

COMMUNITY FACILITIES DISTRICTS

Potential Use for Supporting Transit Oriented Developments in California



Final • Prepared for North County Transit District, Oceanside • October 2009
Supplement to the NCTD Carlsbad Village, Oceanside and Escondido Transit Centers

COMMUNITY FACILITIES DISTRICTS

Potential Use for Supporting Transit Oriented Developments



Prepared for:

North County Transit District of San Diego



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WHAT IS A TOD/CFD?



Community Facilities Districts (CFDs) are financing tools created through legislation found in the California Government Code “Mello-Roos Community Facilities Act of 1982,” which empowers local agencies to create special districts for the funding of community services or capital infrastructure improvements. A Transit Oriented Development (TOD) is a project planned and designed to integrate transit with development. A TOD/CFD is proposed to fund transit services, provide car sharing opportunities and provide a structure and funding to operate parking and traffic management districts. The long-term goal of a TOD/CFD is to create a sustainable neighborhood by encouraging mixed uses, employing smart parking practices, decreasing vehicular trips by offering alternative modes of transportation and designing developments to support and encourage walking and biking for local trips.

WHY CREATE A TOD/CFD?



A TOD/CFD must be based on transit oriented development that supports transit and decreases driving. Developments that rely on transit, benefit from a sustained funding source for operating transit. A TOD/CFD financially supports transit while lowering or eliminating off-street parking requirements to allow a shift of funding from parking structures to transit passes, parking management, car sharing options, and improved walkable public thoroughfares. A CFD should be used to comprehensively manage both parking and transit services with the goal of supporting a viable transit system that provides more choices for riders. A TOD/CFD can lower property development costs and decrease transportation costs for those living, working, or shopping in the TOD. Development costs are lowered by decreasing expensive parking and costly traffic improvements on or near the new development. Transportation costs are lowered when transit is used and when residents are able to reduce car ownership levels.

WHERE DO TODs/CFDs APPLY?



Although CFDs can be created in any location, TOD/CFDs are directly related to either existing or planned transit nodes and corridors. Typically, TODs include properties within a quarter-mile of transit, but in some cases can be expanded to a half-mile walking distance if local conditions are positive for pedestrians. A TOD/CFD should be considered where current or future transit services are frequent have many local and regional connections, as well as in locations where parking or traffic districts are being considered. A TOD/CFD will function best in areas where a mixture and density of uses either exists or is proposed. The most effective areas are underdeveloped properties around a transit hub that could benefit from reasonable parking standards and reduced development costs.

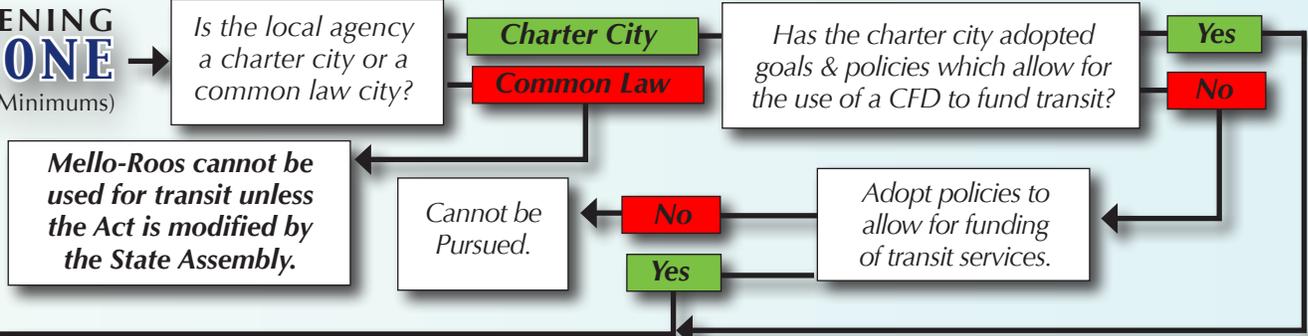
HOW IS A TOD/CFD USED?



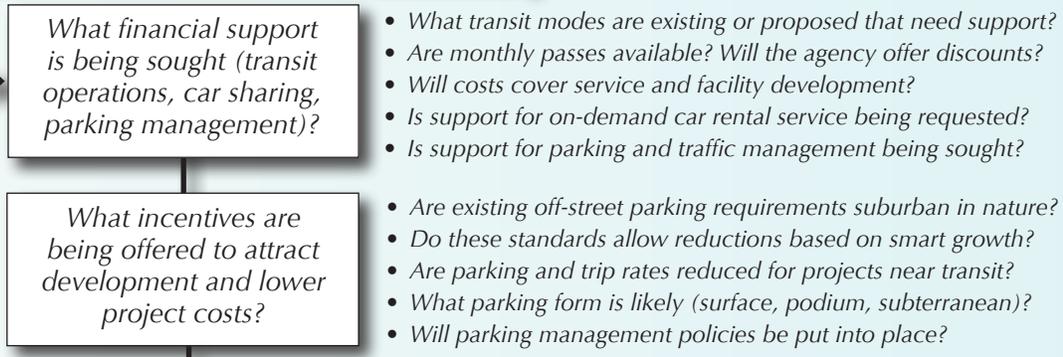
TOD/CFDs should be used in conjunction with transit supportive land use development standards such as increased density and eliminating minimum off-street parking requirements. These adjustments can help increase the economic viability of TOD projects, thereby allowing for the transfer of costs from excessive parking to transit supportive funding. Savings can also be used for reinvesting in public/pedestrian amenities, further contributing to the creation of walkable neighborhoods. TOD/CFDs should be used to address the lack of transit funds for operation and maintenance costs. In areas where an agency has invested heavily in transit systems, those most directly benefiting from this investment should be asked to contribute to its ongoing operation. TOD/CFDs can also be used to financially support a parking district to assure increased transit ridership, increased sharing of parking assets, support for on-demand vehicle rentals, and decreased parking and congestion issues.

TOD/CFD PROCESS FLOW DIAGRAM

SCREENING LEVEL ONE (Project Minimums)



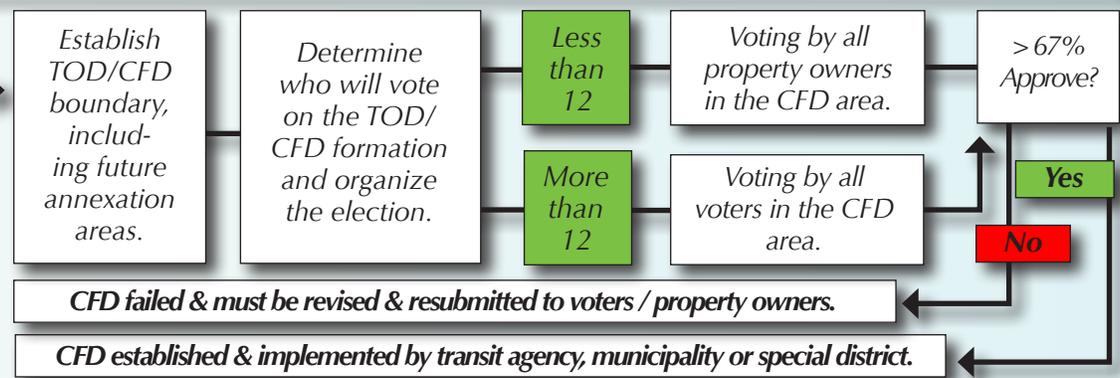
SCREENING LEVEL TWO (Project Definition)



SCREENING LEVEL THREE (Project Readiness)



SCREENING LEVEL FOUR (Project Formation)



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1: INTRODUCTION

1.0 PROJECT OVERVIEW

In 2008, North County Transit District secured a grant from Caltrans, to conduct a case study to determine the viability of creating a Transit Oriented Development – Community Facilities District (TOD/CFD) financing structure to promote transit use by property owners within a designated area surrounding a NCTD major transit center. Though a case study is discussed for a transit center in the City of Oceanside, the primary focus of this project is the identification of the process, benefits and challenges of implementing a CFD for transit service, regardless of the location within the State.

This study utilizes two terms; transit oriented development and smart growth. The primary purpose of the study is to combine the principles of smart growth to development that occurs around major transit centers. Smart growth is a combination of land use mixtures, employment, and housing types all efficiently planned on a site to accommodate walking and biking with appropriate density to support a mixture of retail, services and other businesses while also supporting transit. Smart growth and mixed-use development assumes that fewer auto trips are made because of an enhanced pedestrian environment, greater pedestrian access to services and greater use of transit. Research has shown that people who live or work in transit-oriented, mixed-use developments drive less. This “proximity” effect has led some California Jurisdictions to provide density bonuses, parking requirement reductions or reductions in transportation impact fees within areas designated as Transit Oriented Development zones.

Transit Oriented Developments (TODs) could be more effective in providing vehicle trip reductions if coupled with funding support for transit service or support for car sharing programs and other parking demand management incentives. These incentives are much more effective where the land use economics are clearly transit oriented.

Jurisdictions are often reluctant to use their land use discretionary powers to require new mixed-use development to reduce parking ratios in areas where substantial transit investment has occurred or to require developments to fund transit. This reluctance results from an absence of a policy regarding funding mechanisms that could pay for new transit services and the lack of a clear nexus between new development and support of transit investments.

This project includes a theoretical study of a TOD/CFD as a smart growth strategy to assist local jurisdictions in North County San Diego to implement smart growth projects near major transit centers. The TOD/CFD would enable property owners to voluntarily fund a shift from vehicular to transit orientation by funding transit service as part of Transportation Demand Management (TDM) program. This program would support the maintenance of transit facilities through the revenue stream generated by special taxes of the CFD.

A TOD/CFD could assist the City of Oceanside, or any city where applied in California, in meeting its transportation objectives, support regional policies for planning and implementing smart growth policies, and serve as a model for



TOD/CFDs in California. However, it should be clearly noted, this case study is a hypothetical analysis without the express support of the City of Oceanside and was independently initiated by the consultant team, NCTD and Caltrans.

In regards to the case study, the City of Oceanside has expressed concern over the project since they are currently going through a planning process for the development of a "Vision Plan" for the Coast Highway Corridor that is partly within the limits of this study. The City is concerned that recommendations from this study could either confuse the stakeholders involved in the Coast Highway project or the study would be used to counter particular parking and development recommendations of the corridor study. Further, staff have commented that they do not feel that Oceanside is a good subject for this study since there are major hurdles for the implementation of a TOD/CFD. These hurdles include the fact that the City of Oceanside is not a Charter City and therefore could not implement a CFD for transit service under current regulations, and the Coastal Commission may not support reductions in parking requirements since reduced parking could affect public access to local beaches.

The focus of the study is to analyze the hurdles that are likely to face cities throughout California including those within the coastal zone. Since Oceanside is the site of the largest public investment in transit in the County of San Diego and one that has the most comprehensive set of transit services, it is understandable why Oceanside is thought of as a great location to test a TOD/CFD. In addition, the surrounding site is currently underdeveloped as an urban area and represents a great opportunity to see how these different approaches could benefit redevelopment as well as transit.

Oceanside could realize opportunities to tie its land use and transportation plans with recently expanded NCTD transit services provided through the Sprinter, a light rail, diesel powered train service. This land use and transportation connection could reduce traffic impacts by promoting and improving public transportation use. Caltrans, in collaboration with NCTD, could partner with the City of Oceanside to examine whether a TOD/CFD could assist the City in meeting its transportation objectives, support regional policies for planning, implement smart growth policies, and serve as a model for TOD/CFDs in California. This, of course, assumes that state legislation is adjusted to allow a City like Oceanside to consider the use of a TOD/CFD.

This plan is not intended to dictate any course of action for Oceanside or any other city or transit agency. It is not intended to be a step by step plan for implementing a CFD. It is simply a listing of options and tools that should be considered when planning land uses, development standards and parking policies around significant transit facilities.

1.1 PROJECT BACKGROUND

The City of Oceanside has one of the most comprehensive transit stations within San Diego County. Transit service includes: COASTER -heavy rail southbound commuter train; SPRINTER - light rail commuter diesel train; BREEZE-bus service; LIFT- paratransit transit service; METROLINK-heavy rail commuter train northbound to Orange County; AMTRAK-nationwide passenger rail; and Greyhound-nationwide passenger bus.

This project builds on similar past efforts by Caltrans such as the City of Oceanside TOD study that was funded by Caltrans Community-Based Transportation Planning Grant Program. The scope of the project included a general overview of seven TOD district sites along the SPRINTER Oceanside/Escondido passenger rail line, as well as a focused study of a demonstration study site in the City of Oceanside.

This study is in support of the “Linking the Transportation Planning and Resource/Environmental Planning” provision required by SAFETEA-LU, the current federal legislation authorizing transportation funding of highways and transit. This legislation ensures that projects selected satisfy the “purpose and need” of the legislation and that they are supported by a full range of stakeholders. This approach will ultimately ensure that projects are delivered optimally, and meet transportation needs while also addressing and responding to community values.

Although a CFD has not been used as a funding source for transit operations within the State of California, local agencies, transit authorities and Caltrans could cooperate in implementing these programs. Given the correct allocation of resources, the CFD concept has the ability to provide a stable revenue stream to fund a modal shift from automobile to public transit. This modal shift is consistent with state, regional and local land use and transportation policies.



1.2 ELEMENTS OF THE PROJECT

This report will provide a model for utilizing progressive and innovative land use policies near transit stations where substantial public funding has occurred. It proposes a funding technique that allows a revenue stream to enhance re-development of an area by offering transit oriented strategies such as transit passes, shuttle services and other items related to transit use along with up-graded transit supportive public facilities such as pedestrian facilities and bike routes connecting with transit stations within an area where a CFD could be established. Some of the major elements of the project include:

- The project will produce a “tool kit” which can be used by public agencies throughout the state to implement a similar program. The “tool kit” will provide a rationale and justification for implementing a TOD/CFD program and will also develop a basic approach for implementation.
- The project will provide model language to effectuate changes to the Mello-Roos Act, as defined in the Government Code, to allow agencies governed as “general law” cities or transit agencies with the ability to form a CFD to implement the TOD/CFD program.
- The project will include discussions on how a CFD can be readily implemented by a Charter City and will provide language on typical charter changes necessary for implementation of a CFD. This may include language for a municipal code change or other local ordinance adjustments.
- The plan will provide CFD language that can be incorporated into local agency’s goals and policies as well as land use planning documents and standards.
- The project will include a discussion on how a local land use authority can integrate a CFD into the entitlement permit process.
- The project will provide a plan adjusted to market conditions and will determine the proper unit size, pricing per unit, assessment amount, transit pass costs, car sharing membership costs, and associated parking reductions needed to provide incentives to support the CFD. Current market conditions will be provided on sale of housing, office and commercial projects. This analysis would include cost savings per unit if the parking was reduced and/ or unbundled.
- The study will identify potential development cost savings related to parking reductions resulting from implementation of a TOD/CFD. The allocation model will provide a balanced distribution of the benefits from cost savings to all participants in the TOD/CFD including existing landowners, developers, future owners, tenants, customers, renters, the city, the broader community and the transit agency.

- The project will provide a model that incorporates the design parameters and concepts into CFD sizing scenarios that creates a revenue stream for a transit agency. The scenarios would include one option to fund transit passes and/or car sharing memberships, another would include capital costs, and third would provide for maintenance and operational costs.
- The project will prioritize how special tax limits can be maximized. This limit is generally 2% and includes the 1% associated with property taxes.
- The project will determine what types of discounts on transit pass pricing NCTD might provide. The study should determine if transit passes be priced for full cost recovery per ticket, or recognize that even if 100% of a project's occupants are provided with transit passes, under the best conditions, a large percentage would likely not use them. Therefore, the individual transit pass could be discounted heavily, unless the number of passes purchased are provided only to those that use them.
- The project will determine if removing minimum parking requirements and allowing the market to determine parking needs is the best approach for supporting transit. If voluntary parking reductions are utilized, it is possible that some developers or landowners may decide not to reduce parking. This could remove the economic incentive to participate in a CFD. However, developing within a TOD/CFD area may require participation in a CFD, Parking Management District, and other local policies.
- The plan will identify the best types of areas where a CFD could make the most sense. This would include redevelopment areas, infill projects, walkable traditional communities, neo-traditional communities or central business districts.
- The plan needs to provide a counter balance discussion from the perspective of the land use jurisdiction as well as the perspective of the developer and their concerns and interests in how it affects the certainty and predictability of a project's approval process. Certainty is needed to support financing and to streamline the entitlement process.
- The plan will discuss land ownership issues of the potential development including when the transit agency owns the land where the development is being considered.
- The plan will show how this tool has statewide application. State agencies, other jurisdictions, transit agencies, regional planning agencies and private developers should be able to apply the methodology and study process to their properties to effectively implement smart growth policies.

- The plan will propose a methodology that can be used state-wide to assist jurisdictions in implementing smart growth policies that reduce transportation impacts on communities; first, by providing additional funding to pay for transit services to support the extra demand generated by smart growth developments; and, second, by providing a mechanism that enables reduced development costs by reducing “up-front” costs such as parking structures verses a “pay-as-you-go” assessment approach for transit services.
- This research will provide a “how-to” hands-on model of developing a CFD to make smart growth more effective and more successful by providing funding sources to promote transit and Traffic Demand management (TDM) use.
- This plan will seek to show jurisdictions that transportation impacts can be mitigated in smart growth areas that provide a funded modal shift to transit. The project will need to show a transparent and accountable mechanism to enable jurisdictions to reduce traffic impacts from new development by having a TOD/CFD that provides on-going financial support for transit.

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2: CFD PURPOSE & BENEFITS

2.0 CFD PURPOSE AND BENEFITS

The primary purpose for the use of a CFD for this study is increased support for transit. New “greenfield” development over the past 30 to 40 years has been held responsible for the requirements and costs of development including much of the infrastructure to support it. Though many items may still be subsidized, most new development has been made to “pay its way” and required to provide the community facilities, transportation infrastructure, utilities and services needed to support the development. Non-auto based transportation is becoming an essential component of urban infill development. Why then is infill development not responsible for helping to fund this transportation option? The premise of this study is that a CFD is a new method of assigning some of the costs of urban and suburban transportation systems to the development that benefits directly or indirectly from it.



2.1 CFD Principles

The major TOD/CFD principles include:

- Redevelopment of mixed land uses within 1/4 mile of transit centers, allows for more reliance on walking trips, support of neighborhood retail and increased transit use;
- Residents and businesses locating within 1/4 mile of transit centers typically choose to do so, in part, for these enhanced mobility options;
- California and San Diego Area Governments (SANDAG) recognize a transportation mode shift from vehicular use to transit around transit stations as having at least a 5% reduction in Average Daily Trips (ADT) rates;
- Mixed land use redevelopment that redirects a portion of the economic value of suburban vehicle based parking costs and traffic improvements to transit facilities and operations can result in more robust transit service;
- A CFD provides the a cost effective, accountable, and durable way to capture economic value, and provide and fund a mode shift to transit;
- More transit use equals more pedestrian orientation for area redevelopment, more productive (non-parking) use of land, less traffic congestion per person, stronger pedestrian traffic and opportunities for pedestrian open spaces;
- Mixed-use land use and economic redevelopment can also encourage more affordable housing options due to reduced vehicular dependency, infrastructure and costs;
- Enhanced transit services and increased TOD density will reduce per capita vehicular demands and impacts, as TOD/CFD residents, businesses, and visitors shift their mode of access from vehicular to transit; and

- Smart growth and mixed-use development assume that fewer auto trips are made because of an enhanced pedestrian environment and greater pedestrian access to services and by greater use of transit. Research has shown that people who live or work in transit-oriented, mixed-use developments drive less. This “proximity” effect has led some California Jurisdictions to provide density bonuses or reductions in transportation impact fees.

2.2 BASIC REQUIREMENTS OF A TOD/CFD

- Land within a quarter mile of a transit center (as measured along pedestrian or bike routes) should be considered to be within the TOD/CFD “Opportunity Area.”
- Property Owners within the Opportunity Area will need to vote to join the TOD/CFD supported by the Transit Center.
- The TOD/CFD can provide a revenue stream to allow the construction of capital facilities used to support the enhanced transit services to the CFD.
- The TOD/CFD can also provide a revenue stream for non-capital items such as transit passes, shuttle services, car sharing membership, landscape maintenance or other ongoing items used to enhance and promote transit use within the Opportunity Area.
- As part of their CFD payments, properties within the TOD/CFD would be provided transit passes to use transit ridership for a portion of their typical vehicular average daily trips (ADT) and reduced parking requirements (per dwelling unit or square footage of non-residential land use) based on the TOD/CFD service formula.
- ADT reduction per unit of land use will match the trips shifted to transit based on the amount of transit passes purchased for that unit of development.
- Parking requirement reduction per unit of land use will correspond to the ADT reduction per unit of land use.
- The TOD/CFD will provide for on-call transit and short-term vehicle rentals for transportation outside of the TOD/CFD as a mobility supplement for reduced parking requirements provided in the TOD/CFD.
- The amount of on-call transit and short-term vehicle rental operations will be based on TOD/CFD service formula.
- A portion of the TOD/CFD payments could be used to create, enhance or maintain quality pedestrian and bike routes in the TOD/CFD area that connect the local community with the Transit Center.
- Inclusion in the TOD/CFD could require development to provide expanded and enhanced pedestrian open spaces as defined in the TOD/CFD. Enhanced pedestrian open space could utilize areas that may have formerly been dedicated to parking.

2.3 BENEFITS OF A CFD

A TOD/CFD has benefits for a variety of stakeholders. Some of the major benefits include:

- Benefits for the transit agency by providing a stable stream of transit patronage and operating revenues.
- Increased transit ridership through the availability of secondary modes of access including increased walking, bike to transit accommodations and through the availability of car sharing programs.
- Benefits for the local agency and community through reduced traffic impacts resulting from a shift to transit and a reduced auto dependency.
- Improved mobility options with a new orientation towards pedestrian, bike and transit facilities funded by stable revenue streams.
- Enhanced city facilities resulting from revenues for the maintenance of sidewalks, bike trails, and pedestrian streetscapes.
- Landowner benefits related to increased redevelopment potential and increased property values.
- Financial savings for property owners, tenants and renters through reduced transportation costs resulting from lower car ownership levels, total vehicle miles traveled or frequencies of vehicular trips.
- Lower housing costs through reduced parking requirements, unbundled parking costs and increased densities resulting from more efficient site use through reduced land area dedicated to parking facilities.
- Time and money savings for existing property owners and developers through a reduction in up-front development costs due to lowered parking and traffic mitigation requirements.
- Time and money savings for existing property owners and developers through a reduction in environmental and permit costs from reduced traffic and parking impacts.
- Increased community and business area stability through market diversification resulting from mixed-use development where residents and tenants of the area have an increased tendency to utilize businesses and services found within close walking, transit or biking proximity.

2.4 PUBLIC INVESTMENTS AND ESSENTIAL PRIVATE SUPPORT

All transit systems represent a substantial public investment. Though an individual city, property owner, or transit rider may not be responsible for funding a transit project, they are the benefactors of this investment. Decisions on investment in transit facilities are usually based on expected transit ridership and expected benefits from increased mobility and traffic reduction for a specific area. Often, a decision to site a transit station is based upon current and future land use policies that may be supportive of transit systems. A local agency has the responsibility of providing supporting policies and land use decisions that protect the public investment represented by the transit facility. The local community benefits from the public investment and the public agency needs to support and enhance this investment.



Policies that support strip commercial, car-centric development, low-density growth and suburban sprawl are all policies that negatively affect transit ridership and support of transit facilities. Even policies that do not actively damage transit facilities, but do passively neglect them, can be just as harmful. Some of these neglectful policies include excessive vehicular parking requirements, land use policies that are less than the highest and best use of a property and non-human scale roadway environments that support the vehicle at the detriment of urban form and pedestrian access.

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3: FRAMEWORK OF A TOD/CFD

3.0 FRAMEWORK OF A CFD

This Chapter discusses the background and framework of what a CFD is and how it could be used to support transit in areas where smart growth and transit investment is high. A basic philosophy related to the advocacy for the use of Mello-Roos for supporting transit is the assignment of fair share costs of the investment and operating of major public transit improvements to the land area and development that directly benefits by being located near these improvements. It is also a philosophy of this study that it is within the rights and responsibilities of local agencies to regulate and tax for the general health, safety and welfare of its citizens and to support policies on smart growth and transportation.

3.1 LEGISLATIVE FRAMEWORK

Community Facilities Districts are allowed under the provisions of California Government Code Section 53311 et. seq. known as the “Mello-Roos Community Facilities Act of 1982.” Districts formed under this act are more commonly referred to as “Mello-Roos” districts, “Community Facilities District” or “CFDs.”

The Act allows public agencies to form a CFD to fund capital infrastructure and services and the use of a CFD have typically surrounded new development where needed infrastructure to support a development requires major financing to allow construction. CFDs have been used to fund new schools, roads, utilities, civic centers, or other infrastructure applicable to new development. Additionally, more and more cities are using CFDs to fund services related to the new development which would typically be financed from the agencies’ general fund. Services eligible to be funded with a CFD include police protection, including criminal justice services, fire protection and suppression services, ambulance and paramedic services, recreation programs, library services, maintenance of museums and cultural facilities, maintenance of parks, parkways and open space, flood and storm protection services. Finally, although not often used but allowed, CFDs have been used to support services with respect to removal or remedial action for the cleanup of any hazardous substance released or threatened to be released into the environment.

There are limitations to what a Mello-Roos district can fund and at present, without special considerations to be discussed later, a Mello-Roos district cannot fund transit service.

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As stated by a noted Mello-Roos attorney, “The flexibility of the Act bears immediate reemphasis. It is not a blunt instrument. In fact, there is no “standard” application of the Act. The facts of each particular situation will have to be specifically addressed in order to make use of the Act.” (Orrick, undated, “An Introduction to California Mello-Roos Community Facilities Districts”)

3.1.1 Charter Cities in California

Article XI, section 3(a) of the California Constitution authorizes the adoption of a city charter and provides that such a charter has the force and effect of state law. Article XI, section 5(a), the “home rule” provision, affirmatively grants to charter cities supremacy over “municipal affairs.” Charter cities have special abilities that are not conferred to General Law cities (those that are guided by the provisions of the Government Code for their municipal affairs). As of this writing, there are 114 charter cities in California. For local reference in San Diego County, charter cities include: Carlsbad, Chula Vista, Del Mar, San Diego, San Marcos, Santee and Vista.

Special districts, such as transit agencies, are also guided by the provisions of the Government Code for the conduct of their affairs, including providing special services such as transit. With the special powers conferred upon charter cities, some have taken the initiative to adopt the provisions of the Mello-Roos act and modify and expand on the services allowed to be funded with the act. As an example, the following language is referenced from the charter of the City of Sacramento.

In addition to those services specified in Government Code Section 53313(d), a community facilities district formed under the Act may provide such services as:

- Transportation services, including transit pass subsidies, bus shuttle service, guaranteed ride home programs, rideshare matching, distribution of transit information such as routes, schedules, fares and related information, alternative mode allowances, parking reduction credits, carshare programs, transit service advocacy, transportation fairs and similar promotional events, and services related to any one or more of the matters specified in this subsection (D)(1).
- Air quality mitigation services, including electric equipment rebate programs, electric vehicle support services, vehicle tune-up rebate programs, low emission appliance rebate programs, air quality fairs and similar promotional events, and services related to any one or more of the matters specified in this subsection (D)(2).
- Bicycle services, including bicycle racks and lockers at public civic uses, bicycle racks on transit vehicles, bikeshare programs, electrified bicycle promotion, bicycle fairs and similar promotional events, and services related to any one or more of the matters specified in this subsection (D)(3).
- Funding of costs of formation and ongoing operation of a transportation management association, costs of community facilities district formation and annual administration, and any miscellaneous costs related to any of the matters described in this subsection D including planning costs, engineering costs, legal costs, and administration costs.
- Any other services which serve to advance the goals and objectives specified in this subsection D, and which have been approved by the board or other governing body of a transportation management association, and which are included within the transportation management plan adopted by such board or governing body. (Ord. 99-008 § 1; Ord. 98-017 § 2 (part); prior code § 81.03.302)

With similar language as quoted from the City of Sacramento discussed above, other charter cities willing to adopt such charter language can use a Mello-Roos district to fund a variety of transit services.

