



*Rendering of Lake Merritt TOD
Source: Strada, EBALDC*

▶ Transit-Oriented Development Policy – Affordable Housing Update

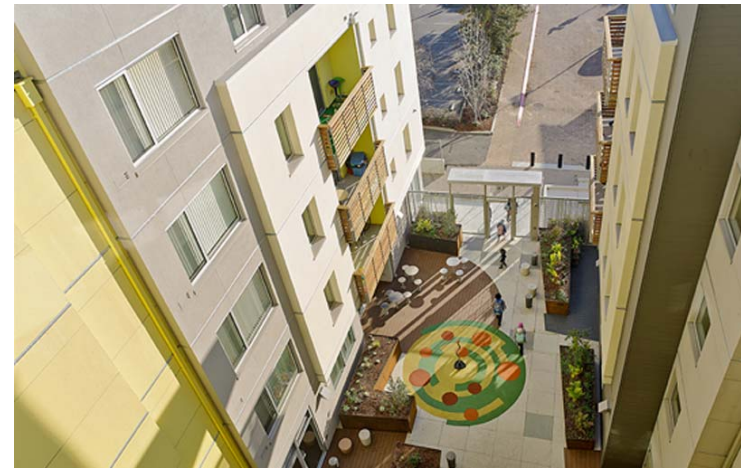
BART Board of Directors

March 12, 2020



Transit-Oriented Development Policy: *Presentation Overview*

- Board Workshop Recap
- Proposed Policy Change and Framework
- Possible Impacts
- Discussion

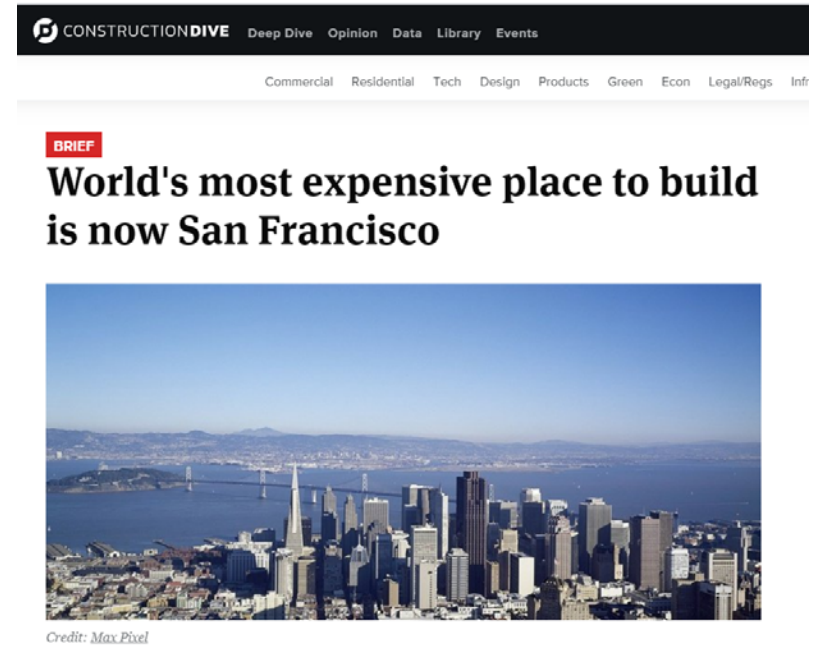


TOD Policy Goals

- 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.

Why Consider Affordable Housing Changes Now?

