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A Guide to Joint Development for Public Transportation Agencies

September 2, 2021

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APA Credits

This webinar is worth 1.5 AICP credits
through the American Planning Association

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Learning Objectives

1. Identify how to use the guide to encourage joint development
2. Describe current practices of joint development

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Guide to Joint Development for Public Transportation Agencies

TCRP Research Report 224

September 2, 2021

The National Academies of
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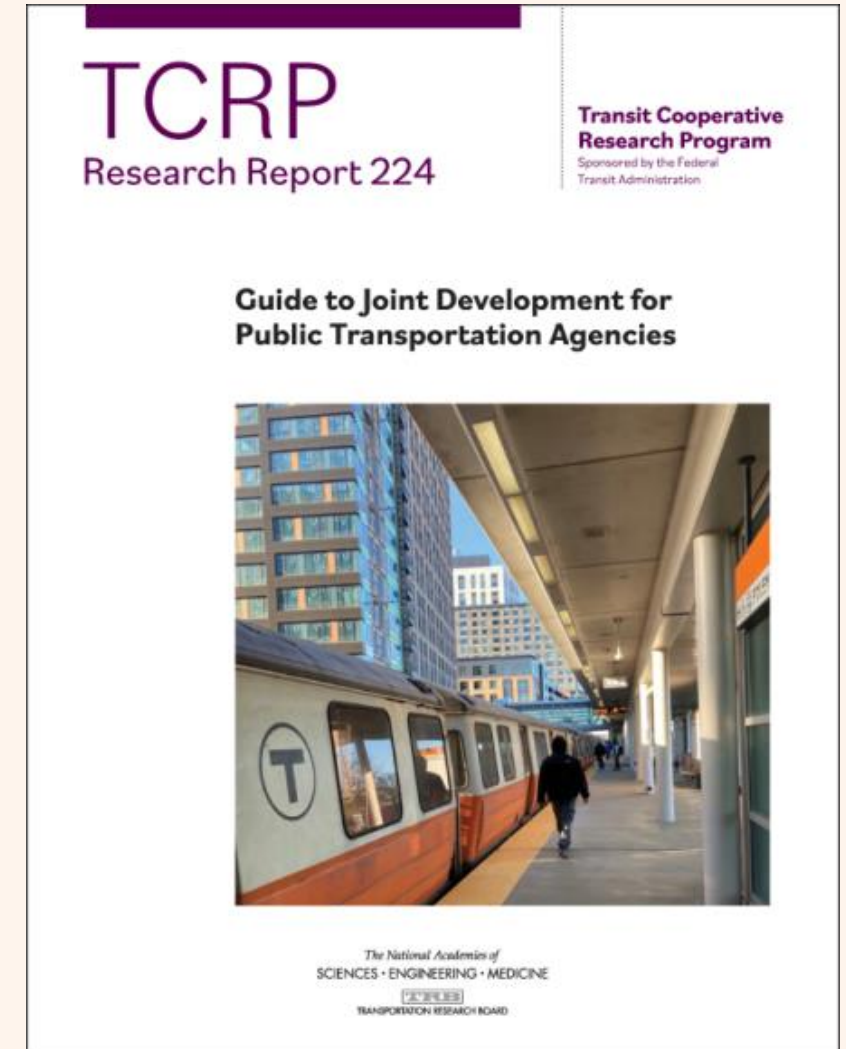
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Purpose of the Guide

To expand the successful practice of joint development through:

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



The Research Effort

32 transit agencies

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

18 local government entities

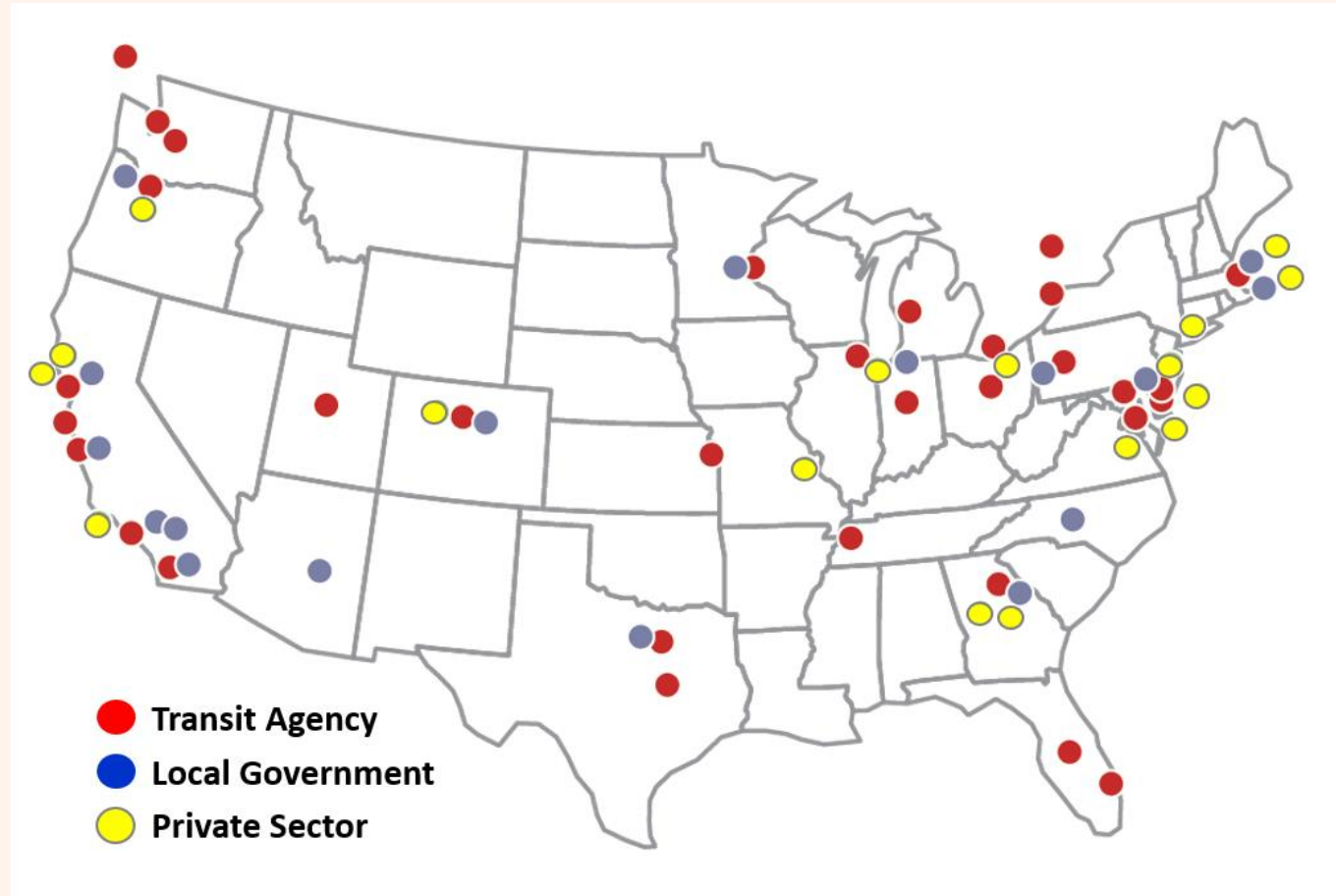
- Municipal, county, and regional

17 developers, lenders, investors

- Markets sectors; for-profit/non-profit

An extensive literature review

A web-only volume of 9 Appendices



Agenda

- Joint development: a definition and framework
- How the *Guide* is organized—what you'll find inside
- Some real-world best practices
- Joint development economics
- The expanding horizon of JD opportunities

MBTA Ashmont Station Joint
Development (Dorchester, MA)



Avalon Apartments (MTA
Metro-North, Harrison, NY)