3.1.2 General Law Cities and Special Districts in California

General Law cities and Special Districts – such as transit districts or agencies – operate under the General Laws of the State of California and under the provisions of each agency’s enabling legislation which typically require them to adhere to the provisions of State law without the ability, such as a charter city, to modify or expand the law that allows legislative latitude. With this understanding, currently general law cities and operating agencies do not have the ability to levy special taxes to pay for transit services using the provisions of the Mello-Roos act.

3.1.3 Past Legislative Efforts for CFD’s for General Law Cities and Special Districts

During the 2008 Legislative Session, Assembly Bill 2705 was introduced which proposed a modification to the Mello-Roos act that would have amended Section 53313 of the Government Code and allow as an eligible expense, “Public transit services, including, but not limited to, operational expenses and maintenance of public transit equipment,” and also would have amended Section 53313.5 of the Government Code to allow “Public Transit” as an allowable expense.

The bill did not pass the 2008 legislative session but there may be consideration in the 2009 legislative session of another similar bill. If this change is approved, general law cities and special districts would be allowed to use the Mello-Roos act to fund transit as a tool to promote transit oriented development and other development that promotes transit use.

3.2 GENERAL DISCUSSION ON TAX LIMITATIONS

Prior to the passage of Proposition 13 in the late 1970’s by the California electorate, funding of public infrastructure and services was provided through the application of ad valorem taxes on property by the public agencies that provided the services. That tax became onerous on groups of citizens with limited income and Proposition 13 placed a limit on the ad valorem taxes that could be collected from a property owner to one percent of the value of the property. That imposition severely limited local agencies’ ability to raise revenue to provide for the improvement of capital infrastructure and provide services. As more and more public agencies required the development community to provide the infrastructure and service, the development community sought assistance from the legislature and the Mello-Roos act was born in the early 1980’s.

Its first use was mainly with the creation of CFDs by school districts to fund the construction of new schools to support new development. Cities followed and soon CFDs were established by cities to fund infrastructure required of the new development. Cities sometimes formed the district in cooperation with the school districts. To limit the burden on the homeowners who purchased a home in a CFD, local agencies, cities, school districts and others, together with the bond underwriters, decided in informal fashion that a limit on the amount of special taxes that could be placed on property should be devised. Although not a statutory limitation, the limit became known as the two percent rule. The “two percent rule” states that the total annual tax levy on a home cannot exceed two percent of the home’s purchase price.

Since one percent is allocated to the ad valorem tax, that leaves the remaining one percent of the purchase price of the home for assessments, general obligation bonds, special CFD taxes and other charges collected on the secured property tax roll. Some local agencies have lowered this burden to 1.75% and others perform the calculation without certain elements in the calculation such as special taxes or assessments for landscape maintenance or other services. The two percent rule and other items are typically outlined in a city or agency's Local Goals and Policies.

The application of the two percent rule and its implications on the funding limits of a CFD, can be measured. Table 3-1 demonstrates the financing ability for services on a sample development with 460 of homes ranging in price from \$500,000 to \$300,000. Table 3-2 demonstrates the same calculation but with a portion of the CFD revenue stream used to issue bonds for capital infrastructure.



3.2.1 Local Goals and Policies

Before a local agency can create a CFD it must first adopt its own "Local Goals and Policies" which outline the use of a CFD. The Local Goals and Policies define the special tax limitation, the types of programs that can be funded, capital improvements that are eligible for financing, the credit quality of the bonds issued and most importantly the required disclosure documents to prospective home buyers. Appendix A displays a sample Local Goals and Policies for an agency that would only fund services. Appendix B displays a sample Local Goals and Policies for an agency that would fund services and capital improvements.

3.3 TRANSIT SUPPORTIVE ELEMENTS THAT COULD BE COVERED IN A CFD

The City of Sacramento's charter provisions make for a substantial wish list of possible funding options for transit and serves as a good example as a series of elements that an agency or city would include in its goals and policies:

- Transportation services, including transit pass subsidies, bus shuttle service, guaranteed ride home programs, rideshare matching, distribution of transit information such as routes, schedules, fares and related information, alternative mode allowances, parking reduction credits, carshare programs, transit service advocacy, transportation fairs and similar promotional events.
- Air quality mitigation services, including electric equipment rebate programs, electric vehicle support services, vehicle tune-up rebate programs, low emission appliance rebate programs, air quality fairs and similar promotional events.
- Bicycle services, including bicycle racks and lockers at public civic uses, bicycle racks on transit vehicles, bikeshare programs, electrified bicycle promotion, bicycle fairs and similar promotional.
- Funding of costs of formation and ongoing operation of a transportation management association, costs of community facilities district formation and annual administration.

3.4 PARAMETERS FOR A CFD

A CFD is formed by an election; whether that election is among landowners or voters, a vote has to occur in order create a CFD and before the special tax can be levied. If there are fewer than 12 registered voters lying within the area considered as the boundary of the CFD, then the vote is a vote of the property owner(s) within that area. If there are more than 12 registered voters, the vote is by registered voter. If the election is by registered voter, and a two-thirds majority of voters is required to form a CFD and levy the special tax. Because of the conduct of the election, there are few, if any CFDs that have been formed by registered votes in the State.

The boundary of a CFD is usually formed around a new development or subdivision. Some CFDs have been created within urban settings but the traditional use is that surrounding the development of new subdivision. Therefore the boundaries are usually crafted to conform to the boundaries of a new subdivision that is still under ownership of a single developer or a collection of property owners seeking to develop property. Because of the voter requirements, retaining ownership during the formation phase of the CFD is imperative to retain control of the process.

CFD boundaries do not have to be contiguous. There is flexibility in crafting the boundaries to include the land that is to be the CFD and CFDs can be created across jurisdictional boundaries. Joint Community Facilities Agreements can be used to create a CFD that support programs that can span across several jurisdictions. CFDs have been formed to share revenue between cities for infrastructure and school districts for school facilities.

3.4.1 Defining the benefit area

As has been noted in a previous chapter, a Transit Oriented Development zone is one that has a defined radius around a transit center. This radius is usually defined as a comfortable walking distance from a home or office to a transit center. For the purpose of this discussion, we assume a radius of approximately one quarter mile that can be extended to one half mile provided certain circumstances are conducive to walking. This generally equates to a 5-7 minute walking distance for a quarter mile and a 7-15 minute walking distances for the half mile. Because of the voting requirements of a CFD, it would be impractical to include all the property within a defined radius of a transit center.

Community Facilities District law has the ability to establish a small CFD, with, for example, one development at the beginning of the process then the law allows annexation to the CFD as other properties develop. This method has been used in other cities that require new development to participate in various services allowed by current CFD legislation. Cities have formed CFDs to fund fire suppression services and police protection services with one development and, as additional development occurs within the boundaries of the city, the new development will annex into the CFD. The current CFD legislation also allows a local agency to define an "annexation area" that generally defines a geographic boundary where future annexations will occur. A transit oriented development zone can be defined as such an area.

3.4.2 Defining the beneficiaries

The development community, in conjunction with city initiatives for downtown revitalization, has looked at the new market of urban redevelopment as discussed earlier. While not a recent trend, revitalization of the urban core has coincided with the development of transit options within these areas. As an incentive to redevelop the urban core, cities have at times reduced parking requirements within these areas, especially in and around transit centers. Transit Oriented Development, as we defined earlier, is an attempt to produce a modal change from the car to transit and reducing the spatial requirements of parking as an incentive to use transit.

While certain cities have promoted development within TODs, these same cities have typically not created financial incentives to promote transit use. While certain cities will continue to allow development with reduced parking standards, some cities may see a benefit to condition the reduced parking standards with the combined use of a CFD to fund transit. By tying transit to the property, in the form of a CFD, advantages can accrue to both the property owner and transit agency.

3.4.3 Transit pass costs

Transit costs vary by agency, location and typically travel distance. Typically, agencies provide the option of purchasing a transit pass that provides flexibility to the traveling public. Some agencies provide a pass that can be purchased on a monthly basis and can be used at any time the agency operates and with the ability of transferring to different modal options.

This study used North County Transit District's Regional Premium transit fee structure to provide an example of a fare structure that provides the most flexibility of service. NCTD's Regional Premium transit fee includes services for the agency's BREEZE bus system, the COASTER commuter rail service, LIFT paratransit and the new SPRINTER light rail line. Each mode is included in the Regional Premium transit pass for a monthly fee, in 2008, of \$90; the yearly cost is \$1,080.

In structuring a CFD to pay for an annual pass we sized a project as outlined in Tables 3-1 and 3-2. The sizing complies with the components discussed earlier regarding the two-percent rule and allows the funding of NCTD Regional Premium transit pass at the full cost plus an administrative fee. Should this program be implemented in the future, the agency could justify lowering the fee to a level that may reflect a steady revenue stream from a given number of households participating in the CFD noting that at any one time only a percentage of the households will be using the pass, as discussed below.

3.4.4 Assignment of costs per owned unit

Financial Model: Two sample CFD analysis can be found in Tables 3-1 and 3-2. The analysis considers the amount of annual revenue that can be raised by applying a CFD special tax on a 460 unit development with 5 model types at varying selling points.

Table 3-1 assumes that a CFD would be formed to provide for the purchase of a North County Transit District's Regional Premium transit pass as described above with no capital considerations. Note that the tax shown on line 16 is the same for each Model type, regardless of selling price.

Table 3-2 assumes the same development parameters as Table 3-1 but also uses the revenue from the CFD tax to pay for capital infrastructure. NCTD has stated that they would likely consider only a CFD for transit passes so this table is provided as an illustration of the revenue stream that could be derived from a tax levy at a fixed percentage of the home selling price, in this case 1.75%.

3.4.5 Explanation of Tables 3-1 and 3-2

Lines 1 and 2 provide residential pro-forma information which includes the Estimated Home Size, in square feet and the Estimated Home Price.

Lines 3 through 15 are line items on a typical property tax bill for property in downtown Oceanside and include the 1% ad valorem tax along with other approved bond measures, availability and stand by charges, along with other miscellaneous items such as lighting district and mosquito abatement charges. The total amount of the charges from line item 3 to line item 15 are used to calculate the total new transit CFD special tax that could be applied to the property.

Line 16 is the amount of the new CFD for NCTD. The amount within Table 3-1 is a flat amount based on the current price of a monthly Regional Premium transit pass for an entire year, \$90 per month x 12 plus an administration fee of 5 percent. Line 17 is the sum of the total tax burden on a particular unit for current the example. Line 18 displays the Annual Property Tax Rate as a Percent of Home Price. This line will allow the agency to measure the tax burden on a given home against the home sales price in conjunction with the limits the agency chooses to apply per the 'two percent rule.' Note that in Table 3-1 the percent varies due to the fixed amount charged for the transit pass against a varying amount for the purchaser price of the home while in Table 3-2, the percentage is the same across product type but the CFD special tax amount varies per the sales price of the home.

Line 19 shows the number of units within each size and price category for a total unit count; in this example there are 460 units.

Line 20 displays the total revenue generated from the application of the special tax (Line 16 times the total number of units of that unit type, Line 19). From the revenue shown on Line 20, we apply a 5% administration fee that can be used by the agency to administer the program. Table 3-2 shows that we can use a portion of that revenue stream to cover debt service for capital infrastructure. Table 3-1 shows the full amount of CFD taxes used for services, i.e. transit passes. Table 3-2 shows 50% of the revenue stream being used for transit passes and 50% used to cover debt service on bonds to fund infrastructure.

In the example provided in Table 3-2 the new CFD Annual Special Tax is capped, not with a fixed amount like that found in Table 3-1, but capped by product type and tied to a percentage of the estimated home price, in this case 1.75%. This creates a variable special tax tied to the sales price of the home and allows a greater amount of funds that can be collected through the application of the special tax. With the increase in revenue, a portion of the revenue stream can cover the cost of a premium transit pass and the remaining amount can be used to secure a bond sale to fund capital infrastructure.

In the example presented in Table 3-2, Line 23 displays the revenue stream dedicated to bond service. Lines 24 through 29 displays the bond sizing analysis where we applied 50% of the special tax to debt service on bonds. With the revenue stream amount indicated on line 23 used for debt service on tax free municipal bonds, the district can raise \$5.6 million to fund infrastructure owned by the district.

Table 3-1: CFD Calculated Assessments for Transit Service Support (Sample Area in Downtown Oceanside near the NCTD Oceanside Transit Center)

	1,750	1,600	1,500	1,250	1,000	Weighted Average	Total
1 Estimated Home Size (Sq. Ft.)	1,750	1,600	1,500	1,250	1,000		
2 Estimated Home Price	\$ 528,500	\$ 483,200	\$ 453,000	\$ 377,500	\$ 302,000	\$ 403,104	
3 Ad-Valorem Tax Rate (1.00%)	\$ 5,285	\$ 4,832	\$ 4,530	\$ 3,775	\$ 3,020	\$ 4,031	
4 Unified Bond Oceanside 2000A	24.95	22.81	21.38	17.82	14.25	19.03	
5 Unified Bond Oceanside 2000B	52.53	48.03	45.03	37.52	30.02	40.07	
6 Unified Bond Oceanside 2000C	52.85	48.32	45.30	37.75	30.20	40.31	
7 Unified Bond Oceanside 2000D	64.79	59.24	55.54	46.28	37.03	49.42	
8 Unified Bond Oceanside 2000E	70.77	64.70	60.66	50.55	40.44	53.98	
9 Unified Bond Oceanside 2000F	79.80	72.96	68.40	57.00	45.60	60.87	
10 MWD D/S Remainder of SCDWA 1501999	24.84	22.71	21.29	17.74	14.19	18.95	
11 CWA Wtr Availability	10.00	10.00	10.00	10.00	10.00	10.00	
12 MWD Wtr. Standby Charge	11.50	11.50	11.50	11.50	11.50	11.50	
13 Oceanside LTG 2-1991	31.60	31.60	31.60	31.60	31.60	31.60	
14 Mosquito/Disease Ctr.	6.74	6.74	6.74	6.74	6.74	6.74	
15 Co. Mosquito/Rat Ctrl.	3.00	3.00	3.00	3.00	3.00	3.00	
16 New CFD Annual Special Tax (per unit or acre)	\$ 1,134	\$ 1,134	\$ 1,134	\$ 1,134	\$ 1,134	\$ 1,134	
17 Total Annual Property Taxes	\$ 6,852	\$ 6,368	\$ 6,044	\$ 5,237	\$ 4,429	\$ 5,510	
18 Annual Prop. Tax Rate as % of Home Price	1.30%	1.32%	1.33%	1.39%	1.47%		
19 Unit Mix	20	65	100	200	75		460
20 Total Annual - CFD Tax Collections	\$ 22,680	\$ 73,710	\$ 113,400	\$ 226,800	\$ 85,050		\$ 521,640
21 Annual Administration @ 5% of Annual CFD Collections	\$ 1,134	\$ 3,686	\$ 5,670	\$ 11,340	\$ 4,253		\$ 26,082
22 Annual CFD Tax Revenue for Services @	\$ 21,546	\$ 70,025	\$ 107,730	\$ 215,460	\$ 80,798		\$ 495,558
Annual Cost of Transit Pass @ \$90 per month	\$ 1,080	\$ 1,080	\$ 1,080	\$ 1,080	\$ 1,080		
Total Transit Pass Revenue per Home Size Category	\$ 21,600	\$ 70,200	\$ 108,000	\$ 216,000	\$ 81,000		\$ 496,800

General Notes: The spreadsheets are sample drafts and are provided as an illustration of the revenue that could be generated by a development of 460 units with certain price points. The assumptions used to generate this analysis will likely change and must be verified during the CFD formation process.

The percent of the total tax obligation, as noted on line 18, is a critical part of the analysis. The total percent allowed during the formation process will determine the revenue that can be generated from the CFD and will be established by the agency's Goals and Policies. We used 1.75% as the maximum amount allowed but that can change as agency policy is set.

3.4.6 Assignment of costs per rental unit

It is likely that rental property will be developed in the TOD zone. Although rental property typically provides housing to a different demographic than “for sale” housing, the transit use parameters will not likely change. Therefore, we would tend to allow the same formula per residential unit that is illustrated in Tables 3-1 and 3-2.

3.4.7 Assignment of costs per retail showroom square footage

Transit use by employees may be another source of revenue for transit passes, but due to the difficulty of predicting the use per square foot of retail space the analysis of retail uses is not part of this calculation.

Table 3-2: CFD Calculated Assessments for Transit Service Support and Transit Facility Development (Sample Area in Downtown Oceanside near the NCTD Oceanside Transit Center)

	1,750	1,600	1,500	1,250	1,000	Weighted Average	Total
1 Estimated Home Size (Sq. Ft.)	1,750	1,600	1,500	1,250	1,000		
2 Estimated Home Price	\$ 528,500	\$ 483,200	\$ 453,000	\$ 377,500	\$ 302,000	\$ 403,104	
3 Ad-Valorem Tax Rate (1.00%)	\$ 5,285	\$ 4,832	\$ 4,530	\$ 3,775	\$ 3,020	\$ 4,031	
4 Unified Bond Oceanside 2000A	24.95	22.81	21.38	17.82	14.25	\$ 19.03	
5 Unified Bond Oceanside 2000B	52.53	48.03	45.03	37.52	30.02	\$ 40.07	
6 Unified Bond Oceanside 2000C	52.85	48.32	45.30	37.75	30.20	\$ 40.31	
7 Unified Bond Oceanside 2000D	64.79	59.24	55.54	46.28	37.03	\$ 49.42	
8 Unified Bond Oceanside 2000E	70.77	64.70	60.66	50.55	40.44	\$ 53.98	
9 Unified Bond Oceanside 2000F	79.80	72.96	68.40	57.00	45.60	\$ 60.87	
10 MWD D/S Remainder of SCDWA 1501999	24.84	22.71	21.29	17.74	14.19	\$ 18.95	
11 CWA Wtr Availability	10.00	10.00	10.00	10.00	10.00	\$ 10.00	
12 MWD Wtr. Standby Charge	11.50	11.50	11.50	11.50	11.50	\$ 11.50	
13 Oceanside LTG 2-1991	31.60	31.60	31.60	31.60	31.60	\$ 31.60	
14 Mosquito/Disease Ctr.	6.74	6.74	6.74	6.74	6.74	\$ 6.74	
15 Co. Mosquito/Rat Ctrl.	3.00	3.00	3.00	3.00	3.00	\$ 3.00	
16 New CFD Annual Special Tax (per unit or acre)	1.75%	2,632	2,504	2,418	2,204	1,990	\$ 2,277
17 Total Annual Property Taxes	\$ 8,350	\$ 7,737	\$ 7,328	\$ 6,307	\$ 5,285	\$ 6,653	
18 Annual Prop. Tax Rate as % of Home Price	1.58%	1.60%	1.62%	1.67%	1.75%		
19 Unit Mix	20	65	100	200	75		460
20 Total Annual - CFD Special Tax Collections	\$ 52,640	\$ 162,734	\$ 241,800	\$ 440,800	\$ 149,250		\$ 1,047,224
21 Annual Administration @ 5% of Annual CFD Collections	\$ 2,632	\$ 8,137	\$ 12,090	\$ 22,040	\$ 7,463		\$ 52,361
22 Annual CFD Tax Collections for Services @ 50.0%	\$ 25,004	\$ 77,299	\$ 114,855	\$ 209,380	\$ 70,894		\$ 497,431
23 Annual CFD Tax Collections for Debt Service @ 50.0%	\$ 25,004	\$ 77,299	\$ 114,855	\$ 209,380	\$ 70,894		\$ 497,431
24 Bond Amount (6.5% Interest, 30 Year Term, 29 Year Amortization)							\$ 6,420,591
25 Underwriters Discount @ 1.75%							(112,360)
26 Reserve Fund at 100% of Annual Debt Service							(497,431)
27 Capitalized Interest (12 Months)							(417,338)
28 Incidental Costs (Estimate)							(300,000)
29 Total Proceeds for Capital Expenditures							\$ 5,093,461
Annual Cost of Transit Pass @ \$90 per month	\$ 1,080	\$ 1,080	\$ 1,080	\$ 1,080	\$ 1,080		
Total Cost Transit Pass per Home Size Category	\$ 21,600	\$ 70,200	\$ 108,000	\$ 216,000	\$ 81,000		\$ 496,800
Remaining Amount for Operating Reserve	\$ 3,404	\$ 7,099	\$ 6,855	\$ (6,620)	\$ (10,106)		\$ 631

3.4.8 Administration of the CFD program

CFD programs are typically administered by the local agency internally or through a contract with a consulting firm that specializes in administering CFDs. The administrative functions of a CFD include the annual calculation of the special tax to determine land use type and apply the special tax to those land uses based on the special tax formula. Additionally, the CFD administrator will determine any escalator from the prior year's levy and apply the escalated special tax to each property as appropriate. When the special tax is properly applied, the CFD administrator will prepare a special tax roll that is submitted to the county tax collector to apply to each participating property's tax bill.

Each CFD special tax formula should include an amount allowable for annual administration. That amount should be adequate to cover the expenses of the agency to administer the program, either internally or through a consulting contract.

3.4.9 Annual adjustments to costs

As defined in the Local Goals and Policies (see Appendix A), a CFD special tax can increase annually at a set rate, for instance two percent per year, or increase annually as it may be tied to an index. Some recently used indices include the US Department of Labor Consumer Price Index. The index used to describe the increase will be indicated in the Local Goals and Policies. A special tax does not need to escalate but if no escalation factor is allowed for in the tax formula, any subsequent increase will have to be approved by the property owners living in the area.

3.4.10 Rate and Method of Apportionment of Special Tax (RMA)

The Rate and Method of Apportionment of the Special Tax, RMA, is the document that establishes the method by which the special tax is to be applied to property and the rate of the special tax. The special tax may be established using any means available except ad valorem. Special taxes have been established by unit, unit type, acreage, square foot of improvement and other various ways that are "reasonable." The CFD code does not specify the method or means that a special tax is created, only that it be reasonable. (Please see Appendix B).

Once set, the tax can be changed if certain events occur during the development of the property. As an example, certain CFDs have a vacant land tax that allows for the collection of the Special Tax during the development process and a developed land tax that occurs when the property transitions from vacant to developed. The tax changes at this stage of the process and can increase and change from a tax based on acreage to a tax based on development status, i.e. single family detached, multi-family attached, non-residential (commercial, industrial, etc.).

Table 3-1 is a sample RMA that allows for the collection of a Special Tax to fund services only. Table 3-2 is a sample RMA that allows for the collection of a Special Tax to fund capital infrastructure and services. Typically, a RMA has a vacant land component when bonds are issued to fund capital improvements. The vacant land component which allows the agency to continue the revenue stream as property develops.

COMMUNITY FACILITIES DISTRICTS

Potential Use for Supporting Transit Oriented Developments in California



4: ECONOMIC CONSIDERATIONS & BENEFITS

4.0 ECONOMIC CONSIDERATIONS AND BENEFITS

This chapter provides a quick summary of the current and projected economic conditions in California that may have an affect on the feasibility of urban infill projects. This study assumes that a TOD/CFD will allow for substantial cost savings resulting from lower parking demand. Project feasibility will go up as the amount of parking supplied is lowered. This cost savings can offset the costs associated with a CFD. If a project is marketed correctly, the value of the project and therefore the sale price will also be higher. Current market trends indicate that a larger and larger percent of the population is interested in living in an environment that is well served by transit, is more walkable than most communities, and where owning multiple vehicles is no longer required. With more congestion found on our roadway system and with higher fuel costs, many consider living in a multi-use urban infill project to be a way of saving commute time and costs as well as increasing the quality of life by having convenient local services. With current public opinion supporting lifestyles that have a lower carbon footprint and lower energy consumption, a demand for this type of facility is increasing to a level that it is marketable.



4.1 MARKET CONDITIONS

It is commonly thought that 2009 will be a difficult time for the nation and the State of California as the overall recessionary times will bring much uncertainty. Nationally, attention will be focused on the new administration and its economic policies, such as the financial stimulus package, and previous government "bailouts" for the struggling financial and auto industries.

The State of California is faced with its share of uncertainty. Dominant issues include the multi-billion dollar budget deficit, the ongoing struggle of the housing market, and many cities are feeling the impact of the troubled auto industry as dealers close their operations and deplete the sale tax base. A more concentrated look at market conditions shows that most of the State's metro economies experienced weakness in construction, manufacturing, retail trade, and finance and insurance. However, by the end of 2009, it is anticipated that the outlook should be improving.

4.1.1 Housing Market Conditions

Industry experts predict that the California economy will be dealing with problems in the housing market throughout 2009, which is optimistically expected to hit bottom around mid-2009. Development will continue to be slow due to the scarcity of developable land, high construction costs, and underwriting difficulties. Housing construction in 2009 will be concentrated toward multi-family construction. A portion of this construction will involve the trend of re-gentrification of older developments in established neighborhoods.



Tenants will favor apartments closer to employment hubs, mass transit, and local retail centers. This can most likely be attributed to the spike in gas prices in mid-2008, and the “green” movement.

Many of the multi-family development projects will consist of tax-credit rental projects. Affordable housing has become one of the most active sectors of the multi-housing market due to the financial benefits it offers developers. It is expected that this trend will continue.

The positive aspect of the housing market is that there will be continued demand from natural population growth and from people relocating to California. The lack of new condominium construction occurring over the next one to two year period means that the demand for housing after the current recession will be high when the economy recovers.



4.1.2 Office

The office market will be stagnant in 2009 in terms of sales, rent-up, and lease rates. The overall tenant demand in 2009 will remain slow. Vacancy rates are rising for office space in some areas, making it even more difficult to obtain financing for proposed developments. Any demand will be driven by tenants seeking to relocate to higher quality work environments by taking advantage of the softened market conditions, such as lower rental rates and an increase in the flexibility of lease terms. Similar to housing, office tenants are becoming more attracted to buildings that become certified under the Leadership in Energy and Environmental Design (LEED) program that generally results in lower long term operating costs.

4.1.3 Retail

It is forecasted that the retail market will remain stable throughout 2009. However, overall tenant activity will be slow and landlords will need to be flexible in lease terms in order to fill vacant stores and/or space.



The lack of developable land and expansion in urban environments has prevented overbuilding and will help keep vacancies low and rents steady.

4.2 ISSUES FOR URBAN INFILL PROJECTS

Many factors affect the feasibility of urban infill projects. The major factors include:

- Land and property values: Although values have fallen 25% to 30% since their peak in 2005-07, acquisition costs are still an integral part of a project's feasibility.
- Land availability: There is a general lack of developable land in most urban areas. A good portion of this land was acquired during the boom years for condominium development. While many residential developers have delayed plans for these infill sites they are generally trying to hold on to the land for future developments when the residential market rebounds.
- Financing: Due to the mortgage and financial industry's fallout, obtaining financing for any development has become increasingly difficult to nearly impossible to obtain. Developers are often presented with high interest rates, and unreasonably high developer equity requirements offered by lending institutions.
- Infrastructure improvements/upgrades: Many infill sites include older buildings that need to be demolished. Often the infrastructure located on the site needs or is required to be upgraded. The majority of the time it is expected that the developer will fund the improvements.
- Typical suburban parking standards: Many times municipalities apply standard suburban parking requirements in their more urban areas. The outcome of this practice generally results in the need for expensive structured or subterranean parking.