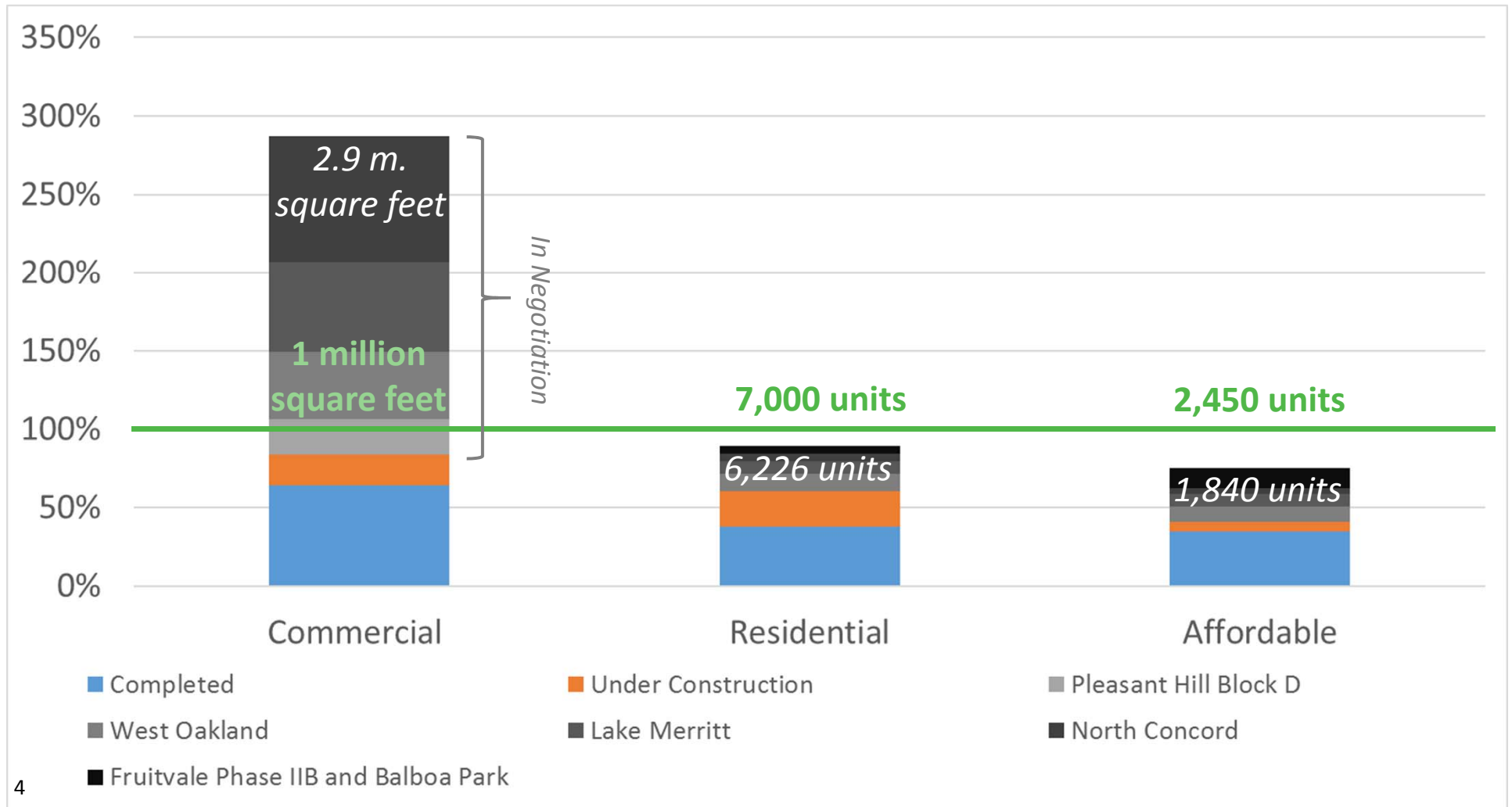
- Affordable housing crisis and BART shortfall in housing production
- Land and construction cost escalations making projects difficult to build
- Clarify Board guidance around financial negotiations for TOD: Where are our priorities?



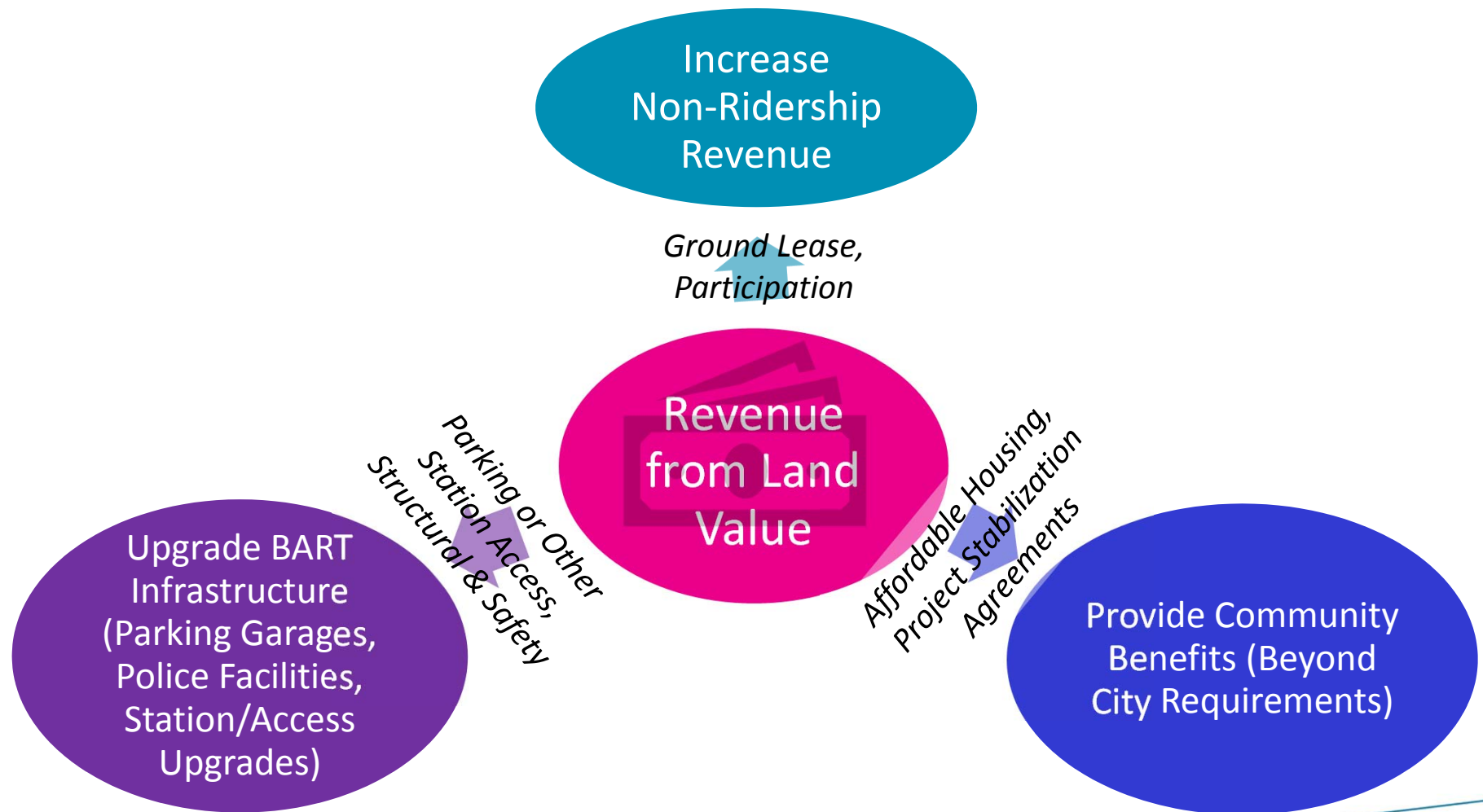
Source: [Construction Dive](#), Turner & Townsend, 2019