Definition and Framework

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Defining Joint Development

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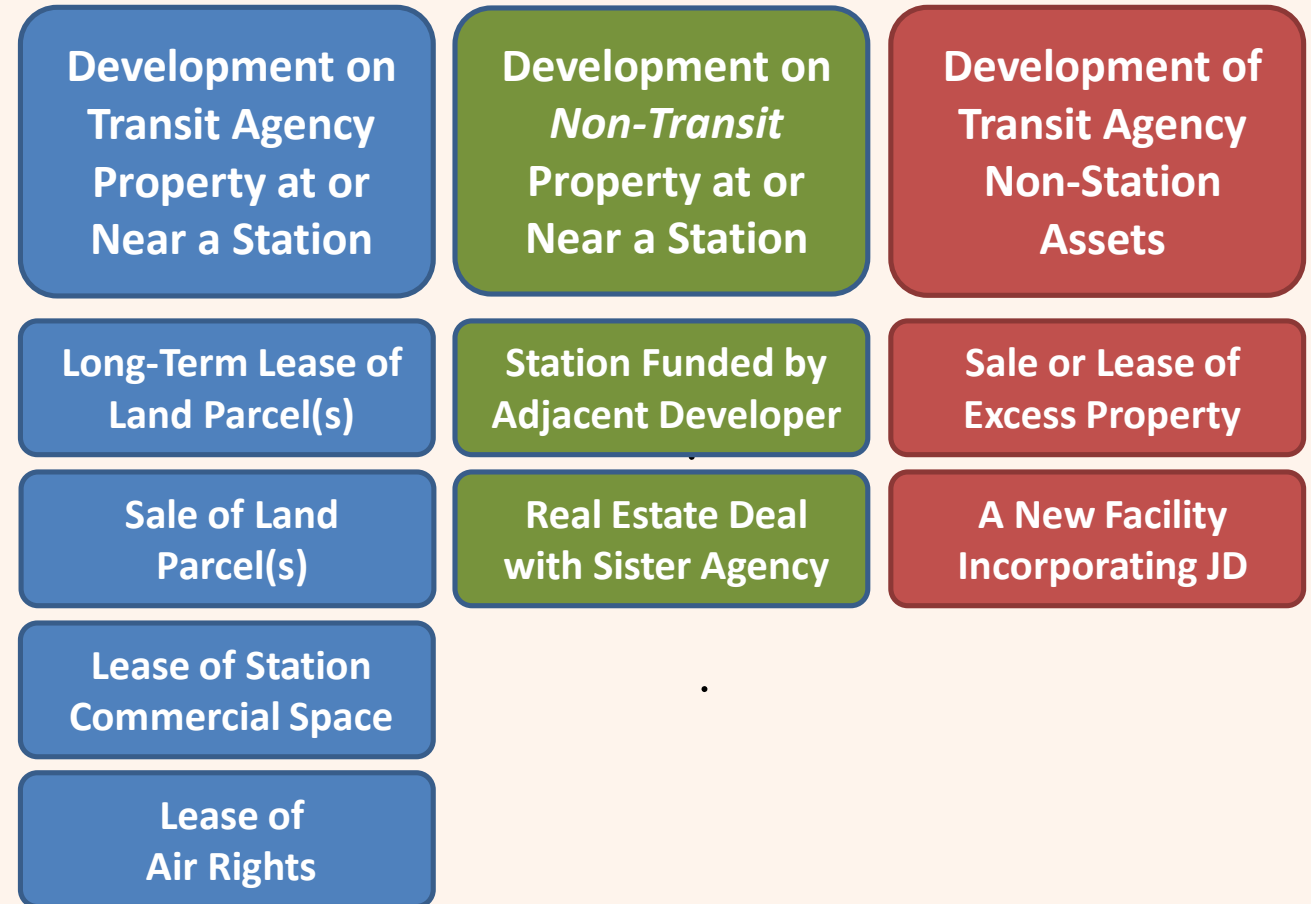
*Joint development is **physically or functionally related** to a transit facility and often involves the coordinated improvement of a transit facility and the affected real property.*

*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.

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

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

Joint Development and TOD

- A foundational principle: joint development should be ***transit-oriented***, not merely ***transit-adjacent***.
- Transit-oriented outcomes are ***achieved*** through intentional policies, not assumed.
- You have allies: TOD developers, progressive local jurisdictions, people who value walkable, mixed-use communities.