4.3 SELF SELECTION OF TRANSIT SUPPORTED SITES AND EFFECT ON MARKETABILITY OF A PROJECT

This section discusses the potential buyer/tenant that actively seeks out a development for the primary reason that it is located near public transit; in other words they "self-select" a transit-oriented development. The buyer/tenant could be drawn to such a development because of the following reasons:

- They wish to rely less on their vehicle and more on mass transit opportunities.
- They no longer own a vehicle.
- They are no longer able to drive.
- They are empty nesters that are downsizing, wishing to travel and no longer need more than one car.
- Environmentally minded and wish to reduce their personal carbon footprint.

The type of buyers/tenants will be less concerned with the amount of parking available in the development, as they would need only one parking space, if any.

A project that contains less parking than generally required may present a bit of a “red-flag” to certain buyers. A sophisticated buyer will be concerned with how a lower parking ratio will affect the resale value of the property. This will most likely always be an obstacle that will have to be overcome. However, with the proper marketing, the project will draw those potential buyers who are looking for a development and a developer that is concerned with its overall impact on the area.

Negatively perceived effects of a lower parking supply are not necessarily insurmountable. One way of marketing the development could be to separate the parking costs associated with the development. This would mean that the unit prices would not include the price of parking. Buyers would buy a unit and separately purchase the parking they require up to a maximum. This would allow those buyers worried about resale value to obtain the standard parking, and at the same time allow those buyers who “self-selected” because of the proximity to transit or lack of a vehicle to forego the extra costs of parking that is often associated with the price of a unit.

In today’s era the focus is on energy conservation and lessening the impact we have on the environment. This lends itself to the argument that over the next several years the trend of multiple cars per family or multiple cars per individual will begin to fade. As the generation that grew up during the era where climate and environment were not a concern and transitions to today’s generation where the focus is on energy conservation, green building, and reducing one’s overall carbon footprint, it is feasible to see where policies may be implemented lowering the amount of parking required for urban developments.

Though a vast majority of the general public will continue to “love their cars” and will tolerate long commutes, high gas prices and large carbon footprints, an increasing market share has been shifting to an alternative lifestyle. A development that recognizes the unique aspects of smart growth will be able to position itself well with this increasing market share. Hypothetically speaking, smart growth may represent less than 10% of all future development. But if the market was considered to be of interest to 20% of the buying public, a development like this would stand out amongst typical developments and would therefore obtain a higher than average market sale price.

4.4 DEVELOPMENT PARKING DISCUSSION

Parking is one of the largest portions of urban development costs. In areas where land value is high, and block size is low, it is likely that parking will require some form of structured parking. Therefore, what may be required for off-street parking, may very well determine the feasibility of a project. Often, the high cost per unit or per square foot of leasable or rentable space cannot be offset simply by increasing density. In fact, increased densities may make the cost per unit actually go up even higher. Often, the only factor that can effectively lower the costs per unit is lower parking requirements.

4.4.1 Parking Requirements and Market Standards

Parking requirements vary by municipality. Most municipalities will offer reduced parking requirements for transit-oriented developments (TOD). Determining the parking ratios for TOD developments is difficult as many factors such as location, mix of uses, and income level affect parking demand. In most circumstances, the parking requirements of a municipality exceed actual market demand, which leads developers to apply for parking rate variances. For example, a typical parking ratio for a residential development is one space per bedroom, and four spaces per 1,000 square-foot (SF) for a commercial development. Depending on the area, the parking demand can often be much lower. Given an absence of parking requirements, a developer will build the amount of parking that is demanded by the given market.

There are several examples of recently developed mixed-use districts in California (Chico, Palo Alto, Sacramento, and Santa Monica), where the peak parking occupancy is less than two spaces per 1,000 SF of building area. In San Diego, the SmartCorner development consists of an 18-story residential building and a mid-rise office building on a block that is bisected by the San Diego Trolley. In this instance, the residential portion of the project was able to obtain a parking ratio of 1.2 spaces per unit.

4.4.2 Parking Costs of Surface and Structured Parking

Table 4-1 below delineates the typical fully burdened (direct, indirect, and financing costs) per space cost of the various forms of parking.

Table 4-1: Parking Costs

Parking Type	Cost per Space
Surface Parking	\$3,500 to \$5,500
Structured Parking (podium)	\$25,000 to \$30,000
Subterranean Parking	\$35,000 to \$50,000

4.4.3 Parking Cost Reductions and their Affect on Project Feasibility

The cost of parking is a major driver of development costs, especially if podium or subterranean parking is required due to the project's density. Generally, the smaller the project, the less parking required and they may be accommodated through surface spaces. However, most urban development sites are zoned to require higher densities and are therefore forced into more expensive parking configurations. If municipalities were to reduce their standard parking ratios for developments that encourage public transit ridership, the development may be able to offer more units, leasable space, and other amenities while providing less parking and thus reducing overall project costs, and potentially increasing the development's revenue generation.

4.4.4 Parking Requirements that may Prevent Smaller Lot Redevelopment

Parking for small lot, infill development can be challenging due to the lack of flexibility in parking requirements. Small sites face other obstacles as well. Sometimes, building structured or below-grade parking is not feasible due to the limitations of the lot size and its dimensions. Designing and constructing a garage that is highly inefficient could cause the project to be financially infeasible.



Generally, when land can be purchased for \$50 per SF or less, surface parking is a financially viable option, and the development will provide an adequate return on the land investment. Municipalities, on occasion, allow developments to augment the amount of surface parking that can be accommodated on-site with available on-street parking in order to meet the proposed developments parking demand. This is most likely in the case where a municipality has an established parking district.

A small lot is not likely to redevelop unless it is part of a larger consolidation of properties, or unless one or more of the following parking programs are put into place:

- A parking district where parking is shared among business/property owners.
- An in-lieu fee is established allowing the developer to pay a fee for providing less parking than required on-site. The fee is then used to assist in paying for the foregone parking spaces at another location.



4.4.5 Minimum Block Size Needed to Support Parking Structures

Parking structures require certain dimensions to allow for vehicles to efficiently circulate within the structure. In general, the minimum lot size to support parking structures is one-half to three-quarters of an acre or 21,000 to 32,000 SF site.

4.4.6 Minimum Land Value Required to Justify Parking Structures

Table 4-2 below itemizes the per SF land costs for the various parking types.

Table 4-1: Parking Costs

Parking Type	Cost per SF Land
Surface Parking	Less than \$50/SF
Structured Parking (podium)	\$50/SF to \$100/SF
Subterranean Parking	Over \$100/SF

For example, a one acre lot with an allowable density of 40 dwelling units per acre, with a 1.5 spaces per unit parking requirement would require 60 parking spaces. Using an average of 350 SF per space, would require 21,000 SF for parking. This calculates to a 0.48 floor area ratio (FAR), or 21,000 SF of the one acre lot (43,560 SF) would need to be dedicated to parking, leaving only slightly more than half the site for development.

After parking, the developable site area is 22,560 SF. Using an inefficiency factor of 15% and an average unit size of 650 SF, the site would only accommodate 29 dwelling units, and thus not maximize its allowed density. In this example, the developer would build podium parking to maximize the allowed density, because the cost of land would be disproportionate for the amount of development that could be achieved by utilizing only surface parking.

In most circumstances, City parking requirements vastly exceed actual market demand, leading to developers requesting variances. For example, many cities require four spaces per 1,000 square feet of office space when actual parking demand is much lower.

4.5 ISSUES AND CONDITIONS AFFECTING TOD INFILL PROJECTS

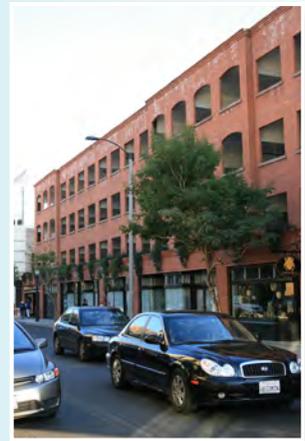
Over the past several years, there has been an intensified movement to reduce our impact on the environment. While the movement has been slow to persuade some, it appears that the trend is gaining speed and more people are looking at how they can reduce their individual impact. This can be seen on a large scale through the development of sustainable communities and LEED certified buildings, and through an increase in the demand for and production of hybrid and electric vehicles.

Before the movement toward a healthier environment, was the health, wellness, and fitness movement. This consisted of a higher quality of life, which for some meant reducing commute time and thus spending less time in a car. This led to a transition of empty-nesters downsizing and moving closer to services and amenities, workers moving closer to places of employment and more pedestrian friendly urban environments that offer comparable services and amenities to those of the suburbs.

Cost savings and the type of project are major benefits that affect a person's willingness to purchase or rent housing without parking. For example, in LA County 12.5% of households do not own a vehicle, while 37% own only one vehicle. Therefore, projects that do not include parking or have unbundled the parking from the unit cost are very attractive to this market segment. An example of a project that unbundled its parking costs from housing costs and saw it rapidly sell out is the Panoramic Interests development in Berkeley, CA.

Based on the above statements and examples, it could be concluded that resale issues are not an issue with developments with lower parking requirements if the project is marketed to the right target audience.

Financial and funding institutions could be made more comfortable with lower than required parking standards if the developer has conducted a market study of the target market segment indicating the demand for a residential development that offers unbundled unit and parking costs. Also, similar to office buildings obtaining financing, the financial institution could be made more comfortable if the developer provides a pre-sale/leasing requirement of 50% to 60% of the units. As mentioned earlier, the developer will build what the market demands and if the market demands less parking and they can reduce costs the idea of shared parking and CFD would be an incentive. The hold up may be with the municipalities and the lending institutions.



4.6 DESCRIPTION OF A FEASIBLE LOW PARKING SMART GROWTH TOD INFILL PROJECT

A hypothetical description of a smart growth TOD infill project would most likely consist of the following attributes:

- A mixed-use development within walking distance of a well-served transit station.
- A moderate to high density development that offers a minimum of residential and retail use with some live/work perhaps.
- Assures the owner/tenant that one dedicated space and one optional space at a set fee per month.
- Offers unbundled parking costs.
- Parking for the commercial uses is provided in a shared parking area during off-peak residential use and in non-reserved parking areas.
- Car sharing program is offered on-site or within walking distance, or a flex-car option is available nearby.
- A parking resource management system that controls the demand for parking.

A low parking, smart growth, TOD infill project can be marketable. The less than standard parking supply will not necessarily make the development unattractive. An important factor to remember is that the developer will build the amount of parking that is demanded in a given market. A developer will not build a project that is not financeable, marketable or beneficial to the developer.



COMMUNITY FACILITIES DISTRICTS

Potential Use for Supporting Transit Oriented Developments in California



5: PARKING AND TRIP GENERATION IN TOD'S

5.0 PARKING AND TRIP GENERATION IN TODs

Though the focus of this study is on the potential use of CFDs to fund transit, it is based on the assumption that a property owner, agency, or developer will save construction money because of the fact they are located near well served transit. This presumes that the developer will be allowed to and / or chooses to lower off-street parking resources, thereby lessening one of the very high costs of urban development. For parking supplies to be reduced, a number of measures are necessary to help lower demand as well. This chapter identifies a number of practices that will help to lower demand and parking requirements for those areas around major transit centers.



The Institute for Traffic Engineers' (ITE's) *Parking Generation* and *Trip Generation* informational reports are the principal resource in the United States for estimating the parking demand and trip generation that varying types of development projects will generate. Now in its third edition, *Parking Generation* provides data on 91 unique land uses illustrating parking demand data at different times of day and weekdays versus Saturdays and Sundays. *Trip Generation*, in its 8th edition, is based on more than 4,800 studies submitted to ITE. Both reports are widely used for parking and trip generation studies across the nation.

Although *Parking Generation* is the largest available national resource for parking demand estimates, its data is by no means comprehensive and the report itself cautions readers that the information provided can be easily misinterpreted. The report clearly states that, **"This informational report does not provide authoritative findings, recommendations, or standards on parking demand."** Likewise, *Trip Generation* states that, "ITE informational reports are prepared for informational purposes only. They do not include ITE recommendations on the best course of action or the preferred application of the data." Both reports encourage readers to exercise caution when utilizing many of their figures as they are based on small data sets that may make the rates statistically unreliable.

In addition, both reports warn readers that their data are mostly derived from auto-oriented, stand-alone suburban sites with free parking. For locations with public transit service, parking pricing, shared parking, or demand management strategies, ITE advises that users collect local data, or adjust the ITE rates to account for reduced auto use resulting from these factors. All too often, however, ITE's warnings are ignored and the "average peak period parking demand" or "average trip rate" for a given land use is applied inappropriately to certain locations. This is particularly vexing since ITE explicitly states that the average parking rate, "may not be acceptable for some land uses." As a result, the character and financial feasibility of certain developments is often significantly impacted.

The methodology for collecting data for parking occupancy studies, such as those utilized by ITE, is well established. Typically, a planner or engineer conducts hourly (or other time interval) parking counts of a given land use. After this data has been accumulated, the analyst then examines the figures and identifies the peak hour of demand for weekdays, Saturdays, and Sundays (depending on the land use). Once the analyst obtains the square footage (or other relevant unit)



of the land use, he can derive a peak demand per 1,000 square feet of gross or leasable area. Similarly, trip studies count the trips generated by a given land use and divide by the square footage (or other relevant unit), with a possible reduction for internal capture or pass-by trips.

An important advantage of these simple approaches is that very little information about a project is needed to predict parking or trip generation, and calculations are simple. There are, however, several limitations of such two-variable formulas. Most importantly, they do not take into account the effect of a multitude of other variables, such as parking price, transit service, and the quality of the pedestrian environment, all of which transportation research has shown to strongly affect parking and trip generation.

Thus the variation in ITE parking and trip rates *within* each land use category is frequently very high, since the quantity of development alone (e.g. number of units or gross floor area) is not sufficient to predict parking generation with any accuracy. For example, the range of weekday peak period parking demand for a suburban “High-Turnover (Sit-Down) Restaurant” varies wildly from 0.9 to 21.8 vehicles per 1,000 square feet GFA. Typically, planners and engineers will simply reference the average demand of 10.1 vehicles for the site regardless of the wide range presented or the absence of any statistical correlation (R^2) between square footage and parking generation. For several land uses, such as community centers and fast-food restaurants, *Parking Generation* finds no statistically significant correlation between the quantity of development and parking generation rates, or finds that the correlation is in the “wrong” direction (i.e., there is an inverse correlation).

Even where there is a strong correlation between the amount of development and parking generation rates, there is still considerable variation in the rates observed in different surveys. For the land use type suburban “Office Building”, for example, ITE reports rates ranging from a low of 0.86 to a high of 5.58 vehicles per 1,000 square feet. Recognizing the wide variation in the quality and quantity of data, *Parking Generation* advises the reader that (see text box):

Parking Generation is only the beginning point of information to be used in estimating parking demand. Local conditions and area type can influence parking demand. Parking Generation’s wide array of data blends many site conditions and may not best reflect local conditions. Therefore, surveys of comparable local conditions should always be considered as one of the best means to estimate parking demand to account for local factors.

As noted above, neither report claims to be the definitive standard for parking or trip generation rates. Unfortunately, planners and engineers across the country continue to refer to them as authoritative sources; they are sometimes even required by code. The reports will likely continue to be useful tools to analysts in offering a range of parking demand and trip generation rates which in itself is not a problem. However, as the reports state, subsequent professional review

and evaluation are necessary since the data alone will not provide estimates which accurately account for the factors unique to each project site. It is this fact - that planners and engineers must rely on critical thinking based on site-specific information - that will help shape an accurate assessment of parking demand and trip generation.

Modifying the parking and trip generation rates is essential for transit-oriented, mixed-use and other projects that can expect lower rates of auto use. Otherwise, they will be disadvantaged by the parking and traffic studies, which in effect assume a “worst case scenario” in terms of car use. Developments may then be asked to pay higher fees or fund infrastructure “improvements” such as street widening, that may not be necessary and which often damage the quality of the pedestrian environment, not to mention affecting development feasibility.

These limitations have been well documented by ITE and other analysts. What has been missing until now, however, is an alternative, established tool to modify the average trip generation rates to better reflect the effects mixed-use, higher density, transit oriented, and urban developments have on parking and trip generation. This is the purpose of the Urban Emissions Model (URBEMIS). The URBEMIS mitigation component is a simple yet powerful tool; it employs standard traffic engineering methodologies, but provides the opportunity to adjust ITE average rates to quantify the impact of a development’s location, physical characteristics and any demand management programs. It can be seen as a “plug in” to the standard traffic study methodology and can be used as a proxy for determining the impacts on parking demand. In this way, it provides an opportunity to fairly evaluate developments that minimize their transportation impact, for example, through locating close to transit or providing high densities and a mix of uses. Table 5-1 provides a summary of the specific trip reduction credits that are granted by URBEMIS.

Table 5-1: Summary of Reduction Credits

	Residential (1)	Non-Residential
Physical Measures		
Net Residential Density	Up to 55%	N/A
Mix of Uses	Up to 9%	Up to 9%
Local-Serving Retail	2%	2%
Transit Service	Up to 15%	Up to 15%
Pedestrian/Bicycle Friendliness	Up to 9%	Up to 9%
<i>Physical Measures subtotal</i>	<i>Up to 90%</i>	<i>Up to 35%</i>
Demand Management and Similar Measures		
Affordable Housing	Up to 4%	N/A
Parking Supply (2)	N/A	No limit
Parking Pricing/Cash Out	N/A	Up to 25%
Free Transit Passes	25% * reduction for transit service	25% * reduction for transit service
Telecommuting (3)	N/A	No limit
Other TDM Programs	N/A	Up to 2%, plus 10% of the credit for transit and ped/ bike friendliness
<i>Demand Management subtotal (4)</i>	<i>Up to 7.75%</i>	<i>Up to 31.65%</i>

(1) For residential uses, the percentage reductions shown apply to the ITE average trip generation rate for single-family detached housing. For other residential land use types, some level of these mitigation measures is implicit in ITE average trip generation rates, and the percentage reduction will be lower.

(2) Only if greater than sum of other trip reduction measures.

(3) Not additive with other trip reduction measures.

(4) Excluding credits for parking supply and telecommuting, which have no limit.



Recommendation

1

Although URBEMIS provides an excellent model for the quantification of trip and parking reduction credits, it is equally important to understand how transportation demand management measures need to be implemented in order to have the maximum effect. Chapter 2 of the URBEMIS provides a series of strategies that have been proven to effectively reduce auto use in transit-oriented developments.

5.1 RECOMMENDED STRATEGIES

The following is a list of recommended strategies to create lively, economically successful transit-oriented developments, that promote walkability and minimize traffic congestion.

5.1.1 Recommendation 1: Share Parking

Goals: Make efficient use of the parking supply by including as many spaces as possible in a common pool of shared, publicly available spaces. Build a small number of cost-effective, strategically located parking structures, rather than many small, inefficient and scattered private lots.

Recommendation: Adopt a “Park Once” strategy by operating as many parking spaces as possible in a common pool of shared, publicly-available spaces. This strategy should be implemented through the following policies:

1. Require private parking for non-residential development to be made available to the general public for lease or rent.
2. Consider constructing public lots and garages. Fund the garages by renting and leasing spaces to employees, residents, and transit patrons on a daily and/or hourly basis.
3. Facilitate shared and/or valet parking in parking lots wherever feasible.

Discussion: Fundamental to the creation of a thriving, transit-oriented development is the creation of a “Park Once” environment. The typical suburban pattern of isolated, single use buildings, each surrounded by parking lots, requires two vehicular movements and a parking space to be dedicated for each visit to a shop, or office, or civic institution. To accomplish three errands in this type of environment requires six movements in three parking spaces for three tasks. With virtually all parking held in private hands, spaces are not efficiently shared between uses, and each building’s private lots are therefore typically sized to handle a worst-case parking load. If a proposed transit-oriented district attempts to provide typical suburban quantities of parking, with little or no sharing, the result will be a system that is costly and inefficient, and a land use pattern that is anything but transit-oriented. Applying conventional suburban parking ratios will generate freestanding retail boxes surrounded by cars, or pedestrian-hostile buildings that hover above parking lots; and the resulting low density fabric generates too few pedestrians to let the district reach critical mass.

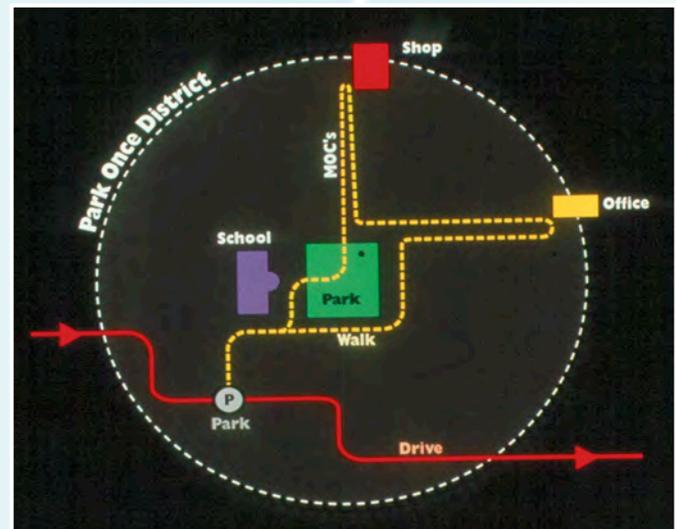
When the suburban practice of building individual private lots for each building is introduced into a mixed-use TOD, the result is also a lack of welcome for customers: at each parking lot, the visitor is informed that his vehicle will be towed if he or she peruses any place besides the adjacent building. When this occurs, nearby shopping malls gain a distinct advantage over the district with fragmented parking. Mall owners understand that they should not divide their mall's parking supply into small reserved lots: they operate their supply as a single pool for all of the shops, so that customers are welcomed wherever they park. Operating a parking supply as a single shared pool will result in significant savings in daily vehicle trips and required parking spaces, for three reasons:

Park Once: Those arriving by car can easily follow a “Park Once” pattern: they park their car just once and complete multiple daily tasks on foot before returning to their car (see Table 5-1).

Table 5-1: “Park Once” District

Shared Parking among Uses with Differing Peak Times: Spaces can be efficiently shared between uses with differing peak hours, peak days, and peak seasons of parking demand (such as office, restaurant, retail and entertainment uses).

Shared Parking to Spread Peak Loads: The parking supply can be sized to meet *average* parking loads (instead of the *worst-case* parking ratios needed for isolated suburban buildings), since the common supply allows shops and offices with above-average demand to be balanced by shops and offices that have below-average demand or are temporarily vacant.



Studies indicate that when a “Park Once” strategy is followed, the parking demand for mature mixed-use districts typically ranges from 1.6 to 1.9 spaces occupied per 1,000 square feet of nonresidential built space, or one-third to one-half that required for conventional suburban development.

To implement a “Park Once” strategy, parking must be managed as a shared utility, just like streets and sewers. All available-to-the-public parking should be provided in strategically-placed lots and garages. Non-residential development should be prohibited from building private parking, unless it is made available to the general public to lease or rent. In cases where private tenants, such as new offices, require a guarantee of a certain number of spaces at particular hours (e.g., Monday through Friday, 9 a.m. to 5 p.m.), they should be provided with the opportunity to lease those spaces with the exclusive right to use them during the hours required. Such arrangements leave the parking available during evening and weekend hours for other users (e.g., with the patrons of diners), resulting in an efficient sharing of the parking supply and lower costs for all.

Recommendation

2

Overall, the benefits of fully implementing a “Park Once” strategy include:

- More welcoming of customers and visitors (fewer “Thou Shalt Not Park Here” signs scattered throughout the district)
- Allows for fewer, strategically placed lots and garages, resulting in better urban design and greater redevelopment opportunities
- Enables construction of larger, more space-efficient (and therefore more cost-effective) lots and garages

Finally, and perhaps most importantly, by transforming motorists into pedestrians, who walk instead of drive to different destinations, a “Park Once” strategy is an immediate generator of pedestrian life, creating crowds of people who animate public life on the streets and generate the patrons of street friendly retail businesses.

5.1.2 Recommendation 2: Manage On-Street Parking in Commercial Areas

Goals: 1) Efficiently manage demand for parking while accommodating visitor, commuter, and resident parking needs, and 2) *Put customers first:* create vacancies and turnover of the most convenient “front door” curb parking spaces to ensure availability for customers and visitors.

Recommendation: Install multi-space, pay-by-space parking meters district-wide. Set parking prices at rates that create a 15% vacancy rate on each block, and eliminate time limits. Dedicate parking revenues to public improvements and public services that benefit the TOD. Create a “Parking Benefit District” to implement these recommendations.

Discussion: Often, TODs and mixed-use districts do not experience parking shortages so much as a lack of pricing incentives and information to direct motorists to where parking is available. Always available, convenient, on-street customer parking is of primary importance for ground-level retail to succeed. To create vacancies and rapid turnover in the best, most convenient, front-door parking spaces, it is crucial to have price incentives to persuade drivers to park in less convenient spaces such as on upper garage floors or spaces a block or two away. Higher prices should be used for the best spots, and cheap or free parking for the least convenient or currently under used lots.

Motorists can be thought of as falling into two primary categories: bargain hunters and convenience seekers. Convenience seekers are more willing to pay for an available front-door spot. Many shoppers and diners are convenience seekers: they are typically less sensitive to parking charges because they stay for relatively short periods of time, meaning that they will accumulate less of a fee than an employee or other all-day visitor. By contrast, many long-stay parkers, such as employees, find it more worthwhile to walk a few blocks to save on eight hours worth of parking fees. With proper pricing, the bargain hunters will choose currently under utilized lots, leaving the prime spots free for those convenience seekers who are willing to spend a bit more. For merchants, it is important to make prime spots available for these people: those who are willing to pay a small fee to park are also those who are willing to spend money in stores and restaurants.

Alternatives to charging for parking

The primary alternative that cities can use to create vacancies in prime parking spaces is to set time limits, and give tickets to violators. Time limits, however, bring several disadvantages: enforcement of time limits is labor-intensive and difficult, and employees, who quickly become familiar with enforcement patterns, often become adept at the “two hour shuffle”, moving their cars regularly or swapping spaces with a coworker several times during the workday. Even with strictly enforced time limits, if there is no price incentive to persuade employees to seek out less convenient, bargain-priced spots, employees will probably still park in prime spaces.

For customers, strict enforcement can bring “ticket anxiety”, the fear of getting a ticket if one lingers a minute too long (for example, in order to have dessert after lunch). As Dan Zack, Downtown Development Manager for Redwood City, CA, puts it, “Even if a visitor is quick enough to avoid a ticket, they don’t want to spend the evening watching the clock and moving their car around. If a customer is having a good time in a restaurant, and they are happy to pay the market price for their parking spot, do we want them to wrap up their evening early because their time limit wasn’t long enough? Do we want them to skip dessert or that last cappuccino in order to avoid a ticket?”

A recent Redwood City staff report summarizes the results found in downtown Burlingame, California (see box):

This is not an isolated result. Repeatedly, surveys of shoppers have shown that the *availability* of parking, rather than price, is of prime importance.

The right price for parking

If prices are used to create vacancies and turnover in the prime parking spots, then what is the right price? An ideal occupancy rate is approximately 85% at even the busiest hour, a rate which leaves about one out of every seven spaces available, or approximately one empty space on each block face. This provides enough vacancies that visitors can easily find a spot near their destination when they first arrive. For each block and each parking lot in the district, the right price is the price that will achieve this goal. This means that pricing should not be uniform: the most desirable spaces need higher prices, while less convenient lots are cheap or may even be free. Prices should also vary by time of day and day of week: for example, higher at noon, and lower at midnight.