TOD Performance Targets - Evaluation

Current BART TOD Program Progress Toward 2025 Goal

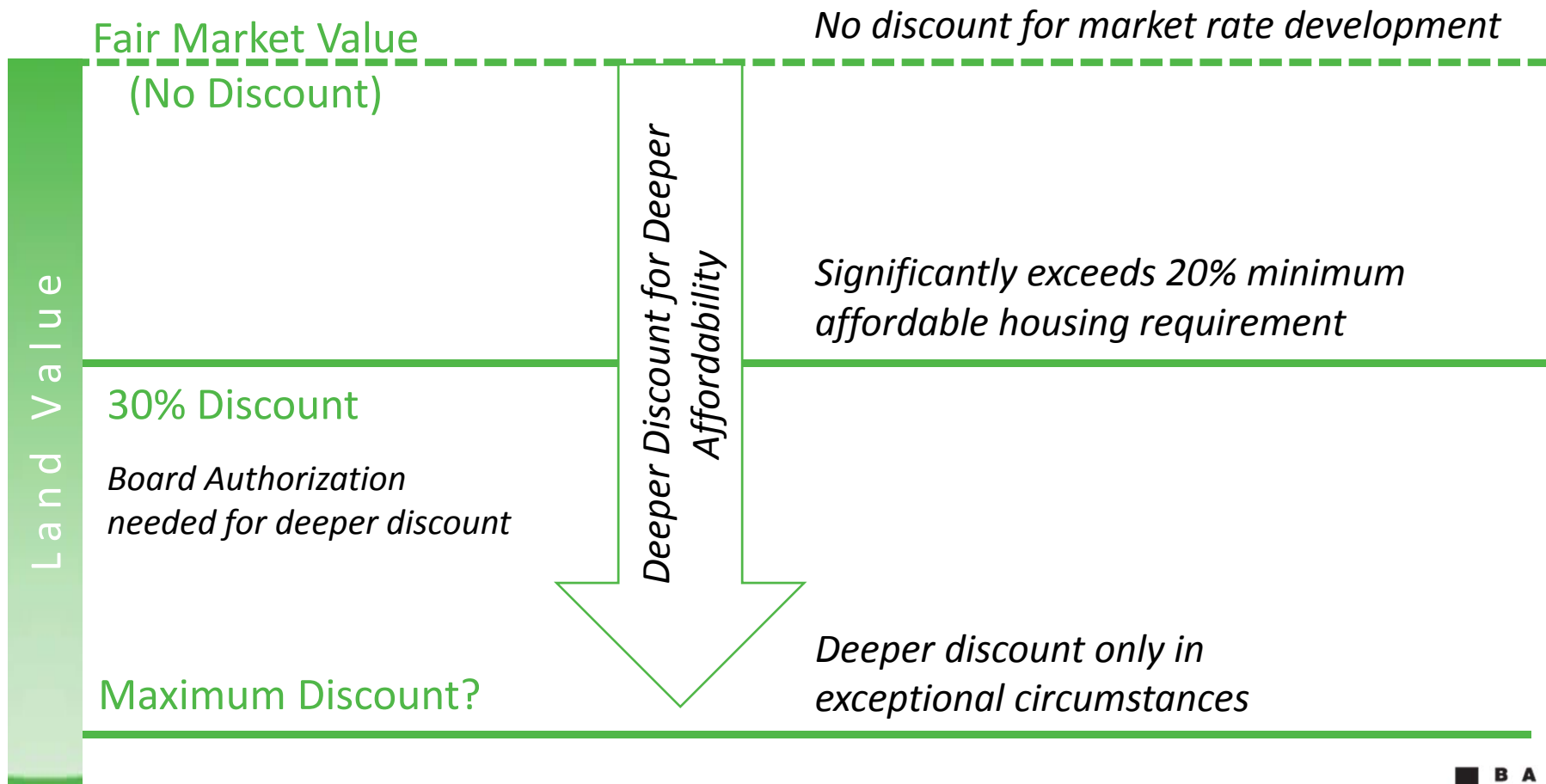


Why Consider Affordable Housing Changes Now?