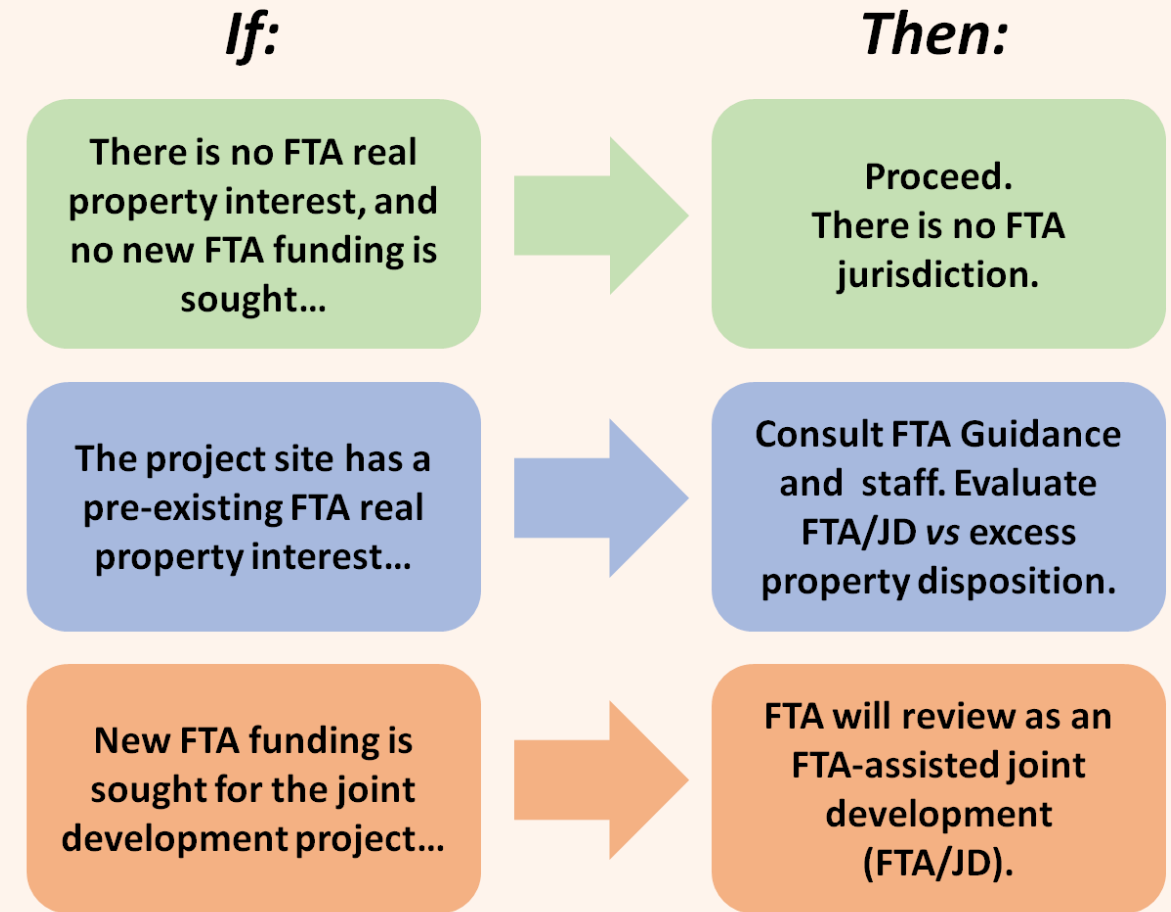


Charlotte Lynx Blue Line

Joint Development and FTA

- FTA jurisdiction applies only to a subset of US joint development.
- If applicable, evaluate “FTA-Assisted JD” vs “disposition of excess property”.
- New corridors or extensions are prime opportunities for FTA-assisted JD.

(Coming soon: TRB Legal Research Digest 56—Joint Development Agreements Using FTA Funds or FTA-Funded Assets)



How the Guide is Organized

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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.

Some Recommended Best Practices

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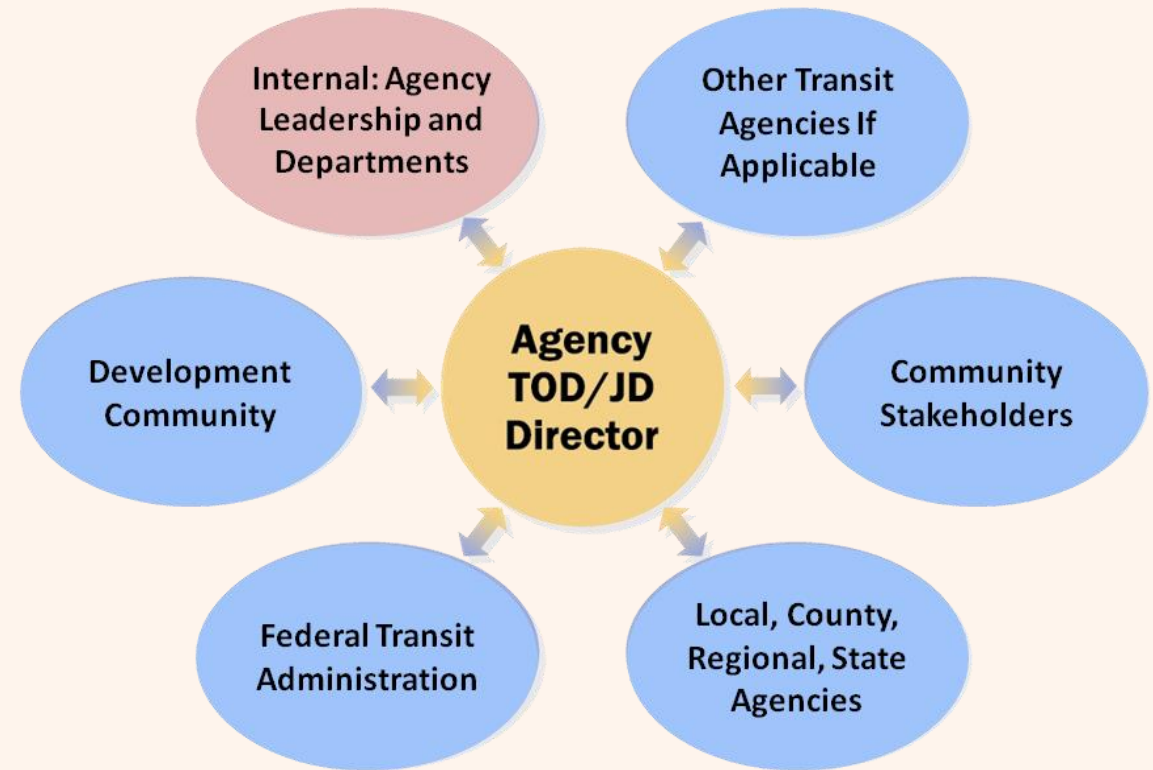