In a recent “intercept” survey, shoppers in downtown Burlingame were asked which factor made their parking experience less pleasant recently... The number one response was “difficulty in finding a space” followed by “chance of getting a ticket.” “Need to carry change” was third, and the factor that least concerned the respondents was “cost of parking.” It is interesting to note that Burlingame has the most expensive on-street parking on the [San Francisco] Peninsula (\$.75 per hour) and yet cost was the least troubling factor for most people.

Ideally, parking occupancy for each block and lot should be monitored carefully, and prices adjusted regularly to keep enough spaces available. In short, prices should be set at market rate, according to demand, so that just enough spaces are always available. Professor Donald Shoup of UCLA advocates setting prices for parking according to the “Goldilocks Principle” (see box):

The price is too high if many spaces are vacant, and too low if no spaces are vacant. Children learn that porridge shouldn't be too hot or too cold, and that beds shouldn't be too soft or too firm. Likewise, the price of curb parking shouldn't be too high or too low. When about 15 percent of curb spaces are vacant, the price is just right.

If this principle is followed, then there need be no fear that pricing parking will drive customers away. After all, when the front-door parking spots at the curb are entirely full, under-pricing parking cannot create more curb parking spaces for customers, because it cannot create more spaces. And, if the initial parking meter rate on a block is accidentally set too high, so that there are too many vacancies, then a policy goal of achieving an 85% occupancy rate will result in lowering the parking rate until the parking is once again well used, including making parking free, if need be.

What are best practices in setting parking prices for mixed-use districts?

Pasadena and Redwood City were researched in substantial detail, as these two California cities are widely recognized as implementing best practice parking management strategies.

Pasadena (1993)

- *Prior to 1993, all curb parking was free with 2-hour time limits*
- *Employees and commuters took curb spaces leaving none for customers*
- *City wanted to install meters to free up curb spaces and increase turnover*
- *Merchants opposed until city agreed to use all revenue for downtown improvements*
- *\$1/hr for meters in Old Pasadena core (other meter areas: \$0.50/hr to \$1/hr)*
- *Meters also run evenings and Sundays*
- *Results: This Commercial Parking Benefit District generates \$5.4 million annually and parking occupancy rates are consistently near the 85% ideal*

Redwood City (2005)

- *New development downtown and new downtown planning initiative prompted review of parking management strategies*
- *Some existing meters (\$0.25 for 1-2 hours, but many streets with high demand not metered)*
- *Ordinance: Downtown transportation staff tasked with setting meter rates to achieve 85% occupancy goal and authorized to adjust rates administratively as needed to reach this goal*
- *Initial rates estimated to achieve 85% occupancy:*
 - o *Increased meter rates in highest demand area: \$0.50/hr during weekdays*
 - o *Expanded meter zone to moderate demand areas: \$0.25/hr during weekdays*
 - o *Charged between \$0.25/hr and \$0.75/hr on nights and weekends, depending on demand*
- *Parking Benefit District established: revenues used for maintenance and operation of the downtown parking system; revenues beyond this (estimated at \$1.4 to \$1.8 million annually) will be devoted to downtown blocks where the revenues collected*
- *Eliminated all time limits*

Eliminating time limits

Once a policy of market rate pricing is adopted with the goal of achieving an 85% occupancy rate on each block, even at the busiest hours time limits can actually be eliminated. With their elimination, much of the worry and “ticket anxiety” for customers disappears. In Redwood City, where this policy was recently adopted, Dan Zack (Downtown Development Coordinator) describes the thinking behind the City’s decision in this way (see box):

The recommendations for pricing parking, eliminating time limits, and the creation of a commercial parking benefit district are discussed in greater detail below.

Market-rate prices are the only known way to consistently create available parking spaces in popular areas. If we institute market-rate prices, and adequate spaces are made available, then what purpose do time limits serve? None, other than to inconvenience customers. If there is a space or two available on all blocks, then who cares how long each individual car is there? The reality is that it doesn't matter.

Boundaries of the metered parking in the Commercial Parking Benefit District

Given a primary goal of creating vacancies on any blocks where parking becomes overused, and shifting some parking demand to under used parking lots, meters should be installed on blocks and in parking lots where occupancy can be expected to reach 85% or greater during the peak hours of demand. In addition, meters should be installed on adjacent blocks, where demand is likely to shift and parking will become overcrowded if the blocks remain entirely free. Parking meter prices should be set to maintain a 15% vacancy rate, according to the “Goldilocks Rule”: if occupancy rates are consistently above 85%, the parking rates are too low and if occupancy rates are consistently below 85%, the parking rates are too high.

In the future, as the district develops, these initial boundaries can be extended to other adjacent areas where peak hour occupancy reaches 85% or higher, but in predominantly residential areas, Residential Parking Benefit Districts should be implemented (see Recommendation 6 for more information).

Initial meter rates and hours of operations for paid parking in the Commercial Parking Benefit District

Meters should operate on days and hours when parking demand is high and occupancy exceeds 85% (with goal of achieving 85% occupancy). Rates should be set and regularly adjusted to ensure that these occupancy goals are met. In addition, parking prices should be set, and investments in any public parking facilities considered, with the goal of ensuring that parking fees cover the full cost of building and operating the parking supply. Numerous cities have established parking districts that require parking funding to be self-sufficient.

The sole exception should be the provision of free or below-cost parking for shoppers in off-street garages. If such parking is provided (as may be necessary to persuade retail tenants to sign leases), the cost of this parking should be recovered by either: (a) requiring merchants to reimburse the parking system for the cost of providing validated parking to its customers, or (b) providing the first 60 or 90 minutes free to all users of off-street parking facilities in retail blocks and then covering the cost of this parking via common area maintenance fees charged to merchants.

In conjunction with the adoption of these prices, time limits can and should also be eliminated, since the policy of setting market rate prices will ensure vacancies at even the busiest hours.

Rates for the disabled: Under state law, vehicles with state-issued disabled placards are exempt from parking meters (California Vehicle Code Section 22511.5)

What do other California cities charge at their parking meters?

A survey of hourly meter prices in Southern California communities found that the hourly prices for metered parking ranged from \$0.25/hour to \$2.00/hour:

Culver City, Del Mar, Hermosa Beach, Oceanside, Seal Beach: \$0.50

Glendale: \$0.60

Manhattan Beach, Redondo Beach, Santa Monica: \$0.75

Laguna Beach, Long Beach, Newport Beach: \$1.00

Pasadena: \$1.25

Adjusting meter rates and hours of operation

After an initial trial period, parking prices for each block should be reviewed and then adjusted down or up to achieve the 85% occupancy goal, as described earlier. To ensure that this happens on a regular schedule, the following procedure for adjusting parking meter rates and hours is recommended:

1. *Set Policy:* By ordinance, City Council should establish that the primary goal in setting parking meter rates and hours for each block and each lot is to achieve an 85% occupancy rate. Additionally, the ordinance should both require and authorize city staff to raise or lower parking prices to meet this goal, without requiring further action by the City Council.
2. *Monitor occupancy:* Modern, wirelessly-networked multi-space parking meters (as described below) are capable of instantly transmitting current information on the number of spaces in use on each block where the meters are installed, giving the city staff the ability to constantly monitor parking usage in the system. Reports can also be generated to track occupancy by the hour over the course of a day, weeks, or months.
3. *Adjust rates:* Armed with good information on recent parking occupancy rates, the city staff should adjust the rates (and hours of operation) up or down on each block, to achieve the policy goal (an 85% occupancy

rate) set by City Council. Typically, rates should be adjusted at least quarterly (four times per year). In the case of major changes in the district, such as the opening of a new development, it may be advisable to adjust rates in response to particular events. To provide additional input to the process, an advisory board (as described below) should review the proposed rate changes and provide feedback to city staff.

Legal basis for setting fair market parking rates

The California Vehicle Code (CVC Sec. 200258) allows local jurisdictions to set parking meter prices at fair market rates necessary to achieve 85% occupancy. California case law authorizes local jurisdictions to enact parking meter ordinances with fair market rates that “may...justify a fee system intended and calculated to hasten the departure of parked vehicles in congested areas, as well as to defray the cost of installation and supervision.”¹ California case law also recognizes that parking meters ordinances are for the purpose of regulating and mitigating traffic and parking congestion in public streets, and not a tax for revenue purposes.²

Recommended Payment System and Metering Technology

There are several meter technologies and payment systems available, but a review of best practices and a review of the capabilities of existing metering technologies found that the preferred approach would balance the following goals:

- Maximize ease of use in order to increase customer convenience and reduce uncertainty and anxiety
- Minimize capital and operations costs (administration, maintenance, and enforcement)
- Promote turnover of curb parking spaces (so that visitors can always find a space)
- Achieve other district goals (good urban design, cleanliness, etc.)

These goals and a review of available technology suggest that transit-oriented developments should:

- Install multi-space meters (not single-space meters) that:
 - Can control 10-20 parking spaces, resulting in just one or two meters per block face
 - Accept multiple forms of payment (coins, credit cards) and allow the user to extend time from any other meter or by cell phone, to provide ease of use
 - Are solar powered and centrally networked with wireless technology, to reduce operations costs and improve parking management and pricing decisions
- Implement a “pay-by-space” payment system which allows motorists to park, pay and go (not pay-and-display, which requires customers to return to their vehicles to display a receipt and can contribute to litter problems and customer inconvenience)

¹ *DeAryan v. City of San Diego*, 75 CA2d pp292, 296, 1946.

² *Ibid.*, p293. For more information, on California Vehicle Code statutes and case law that provide the legal basis for charging market rate parking prices and creating Parking Benefit Districts see Appendix 5, Redwood City Ordinance.

These recommendations are summarized in Table 5-2, and examples of multi-space meters with pay-by-space systems are illustrated in Table 5-3.

Table 5-2: Recommendations for Meter Technology

	Commercial Parking Benefit District			Residential Parking Benefit District
	Core On-Street Parking	Most Convenient Lots & Garages	Least Convenient Lots & Garages	On Street Parking at Periphery (adjacent to meter zone)
Non-Residents	Multi-space meters & pay by cell phone	Entry: Gate & ticket OR Multi-space meters and pay by cell phone		Multi-space meters and pay by cell phone
Residents				Scratch off hangtags OR Adhesive decals

Table 5-3: Example of multi-space meters with pay-by space system

Source: The Wall Street Journal Online.

MONTREAL
Multispace meters, Handheld alerts
 Each meter governs 10 to 15 spaces. After parking, drivers type in space number and pay with credit card or cash. Meters send real-time, block-by-block information to enforcement officers' handheld devices.

FORT LAUDERDALE, FLA.
In-car meters
 Drivers can load up to \$100 onto a prepaid meter that dangles from the rearview mirror, above; the meter counts down remaining parking minutes.

CDRAL GABLES, FLA.
Pay with cellphone
 Drivers register their cellphone, credit card and license plate numbers online. After they park, they dial a number and enter a lot and space number to begin their parking session.

PACIFIC GROVE, CALIF.
Smart meters
 Sensors embedded in the concrete under a parking space can tell when a car pulls out, resetting the meter to zero.

SACRAMENTO, CALIF.
Infrared license plate scanners
 Enforcement vehicles traveling as fast as 30 mph use cameras to scan license plates. Using a global positioning system, the system lets officers check whether a car has outlasted its time on the meter. The system also can match license plates against databases of unpaid parking tickets and stolen vehicles.

Handheld Device
 Cars parked legally are displayed as green squares, while those that have exceeded their time limit turn red.

Sources: InnovaPark; Cole Parking Systems USA; T2 Systems; Lexis Systems; Mint Technology; AutoVu Technologies
 Rich Franconeri/The Wall Street Journal

Benefits of implementing multi-space meters and pay-by-cell phone using a pay-by-space payment system (along with pricing parking at fair market rate and eliminating time limits):

- Maximizes ease of use and customer convenience.
- Allows multiple payment options: Pay with cash, debit/credit cards, cell phone, so no need to carry exact meter change.
- Park, pay and go: No need to return to car after paying, add additional time added from any meter or cell phone.
- No “ticket anxiety”: Eliminating time limits reduces or eliminates “ticket anxiety.” Users who pay with a debit or credit card can select “pay maximum,” get a refund for unused time. In addition, a grace period can be pre-programmed into the meters to provide a better customer experience.³
- Better user interface: Large, interactive display screens can convey more info (instructions, etc).
- Only pay for the time you use: Purchase as much time as needed, get a refund for unused time.
- Minimizes operations costs (administration, maintenance, and enforcement), as detailed below.
- Reduced capital costs: One meter controls several spaces, so initial capital and replacement costs are reduced.
- Reduced operating costs: Solar-powered with battery back-up; no need for electrical hook-ups or electricity costs.
- Automated audit trail, reduced revenue loss: Fully automated audit trail of all service actions, cash transactions and parking purchases helps reduce operations costs and revenue loss.
- Enhanced data collection, better planning decisions: Real time data on parking occupancy and revenue collections transmitted wirelessly and available anytime from any internet connection for monitoring and auditing; allows city to make future changes to parking rates and hours of operations based on actual parking demand data.
- Ease of enforcement: Officers check one meter instead of multiple meters/vehicles, or violation alerts automatically sent to officer’s handheld or in-vehicle terminal; auto-filling of repetitive input fields on citations (up to 10 citations at once).
- Reduced downtime: Harder to vandalize; if failure occurs, service alerts sent wirelessly by e-mail, cell phone or text message to multiple responsible parties (maintenance worker, parking enforcement dispatcher, etc) to reduce downtime and help resolve customer service issues.
- Demand-responsive pricing: Prices can be easily adjusted from a central terminal, using the wireless network features, to promote turnover and 85% occupancy; higher rates can be charged in areas and times when demand is higher, so district visitors can always find a parking space.

³ Neither motorists nor enforcement personnel need know about the grace period, so that motorists don’t take advantage of the grace period and enforcement personnel don’t reduce their enforcement vigilance.

- Tiered pricing: allows “tiered” prices (e.g., \$.50 for the first two hours, \$.75 per hour thereafter) in various combinations, allowing rate structures that encourage long-term parkers to use off-street lots and garages while leaving more convenient “front door” curb spaces available for short-term parkers.
- Achieve district goals (improve urban design, cleanliness, etc):
 - Better urban design: one or two meters per block instead of 10 or 20, so doesn’t obstruct sidewalks with a “picket fence” of meters.
 - Reduced litter: Does not require printing and display of receipts which can contribute to litter (although receipts can be issued for those that want them).

Establish Parking Benefit District: Dedicate parking revenues to public improvements and services that benefit the TOD

Net revenues from paid parking in the Commercial Parking Benefit District should fund public improvements that benefit the TOD. (“Net revenues” means total parking revenues from the area, less revenue collection costs, such as purchase and operation of the meters, enforcement and the administration of the district.) If parking revenues are placed into the City’s General Fund, where they do not produce direct benefits for the district, there will be little support for installing parking meters, or for raising rates when needed to maintain decent vacancy rates. When district merchants and property owners can clearly see that the monies collected are being spent for the benefit of their blocks, on projects that they have chosen, they are more willing to support market rate pricing. Experience from other cities indicates they will become active advocates for the concept.

To ensure such continuing support for a Commercial Parking Benefit District and for continuing to charge fair market rates for parking, it is crucial to give stakeholders a strong voice in setting policies for the district, deciding how parking revenues should be spent, and overseeing the operation of the district to ensure that the monies collected from their customers are spent wisely.

To accomplish this, the City Council should establish an advisory board, similar to the City of Boulder’s Downtown Management Commission, which advises the city on policies and expenditures of meter revenue. City Council would appoint the members of the advisory board, with the recommended composition including District business and property owners and other leaders). In particular, the advisory board should advise City Council how the community would like the meter revenue spent in the district. City Council should retain final approval over all expenditures. Bonding against future revenue (i.e. issuing revenue bonds) will enable to fund larger capital projects (including the cost of the meters) in the early stages of implementing the Parking Benefit District.

Potential uses of meter revenue

Potential uses for Parking Benefit District revenues include:

- Landscaping and streetscape greening
- Increased frequency of trash collection
- Additional street cleaning and power-washing of sidewalks
- Pedestrian-scaled lighting
- Transit, pedestrian, and bicycle infrastructure and amenities
- Additional oversight and management of district infrastructure and amenities
- Additional police patrols or “District Ambassadors” to provide additional security
- Additional parking enforcement
- Marketing and promotion of the district
- Purchase and installation costs of meters (e.g., through revenue bonds or a “build-operate-transfer” financing agreement with a vendor)
- Additional programs and projects as recommended by the advisory board and approved by City Council

Organizational structure for the Parking Benefit District

A number of different organizational structures can be used to establish a Parking Benefit District. The district can be a quasi-public entity, similar to a Business Improvement District. Alternatively, the district can be established as simply a financial entity (somewhat like an assessment district), which would require an ordinance that meter revenues raised within the district be spent to benefit the district. In this latter case, establishing the district would serve primarily to reassure the stakeholders that it would benefit them. Under this arrangement, the parking district would be managed and housed within an existing City agency such as the Planning or Public Works Department.

Regardless of the ultimate organizational structure implemented, a focused effort, with dedicated and well-trained staff, will be needed to refine and implement the recommendations made within this report. The most important recommendations would include:

- Establishing the Parking Benefit District, and managing it thereafter. This would include responsibility for installing and operating the parking meter system, monitoring parking occupancy and proposing rate adjustments, overseeing collection and expenditure parking revenues, and in general, operating the district parking system in a customer-friendly way.
- Establishing and managing the “Park Once” strategy for parking, working to ensure that parking is managed and operated as a common pool. This would be likely to include both everyday operations, and the leasing of public spaces to new development when necessary.
- Establishing and managing alternative transportation programs for the district, (as detailed in Recommendation 3) to ensure that the district invests in the most cost-effective mix of parking, transit, rideshare, bicycle and pedestrian improvements.
- Explain and assist in enforcing the transportation demand management requirements (such as “unbundling” parking costs from office leases and residential rents) recommended elsewhere in the plan.

Recommendations for implementing Commercial Parking Benefit District

The following additional strategies should be pursued when implementing the commercial parking benefit district:

- Install user-friendly signage to explain meter operation, rates and hours/days of operation.
- Use “Mobility Ambassadors” to assist with meters during first few weeks/months of implementation and during peak visitor demand periods.
- Create mechanisms (such as regular advisory board meetings, surveys, etc.) for soliciting ongoing input from businesses, visitors and other key stakeholders and for resolving customer service issues and stakeholder concerns.

Summary of benefits from all Parking Benefit District recommendations

The recommendations for metered parking and the creation of a Commercial Parking Benefit District will result in the following benefits:

- Ensure that there is always a short-term parking space available in high demand areas – approximately one in seven spaces will always be available for customers and visitors.
- Eliminate “cruising” for parking, thereby reducing traffic congestion.
- Encourage long-term parkers and daily commuters to park in less convenient off-street garages and lots to save prime spots for short-stay customers.
- Eliminate the “two-hour shuffle” of employees moving cars from one curb parking space to another every few hours.
- Be more convenient to use than single-space meters (refunds for unused time, no need for a pocketful of quarters).
- Eliminate “ticket anxiety” of short-term parkers worried about overstaying time limits.
- Reduce capital, operations, maintenance and enforcement costs compared to single-space meters.
- Be easier to enforce and audit compared to single-space meters or time limits.
- Reduce downtime and revenue loss compared to single-space meters.
- Prevent rows of single-space meters from cluttering streetscape (no parking meter “picket fences”).
- Generate significant revenue to help pay for downtown improvements (for cleaning, security, pedestrian and bicycle infrastructure, lighting, etc.).

Recommendation

3

5.1.3 Recommendation 3: Invest Parking Revenues in Transportation Demand Management Programs

Goal: Invest in the most cost-effective mix of transportation modes for access to the TOD, including both parking and transportation demand management strategies.

Recommendation: Invest meter revenues in a full spectrum of transportation demand management strategies for employees and residents, including transit, carpool, vanpool, bicycle and pedestrian programs.

Discussion: The cost to construct new parking garages in a mixed-use TOD can be expected to be roughly \$25,000 per space, resulting in a total cost to build, operate and maintain new spaces of approximately \$163 per month per space, every month for the expected 35 year lifetime of the typical garage.⁴ These dismal economics for parking garages lead to a simple principle: it is cheaper to reduce parking demand than to construct new parking. Therefore, transit-oriented developments should invest in the most cost-effective mix of transportation modes, including both parking and transportation demand management strategies.

By investing in the following package of demand-reduction strategies, districts can significantly and cost-effectively reduce parking demand (and traffic). The Parking Benefit District should invest a portion of parking revenues (and other fees, grants, and/or transportation funds, when available) to establish a full menu of transportation programs for the benefit of all district residents and employers. These programs should include:

- Carpool & Vanpool Incentives. Provide ride-sharing services, such as a carpool and vanpool incentives, customized ride-matching services, a Guaranteed Ride Home program (offering a limited number of emergency taxi rides home per employee), and an active marketing program to advertise the services to employees and residents.
- Bicycle and Pedestrian Facilities. Centralized provision of bicycle facilities, such as clothes lockers, secure bike parking, and shower facilities. At individual buildings, requirements for the provision of bicycle facilities should include requiring the provision of ample bicycle racks and bicycle lockers, as well as showers, changing areas and clothes lockers for longer-distance bicycle commuters, who often wish to shower and change clothes after arriving at work.
- Transportation Resource Center. A storefront office that provides personalized information on transit routes and schedules, carpool and vanpool programs, bicycle routes and facilities and other transportation options. The center would also house a Transportation Coordinator who would take responsibility for administering and actively marketing all demand management programs. Parking operations and administration could be housed here as well.
- Universal Transit Passes. As described more fully in Recommendation 4, a universal transit pass program would provide free transit passes for every employee and resident of the TOD. Employers and residential associations would be responsible for purchasing the passes, but if the district has sufficient revenue, then parking revenues would subsidize this cost as well. The annual passes would be purchased at a deeply-discounted bulk rate

⁴ Garage cost estimate from Victoria Transport Policy Institute (<http://www.vtpi.org/tca/tca0504.pdf>).

by the Parking Benefit District. For the transit provider, universal transit passes can provide a stable source of income, while helping them meet their ridership goals.

Case Study: Boulder, Colorado

An excellent example of a Parking Benefit District that funds transportation alternatives is the City of Boulder (Colorado) Central Area General Improvement District (CAGID). The responsibilities of Boulder's Central Area General Improvement District (CAGID) include:

- *Analyzing most cost-effective mix of new parking or transportation alternatives*
- *Management and construction of all public parking downtown*
- *Provide a broad array of transportation demand management programs and incentives including the following commuter benefits:*
 - *Free universal transit pass (Eco-Pass);*
 - *Guaranteed Ride Home*
 - *Ride-matching services*
 - *Bicycle parking rentals*

In addition to the transportation demand management programs and incentives listed above, CAGID also funds the operation of a "Transportation Resource Center" in a downtown storefront. The responsibilities of the resource center include the following:

- Provide personalized advice and information on transit, bike and pedestrian travel to downtown
- Provide personalized ride-matching services for employees
- Oversee regular marketing of transportation programs and incentives
- Coordinate events to highlight transportation choices (Bike-to-work Day, etc.)
- Manage rentals of bike lockers throughout downtown
- Outreach to individual businesses to identify transportation needs of their employees and customers

All of these programs are funded by a \$325,000/year budget, funded by \$1 million in meter revenue that is transferred to CAGID via a Parking Benefit District mechanism. There are no parking requirements for any non-residential development in the District. New public parking garages are developed as needed and funded by parking fees (84%) and general fund taxes (16%).

Boulder's efforts are achieving results: transit use increased from a 15% employee commute mode share in 1995 to 34% today and the Eco-Pass program (the free universal transit pass program) has significantly reduced commuter parking demand. Overall, Boulder has found that it is cheaper to provide free transit and strong ridesharing programs to all downtown employees, than to provide them with costly parking.

Recommendation**4****5.1.4 Recommendation 4: Provide Universal Transit Passes**

Goal: Increase transit ridership and provide incentives for residents to reduce vehicle ownership by providing free transit passes to all TOD residents and employees.

Recommendation: Use Parking Benefit District revenues (or other revenue sources such as Mellos Roos assessments or other benefit assessment districts that attach costs to property taxes or other business taxes or assessments) to provide free transit passes to all TOD employees and residents.

Discussion: In recent years, a growing number of transit agencies have teamed with universities, employers or residential neighborhoods to provide universal transit passes. These passes typically provide unlimited rides on local or regional transit providers for low monthly fees, often absorbed entirely by the employer, school, or developers. A typical example of a universal transit pass is the Eco-Pass program in downtown Boulder, which provides free transit on Denver's Regional Transportation District (RTD) light rail and buses to more than 10,000 employees, employed by 1,200 different businesses in downtown Boulder. To fund this program, Boulder's downtown parking benefit district pays a flat fee for each employee who is enrolled in the program, regardless of whether the employee actually rides transit. Because every single employee in the downtown is enrolled in the program, the Regional Transportation District in turn provides the transit passes at a deep bulk discount.

A review of existing universal transit pass programs found that the annual per employee fees are between 1% and 17% of the retail price for an equivalent annual transit pass. The principle behind employee or residential transit passes is similar to that of group insurance plans – transit agencies can offer deep bulk discounts when selling passes to a large group, with universal enrollment, on the basis that not all those offered the pass will actually use them regularly.

Benefits from universal transit pass program

Universal transit passes provide multiple benefits, as discussed below.

For transit riders

- Free access to transit
- Rewards existing riders, attracts new ones
- For employees who drive, making existing transit free can effectively create convenient park-and-ride shuttles to existing underused remote parking areas

For transit operators

- Provides a stable source of income
- Increases transit ridership, helping to meet agency ridership goals
- Can help improve cost recovery, reduce agency subsidy and/or fund service improvements

For transit-oriented districts

- Reduces traffic congestion and increases transit ridership
- Reduces *existing* parking demand: Santa Clara County's (CA) ECO Pass program resulted in a 19% reduction in parking demand
- Reduces *unmet* parking demand: UCLA's BruinGo! program resulted

in 1,300 fewer vehicle trips which resulted 1,331 fewer students on the wait list for parking permits (a 36% reduction)

- Reduces *future* growth in parking demand: University of Washington's U-Pass program helped avoid construction of 3,600 new parking spaces, saving \$100 million in construction costs. Since 1983, the university population increased by 8,000 but the campus actually reduced the number of parking spaces.

For developers

- Universal transit pass programs can benefit developers if implemented concurrently with reduced parking requirements, which consequently lower construction costs
- Providing free transit passes for residents of developments provides an amenity that can help attract renters or home buyers as part of lifestyle marketing campaign appealing to those seeking a "TOD lifestyle"

For employees/employers

- Reduces demand for parking on-site
- Provides a tax-advantaged transportation benefit that can help recruit and retain employees

As Table 5-4 illustrates, free transit passes are usually an extremely effective means of reducing the number of car trips in an area. Reductions in car mode share of 4% to 22% have been documented, with an average reduction of 11%. By removing cost barriers to using transit, including the need to search for spare change for each trip, people become much more likely to take transit to work or for non-work trips.