2020 Board Workshop Recap: Initial Concept

BART's Negotiating Terms



2020 Board Workshop Recap: Board Member Comments

- Tension between BART budget shortfalls and goal of creating inclusive, integrated TOD
- Want deeper understanding of TOD financial / ridership impacts
- Discount only for projects exceeding BART's 35% affordability goal
- Clarify what “affordable” means
- Create a framework offering certainty for when discount will be given, rather than arbitrary “cap” with no detail
- Consider “missing middle” - moderate incomes 80-120% of Area Median Income (“AMI”)
- Work with state to support BART housing through new budget, legislative opportunities

Proposed TOD Policy Changes

Two Proposed Changes to TOD Policy, and One Clarification

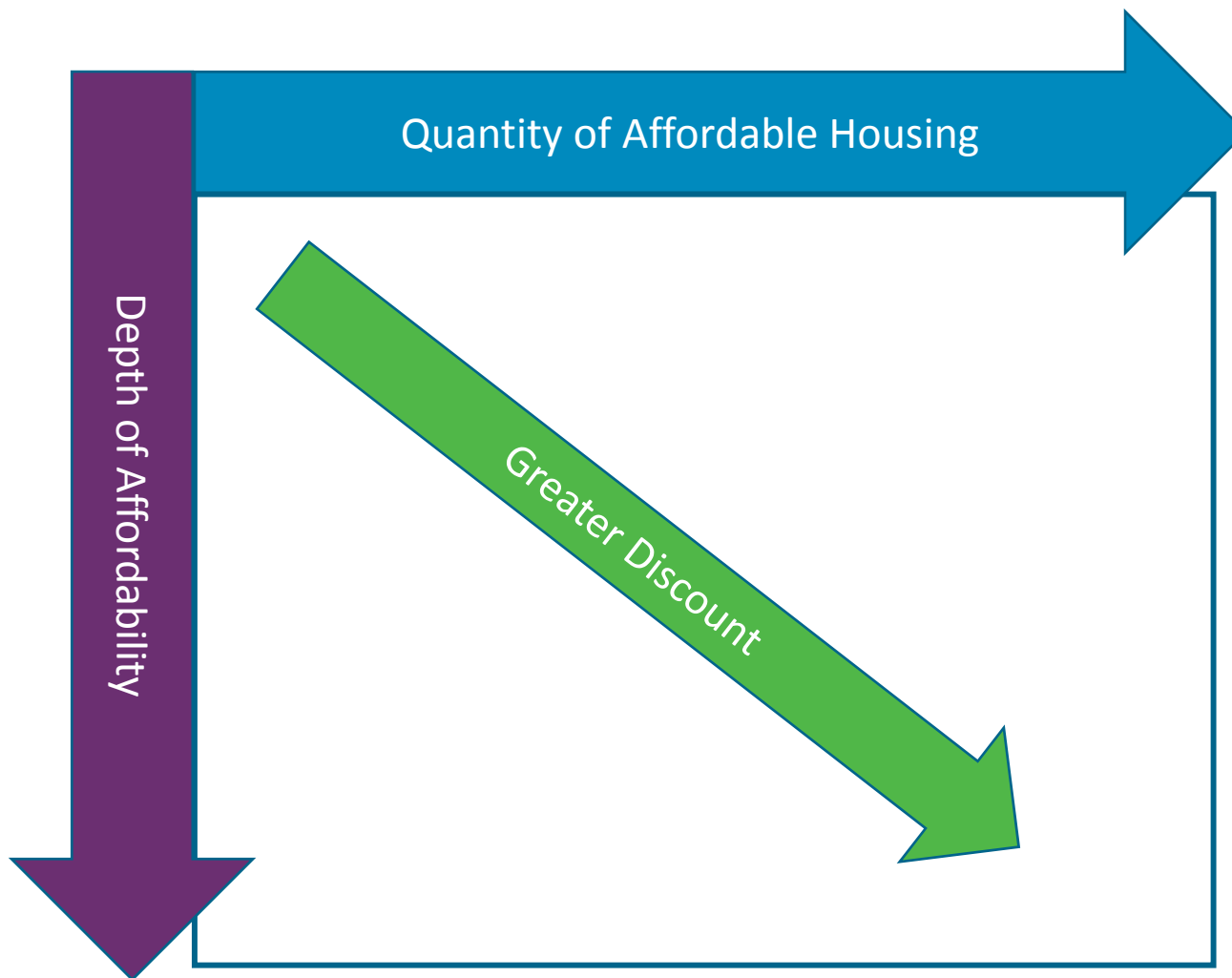
1. **Land discount** based on depth of incomes served, and demonstrated project need. Incentivize projects to support BART's 35% affordability goal.
2. Leverage BART's property with **meaningful, large-scale regional funding commitments** for housing and homelessness.
3. Clarify: **Ground lease terms of 75 years**, instead of 66 years, for affordable housing funded with tax credits.

Proposed Policy Change 1 – Framework for Affordable Housing Discount



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.**

Proposed Framework to Determine Affordable Housing Discount Level



Proposed Framework to Determine Affordable Housing Discount Level

		Quantity of Affordable Housing 	
		Less than 35% of Units Affordable	35% and above
Depth of Affordability 	Market Rate and Moderate		
	Affordable and Moderate		<i>Low Discount</i>
	Affordable - Mostly Low & Very Low		<i>Standard Discount</i>
	Deeply Affordable – Many Very & Extremely Low		<i>High Discount</i>

Proposed Framework to Determine Affordable Housing Discount Level

***Supportive Housing:**

Affordable units coupled with services for populations with special needs.