Organizing for Success

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, inter-connected 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 and development program.
- Define the developer's roles and responsibilities—what do they ***design? build? operate & maintain? pay for?***
- Work with local government ***now*** to align zoning, infrastructure, and gap financing.



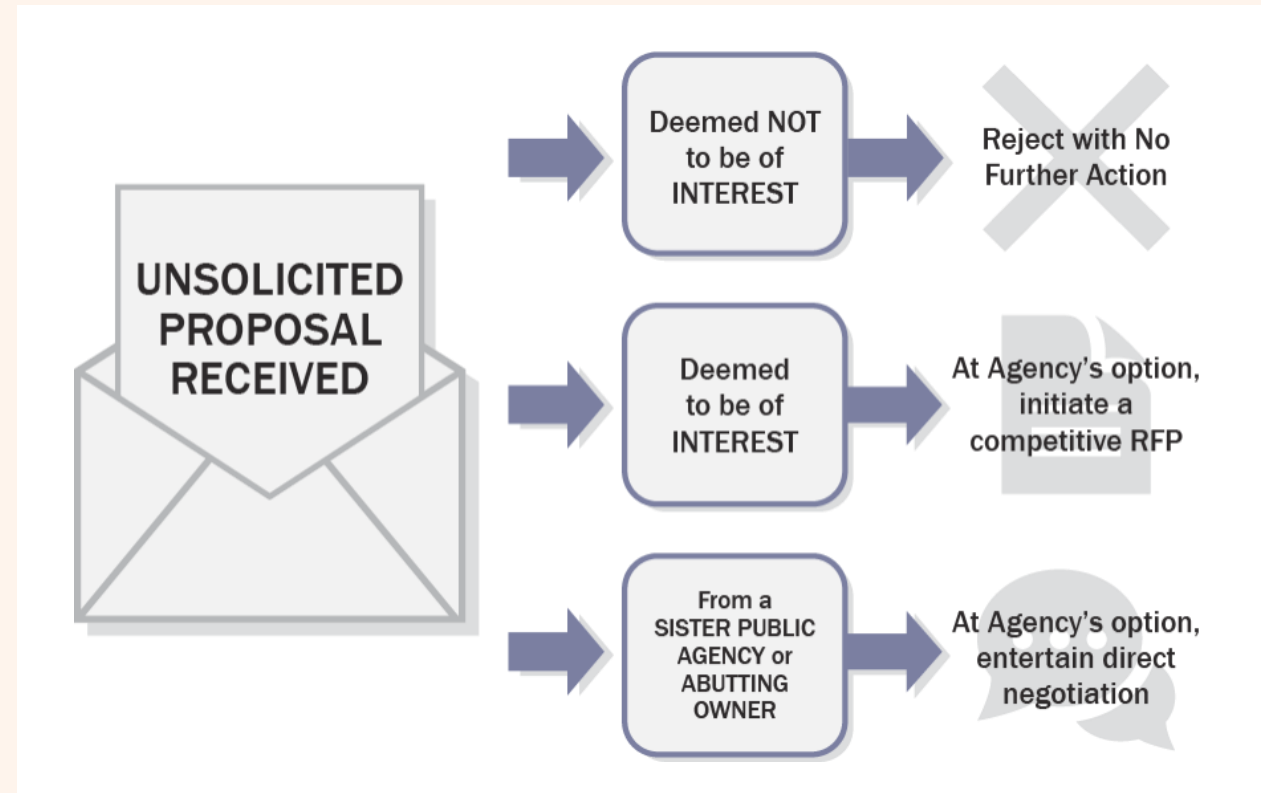
Choosing a Developer: Public Policy

Unsolicited Proposals:

- Best practice: pursue such projects, if at all, via competitive solicitation. Exception: sister agency or uniquely situated abutters.

Method of Conveyance:

- Best practice: an explicit preference for long-term lease or equity stake over sale.