Table 5-4: Mode shifts achieved with free transit passes

Location	Drive to work		Transit to work	
	Before	After	Before	After
Municipalities				
Santa Clara (VTA) ¹	76%	60%	11%	27%
Bellevue, Washington ²	81%	57%	13%	18%
Ann Arbor, Michigan ³	N/A	(4%)	20%	25%
Universities				
UCLA ⁴ (faculty and staff)	46%	42%	8%	13%
Univ. of Washington, Seattle ⁵	33%	24%	21%	36%
Univ. of British Columbia ⁶	68%	57%	26%	38%
Univ. of Wisconsin, Milwaukee ⁷	54%	41%	12%	26%
Colorado Univ. Boulder (students) ⁸	43%	33%	4%	7%

Case Studies

General universal transit pass programs

King County (WA): A King County Metro FlexPass costs \$65 per year per employee for employers compared to the normal annual cost of \$396-\$1584. The King County Metro, WA, notes that in downtown Bellevue, FlexPass is responsible in part for a 24 percent drop in drive alone commutes from 1990 to 2000 (81 percent drive alone mode share to 57 percent).⁵

Silicon Valley (CA): Silicon Valley's Valley Transportation Authority (VTA) EcoPass program charges employers between \$7.50 and \$120 per year per employee, instead of the usual \$990 per year for a transit pass. The result has been a 19 percent decrease in parking demand at employers participating in the program. Neighborhood EcoPass programs apply the same principle to residential developments.⁶

Boulder (CO): In Boulder the Eco Pass is an annual bus pass purchased by employers for all full-time employees. The annual cost for a normal pass varies between \$540 and \$1,620 whereas the annual per employee fee for the Eco Pass ranges from \$31 to \$279. Since the program was implemented, the Eco Pass has reduced the drive to work mode share by 36 percent. The Eco Pass program alone has also reduced commuter parking demand by 850 spaces, according to Boulder's Downtown Management Commission.²

Residential transit pass programs

Transit subsidies can also be used for a wide range of residential developments. In Santa Clara County, CA and Portland, OR, property managers can bulk-purchase transit passes for their residents at deeply discounted rates. In Portland, transit use among residents increased by 79 percent to 250 percent in two different developments after transit passes were offered there.⁷

As another example, in the City of Boulder, both residential building managers and entire neighborhoods (even typical single-family areas) can purchase Eco-Passes for their residents. In the latter, neighborhood volunteers collect contributions on an annual basis, and once the minimum financial threshold is met, everyone living in the neighborhood is eligible for the transit pass. Alternatively, a neighborhood can elect to increase property taxes to purchase neighborhood-wide Eco-Passes.

⁵ Accessed at http://www.commuterchallenge.org/cc/newsmar01_flexpass.html.

⁶ VTA EcoPass website. Accessed at http://www.vta.org/ecopass/ecopass_corp/index.html.

⁷ Caltrans. "Parking and TOD: Challenges and Opportunities," 2002.

A cost-effective transportation investment

Many cities and institutions have found that trying to provide additional parking spaces costs much more than reducing parking demand by simply providing everyone with a free transit pass. For example, a study of UCLA's universal transit pass program found that a new parking space costs more than 3 times as much as a free transit pass (\$223/month versus \$71/month).⁸

In addition, parking spaces formerly taken by employees and residents' autos can be freed up to provide more spaces for short-term parkers. This can provide additional parking revenue to pay for improvements in the Commercial Parking Benefit District. For example, the same study of UCLA's universal transit pass program mentioned above found that an hourly space on-campus generates 30% more revenue than a monthly space if used 50% of the time and 149% more revenue than a monthly space if used 100% of the time.⁹

Implementation Details

Purchase of a universal transit pass program for all district employees and residents should be managed by a transportation coordinator. The coordinator should be responsible for negotiating a master contract with the transit provider and collecting dues from employers and residential associations.

Implementation priorities

In implementing a universal transit pass program, the district's Transportation Coordinator should emphasize:

- Universal coverage for all employees and residents, which allows lower per rider costs and a deeper discount on transit passes
- Automatic opt-in, which lowers sign-up barriers and encourages greater participation and ridership gains
- A plan for targeted service improvements to further encourage usage of the universal transit pass and/or to respond to increased ridership after the program is launched

⁸ Jeffrey Brown, et. al. "Fare-Free Public Transit at Universities: An Evaluation." *Journal of Planning and Education Research*, 2003: Vol 28, No. 1, pp 69-82.

⁹ *Ibid.*

Recommendation**5****5.1.5 Recommendation 5: Require Parking Cash Out**

Goal: Subsidize all employee commute modes equally and create incentives for commuters to carpool, take transit, and bike or walk to work.

Recommendation: Require all employers that provide subsidized employee parking to offer their employees the option to “cash out” their parking subsidy.

Discussion: Many employers provide free or reduced price parking for their employees as a fringe benefit. Under a parking cash-out requirement, employers will be able to continue this practice *on the condition that they offer the cash value of the parking subsidy to any employee who does not drive to work.*

The cash value of the parking subsidy should be offered in one of two forms:

- A transit/vanpool subsidy equal to the value of the parking subsidy (of which up to \$120 per month is tax-free for both employer and employee)¹⁰
- A bicycle subsidy equal to the value of the parking subsidy (of which up to \$20 per month is tax-free for both employer and employee)
- A taxable carpool/walk subsidy equal to the value of the parking subsidy

Employees who opt to cash out their parking subsidies would not be eligible to receive free parking from the employer, and would be responsible for their parking charges on days when they drive to work.

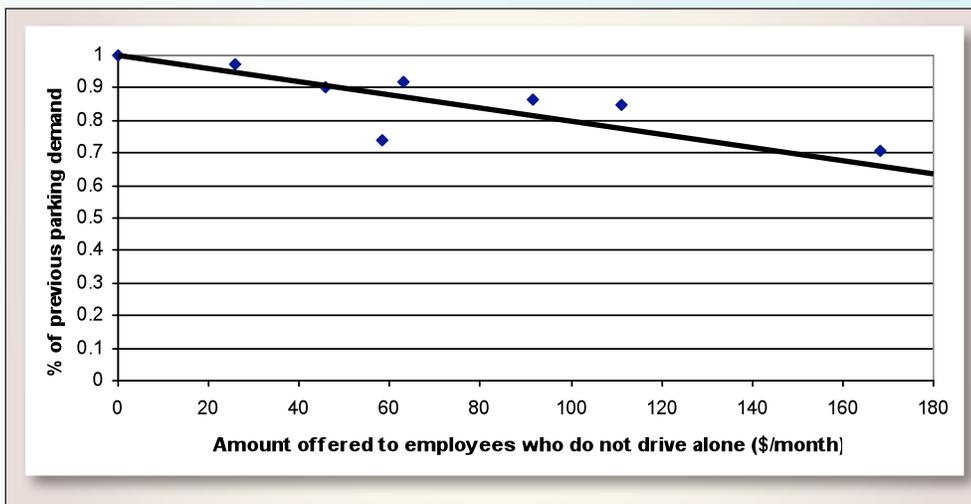
Benefits of Parking Cash Out

The benefits of parking cash out include:

- Provides an equal transportation subsidy to employees who ride transit, carpool, vanpool, walk or bicycle to work. The benefit is particularly valuable to low-income employees, who are less likely to drive to work alone.
- Provides a low-cost fringe benefit that can help individual businesses recruit and retain employees.
- Employers report that parking cash-out requirements are simple to administer and enforce, typically requiring just one to two minutes per employee per month to administer.

In addition to these benefits, the primary benefit of parking cash-out programs is their proven effect on reducing auto congestion and parking demand. Table 5-5 illustrates the effect of parking cash out at seven different employers located in and around Los Angeles. It should be noted most of the case study employers are located in areas that do not have good access to transit service, so that a large part of the reduced parking demand that occurred with these parking cash-out programs resulted when former solo drivers began carpooling.

¹⁰ Under the federal “Commuter Choice” law. More info at the Federal Transit Administrations’ Commuter Choice website.

Table 5-5: Effects of parking cash out on parking demand

Source: Derived from Donald Shoup, "Evaluating the Effects of Parking Cash-Out: Eight Case Studies," 1997. Based on the cost in 2005 dollars.

Table 5-6 outlines key research on commuter responsiveness to financial incentive programs implemented throughout the United States. The studies illustrate programs implemented in cities, colleges and by individual employers, covering tens of thousands of employees and hundreds of firms. The findings show that, even in suburban locations with little or no transit, financial incentives can substantially reduce parking demand. On average, a financial incentive of \$70 per month reduced parking demand by over one-quarter. At the University of Washington, a financial incentive of just \$18 per month reduced parking demand by 24 percent.

Implementation Details

Additional details on implementing a parking cash-out program – including how this could be implemented for different types of employers and how the program could be enforced – are discussed below.

Firms that lease employee parking

If the City requires the unbundling of parking costs from commercial lease costs for all new commercial development (as recommended elsewhere in this plan), parking cash-out will already be required under state law for those employers with 50 or more employees who lease their parking under California's existing "Parking Cash-Out" law.¹¹

¹¹ "California's Parking Cash-Out Law: An Informational Guide for Employers." California Air Resource Board, 2002. Accessed at http://www.arb.ca.gov/planning/tsaq/cashout/cashout_0502.pdf.

Table 5-6: Effect of financial incentives on parking demand

Location	Scope of Study	Financial Incentive per Month (1995 \$)	Decrease in Parking Demand
Group A: Areas with little public transportation			
Century City, CA ¹	3500 employees at 100+ firms	\$81	15%
Cornell University, NY ²	9000 faculty and staff	\$34	26%
San Fernando Valley, CA ¹	1 large employer (850 employees)	\$37	30%
Bellevue, WA ³	1 medium-size firm (430 employees)	\$54	39%
Costa Mesa, CA ⁴	State Farm Insurance employees	\$37	22%
Average		\$49	26%
Group B: Areas with fair public transportation			
Los Angeles Civic Center ¹	10,000+ employees, several firms	\$125	36%
Mid-Wilshire Blvd, LA ¹	1 mid-sized firm	\$89	38%
Washington DC suburbs ⁵	5500 employees at 3 worksites	\$68	26%
Downtown Los Angeles ⁶	5000 employees at 118 firms	\$126	25%
Average		\$102	31%
Group C: Areas with good public transportation			
University of Washington ⁷	50,000 faculty, staff and students	\$18	24%
Downtown Ottawa ¹	3500+ government staff	\$72	18%
Average		\$45	21%
Overall Average		\$67	27%

Sources:

- ¹ Willson, Richard W. and Donald C. Shoup. "Parking Subsidies and Travel Choices: Assessing the Evidence." *Transportation*, 1990, Vol. 17b, 141-157 (p145).
- ² Cornell University Office of Transportation Services. "Summary of Transportation Demand Management Program." Unpublished, 1992.
- ³ United States Department of Transportation. "Proceedings of the Commuter Parking Symposium," USDOT Report No. DOT-T-91-14, 1990.
- ⁴ Employers Manage Transportation. *State Farm Insurance Company and Surface Transportation Policy Project*, 1994.
- ⁵ Miller, Gerald K. "The Impacts of Parking Prices on Commuter Travel," *Metropolitan Washington Council of Governments*, 1991.
- ⁶ Shoup, Donald and Richard W. Wilson. "Employer-paid Parking: The Problem and Proposed Solutions," *Transportation Quarterly*, 1992, Vol. 46, No. 2, pp169-192 (p189).
- ⁷ Williams, Michael E. and Kathleen L Petrait. "U-PASS: A Model Transportation Management Program That Works," *Transportation Research Record*, 1994, No.1404, p73-81.

To achieve the full potential of parking cash out, cities should adopt local legislation that extends parking cash-out requirements to all employers in TODs (including both those who own or lease their parking). Such an ordinance would simply require that any employer that provides subsidized parking to one or more of their employees must provide all their employees with the option to “cash out” their employee parking by taking the cash value of the parking subsidy. To establish the value of parking, the ordinance should define the market value of parking using the most recent estimate of the cost to add additional parking spaces in the TOD, including both the opportunity costs of land, and the cost to build operate and maintain parking itself. The ordinance should also include a provision to adjust the market-rate price annually based on the construction cost index. As described earlier, this figure currently stands at approximately \$163 per month for structured spaces.

Local enforcement measures to ensure compliance

Several local jurisdictions have developed enforcement mechanisms to enforce parking cash-out requirements. For example, Santa Monica requires proof of compliance with the State’s parking cash-out law before issuing occupancy permits for new commercial development. Another enforcement mechanism that has been considered in San Francisco is to require employers to provide proof of compliance (via an affidavit signed by a company officer) at the same time that they receive/renew their business license or pay their annual business taxes. This method ensures that all employers are in compliance with parking cash-out requirements on an ongoing basis, rather than limiting proof of compliance to a one-time enforcement for employers occupying new or renovated commercial buildings.

Recommendation

6

5.1.6 Recommendation 6: Manage On-Street Parking in Residential Areas

Goal: Prevent “spillover” parking into residential neighborhoods.

Recommendation: At the same time that parking meters are implemented for curb parking in commercial blocks, implement a Residential Parking Benefit District on residential streets. Residential Parking Benefit Districts are similar to residential parking permit districts, but allow a limited number of commuters to pay to use surplus on-street parking spaces in residential areas, and return the resulting revenues to the neighborhood to fund public improvements.

Discussion: In order to prevent spillover parking in residential neighborhoods, many cities implement *residential permit districts* (also known as preferential parking districts) by issuing a certain number of parking permits to residents usually for free or a nominal fee. These permits allow the residents to park within the district while all others are prohibited from parking there for more than a few hours, if at all. At least 132 cities and counties in the US and Canada currently have such residential parking permit programs in effect.¹²

Residential parking permit districts are typically implemented in residential districts near large traffic generators such as central business districts, educational, medical, and recreational facilities, but have several limitations.

Most notably, conventional residential permit districts often issue an unlimited number of permits to residents without regard to the actual number of curb parking spaces available in the district. This leads to a situation in which on-street parking is seriously congested, and the permit functions solely as a “hunting license”, simply giving residents the right to hunt for a parking space with no guarantee that they will actually find one. (An example of this Boston’s Beacon Hill neighborhood, where the City’s Department of Transportation has issued residents 3,933 permits for the 983 available curb spaces in Beacon Hill’s residential parking permit district, a four-to-one ratio.)¹³

An opposite problem occurs with conventional residential permit districts in situations where there actually are surplus parking spaces (especially during the day, when many residents are away), but the permit district prevents any commuters from parking in these spaces even if demand is high and many motorists would be willing to pay to park in one of the surplus spaces.

In both cases, conventional residential parking permit districts prevent curb parking spaces from being efficiently used (promoting overuse in the former example and underused in the latter).

To avoid these problems, the district should implement a *residential parking benefit district* on residential streets at the same time that parking meters are implemented for curb parking. This will prevent excessive spillover parking from commuters trying to avoid parking charges in the district.

¹² “Residential Permit Parking: Informational Report.” Institute of Transportation Engineers, 2000, p1.

¹³ Shoup, Donald. *The High Cost of Free Parking*. APA Planners Press, 2005, p516.

Implementation details

Implementation of residential parking benefit districts will differ from conventional parking permit districts in four key ways:

- 1) Limit the number of permits sold to residents to a number that results in a peak hour occupancy of 85% or less, as determined by an initial city survey supplemented by periodic surveys thereafter (at least biannual).
- 2) Charge market-rate fees for resident permits with the goal of achieving an 85% occupancy rate.
- 3) Rather than entirely prohibit nonresident parking as with many conventional residential parking permit districts, the City should sell permits for any surplus parking capacity to non-resident commuters at fair market rates, up to 90% of available parking supply.
- 4) Use multi-space meters, pay by cell phone or in-vehicle meters for non-resident parkers (who will primarily be commuters) rather than adhesive permits or rearview hangtags. These meters allow user and geographic transferability, multiple payment methods, variable pricing options, and networking capabilities.

Finally, the rates for non-residents' parking permits should also be set at fair market rates as determined by periodic city surveys, and all net revenues above and beyond the cost of administering the program should be dedicated to pay for public improvements in the neighborhood where the revenue was generated.

Additional Implementation Recommendations for Non-Resident Permits

- Pricing structure: hourly with no time limits.
- Enforcement policies: Parking Enforcement Officers should issue citations for “expired meter” or “no valid permit/meter.”

Benefits of Residential Parking Benefit Districts

Residential parking benefit districts have been described as “a compromise between free curbside parking that leads to overcrowding and [conventional residential] permit districts that lead to under use...[parking] benefit districts are better for both residents and non-residents: residents get public services paid for by non-residents, and non-residents get to park at a fair-market price rather than not at all.”¹⁴

Benefits of implementation of a residential parking benefit district include the following:

- Excessive parking spillover into downtown adjacent neighborhoods will be prevented.
- Scarce curbside parking spaces are used as efficiently as possible.
- Need for additional costly parking structure construction is reduced
- Residents will be guaranteed to find a parking space at the curb.

Examples of Residential Parking Benefit Districts

Residential Parking Benefit Districts are being implemented in various forms in the following jurisdictions:

- Aspen, CO (non-resident permits: \$5/day).
- Boulder, CO (resident permits \$12/year; non-resident permits \$312/year).
- Santa Cruz, CA (resident permits \$20/year; non-resident permits \$240/year).
- Tucson, AZ (resident permits \$2.50/year; non-resident permits \$200-\$400/year, declining with increased distance from University of Arizona campus).
- West Hollywood, CA (resident permits \$9/year; non-resident permits \$360/year).
- Isla Vista, CA (in progress).
- San Francisco, CA (in progress).

¹⁴ *Ibid.*, p435.

5.1.7 Recommendation 7: “Unbundle” Parking Costs

Goal: Increase housing affordability and housing choice.

Recommendation: Require all residential and commercial development to “unbundle” the full cost of parking from the cost of the housing or commercial space, by creating a separate parking charge.

Discussion: Parking costs are generally subsumed into the sale or rental price of commercial space and housing for the sake of simplicity, and because that is the more traditional practice in real estate. But although the cost of parking is often hidden in this way, parking is never free, with garage spaces expected to cost \$25,000 each.

Looking at parking as a tool to achieve revitalization goals requires some changes to status quo practices, since providing anything for free or at highly subsidized rates encourages use and means that more parking spaces have to be provided to achieve the same rate of availability.

For all commercial space and housing, the full cost of parking should be unbundled from the cost of the commercial space and housing, by creating a separate parking charge. This provides a financial reward to residents who decide to dispense with one of their cars and employers who opt to lease less parking. Unbundling parking costs changes parking from a required purchase to an optional amenity, so that employers and residents can freely choose how many spaces they wish to lease. Among households with below-average vehicle ownership rates (e.g., low-income people, singles and single parents, seniors on fixed incomes, and college students), allowing this choice can provide a substantial financial benefit.

It is important to note that construction costs for residential parking spaces can substantially increase the sale/rental price of housing. This is because the space needs of residential parking spaces can restrict how many housing units can be built within the allowable zoning and allowable building envelope. For example, a study of Oakland’s 1961 decision to require one parking space per apartment (where none had been required before) found that construction cost increased 18% per unit, units per acre decreased by 30% and land values fell 33%.¹⁵

As a result, bundled residential parking can significantly increase “per-unit housing costs” for individual renters or buyers. Two studies of San Francisco housing found that units with off-street parking bundled with the unit sell for 11% to 12% more than comparable units without included parking.¹⁶ One study of San Francisco housing found the increased affordability of units without off-street parking on-site can increase their absorption rate and make home ownership a reality for more people.¹⁷

15 Bertha, Brian. “Appendix A” in *The Low-Rise Speculative Apartment* by Wallace Smith UC Berkeley Center for Real Estate and Urban Economics, Institute of Urban and Regional Development, 1964.

16 Wenyu Jia and Martin Wachs. “Parking Requirements and Housing Affordability: A Case Study of San Francisco.” *University of California Transportation Center Paper No. 380*, 1998 and Amy Herman, “Study Findings Regarding Condominium Parking Ratios,” Sedway Group, 2001.

17 *Ibid.*

Recommendation

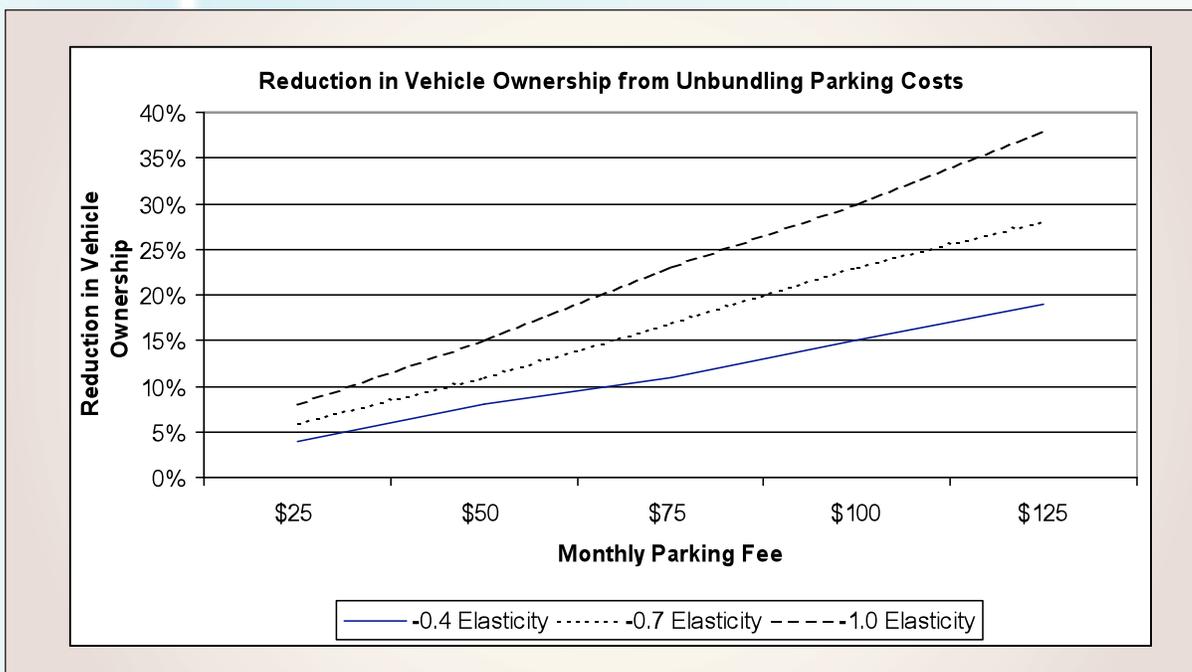
7

In that study, units without off-street parking:

- Sold on average 41 days faster than comparable units with off-street parking
- Allowed 20% more San Francisco households to afford a condominium (compared to units with bundled off-street parking)
- Allowed 24% more San Francisco households to afford a single-family house (compared to units with bundled off-street parking)

Charging separately for parking is also the single most effective strategy to encourage households to own fewer cars, and rely more on walking, cycling and transit. According to one study, unbundling residential parking can significantly reduce household vehicle ownership and parking demand.¹⁸ These estimated effects are presented in Table 5-7.

Table 5-7: Reduced vehicle ownership with unbundled residential parking



Source: Litman, Todd. "Parking Requirement Impacts on Housing Affordability." Victoria Transport Policy Institute, 2004.

It is critical that residents and tenants are made aware that rents, sale prices and lease fees are reduced because parking is charged for separately. Rather than paying "extra" for parking, the cost is simply separated out – allowing residents and businesses to choose how much they wish to purchase. No tenant, resident, employer or employee should be required to lease any minimum amount of parking.

¹⁸ Litman, Todd. "Parking Requirement Impacts on Housing Affordability." Victoria Transport Policy Institute, 2004.

5.1.8 Recommendation 8: Establish a Carsharing Program

Goal: 1) Enable commuters to carpool, take transit, bike, or walk to work by ensuring that a shared car will be available for work trips when needed, and 2) Enable residents to reduce the number of private vehicles they own by ensuring that a shared car will be available for household trips when needed.

Recommendation: The City (or agency) should encourage the establishment of a carsharing service in the district with one or more strategically located shared vehicle “pods.” In order to help establish a carsharing service, the City (or agency) should begin negotiations with an existing carsharing provider and consider the following strategies:

- 1) Guaranteeing a minimum number of usage hours.
- 2) Partially or fully subsidize operation costs for a specified term.
- 3) Require developers pay into a carshare start-up fund.
- 4) Offering convenient and visible spaces in district parking facilities to car sharing providers for locating car sharing “pods”.

Discussion: National carsharing operators such as ZipCar, using telephone and Internet-based reservation systems, allow their members a hassle-free way to rent cars by the hour, with members receiving a single bill at the end of the month for all their usage. The shared cars are located at convenient neighborhood “pods.”

This strategy has proven successful in reducing both household vehicle ownership and the percentage of employees who drive alone because of the need to have a car for errands during the workday. As a result, carsharing can be an important tool to reduce parking demand.

For residents, carsharing reduces the need to own a vehicle, particularly a second or third car. Recent surveys have shown that more than half of carshare users have sold at least one vehicle since joining the program in the San Francisco Bay Area.¹⁹ For employees, carsharing allows them to take transit to work, since they will have a vehicle available for errands during the day.

With the development of a dense, mixed-use area and the implementation of other strategies recommended in this plan (such as requiring that parking costs be unbundled from housing costs and that employers offer the option to employees to cash-out parking at work), carsharing will become much more viable. If parking costs remain bundled into housing costs, or employee parking remains free with no cash-out program, then the prospects for successful carsharing program will be considerably diminished.

Recommendation



¹⁹ April 2002 survey by Nelson\Nygaard Consulting Associates for City CarShare.
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Recommendation**9****5.1.9 Recommendation 9: Remove Minimum Parking Requirements**

Goal: Remove barriers to new development; encourage efficiently shared public parking rather than many small, inefficient private lots; and create a healthy market for parking, where parking spaces are bought, sold, rented and leased like any normal commodity.

Recommendation: Eliminate minimum parking requirements with market-rate pricing and residential parking benefit districts present to protect neighborhoods from unwanted spillover parking.

Discussion: In order for mixed-use districts to truly be walkable and transit-oriented, parking policies must be set to support those goals.

Minimum parking requirements, however, have emerged as one of the biggest obstacles to many cities' efforts to encourage new residential and commercial development in their revitalizing downtown areas. As UCLA professor Don Shoup describes it, "Parking requirements cause great harm: they subsidize cars, distort transportation choices, warp urban form, increase housing costs, burden low-income households, debase urban design, damage the economy, and degrade the environment... [O]ff-street parking requirements also cost a lot of money, although this cost is hidden in higher prices for everything except parking itself."

The one useful purpose that minimum parking requirements do currently serve is to prevent spillover parking, the phenomenon of commuters filling up commercial on-street parking spaces, and then spilling over into adjacent residential areas. However, once the recommendations of this plan are in place, market-rate prices for on-street parking will ensure that ample vacancies exist on the street. On the adjacent residential streets, a residential parking benefit district will ensure that unwanted spillover parking is prevented there as well. Once these two key policies have been implemented, imposing minimum parking requirements becomes superfluous.

Once on-street parking is properly managed, so that spillover problems are solved, it will become possible for more California cities to join the many communities and places shown in Table 5-8, such as the entire nation of Great Britain, that have removed minimum parking requirements. Doing so will provide numerous rewards, allowing cities to create walkable, transit-oriented districts, a healthier economy and environment, lower housing costs and better urban design.

Table 5-8: Communities that have Eliminated Parking Requirements

Examples of communities that have partially (in particular neighborhoods and districts) or entirely eliminated minimum parking requirements include:

- Coral Gables, FL
- Eugene, OR
- Fort Myers, FL
- Fort Pierce, FL
- Great Britain (entire nation)
- Los Angeles, CA
- Milwaukee, WI
- Olympia, WA
- Portland, OR
- San Francisco, CA
- Stuart, FL
- Seattle, WA
- Spokane, WA

For the reasons described under Recommendation 1 (Share Parking), conventional minimum parking requirements are particularly inappropriate for mixed-use downtowns. Minimum parking requirements are typically based on parking demand observed in auto-oriented suburban areas with no transit service, where all parking is free and walking and biking is uncommon.