		Quantity of Affordable Housing	
		Less than 35% of Units Affordable	35% and above
Depth of Affordability	Market Rate and Moderate		
	Affordable and Moderate		<i>Low Discount</i>
	Affordable - Mostly Low & Very Low	<i>Projects with High Rise – eligible if 30% of units affordable</i>	<i>Standard Discount</i>
	Deeply Affordable – Many Very & Extremely Low	<i>Supportive Housing Only*</i>	<i>High Discount</i>

Proposed Framework to Determine Affordable Housing Discount Level

Average Income of Units as % Median (affordable portion only)		Quantity of Affordable Housing	
		Less than 35% of Units Affordable	35% and above
Depth of Affordability	Market Rate and Moderate (81% or more)		
	Affordable/Moderate (61-80%)		Low Discount
	Affordable – Mostly Low & Very Low (46-60%)	Projects with High Rise – eligible if 30% of units affordable	Standard Discount
	Deeply Affordable – Many Very & Extremely Low (45% or less)	Supportive Housing Only	High Discount

Proposed 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

Are these appropriate discount thresholds?

		Quantity of Affordable Housing 	
		Less than 35% of Units Affordable	35% and above
 Depth of Affordability	Market Rate and Moderate (81% or more)		
	Affordable/Moderate (61-80%)		Low Discount
	Affordable – Mostly Low & Very Low (46-60%)	Projects with High Rise – eligible if 30% of units affordable	Standard Discount
	Deeply Affordable – Many Very & Extremely Low (45% or less)	Supportive Housing Only	High Discount

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%
San Leandro	Completed	100%	47%
Fruitvale II-A	Completed	99%	45%
Castro Valley	Completed	100%	47%
Coliseum	Completed	50%	56%
MacArthur	Under Construction	17%	57%
Pleasant Hill	Under Construction	14%	50%

Background – Area Median Income Thresholds

Area Median Income for a 4-Person Household (2019)				
County	<i>Area Median Income (AMI)</i>	Extremely Low Income (30% AMI)	Very Low Income (50% AMI)	Low Income (80% AMI)
Alameda & Contra Costa	\$111,700	\$37,170	\$61,950	\$98,550
San Francisco	\$123,150	\$36,950	\$61,600	\$98,500

Affordable Rents for 4 Person Household (30% of Income)				
County	<i>Area Median Income (AMI)</i>	Extremely Low Income (30% AMI)	Very Low Income (50% AMI)	Low Income (80% AMI)
Alameda & Contra Costa	\$2,793	\$929	\$1,549	\$2,464
San Francisco	\$3,079	\$924	\$1,540	\$2,463

Proposed Framework to Determine Discount Level

Discount Threshold: Maximum possible land value discount BART is willing to provide (as a percentage of appraised value)

- Local funding gap of \$135,000-\$200,000/unit.
City/county resources to fill this gap are generally not adequate
- Estimated maximum discount would fill roughly $\frac{1}{4}$ of this gap – other local funding would still be provided
- Balance BART budget needs with regional housing needs by setting a cap to ensure some financial return from affordable housing

Proposed Framework: Other Conditions

- “But for” test: Project must exhaust all other possible sources of funding – third party review
- BART discount to count as project contribution
- Residual receipts: a share of remaining cash flow should go to BART
- If AHSC or IIG application: BART is priority for:
 - Transit passes/Clipper cash
 - Transportation improvements(Provided competitiveness for grants not diminished)

Proposed Policy Change 2 – Leverage BART's Property with Meaningful Regional Funding Commitments

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 regional, state, federal, and philanthropic/private 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 Policy Change 2 – Participate in Regionally Significant Partnerships to Address Homelessness



<https://bayareahousingforall.com/>



<https://www.baysfuture.org/>



Policy Clarification – Ground Lease Term of 75 Years for Affordable Housing with Tax Credits