Choosing a Developer: Getting it Right

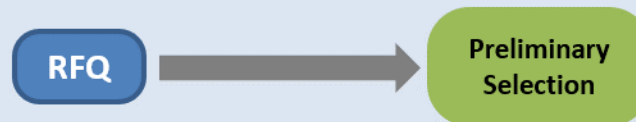
- Which **solicitation format** will enable an informed choice without driving away good developers?
- Find the **sweet spot** between flexibility and prescriptiveness—between “must-haves” and opportunities for creativity.
- Use a **multi-criterion best value** selection—not simple “high bid”.

Two-Step RFQ/RFP



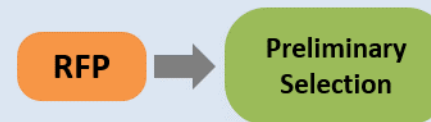
- Provides the agency with the most information prior to selection
- Defers proponents’ heavy cost and effort until short-listed
- Most costly and time-consuming

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 follow-on agreements:

- **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)

Joint Development Economics

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Agency Financial Return

An agency's assessment of "acceptable financial return" should be defined at the project's outset.

- It's broader than lease or sale payments—it's the "business case" for the project relative to overall agency financial goals and market conditions.
- 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.
- Early board buy-in on financial return goals is essential.

Why undertake joint development?

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.



Why Residual Land Value

Residual land value reflects the true costs of joint development

- Developers evaluate what they can afford to pay for land based on total project revenues minus all project costs. What is left is the highest amount the developer thinks they can pay for the land.
- Joint development projects can include many extra project costs i.e., **affordable housing, replacement parking, other transit related costs such as a station or station improvements, public space for transit riders; ongoing operation and maintenance costs.**

Residual Land Value

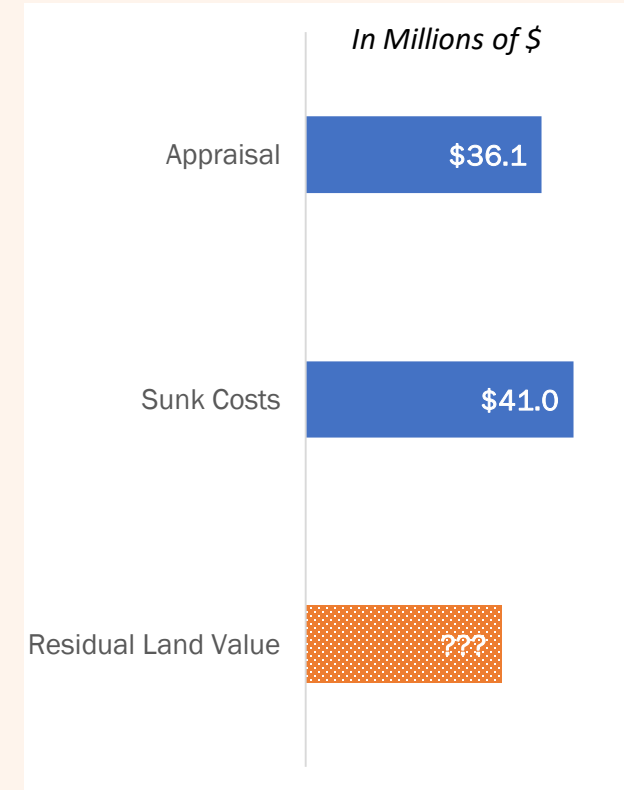




Residual Land Value vs Appraisal

Public agencies often conflate “fair market value” with appraised land value

- Residual land value reflects actual project costs and revenues. Joint development projects can have many unusual costs.
- Appraisal is more useful for valuing existing buildings relative to other similar buildings.
- Appraisals work best for existing buildings with standard construction costs and revenues. Elements:
 - Replacement costs
 - Comparable Properties
 - Net Operating Income / Income Cap Approach