For example, average peak parking demand rates for downtown land uses cited in the Institute for Transportation Engineers’ Parking Generation Manual (the most common basis for parking requirements) are well above three spaces per 1,000 square feet, with restaurants cited as needing more than 13 spaces per 1,000 square feet.²⁰ However, our review of parking demand of “Main Street districts” found that parking occupancy rates for the successful mixed-use downtowns investigated ranged from just 1.6 to 1.9 spaces per 1,000 square feet of non-residential built area (see Table 5-9). Given the differences in parking demand between mixed-use Main Street districts and conventional suburban developments, conventional suburban parking requirements should not be applied to downtowns.

Table 5-9: Summary of parking occupancy in four Main Street districts

	City	Mode Split ¹							Occupied Parking Spaces per 1,000 Sq.Ft. ³
		Drove Alone	2 or More Person Carpool	Transit	Bicycle	Walked	Other Means	Worked at Home	
Chico	59,900	61%	12%	1%	11%	13%	1%	1%	1.7
Palo Alto	58,600	80%	9%	4%	3%	3%	1%	0%	1.9
Santa Monica	84,100	74%	11%	11%	1%	2%	1%	0%	1.8
Kirkland, WA ²	45,600	77%	12%	4%	0%	2%	1%	4%	1.6

¹ Source: Census Transportation Planning Package (CTPP) 2000.

² Commuter mode split for Kirkland, Washington is not limited to the main street district, but covers commuting to the entire city, due to lack in data from CTPP 2000.

³ Sq. Ft. refers to occupied non-residential built area in Chico and Palo Alto and both vacant and occupied non-residential built area in Santa Monica and Kirkland.

²⁰ Parking Generation, 3rd ed., Institute of Transportation Engineers, 2004.

Instead, minimum parking requirements for downtowns and main-street districts should be removed, and spillover parking problems resolved with residential parking permit districts or parking benefit districts.

Recommendation**10****5.1.10-Recommendation 10: Establish a Shuttle Service****Goal:** Provide frequent, reliable shuttle service for residents, employees and visitors.**Recommendation:** Establish a shuttle service that covers all of the nearby major developments. Financing for the shuttle would be provided through the Transportation Management Association (see Recommendation 11).**Discussion:** In order to reduce traffic in downtown areas, many cities have established shuttles that travel between key downtown destinations. These shuttles encourage transit use by connecting residential and employment sites with bus and train hubs. In addition, shuttles can link mixed use districts with satellite parking lots. This eliminates the stress of driving on crowded downtown streets looking for parking and reduces traffic, making downtown areas safer for pedestrians.**Recommendation****11****5.1.11-Recommendation 11: Establish a Transportation Management Association****Goal:** Effectively manage and market TDM programs throughout the city to ensure maximum coverage.**Recommendation:** Establish a Transportation Management Association (TMA) that is responsible for the management and promotion of alternative transportation programs. TDM programs managed by the TMA, including the shuttle service, should be financed through an annual Community Facilities District (CFD) fee (City civic uses and public schools exempted).**Discussion:** A Transportation Management Association (TMA) is a non-profit corporation that both markets and promotes alternative transportation services and programs, and provides those services to employers, employees and project sites. A Transportation Management Association can be established to provide services citywide, including to all tenants (initial and future) within the district.

This larger Transportation Management Association can serve multiple large project sites. A condition of development approval should require that tenants within a mixed use district be required to join (including paying dues to) this larger Transportation Management Association. Depending on the size of the Transportation Management Association, the Association should be managed by either a full- or part-time Transportation Coordinator.

The Association should be responsible for citywide promotions and marketing, providing information and commute assistance to employees, and assisting the City in monitoring the success of these different sites' programs (although the City must maintain ultimate oversight). The Transportation Management Association should also be responsible for distribution of alternative transportation information to new employees. An information packet and orientation session is typically provided for new employees, to introduce them to both active TDM programs and regional information on available alternatives. The information provided by the TMA should include information on local and regional transit schedules and routes; carpool and vanpool programs and ride-matching information resources; bicycle and pedestrian information; and personalized commute planning assistance.

The Transportation Management Association should oversee multiple programs, including the following:

Ridesharing - Carpooling & Vanpooling

Ridesharing (i.e., carpooling & vanpooling) is one of the most common and cost-effective alternative modes and one which commuters can adopt part-time. Ridesharing tends to have the lowest cost per passenger-mile of any motorized mode of transportation, since it makes use of a vehicle seat that would otherwise be empty. As long as it is convenient, employees are likely to consider carpooling, given the cost savings, as shown in Table 5-10.

Table 5-10: Estimated Monthly Commuting Costs

Round Trip Miles	Drive Alone	3-Rider Car Pool	10-Rider Van Pool
30	\$193	\$64	\$31
40	\$257	\$86	\$37
50	\$321	\$107	\$43
60	\$386	\$129	\$50
70	\$450	\$150	\$56
80	\$514	\$171	\$63

Source: Ridesharing: Car and Van Pooling, March 2006, <http://www.vtpi.org/tcm/tcm34.htm>

Experience indicates that ridesharing programs typically attract 5-15% of commute trips if they offer only information and encouragement, and 10-30% if they also offer financial incentives such as parking cash-out or vanpool subsidies (Source: York and Fabricatore, 2001). The most effective programs are those implemented in conjunction with paid parking, subsidies for alternative modes, and other incentives.

The Transportation Management Association should oversee a program that matches employees in carpool and vanpools. Carpools and vanpools should also receive preferential parking spaces under this program.

Guaranteed Ride Home Programs

Establishing a Guaranteed Ride Home (GRH) program is an important component of ridesharing and parking cash-out programs as the fear of needing a ride home in case of an emergency during the work day is one of the most cited obstacles to ridesharing or transit use. Many commuters say they are much more likely to use alternative transportation if they have access to an emergency ride home. Therefore, a Guaranteed Ride Home service that provides reimbursement for immediate transportation home via taxi or other similar mode can be an important part of a comprehensive transportation demand management program. GRH programs may use taxis, company vehicles or rental cars. GRH trips may be free or they may require a modest co-payment. The cost of offering this service tends to be low because it is seldom actually used.

5.2 FINANCING

Securing funding as well as on-going financing for parking and proposed TDM measures is a significant challenge. This chapter describes potential revenue sources, including federal, state, regional and local funds. In many cases, funding comes through a combination of public and private funds. Several case studies explain how other California cities have successfully funded shuttles.

5.2.1 Public Funding Sources

Transportation Fund for Clean Air (TFCA)

In October 1991, TFCA funding became available through law AB 434, which imposes a \$4.00 surcharge on all vehicle registrations in California. Sixty percent of the revenues from this fund are distributed throughout the region from which they originated on a competitive basis. Often, these funds are managed by a jurisdiction's congestion management agency.

The fund covers a wide range of project types, including the purchase or lease of clean fuel buses; purchase of clean air vehicles; shuttle and feeder bus service to train stations; ridesharing programs to encourage carpool and transit use; bicycle facility improvements such as bike lanes, bicycle racks and lockers; arterial management improvements to speed traffic flow on major arterials; smart growth; and transit information projects to enhance the availability of transit information.

While the chances of receiving these funds are fairly good, they are competitive and are generally considered a "one-time" grant for demonstration projects. TFCA funds are rarely received on an ongoing basis for the same project.

City General & Redevelopment Agency Funds

Local funds could be used in the form of direct financial contributions or provided through in-kind services. Some cities use General Fund and/or redevelopment agency monies to pay for shuttle services. In addition, many cities outside California—where TDA funds are not available for transit operations—rely exclusively on general funds as the local contribution to transit.

Hotel Tax

Many cities in California have a hotel/motel tax of 5 - 15%, with the typical charge falling in the 8 - 12% range. Revenues derived from hotel taxes are usually used for general city purposes and to pay for tourist-related improvements. These could include a variety of infrastructure improvements, including a local shuttle service.

Sales Tax

Since 1970, the State legislature has passed several bills that authorize County governments to levy permanent and temporary sales taxes for transportation purposes within their jurisdictions. Counties with a sales tax dedicated to transportation purposes are known as self-help counties. For example, in San Diego County voters approved *TransNet* in 1988, a half-cent sales tax for local transportation projects. In November 2004, 67 percent of voters approved a 40-year extension of *TransNet*, which will generate an additional \$14 billion for public transit, highway, and local street and road improvements.

TransNet funds are allocated based on the approved expenditure plan by the San Diego Association of Governments (SANDAG). The expenditure plan identifies specific projects which are eligible for funding as well as establishing pools of money which local jurisdictions may apply for under the CMP process. Under the Congestion Relief Program in the expenditure plan, funds may be used for capital improvements needed to facilitate transit services and facilities, and also from operating support for local shuttle and circulator routes and other services.

Pursuant to Rev. & Tax Code § 72511.1 the cities and counties are capped at 2% aggregate for all local sales taxes. In San Diego County for instance, with the current 8.25% state tax rate, there is a maximum available tax rate for the cities and the County of 10.25%. All of the San Diego County cities have the capacity to add at least another 1/2% before reaching the maximum. The only area of the state that has exceeded this 2% cap is Los Angeles. For Los Angeles, this was accomplished via SB 314 (2003), which gave LA County the ability to exclude its transportation sales tax from the 2% limit imposed by § 72511.1.

Parcel Tax

The City could ask property owners to approve a parcel tax to support the shuttle service. A parcel is defined by the county tax assessor's office as a single, undivided unit of real property (land) that is assessed as a parcel or unit. A single parcel may have multiple buildings, apartments or a mix of commercial, industrial and residential. Successful parcel taxes are typically assessed in the range of \$50-\$100 per parcel per year. Parcel taxes typically have a sunset period of five to seven years. These taxes are a very common way for California school districts, fire districts and libraries to raise money for improving services and facilities. As with all specific purpose taxes, a parcel tax for shuttle service would require a 2/3 vote.

Private Financing Sources

Many cities establish public/private partnerships and have received generous financial support from the private sector. The private sector, broadly interpreted, can include employers, merchants and retail establishments. Contributions can take the form of ongoing operating support or can also be used for one-time capital purchases such as passenger shelters and benches.

Employer Contributions

Employers are another potential source of funding. The exact contribution amount could be based on a number of factors, such as square footage, number of employees, type of business, and could be added in on top of a flat participation rate if desired. In the case of a shuttle service, employers interested in a "front door" stop, could contribute more than employers without this attractive element. These financial contributions could be used for capital procurements, such as passenger benches or shelters, or for operating purposes.

Transportation Management Agency Member Contributions

The City may establish a TMA to operate and fund transportation services. TMAs are quite common throughout California and the West Coast. The Cities of San Leandro and Emeryville both have TMAs that oversee their respective shuttle programs. TMAs are eligible for a variety of public funding sources, but their strength lies in their ability to leverage private money through direct oversight by private-sector interests. TMAs are unique in that they allow private developers and employers to seek public funds, while providing an avenue for public agencies to seek private funds. This includes the contribution of employer funds to help subsidize the program. Typically, large employers may contribute \$5,000-\$10,000 per year to help offset operations and administrative costs. In the Bay Area, TMAs compete very successfully for AB 434 funds allocated by the Air District, as well as Petroleum Violation Escrow Account (PVEA) funds allocated by Caltrans. In fact, Caltrans has helped fund over 50 TMAs in California.

Two TMAs in Southern California that fund shuttle services are the Warner Center TMA in the City of Los Angeles and the Burbank Transportation Management Organization (TMO). The Burbank TMO has 120 members, and fees are charged per employee with a current rate set at \$18 per employee. The Warner Center TMA has 39 members which represent over 40,000 employees. Annual member dues range from \$2,100 to \$4,800 per year, depending on employer size and property size.

Passenger Fares

In the case of bus or shuttle service, passenger fares would provide an ongoing revenue stream to help support operations costs. While passenger fares would provide valuable operating revenues, the fares would be expected to recover only a portion of the operating costs. Shuttle services, however, are typically free-of-charge and surveys indicate that the “free fare” is a major incentive for passengers who use these services. In San Diego, SANDAG prepared a Transit Impediments Study in 2009. It found that increasing transit fares is one way to increase revenue for transit operations. Since 2007, SANDAG periodically has increased fares upon request by the transit agencies. In addition, SANDAG has developed a Regional Comprehensive Fare Study with the original goal of achieving a single, simplified, equitable structure for both operators. With the current financial constraints facing MTS and NCTD, this goal has been amended to include how best to maximize transit revenues. At the same time, it is recognized that there are clear limitations on raising fares, and there are market forces that need to be carefully considered. It should be emphasized that fare increases are not easily accomplished, and that modification to fare policy will not by itself change the dynamics of the situation facing public transit in this region.

Shuttle Funding Case Studies: Emery Go Round, Emeryville, CA

The Emery Go Round (EGR) is a free fixed-route shuttle bus that provides service to most of Emeryville, with stops at the Emeryville Amtrak Station, Bay Street Mall, and major employers such as Pixar and Novartis. All EGR routes except one go to the MacArthur Bay Area Rapid Transit (BART) Station, a key transfer point for connections to regional transit. Annual ridership has grown steadily since service began in 2007, to approximately 1.3 million riders in FY 2008. Approximately 80% of all Emery Go Round trips begin or end at MacArthur BART Station.²¹

Weekday service runs from 5:45 am to 10:30 pm, Saturday service is provided from 9:30 am to 10:00 pm and Sunday service is available from 10:00 am to 7:00 pm. Headways range from 12 minutes during weekday peak hours to 45 minutes on weekends. Real-time arrival information for all routes is provided by NextBus. Riders can get arrival times either online or by calling a phone number and entering a code for a particular bus stop.

The Emery Go Round has 12 buses in its fleet that each have between 24 and 36 seats. They own seven of these and lease the other five. They also lease one van with nine seats. During the peak hour ten buses are in operation. Operating expenses in 2007 were \$1.6 million, and the cost per passenger was \$1.51.

Funding

The Emery Go Round is entirely funded by commercial property owners in Emeryville. The service is provided by the Emeryville Transportation Management Association (TMA), a non-profit organization whose purpose is to increase access and mobility to, from, and within Emeryville while alleviating congestion. The City requires commercial developers, including for-rent residential properties, to join the TMA as part of development agreements. Approximately 200 businesses are part of the TMA.

The TMA is funded by fees on commercial property within the City, through a Property-Based Business Improvement District (PBID). The TMA Board of Directors determines fee assessment rates as well as the level of shuttle service on an annual basis. Fees are based on square footage. For the current year rates are \$0.20 per square foot for most commercial/industrial uses and \$100 per unit for rental units.

Palo Alto/VTA Shuttle, Palo Alto, CA

The City of Palo Alto has an agreement with the Caltrain commuter rail system, through Caltrain's shuttle program to operate two free shuttles providing transportation for commuters, residents, seniors, and school children.

The Crosstown Shuttle runs Monday through Friday, 7:00 AM to 6:00 PM, every 30 minutes. It serves residential neighborhoods, senior residences, libraries, recreation centers, commercial districts, Downtown Palo Alto and the Caltrain station. The route is extended to Gunn High School and JLS Middle School from two residential neighborhoods for the AM and PM school bell times. On average the Crosstown Shuttle carries 400 to 500 passengers daily.

The Embarcadero Shuttle is a more commute-based route, running every 15 minutes from 7:00 AM to 9:30 AM and 3:00 PM to 7:00 PM. Coordinated with the Caltrain schedule, the route serves residents and employers in the Embarcadero/Baylands area and students at Palo Alto High School. One AM and one PM trip are deviated to serve Jordan Middle School, as well. On average, the Embarcadero Shuttle carries 200 passengers daily.

Funding

Both the City of Palo Alto and Caltrain contribute funding for the shuttle. Operations are contracted out by Caltrain to the Parking Company of America (PCA) to operate their shuttles. Specific funding details for FY 2007 and FY 2008 are provided below.

FY 2007

- \$126,795 from Caltrain for Embarcadero Shuttle
- \$334,200 City of Palo Alto
- \$40,000 Palo Alto Unified School District (Gunn High School) – ½ the cost of the third Crosstown bus
- \$500,990 TOTAL

²¹ 2005 BayCap BART Shuttle Rider Survey, Bay Area Air Quality Management District (2005)

San Mateo Shuttle, San Mateo, CA

The City of San Mateo operates two shuttle routes that focus on commuter needs. The Campus Drive route is 100% employee-serving, connecting Caltrain commuters with their employers, while the Norfolk Area route connects residential areas and employers with the nearest Caltrain station (ridership is 33% residents, 67% employees). Both routes operate 6-7 runs in each of the AM and PM peaks. Hours of operation are Monday through Friday from 6:30 AM to 9:00 AM and 3:30 PM to 7:00 PM, approximately every 40 minutes (timed with the Caltrain service).

In service since 1999, the shuttles had FY2003 combined ridership of approximately 49 passengers per day, an increase of 139% from the previous year. Each service operates 5.5 to 6 revenue hours per day, and between 54 and 70 daily revenue miles. One 21-passenger, accessible bus is used for each route.

Funding Details

The City of San Mateo contracts with Samtrans/Parking Company of America for operation of the shuttles, for which they are charged an all-inclusive hourly fee. 75% of the funding for the program is covered by a grant from the San Mateo City/County Association of Governments (C/CAG) via a program funded by Bay Area Air Quality Management District grants to Caltrain, while the City picks up the remaining 25% of costs.

The future outlook for the shuttle is contingent on increasing ridership. Funding for both routes may be eliminated if ridership for each route does not increase to reach Caltrain minimum standards of a 25% equivalent fare box ratio (EFR) or \$4 cost per passenger (CPP), requiring a ridership level of 88 average daily boardings. The Norfolk route added Siebel Corporation, a large employer, to the route at end of March 2008, after which ridership rose 53%. Siebel will also begin contributing funding for 12.5% of the total overall budget for the shuttles (50% of the City's portion). Additional residential riders appear to be utilizing service from the Siebel stop due to its proximity to a large apartment complex. The purely commuter-oriented Campus Drive Area shuttle has had more problems with ridership, and the City is considering eliminating this route.

(Footnotes)

- 1 Santa Clara Valley Transportation Authority, 1997.
- 2 1990 to 2000; http://www.commuterchallenge.org/cc/newsmar01_flexpass.html.
- 3 White et. al. "Impacts of an Employer-Based Transit Pass Program: The Go Pass in Ann Arbor, Michigan."
- 4 Jeffrey Brown, et. al. "Fare-Free Public Transit at Universities." *Journal of Planning Education and Research* 23: 69-82, 2003.
- 5 1989 to 2002, weighted average of students, faculty, and staff; From Will Toor, et. al. *Transportation and Sustainable Campus Communities*, 2004.
- 6 2002 to 2003, the effect one year after U-Pass implementation; From Wu et. al, "Transportation Demand Management: UBC's U-Pass – a Case Study", April 2004.
- 7 Mode shift one year after implementation in 1994; James Meyer et. al., "An Analysis of the Usage, Impacts and Benefits of an Innovative Transit Pass Program", January 14, 1998.
- 8 Six years after program implementation; Francois Poinsatte et. al. "Finding a New Way: Campus Transportation for the 21st Century", April, 1999.

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6: BART CASE STUDY FOR A CFD AMENDMENT TO SUPPORT TOD

6.0 BART: The Case for a CFD Amendment to Support TODs

This case study outlines the Transit-Oriented Development program of the San Francisco Bay Area Rapid District (BART) and describes how a Community Facilities District amendment could benefit the overall program and its goals. It details how an amendment to the Mello Roos Community Facilities Act to allow financing of transit operations would help solve access issues caused by construction on BART's land now dedicated to surface automobile parking.

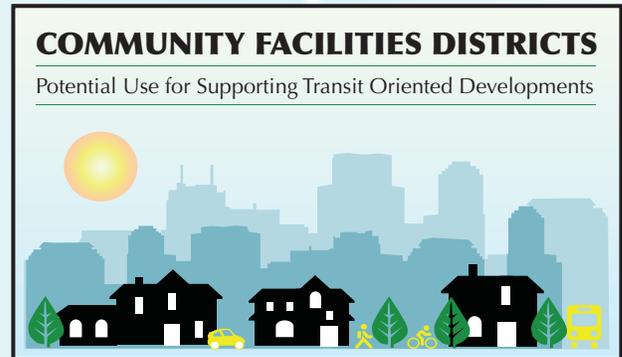
6.1 INTRODUCTION

BART was created in 1957 by the California Legislature as an independent special district encompassing the counties of Alameda, Contra Costa and San Francisco. After construction of the system, BART began operations in 1972. In 2008 it served approximately 370,000 riders a day with five lines and 43 stations over 104 miles of track. With an extension to the San Francisco International Airport in 2004, it now also operates in northern San Mateo County.

6.2 TRANSIT-ORIENTED DEVELOPMENT GOALS

The enabling legislation for BART included powers to enter into long-term leases or sales involving District-owned property or air rights. In 1984 the BART Board adopted a Station Area Development Implementation Policy and the staff began to plan joint development with the jurisdictions surrounding its stations. The Policy was amended in July 2005 to shift from joint development to transit-oriented development (TOD). This shift to a TOD focus encompasses planning for a larger land mass—that is, not only the BART property but for the private land surrounding the station. Today BART has 22 stations that are under development: five are completed; nine are approved; and eight are in negotiations. However, the current real estate and financial downturn could negatively affect the outcome of the eight that are in negotiations.

A primary goal of BART in promoting transit-oriented development is to increase transit ridership by locating residences and offices next to the BART stations. The projected annual new trips from the TODs completed, approved, or in negotiations are 2,070,400. BART commissioned transportation consultant Richard Willson to develop a model for trip generation rates in order to derive these projections.



When people choose to live next to a transit station, they do so with a disposition toward transit ridership. Indeed, a new report by the Transit Cooperative Research Program (TCRP) states:

“High-transit commute modal shares among station-area residents are significantly a product of self-selection: those with a lifestyle preference to ride transit consciously move to neighborhoods well-served by transit and act upon those preferences by riding frequently.” (Arrington and Cervero)

BART’s TOD projections track a 2004 report titled *Travel Characteristics of Transit-Oriented Development in California*, which states, “Residents living near transit stations are around five times more likely to commute by transit as the average resident worker in the same city.” (Lund, Cervero & Willson) Based on surveys, the researchers show a commute mode of 44.9% by transit from four housing projects at BART’s Pleasant Hill station and a commute mode of 37.8% by transit from four housing projects at

BART’s stations in Southern Alameda County (South Hayward, Hayward, Fremont and Union City stations).

The transit mode for office workers is 38.5% at the Berkeley BART station, which has no station parking and is in the heart of the downtown district. However, at the suburban Walnut Creek station, the transit mode for office workers is only 17.2%. The Walnut Creek station has a residential TOD currently under environmental review for BART’s surface parking, although the station is already surrounded by ten-story office buildings built on privately-held land. Nonetheless, the Lund research points out that in both instances “TOD transit shares for office worker commute trips significantly exceed the journey-to-work transit mode share in the surrounding region.”

A corollary to increasing ridership by building TODs on station sites is BART’s commitment to the societal goal of environmental sustainability. When more riders can walk from their homes or jobs to the station, the need to drive alone to access transit decreases. That decrease, in turn, reduces carbon dioxide emissions, which are greenhouse gases contributing to global warming.

Another BART goal is to create a new revenue source by capturing the value of its land at the stations. BART expects annual new farebox revenues of \$7,175,800 in 2008 dollars from the TODs that have been completed, approved or in negotiations. BART leases or sells its land and credits the developers for building replacement parking for the surface parking that is eliminated. Thus, parking for existing riders is retained and new revenue from TOD occupants is generated. Credits to developers for replacement parking are capped. After the cap is exhausted, ground lease revenues and covenant fees on resold units flow to BART. These revenues not only enhance the stability of BART’s financial base through a stable unrestricted source, but also increase the host communities’ tax base by returning real property to the tax rolls. Since fares make up 60% of BART’s operating budget, riders may also benefit from this revenue source by the possible deferment of steeper fares imposed by BART.

BART’s goals also include enhancing the quality of life at and around its stations by encouraging TODs within walking distance of the stations and better feeder bus service to the stations. Communities in which the stations are located can benefit if the visual sea of automobiles in surface parking lots can be reduced or eliminated. To accomplish this goal, BART has adopted a policy to allow adjustments to the 1:1 replacement of parking on a TOD site.

6.3 PARKING ISSUES RELATED TO A CFD

Previously, BART had a long-standing policy that required replacement of each parking space that was lost to development on its surface lot. In practice, this policy has meant that the parking is aggregated in a new structure in order to free up the surface lots. The need to build a parking structure is a significant deterrent for a private developer. The cost is over and above the financing needed for the buildings and corresponding parking of the development itself. The 2005 amendment to the Station Area Development Implementation Policy explicitly allows a relaxation of the one-to-one replacement of parking in order to encourage a greater amount of development.

In some cases, other resources are available to fulfill the 1:1 replacement parking requirement. For example, at the Pleasant Hill station, 515 residential units and 35,000 square feet of retail are now under construction, with 270,000 square feet of office space planned for future development. Before construction started, a 1,547 space parking garage was built for \$51.2 million using funds from the Contra Costa County Redevelopment Agency. The new garage was connected to an existing garage of 1,442 spaces, for a total of 2,989 spaces in the combined garages. By paying for the replacement parking garage up front, the land was cleared for the construction of the transit village. The County realizes a return on this investment from future ground lease revenues over a 99-year term, bringing in an ongoing stream of revenues to operate County government.

However, government or transit agency resources to fund replacement parking may not necessarily be available, delaying a proposed TOD at a desirable location for many years. The Center for Transit-Oriented Development has concluded that “specific policies such as revising zoning and parking regulations will have to be put in place to ensure that the market can deliver a product that will help realize the potential demand.” (Reconnecting America)

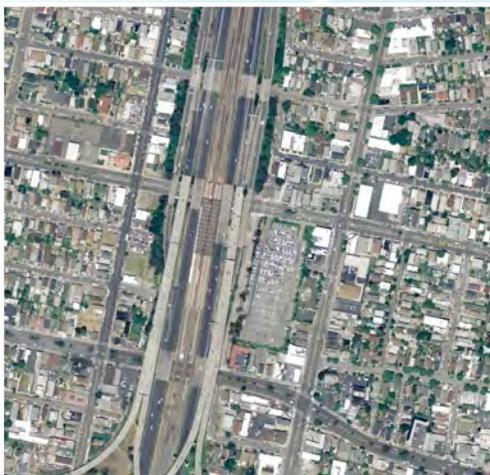
For this reason, consultant Richard Willson examined BART’s 1:1 replacement policy and recommended a methodology that could apply to stations located in different types of communities. The methodology is now incorporated into the 2005 TOD Policy. The objective of applying the methodology is to determine whether the 1:1 parking replacement is necessary or could be reduced. The methodology developed by Willson consists of a four step analysis:

1. Policy and context issues (e.g., characteristics of station and surrounding area, parking, other access modes, BART and city plans)
2. Build scenarios (e.g., proposed development program—residential units, retail and commercial space, etc.—and proposed access strategies, such as percent of replacement parking, shared or off-site parking, pedestrian and bicycle improvements and transit/shuttle enhancements)
3. Evaluate scenarios (e.g., compare estimated impacts on ridership, including change in access modes, and impacts on fiscal issues, such as fare revenues, parking charges, and ground rent)
4. Select preferred strategy and write specifications

A key determinant of whether the 1:1 parking ratio could be reduced occurs in step two, where types of access other than driving are evaluated. This evaluation includes a review of existing transit services and an examination of potential transit services that could be available. Amended Community Facilities District legislation that allows funding for transit operations could be instrumental in whether a TOD goes forward with a reduced parking requirement.

6.4 POTENTIAL COMMUNITY FACILITIES DISTRICT IMPLEMENTATION

Three case studies have been cited to show how existing project sites could utilize a CFD to encourage development, ridership and financial support for transit services.