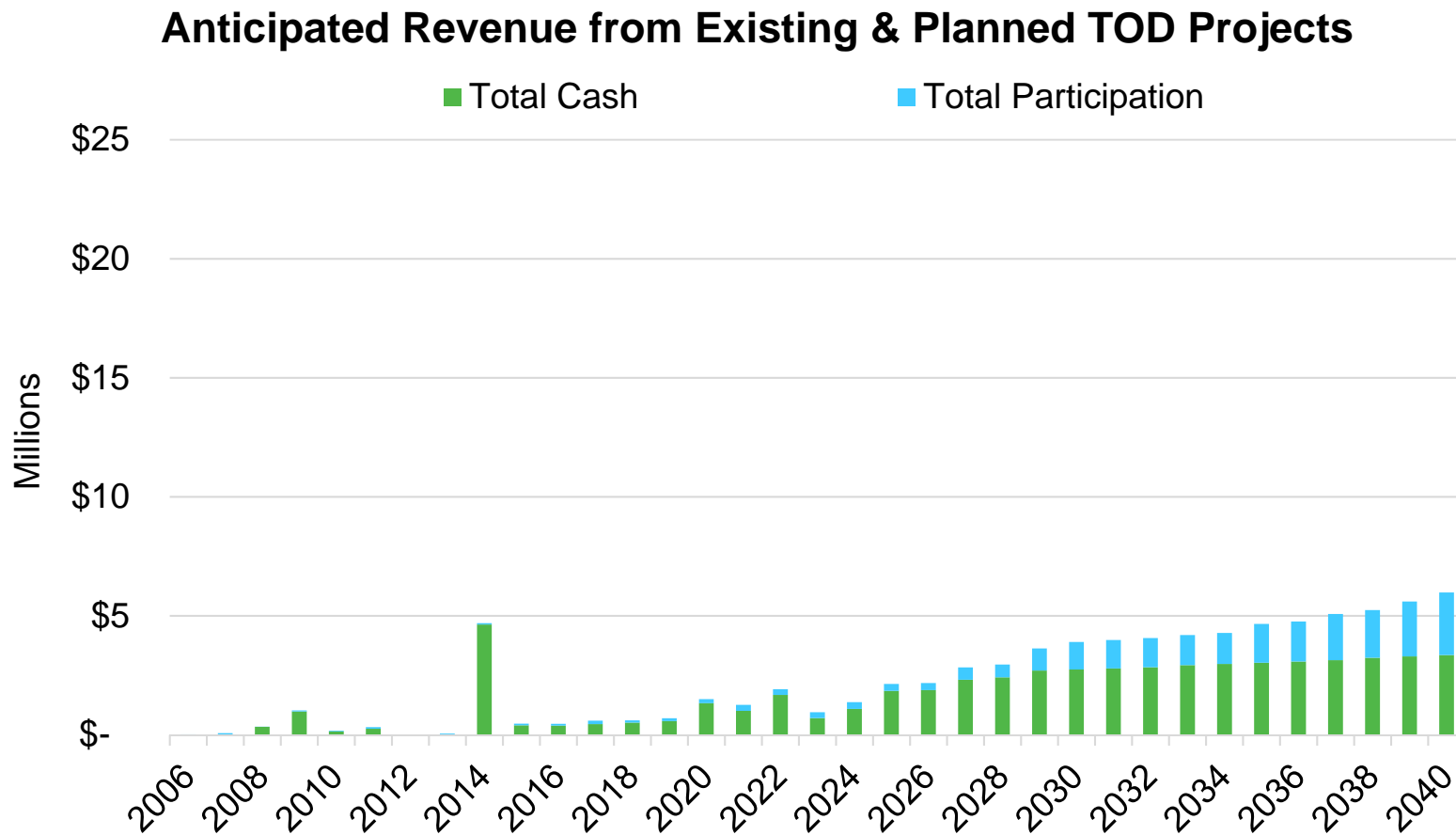
STRATEGIES

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.

Possible Impacts

Current BART Returns from TOD (From Board Workshop)