Parking and JD

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

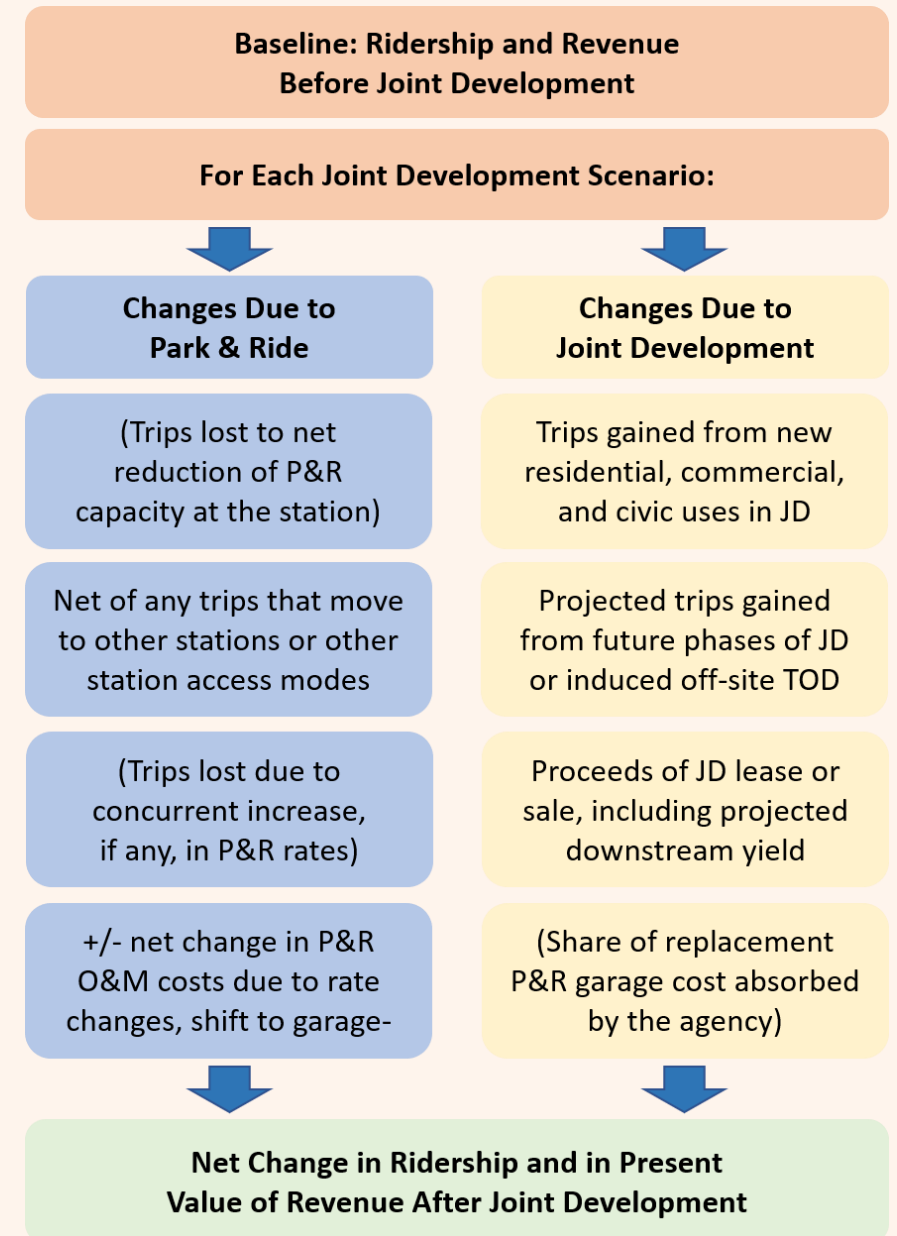
Park & Ride:

- Don't 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:

- Consistent with zoning (or anticipated relief), set parking ratios, shared parking formulas, and transit pass programs that reflect a mixed-use TOD setting.

Park & Ride Replacement Analysis





Affordable Housing and Joint Development

In regions with high housing costs, 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.
- ***Financing from state, local, and non-profit partners.*** Line up support prior to developer solicitation.
- ***Parking.*** No more than needed—developers will agree!



Eastside Village, Plano, TX (DART)

Joint Development: an Expanding Horizon

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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 value transit.
- 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 land owning 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.
- Make the developer contribution the “first money in”, funding the pre-construction steps.
- Consider having the developer design and/or build the station (under agency supervision and to agency standards).