6.4.1 MacArthur BART Station

The MacArthur station, located in the urban core of Oakland, has been considered a candidate for development since the early 1990s. An initial plan proposed a 50% reduction in the 600 surface parking spaces. Under the current plan, the developer has agreed to provide 510 spaces, which is 85% of the existing BART parking. Of these, 400 spaces would be in a new parking garage. Some additional spaces may result from attended parking in the garage, where keys are left with an attendant who stacks the cars behind one another.

Some of the remaining 110 replacement parking spaces for BART riders could be provided from un-sold parking in the residential development. The current proposal includes 542 for-sale residential units and 90 rental units. Occupants of the for-sale units would be able to choose whether or not to buy the accompanying parking space. That is, the parking would be “unbundled” from the sale of the unit, not guaranteeing a parking space unless the resident paid extra for it. Unsold spaces will then be available for rent by the homeowners’ association to the public, including BART commuters.



The area is well-served by AC Transit, the public bus operator, and five private shuttle services. Emery-Go-Round transports 850,000 people a year to retail and employment sites in Emeryville, 80% of whom are traveling to and from BART. In addition, three Oakland hospitals operate shuttles, and Caltrans provides a bicycle shuttle across the Bay Bridge into San Francisco. BART, in coordination with the developer and the City of Oakland, has commissioned an Access Study to determine whether enhanced bus service can compensate for the loss of the full replacement parking in the long-term. One strategy being explored is a Transit Benefit Fee, whereby BART would receive a fee with the initial sale of an individual condominium unit and for each subsequent sale of the unit. The Transit Benefit Fee could be used for a variety of improvements, such as operations, capital projects, and public transit and shuttle services. If a Community Facilities District (CFD) for transit operations were possible, the CFD would be a more straight-forward mechanism to accomplish BART’s and the City’s goal of access improvements and, thus, potentially speed up the development process.



6.4.2 San Leandro BART Station

The LINKS Shuttle has provided free transportation between the downtown San Leandro BART station and the western industrial area since 2002. The 6.25-mile loop route with 23 stops is served by two 32-passenger buses operated by MV Transportation under contract to the San Leandro Transportation Management Association. Buses operate on a 20-minute schedule during weekday morning and evening commute periods, with a third bus operating for one hour in the morning.

Nearly one-third of the annual costs, or about \$140,000, is paid for by businesses through a Business Improvement District (BID). Businesses with more than five employees within ¼-mile of the BART station and along the shuttle route pay an annual fee of \$25, plus \$10.88 per employee. The remainder of the \$400,000 annual cost of LINKS is paid by the San Leandro Redevelopment Agency and a grant from the Bay Area Air Quality Management District. (Holzmeister)

Although the LINKS funding partnership has proved successful, it nonetheless has faced uncertainties over its continuation. In Fiscal Year 2007-08, the Redevelopment Agency paid \$200,000 toward the LINKS Shuttle (Ricard). City Councilmembers debated whether to continue the funding, with one opponent stating, “We are coming into tough budget times.” (Holzmeister) However, in December 2008 the Council agreed to continue its funding and to re-establish the BID for five years. The Council can do so if fewer than 50% of the assessed businesses protest. Business owners will have an opportunity to protest before the BID is renewed in June 2009. If the State Legislature allowed Community Facilities Districts for transit operations, a more stable funding source than the current one could be secured for ongoing operation of the LINKS Shuttle.





6.4.3 Pleasant Hill BART Station

A traditional Community Facilities District was established in late Fall 2008 at the Pleasant Hill BART station, where the TOD is now under construction. (See earlier description under Parking Issues.)

Tier 1 services to be funded by the CFD include (see Table 6-1:

- Maintenance of a pedestrian and bicycle bridge crossing over an arterial street;
- Maintenance of a linear park adjacent to the TOD; and
- Maintenance of an off-street Shortcut Path for pedestrians and bicyclists along the BART right-of-way.



Tier 2 services include:

- Maintenance of street lights in the area: and
- Maintenance of decorative colored concrete areas within portions of the roadways and sidewalks.

Maximum special taxes began in Fiscal Year 2008-09 according to the following table. Taxes increase each July 1 by the change in the Consumer Price Index.

Table 6-1: Pleasant Hill BART Station CFD Assessments

Land Use	Maximum Tier 1 Special Tax	Maximum Tier 2 Special Tax
Residential Property	\$105.00 per unit	\$62.00 per unit
Non-residential Property	\$0.16 per building square ft.	\$0.11 per building square ft.
Undeveloped Property	\$12,700 per acre	\$9,900 per acre

The station is served by County Connection, a suburban public transit system. Although one route has 20-minute headways, most routes to the station operate on 35-60 minute headways. Several commuter buses also transport passengers to the BART station from an adjacent county. The Contra Costa Centre Association, a corporation of commercial, retail, and residential businesses surrounding the Pleasant Hill BART Station, has a well-rounded Transportation Demand Management program, which includes a mid-day shuttle for its members.

BART and the Contra Costa County Redevelopment Agency support the expansion of the existing CFD to include transit operations. The two 2,989-space garages are oversubscribed, usually parked full around 8:15 a.m. In order to increase access by residents of the surrounding cities of Walnut Creek, Pleasant Hill, and Concord, more robust public transit is needed. With the Governor's threat that State Transit Assistance funds be eliminated, communities could instead help themselves improve feeder transit through a CFD which would allow funding of transit operations. Assemblymember Ma has reintroduced the bill in the 2009-10 session as AB 338.

6.5 LEGISLATION RELATED TO TODs

BART sponsored AB 1221, which was carried by Assemblymember Fiona Ma in the 2007-08 Legislative session. This bill expanded the area included in a transit village plan from ¼-mile of the exterior boundary of a transit station to ½-mile for the purposes of creating an infrastructure financing district. The bill required replacement of affordable dwelling units which are removed through creation of a Transit Village and specified that at least 20% of the property tax increment revenues be dedicated to affordable housing. Although the bill passed the Legislature, Governor Arnold Schwatzenegger vetoed it in September 2008, along with most other bills from that legislative session.

BART was one of the proponents of AB 2705 by Assemblymember Dave Jones in the 2007-2008 Legislative session. The bill would have amended the Mello Roos Community Facilities Act “to finance public transit facilities and public transit services, including, but not limited to, operational expenses and maintenance of public transit equipment.” The bill failed, with opposition from cities and some developers because, according to their testimony, they feared that it would dilute the funding and take money away from residential communities for which the Mello Roos Act was initially established. Assemblymember Jones has not reintroduced the bill in the current session. However, believing it to be an important element of a successful TOD, BART will support the legislation should it be reintroduced in a future session.

6.6 CONCLUSION

BART is a strong supporter of a Community Facilities District which permits funding for transit operations. This support is based on the need to provide alternatives to 100% replacement of parking when BART’s surface land is developed. Without the possibility of reduced parking, the financial viability of TODs is, in many situations, questionable.

Once all the land around stations is assigned to TODs, the ability to add parking at some point in the future is diminished. However, BART needs to continue to grow ridership and must turn to other access modes. Feeder bus service, which is facing drastic cuts in funding, is a key strategy for providing an alternative to driving and parking at the stations. Responsibility for access modes such as bus and shuttle services, sidewalks, and bike lanes are outside BART’s jurisdiction. A CFD would allow a means to secure revenue to support these other access modes. This case study has illustrated three instances where a CFD could be immediately applicable and asserted that a revised CFD mechanism could assist BART in moving its total TOD program forward more expeditiously.

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7: TOD/CFD TEST SAMPLE

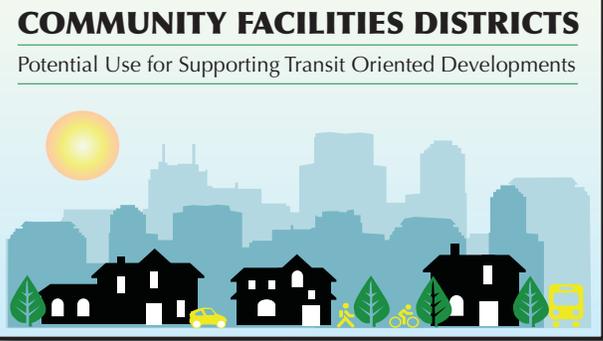
7.0 TOD/CFD TEST SAMPLE

This chapter provides a test of the assumption that substantial cost savings are possible to obtain if a lower parking supply is provided for new development in and around transit stations. The presence of high level transit services, coupled with parking demand reduction practices (as discussed in Chapter 5) can all combine to reduce the need for expensive off-street structured parking. The assumption also includes the principle that if substantial savings can be provided for a development project, then this savings can be passed on to the end consumer (property owner, renter, tenant, or customer). These savings can result in more affordable housing and can include increased investment in public realm spaces and site access improvements for cyclists and pedestrians. Finally, savings can be recaptured through the use of a CFD that in turn supports the ongoing parking demand management program and increases the use of transit and other non-auto mobility options.

The Oceanside Transit Center was selected for further review by this study since it is NCTD's premier transit station. Transit service includes: COASTER -heavy rail southbound commuter train; SPRINT-ER - light rail commuter diesel train; BREEZE- bus service; LIFT-paratransit transit service; METROLINK- heavy rail commuter train northbound to Orange County; AMTRAK- nationwide passenger rail; and Greyhound -nationwide passenger bus. The area has also been recently studied as part of the City of Oceanside Coast Highway Vision Plan. This plan has recently been adopted by City Council. Though the proposed development of the transit site is different than that proposed by the NCTD study, the plans are similar and consistent with each other, though the proposed levels of intensity and proposed square footages are different.

The station was also selected because of previous plans prepared for the reuse of the transit station as a TOD (see Figure 7-1 through 7-4). Though economic conditions have changed dramatically since the final report was completed, the development concepts are still sound and represent NCTD's best effort at proactively managing their land resources to help stimulate land value, revenue and transit ridership. The report, "Site Feasibility and Transit Oriented Development Concept Study"¹ was completed in March 2008. The plan proposes the addition of 8,000 sf of retail, 73,310 sf of office (including 50,000 assigned to NCTD); and 355 rental units. Two parking structures would be constructed holding a total of 1,351 vehicles to cover the development requirement's parking and those of transit users. A 20% reduction in off-street parking requirements is being sought because of the proximity of frequent transit services, car sharing programs and shared parking strategies. Approximately 12% of the on-site residential population is expected to regularly use the transit system.

Finally, the station was selected because of the high potential of redevelopment found around the station. There are a variety of land uses and community support facilities found within the immediate area, however, the current level



¹ Singleton, Michael (2008). *Site Feasibility and TOD Concept Study for the Redevelopment of the Carlsbad Village, Oceanside and Escondido Transit Centers, NCTD.*



Figure 7-1: West Facing Elevation

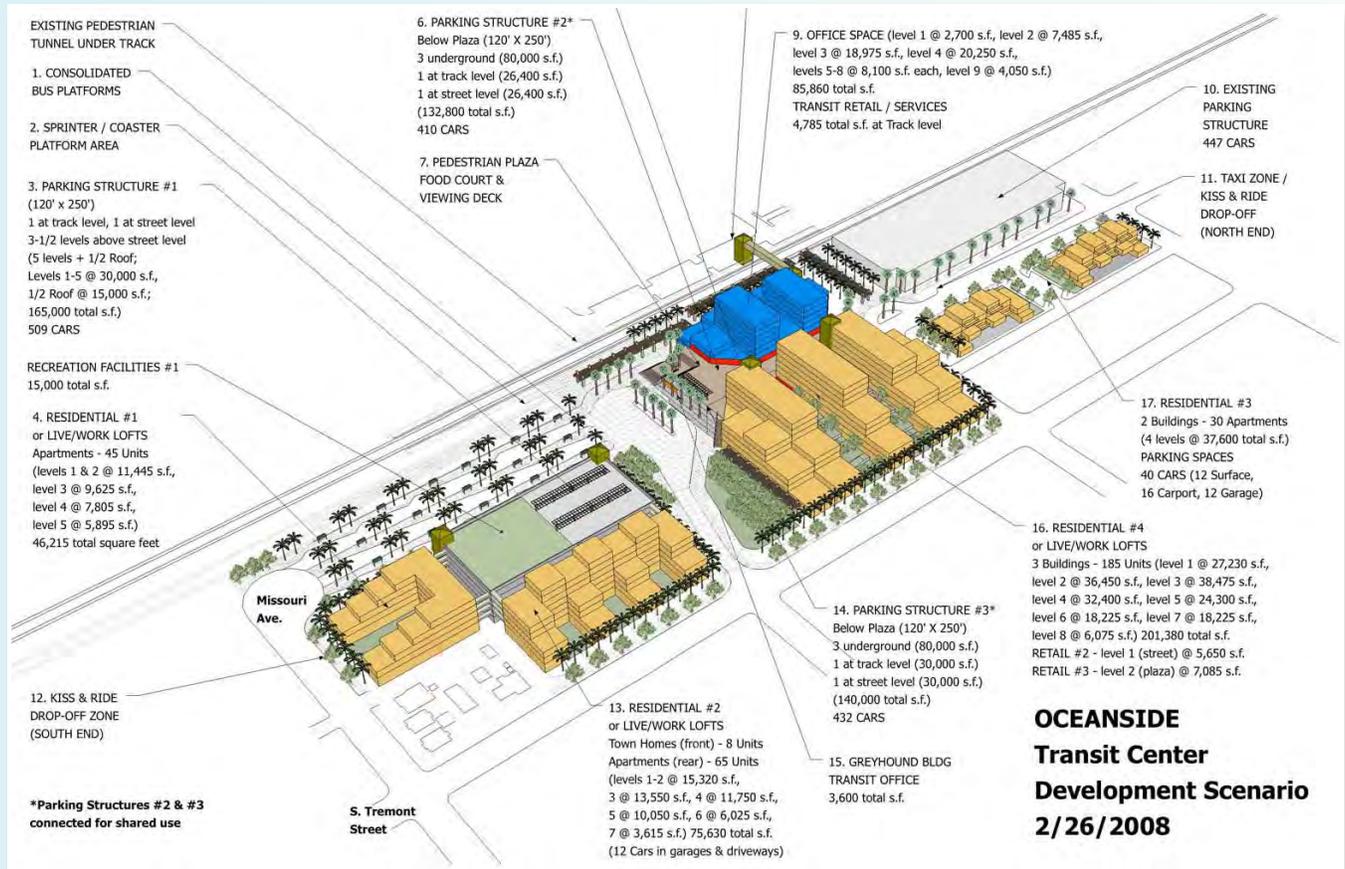


Figure 7-2: Oblique Seen from the West



Figure 7-4: Oblique Seen from the Southwest

Figure 7-3: Perspectives of the Development Concept for Configuration #2- Oceanside Transit Center



of development is under what would be expected based on market conditions and the regulatory environment of the area. Though the site is near the heart of the urban center of Oceanside, it is not of a density or mixed use generally expected of an urbanized coastal area. It represents an area of high development potential with the ability of capturing substantial savings in off-street structured parking costs and potential of CFD revenue sources.

7.1 Limits of the Study Area

A typical radius of quarter mile is common when discussing transit stations. A quarter mile represents a 10 minute walk that the majority of the public are generally willing to walk to transit. However, no one walks from an outer radius loop to a centroid point at the middle of a circle by way of radiating lines. Pedestrians follow streets and their progress outward from a center point such as a transit center, follows a series of right angled turns.

With today's technology, it is easy to map a distance following sidewalks and street crossings, to determine how far a pedestrian can get from a centroid outward using a 5, 10 and 15 minute walk time. Figure 7-5 shows the distance along the network of sidewalks that a pedestrian can reach within 5 minute increments. The network analysis assumed an average walking pace of 2.5 miles per hour. The typical pedestrian walks at 3 miles an hour average. However, taking into account normal street crossings with phased traffic signals, stop sign controlled, and uncontrolled intersections, the 3 miles per hour was adjusted down to 2.5 miles per hour.

Figure 7-5 shows all three walk distance zones along with a quarter mile and half mile radius. The figure also shows an outline of a recommended study area that corresponds to the 10 minute or quarter mile radius. In general, if the majority of the parcel fell within the network distance zone, then it was included in the study area. A study area is much better defined if it utilizes roadway and parcel boundaries, instead of arbitrary boundaries cutting across parcels. Though the 10 minute walkzone has been generally used in various analysis for the study area, the 5 minute walkzone and boundary was used in determining statistical information on land use and redevelopment potential. This was a conservative approach and determining possible development cost savings for reducing parking requirements within this geographic area. However, the full 10 minute walk zone and study area boundary would be recommended for inclusion within the TOD/CFD.

7.2 Characteristics of the Study Area

The study area is immediately next to the central business district and the civic center of Oceanside. The site is flanked by the historic pedestrian oriented storefront retail business along Mission Avenue and Coast Highway. Much of the area is dominated by surface parking lots and other parcels currently under development or being held for development. Several new projects have been completed in the last several years south of the transit center and immediately to the north and northwest. However, most of the rest of the study area has remained static for a 20-30 years and consists mostly of lower density single family and multi-family homes. Figure 7-6 though 7-11 show the current conditions of the study area for factors that are generally important in determining how the area can support a mixed use TOD or other smart growth projects.



7.3 Conditions that would Support the Implementation of a TOD/CFD

The study area has a number of characteristics that could help to support the implementation of a TOD/CFD. These characteristics include:

- Concentrated and regular transit services.
- Viable transit connections to the rest of the region.
- A pro-active transit agency with large parcel land ownership and a desire to increase transit use.
- Under-developed nature of the study area.
- Under-valued land based on coastal location.
- Existing and Potential views with single family and lower density zoning near the water that will preserve views from taller buildings.
- Walkability of the study area including a distributed street network that does not concentrate traffic only on a few streets.
- Residential development in the area has reached a momentum that may begin to support a number of neighborhood retail and services.
- Presence of retail, civic, educational and recreation facilities within close walking distances.
- Small parcel sizes that will need to be aggregated to make off-street parking work, or to pay into an in-lieu parking district fund to allow for smaller scale development.
- General desire of the city and the general public on improving the area and having it become more city like in density and heights.
- Presence of a redevelopment area within part of the project study area.

7.4 Conditions that may Complicate the Implementation of a TOD/ CFD

- Coastal Commission parking requirements.
- Council / Mayor's reluctance to lower parking requirements.
 - Concern over spill over on-street parking into single family neighborhoods.
 - Public acceptance for densification or infill development.
 - Long block size is not conducive to walking unless cut throughs are provided.



7.5 Ranking the Smartness of the Study Area

The use of the term “Smart Growth” is very common these days and unfortunately, there is no agreement from within planning organizations or with professionals as to what is considered smart growth. In an effort to define smart growth, KTU+A developed a smart growth report card. The basis of the report card is to not only look at the proposed project, but also the immediate neighborhood that the project is placed within, the community

that the neighborhood is within and the regional location that the community is also within. Smart growth has as much to do with the context of the setting as the elements proposed in the project itself. Though a project may have all of the features commonly referred to as smart, it will only display its intelligence if placed in a smart area. The same smart project would be considered not so smart and irrelevant in a different area.



The report card uses a sliding scale with 100% being a very smart project for each of the subject areas. In addition, there is a weighted score for each subject area, allowing the topic to be made more important relative to the other subject areas. In general, the regional and community context items have less than a 1 time multiplier. The neighborhood elements are generally ranked with a 1 time or more multiplier while the project elements are generally ranked with a 1.5 to 2 time multiplier. Table 7-1 A through D show the rankings of each of the smart growth factors. Table 7-2 A through C provide a summary overview of the rankings. As seen on this summary, the project receives a A- for regional context, an A- for the community context, a B- for the neighborhood context, and a B for the project elements themselves.

7.6 Development Projections and Potential Parking Reductions

Table 7-3 and 7-4 summarize the parcels found within a 5 minute walking distance from the transit center. Specific assumptions have been made for a mixture of land use types and Floor Area Ratios (FARs). Table 7-3 and 7-4 show the increase in each land use type. The tables also show that 2,136 parking spaces would normally be required based on the City of Oceanside parking regulations. This assumes that 65% of the new development parking supply would be structured parking. If you assume a 25% reduction in parking requirements, then 1,602 spaces would be required, a savings of 534 spaces. At an average cost of \$30,000 per space, this would result in a savings of \$16,020,795. This does not include the increased value of the project resulting from developing the space that would have normally been set aside for parking or from the increased premium that tenants and property owners would pay for the unique aspects that a TOD provide. This conservative analysis shows that a substantial savings could result from reduced parking requirements within a 5 minute walk area. An even greater value could result from applying reduced parking requirements to a 15 minute walking area. In any case, if only 1% of the savings is set aside for transit pass purchases, this would generate \$162,000 per year. Over a ten year period, it would only represent 10% of this saved value. So, a financial mechanism does exist to support a TOD/CFD, just based on cost reductions resulting from parking reductions.

Table 7-3: Summary of the Development Potential of the 5 minute study area

Parcel Size	Parcel Acres	Total Footprint	Single Family	Multi Family	Retail	Office	Total in Primary Uses	Normal Parking Required	Proposed Structured Parking	Adjusted Proposed Structured Parking	Reduced Structured Parking from Transit
993,570	22.81	907,803	75,604	432,247	155,489	8,024	671,364	1,571	0	0	0
993,570	22.81	1,214,753	127,756	599,513	358,800	128,684	1,214,753	3,286	2,136	1,602	534
		134%	169%	139%	231%	1604%	181%	209%			
25% Parking Space Reduction Attributable to 5 minute walk area around the station									534		
Assumed Average Cost for Parking Structure (25% below grade, 75% above ground)									\$30,000		
Parking Space Reduction Attributable to 5 minute walk area around the station									\$16,020,795		
Potential Annual Contribution to Transit Passes (10% of total savings)									\$1,602,080		