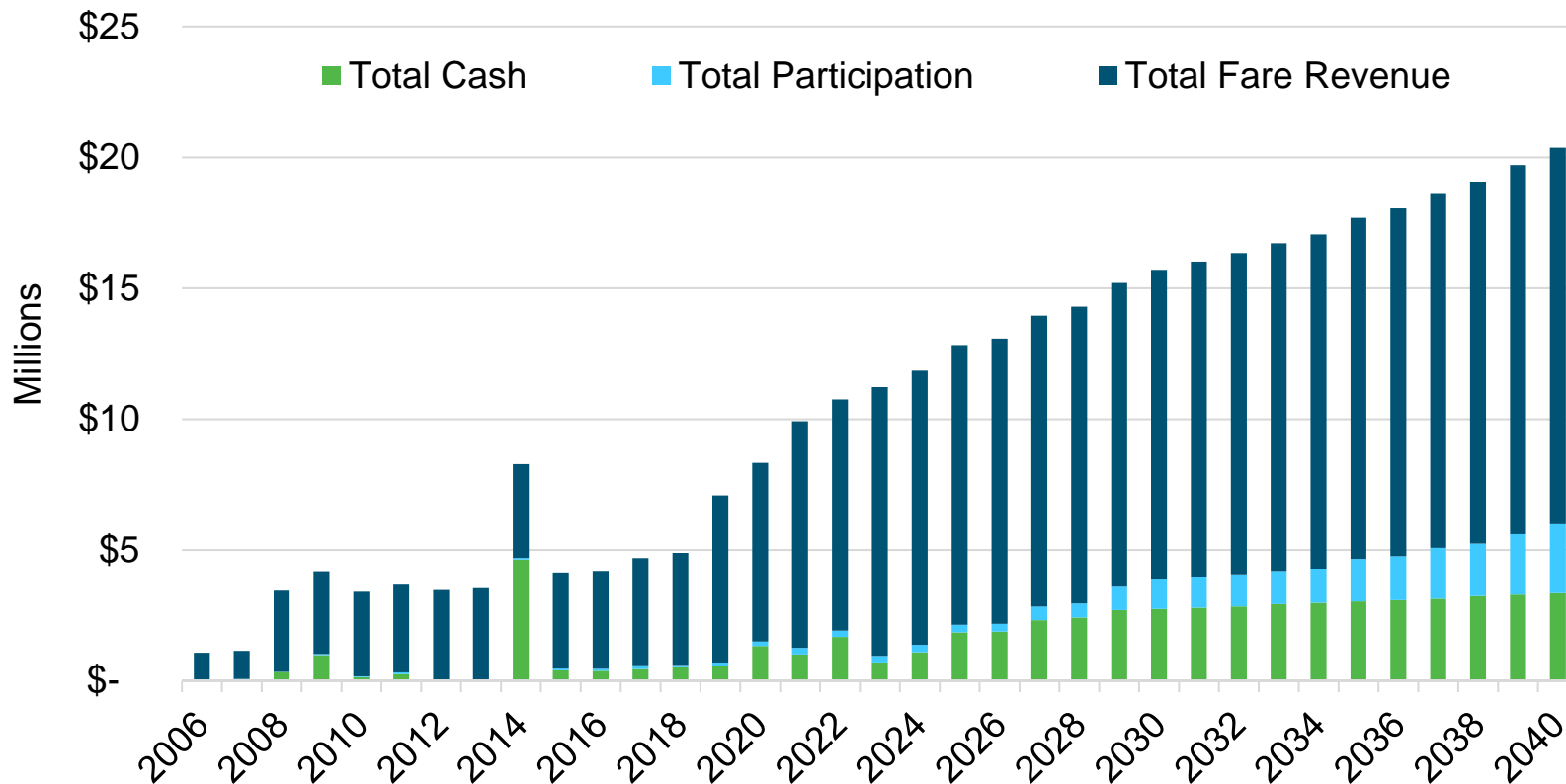


2020: \$1.3 million in ground lease revenue
\$167,000 in participation (estimate)



Current BART Returns from TOD with Ridership

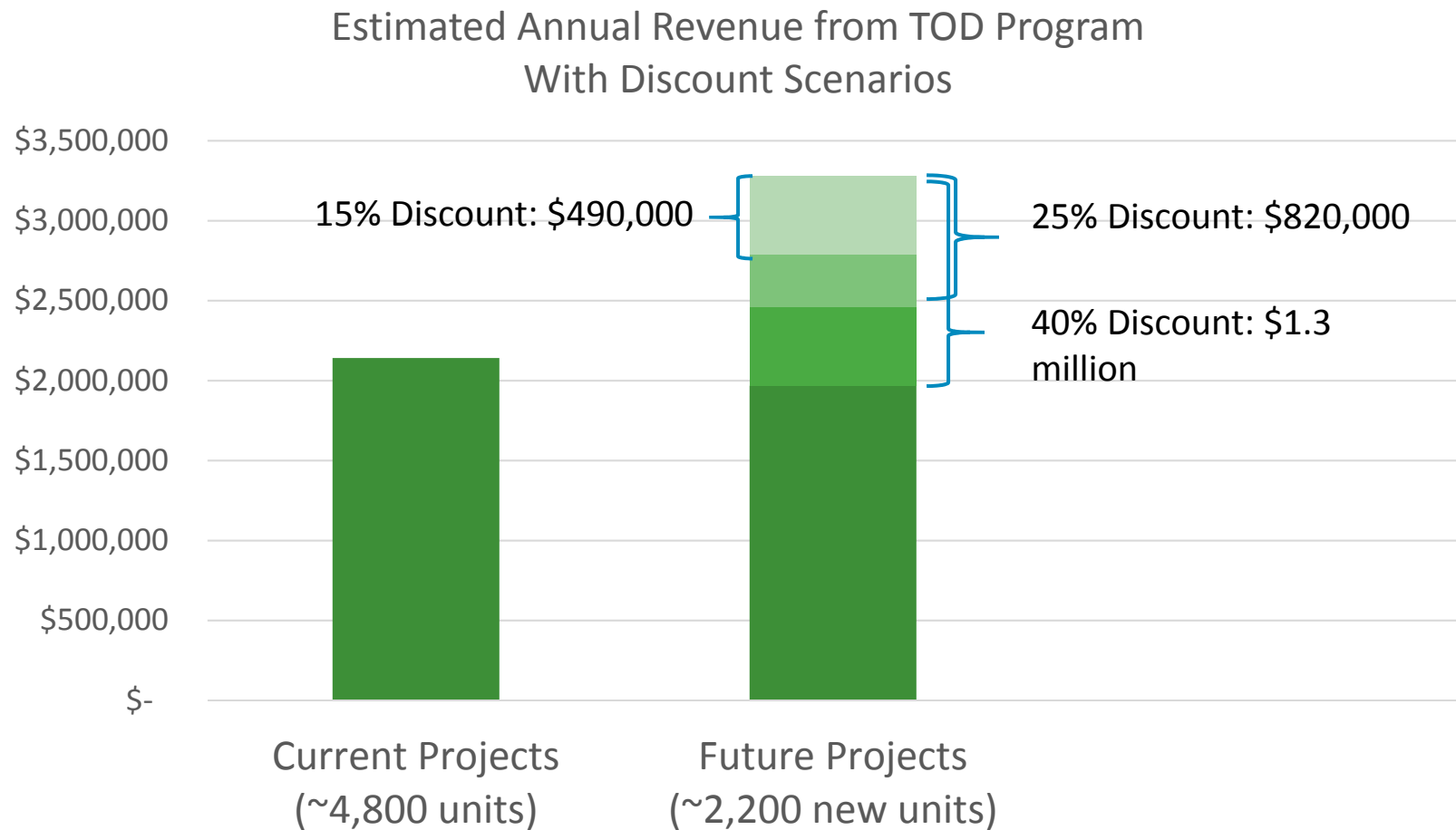
Anticipated Revenue from Existing & Planned TOD Projects