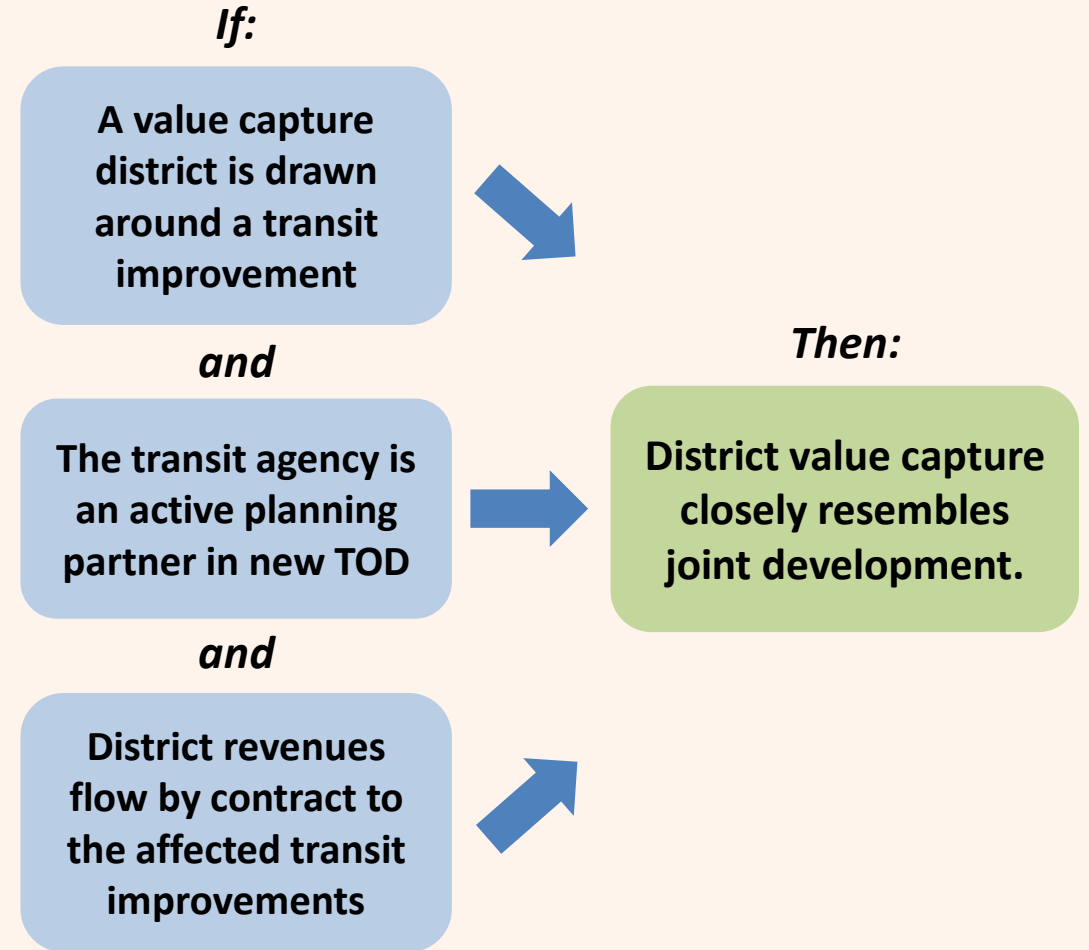
**Assembly Row (Somerville, MA)
MBTA and Federal Realty Investment Trust**



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:

- A value capture transaction that directly funds a transit project closely resembles JD.
- The *Guide* identifies many US examples.





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 assemble 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.



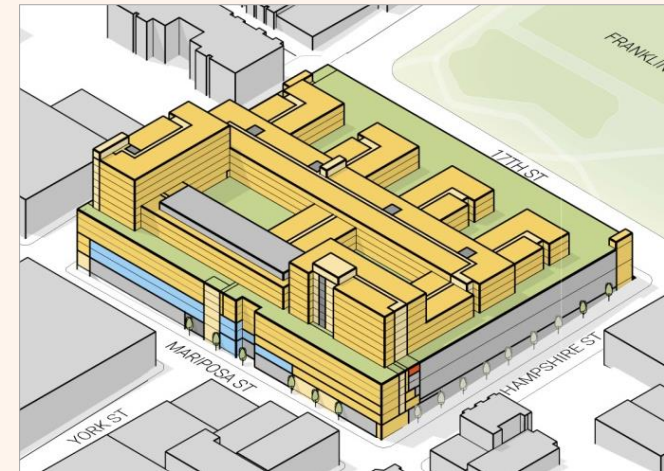
**Sound Transit's Future Federal Way Station
Preliminary Design Concept**



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 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**

Five Takeaways

1. Organize for success: leadership, coordination, stakeholder outreach, specialized skills, a published policy.
2. Make JD intentionally transit-oriented, working with TOD developers and progressive local jurisdictions.
3. Master the nexus of land value, financial return, parking, and affordable housing.
4. Exploit real-world know-how by adapting the *Guide's* Best Practices to your unique conditions.
5. JD is not limited to transit agency 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

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Guide to Joint Development for Public Transportation Agencies (TRB Research Report 224)

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The full volume of Appendices (TRB Web-Only Document 73)

<https://www.nap.edu/catalog/26194/guide-to-joint-development-for-public-transportation-agencies-appendices>

Long and Short PowerPoint Presentations

http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_224Long.pdf

http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_224Short.pdf

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Today's Panelists



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