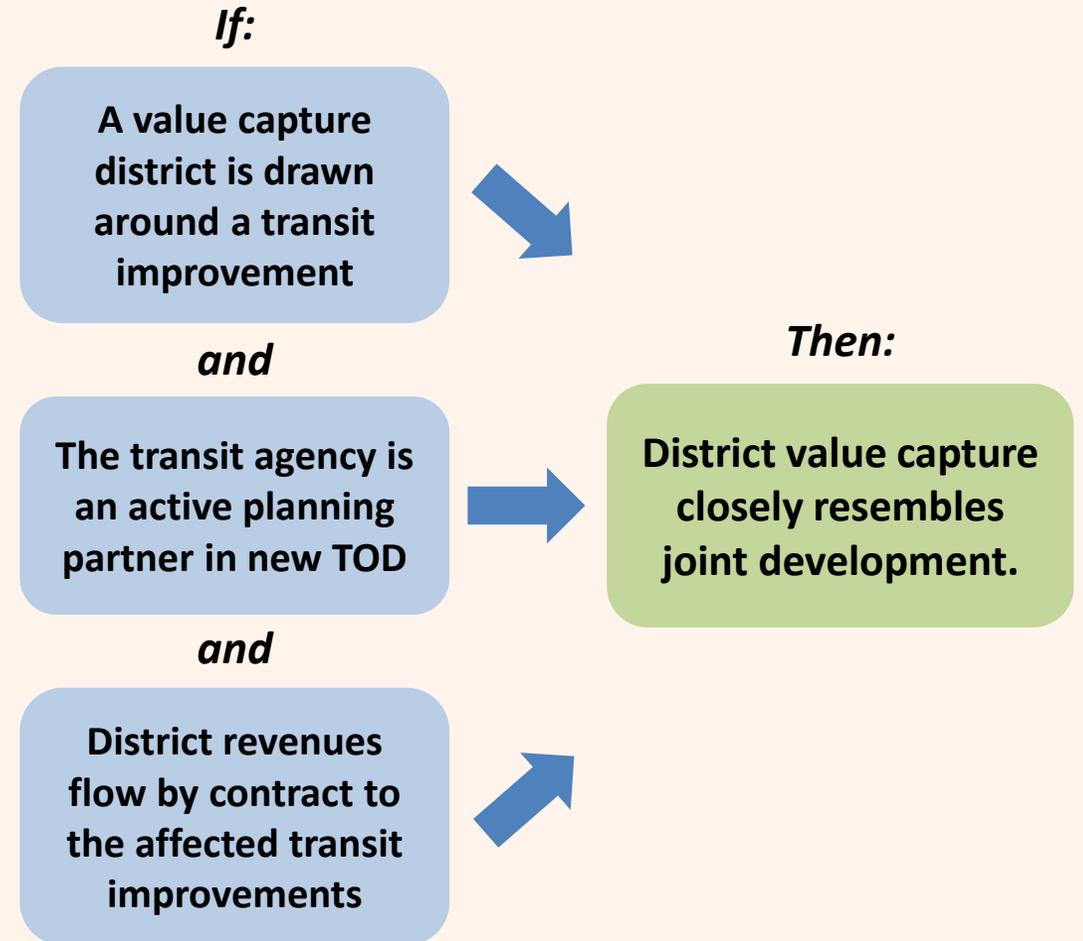
**Assembly Row (Somerville, MA)  
MBTA and Federal Realty Investment Trust**



# District Value Capture

***District value capture includes tax increment financing and special assessment districts. In general, district value capture and JD are different concepts. However:***

- In the circumstances shown here, a value capture transaction that directly funds transit improvements closely resembles JD.
- The *Guide* identifies numerous examples across the US of district value capture applications that meet this description.





# New and Extended Corridors

***For agencies planning system expansion, a new or extended corridor is a JD opportunity from the outset of the planning process.***

- Station location, orientation, access and garage placement should anticipate and facilitate JD.
- Consistent with its enabling act, the agency should locate and acquire construction staging sites or surface P&R lots with future JD in mind.
- Evaluate partial versus full takings strategically; minimal taking is not always most advantageous.



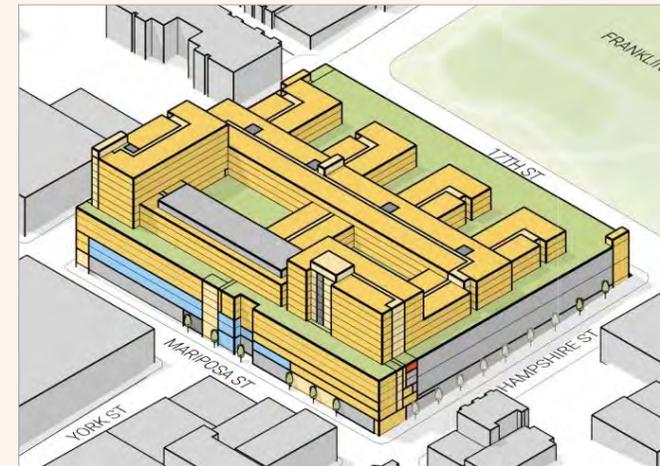
**Sound Transit's Future Federal Way Station  
Preliminary Design Concept**



# Non-Station Assets

## *Joint development opportunities can arise at non-station facilities.*

- Yard & shop facilities; express bus or carpool lots; agency HQ or transit police stations in valuable real estate locations.
- In some cases, the facilities can be relocated, freeing up an emerging development site.
- In others, new facilities may be delivered as part of a JD project or a P3 with JD.
- Projects near rail or bus stops can be TOD.



**Potrero Yard Modernization Plan  
With multi-family housing  
San Francisco Muni**

# Conclusion: Five Takeaways

1. Organize for success: leadership, coordination, specialized skills, government outreach, a policy.
2. Make JD intentionally transit-oriented, working with TOD developers and progressive local jurisdictions.
3. Understand how land value, financial return, parking, and affordable housing are related.
4. Exploit real-world know-how by adapting the *Guide's* Best Practices to your unique conditions.
5. JD is not limited to transit land at existing rail stations in large systems. Seek opportunities in new business models, new partnerships, new stations.



# The Study Team

## ***TCRP H-57: A Guide to Joint Development for Public Transit Agencies***

***Sponsor: the Transportation Research Board of the National Academies of Sciences, Engineering, and Medicine***

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