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



TOD Policy Changes: Estimated Foregone Annual Revenue - 2025



Board Adopted Goal: 7,000 housing units built by 2025

Please see assumptions on following slide

Does not include ridership / fare box revenue



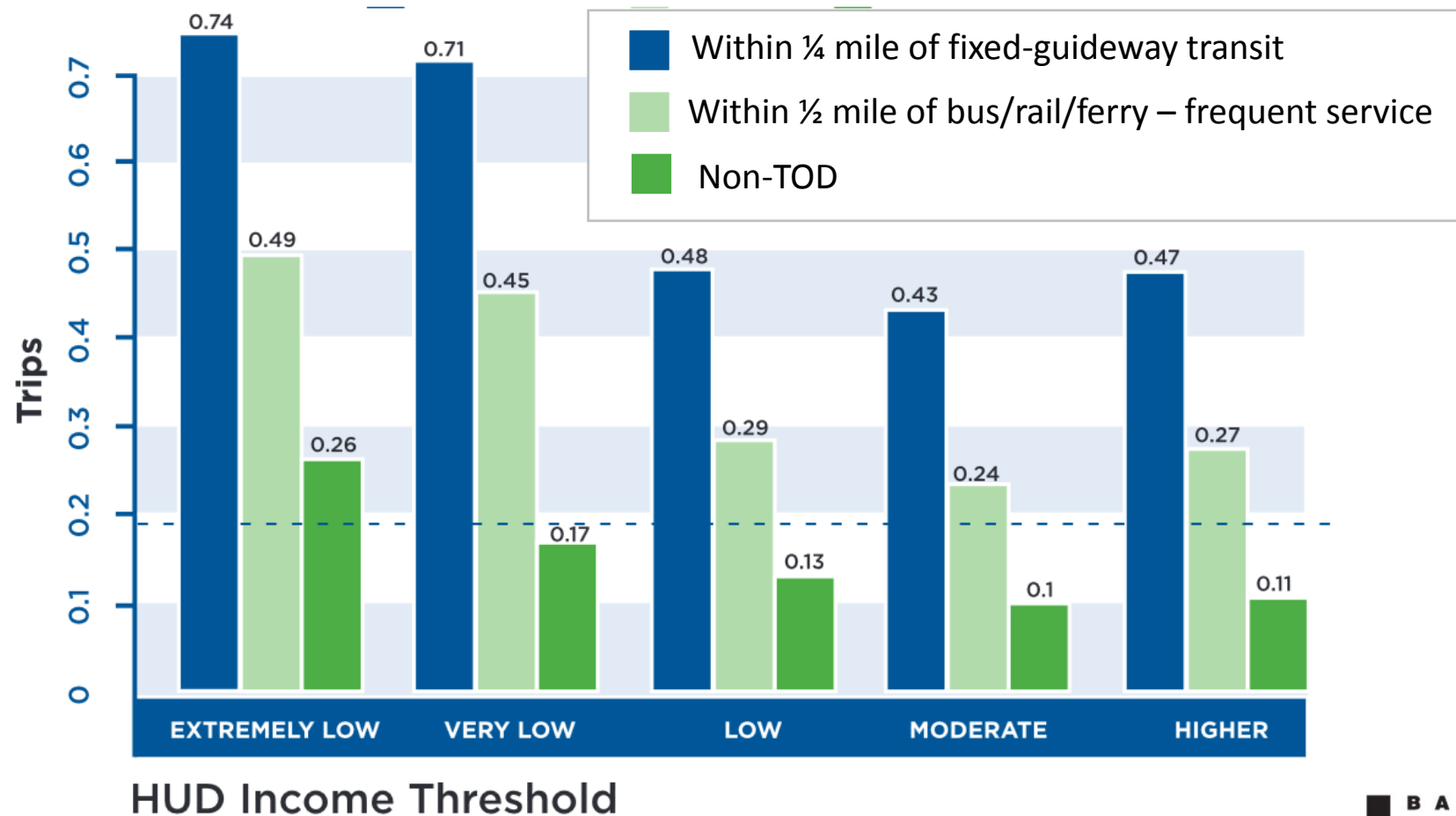
TOD Policy Changes: Estimated Foregone BART Operating Revenue

Assumptions for previous chart:

- Achieve BART's 2025 performance goal of 7,000 units by building 2,200 more units (on top of BART's negotiated deals for 4,800 units)
- Does not account for commercial development
- Land value of \$30,000 per unit
- Annual lease revenue is 5% of land value
- Scenarios assume average discount across all new residential BART development is 15%, 25%, or 40%
- Most projects under proposed discount framework, if more than 35% affordable housing units, would receive up to 30% discount
- Many projects could still have less than 35% affordable housing and not receive a discount, or receive a lesser discount

TOD Impacts - Ridership

***Low Income Residents Take Transit More,
Especially When They Live Near Transit***



Source: CHPC, TransForm

Other Possible Benefits to BART

Opportunity	Source	Conditions and Issues
Encourage BART Trips with Transit Passes	State: Affordable Housing/Sustainable Communities (AHSC)	<ul style="list-style-type: none"> • Clipper cash • Costs 5-10x more than an AC Transit bus pass
Ped/Bike Access Improvements	State: AHSC	<ul style="list-style-type: none"> • Build new linear feet of bike lanes and sidewalks/paths
Parking Replacement Subsidy	State: Infill Infrastructure Grants (IIG)	<ul style="list-style-type: none"> • \$40,000 per parking space • Tied to # affordable units • Max of \$30 million per project

Other Possible Benefits

Development

- Developer and BART clarity in ground lease negotiations
- More certainty/ faster project delivery: increased competitiveness for funding (e.g. tax credit “tie breaker”)
- Incentivizes supportive housing, special needs, higher % affordability

Residents

- Reduced cost of living and auto dependence
- Reduced driving per household = less greenhouse gas emissions
- Reduced displacement risk