Figure 7-5: Project Study Area Limits

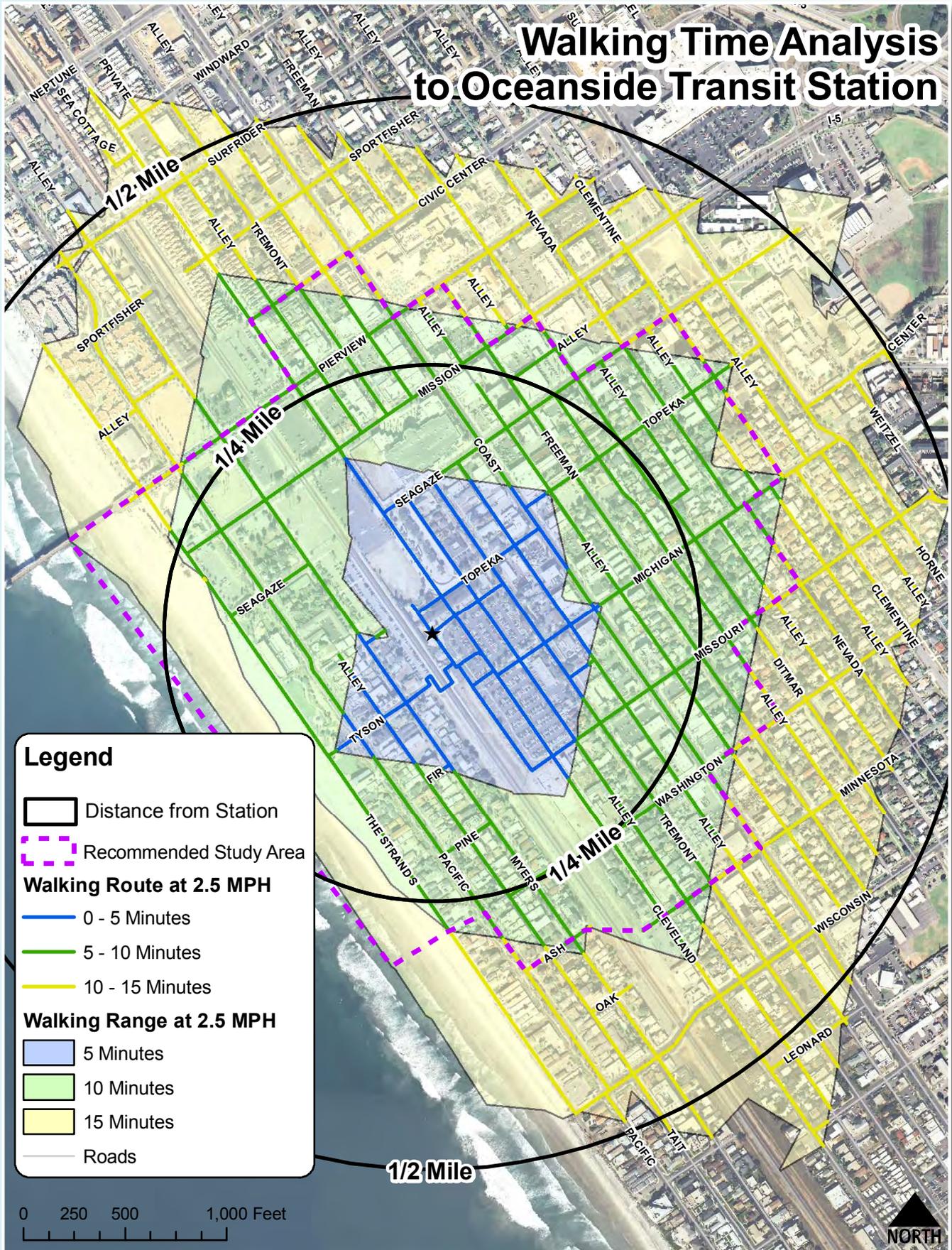


Figure 7-6: Study Area Land Use

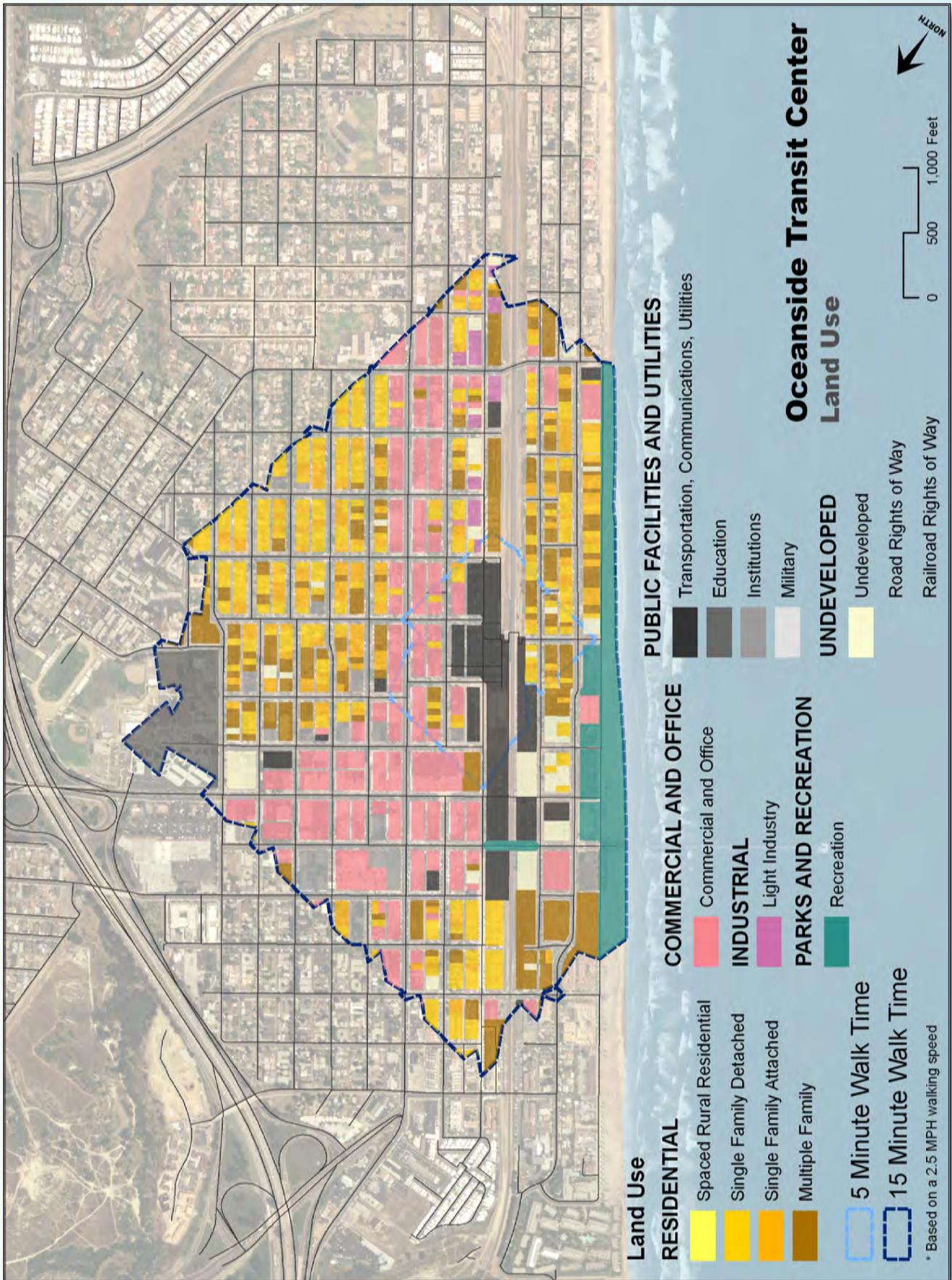


Figure 7-7: Study Area Median Income

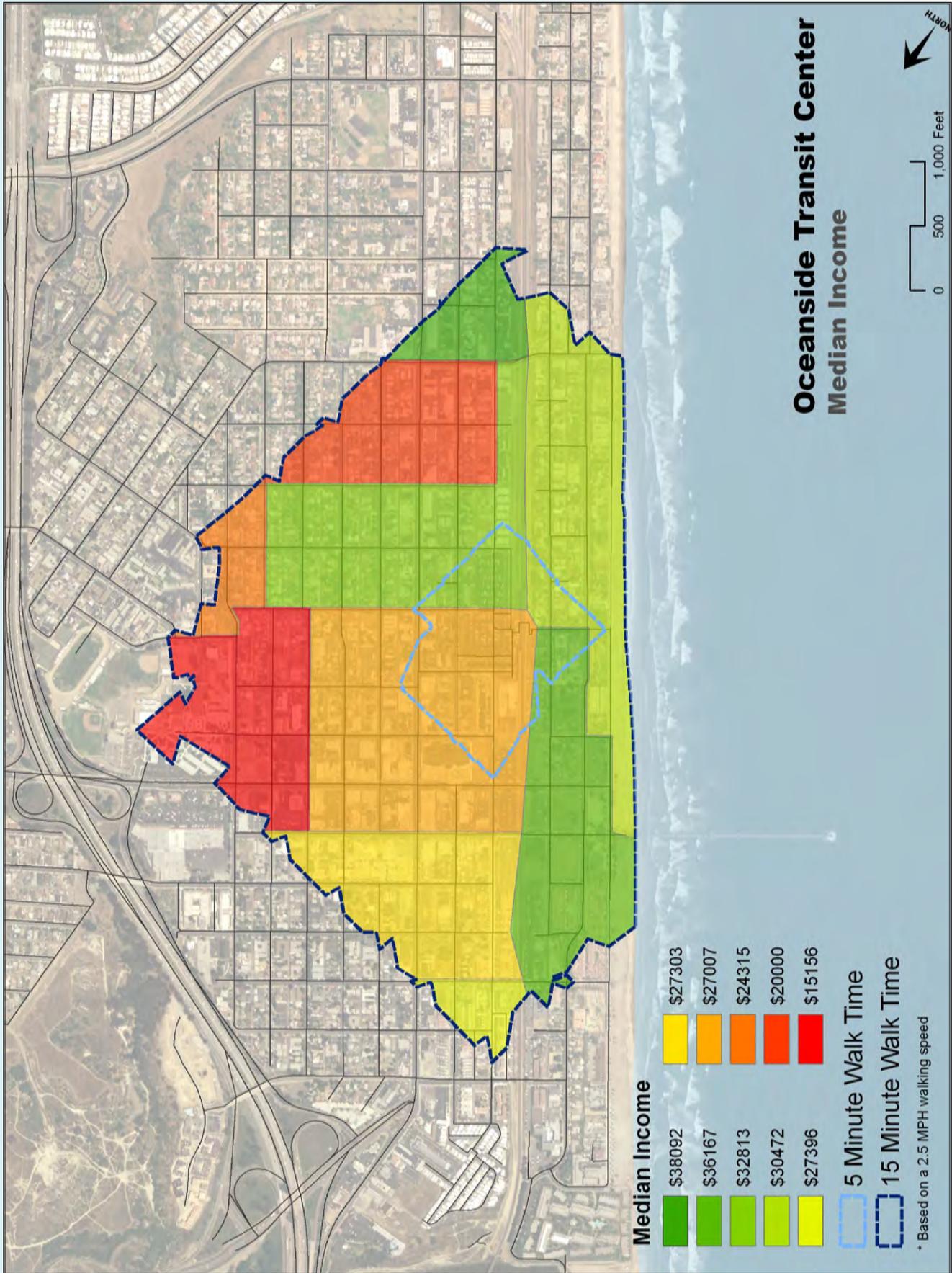


Figure 7-8: Study Area Employment Density

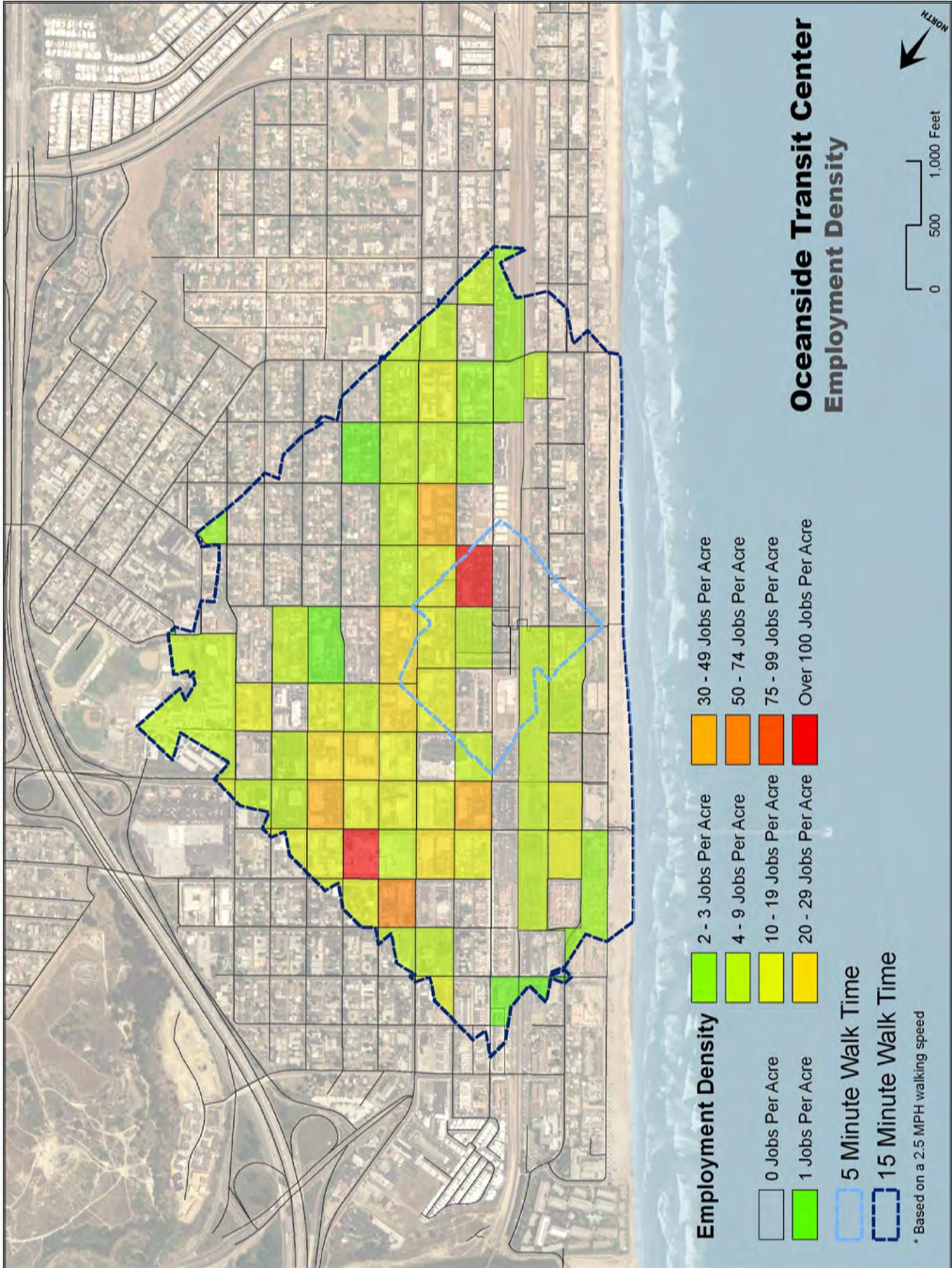


Figure 7-9: Study Area Population Density

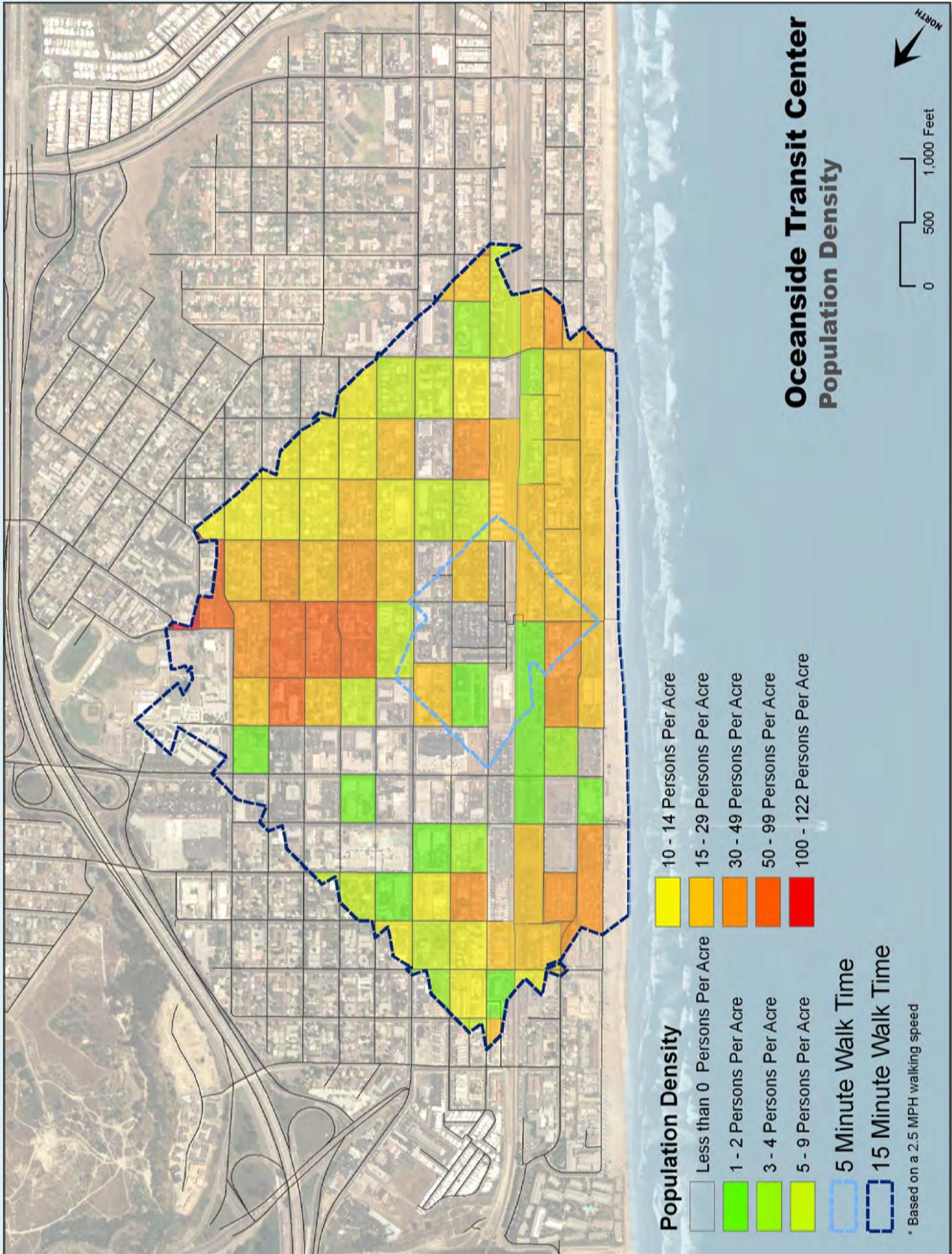


Figure 7-10: Study Area Housing Density

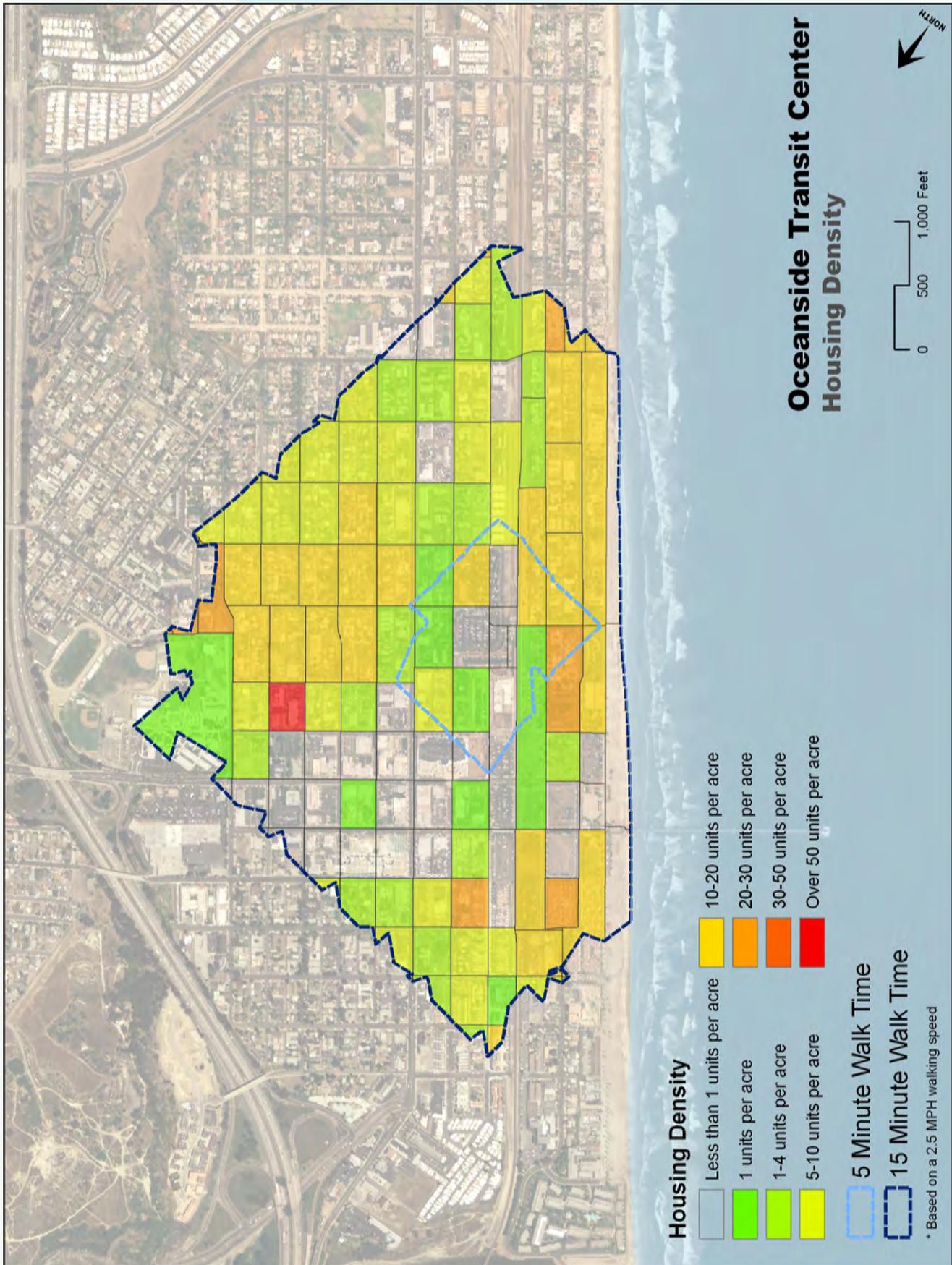


Figure 7-11: Study Area Existing Building Heights

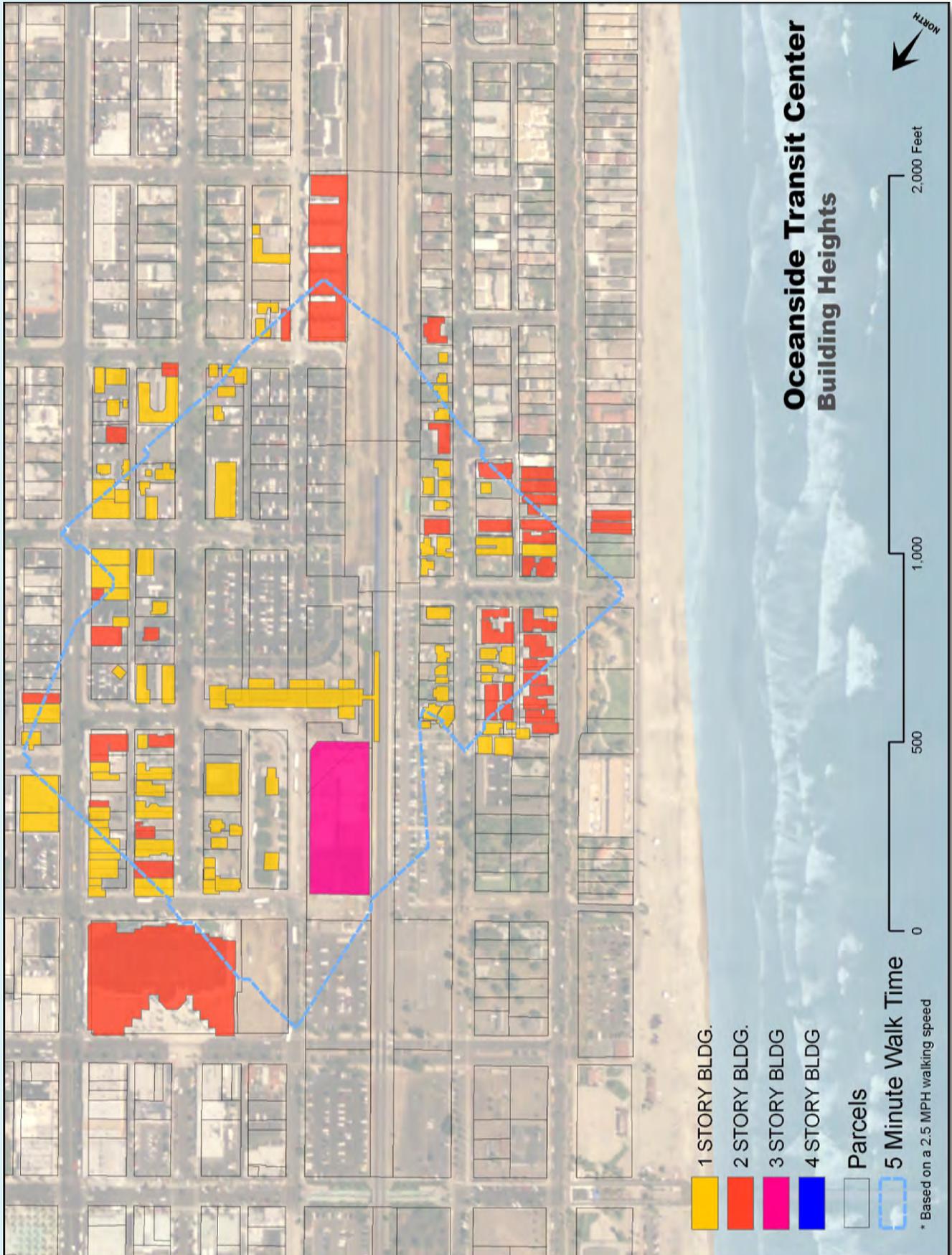


Table 7-1A: Smart Growth Rankings for the Regional Context of the Project Study Area

A. REGIONAL CONTEXT (Regional location of the project site)											
SMARTER >>>>											
GRADE:	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%	
1. GENERAL LOCATION WITHIN THE BROADER REGION (Lowers overall vehicle miles traveled)											
Metrics:	Remote Rural	Remote Suburban	Semi-Urban	Urban	Regional Center						
Miles from Reg. or Metro Center	>25 miles from Metro/Urban Cntr.	15-24 miles from Metro/Urban Cntr.	10-14 miles from Metro Center	In Urban Ctr. or 1-9 miles from Metro	Within the Metro Center						
Data source: SANDAG smart growth GIS mapping										Raw Test Score	
Weighting Factor: 0.5										x 90%	
										Weighted Score: 45%	
2. TRANSIT CONNECTIVITY TO REGION (increased transit use when connections exist between origins & major regional / metro centers)											
Metrics:	No Transit Connections	Infrequent Bus Connections	Frequent Bus Connections	BRT /LRT /Comm Rail Avail.		Well Connected. with all Rail					
Origin or Destination Type:	Isolated Rural or Suburban Areas	Isolated Suburban Semi-Urban Origins	Connected Urban Residential Origins	Mixed Use Origins / Job Destinations		Connected to Major Job Centers / Metro					
Data source: SANDAG smart growth GIS mapping										Raw Test Score	
Weighting Factor: 0.5										x 100%	
										Weighted Score: 50%	
3. REGIONAL DESIGNATIONS FOR SMART GROWTH (if supported by regional & local agencies, area is more likely to become smarter)											
Metrics:	No Transit Connections	Near a Smart Growth Area	Adjacent to Smart Growth Area	Mod. Priority Smart Growth	High Priority Smart Growth						
SANDAG Classification:	> than 1 mile from smart growth area	Within 1 mile of smart growth area	Within 1/4 mile of smart growth	In Rural Village, Spec. or Comm. Cntr.	Smart growth Metro /Urban /Corridor						
Data source: SANDAG smart growth GIS mapping										Raw Test Score	
Weighting Factor: 0.25										x 90%	
										Weighted Score: 23%	
4. CONGESTION LEVELS FOR VEHICULAR CONNECTIONS TO REGION (congested freeway/highways are likely to increase transit use)											
Metrics:	No Congestion	Minor Congestion	Limited Peak Congestion	Extended Peak Congestion	Congestion for Majority of Day						
Miles from major freeways:	< 5 miles to Freeways/Hgwy.	5-10 miles to Freeway/ Highways	10-15 miles to Freeway / Highways	>15 miles to Freeway / Highways	Rely on Major Arterials Only						
Data source: SANDAG smart growth GIS mapping										Raw Test Score	
Weighting Factor: 0.25										x 80%	
										Weighted Score: 20%	
Total Potential Score:	150									Summary % of a Perfect Score:	92%
Score for Adjacent Area:	138									Existing Adjacent Conditions Grade:	A-

Table 7-1B: Smart Growth Rankings of the Community

B. COMMUNITY CONTEXT (Area around the project site that is within a 15 minute walking distance)											
5. AREA JOBS / HOUSING BALANCE (Opportunities for employment & living quarters near each other)											
Metrics:	No local jobs near housing	Some service jobs near mostly unaffordable housing	Moderate jobs with small % affordable housing	Jobs / housing balanced, moderate % affordable	Jobs / affordable housing balanced						
Jobs to Housing Unit Ratios:	0 to 1	.2 to 1	.3 to 1	.4 to 1	.5 to 1	.6 to 1	.7 to 1	.8 to 1	.9 to 1	1 to 1	
Data source: SANDAG Existing land use mapping										Raw Test Score	
Weighting Factor: 0.5										x 90%	
										Weighted Score: 45%	
6. CAR OWNERSHIP (Lower ownership results in increased walking, riding & transit use)											
Metrics:	Very High Vehicle Ownership	High Vehicle Ownership	Average Vehicle Ownership	Low Vehicle Ownership	Very Low Vehicle Ownership						
Cars per household	>2.5	2.25	2	1.75	1.5	1.25	1	0.75	<.5 per household		
Data source: 2000 US Census data										Raw Test Score	
Weighting Factor: 0.25										x 70%	
										Weighted Score: 18%	
7. MEDIAN INCOME (Lower income citizens generally walk, ride or take transit or live closer to work)											
Metrics:	Very high income		High income	Moderate income		Low income	Very low income				
Income per household:	>\$250,000	\$200-249,999	\$150-199,999	\$100-149,000	\$75-99,000	\$50-74,999	\$35-49,000	\$25-34,999	<\$25,000		
Data source: 2000 US Census data										Raw Test Score	
Weighting Factor: 0.25										x 100%	
										Weighted Score: 25%	
8. CYCLING ENVIRONMENT (Adjacent street patterns, volumes & bike facilities can increase bike use)											
Metrics:	Freeway barriers & high speed off ramp configurations	Major high speed / high volume arterials dominate	Mix of high speed / high volume arterials in area	2 and 3 lane low speed roadways available in area	2 and 3 lane low speed roadways dominate area						
Bike Roadway Facility:	Bike Prohibited	Bikes Discouraged	Wide Lanes or Class 3 / 4 Routes	Class 2 Bike Lanes	Class 1 Trails or Multi-way Blvd.						
Data source: Field work										Raw Test Score	
Weighting Factor: 0.5										x 100%	
										Weighted Score: 50%	
Total Potential Score:	200									Proposed Development Grade:	91%
Score for Area Context:	183									Existing Area Context Grade:	A-

Table 7-1C: Smart Growth Rankings of the Neighborhood

C. NEIGHBORHOOD CONTEXT (Area around the project site that is within a 5 minute walking distance)										
GRADE:	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
9. AREA HOUSING DENSITY (Supports mixed uses & higher level of transit service)										
Metrics:	Very low units per acre		Low units per acre		Moderate units per acre		High units per acre		Very high units per acre	
Units per developable acre:	<1	1	2	3	4-5	5-15	15-30	30-50	50-100	>100
Data source: SANDAG MGRA with estimated 2007 population										
Weighting Factor: 1 x Raw Test Score: 60%										
Weighted Score: 60%										
10. POPULATION DENSITY (Supports mixed uses & higher level of transit service)										
Metrics:	Very low persons per acre		Low persons per acre		Moderate persons per acre		High persons per acre		Very high persons per acre	
Persons per acre:	<1	2	3-4	5-7	7-10	11-20	20-29	30-49	50-99	>100
Data source: SANDAG MGRA with estimated 2007 population										
Weighting Factor: 1.25 x Raw Test Score: 60%										
Weighted Score: 75%										
11. AREA JOB DESTINATIONS (Provides destinations in close proximity to origins)										
Metrics:	No employment in community		Low employment in neighborhood		Moderate employment		High employment		Very high employment	
Jobs per developable acre:	0	1-2	3-9	10-19	20-29	30-49	50-74	75-99	>100	
Data source: SANDAG MGRA with estimated 2007 employment										
Weighting Factor: 1 x Raw Test Score: 90%										
Weighted Score: 90%										
12. CURRENT TRANSIT USE LEVELS (Where area transit use is high, future residents / tenants are more likely to use transit)										
Metrics:	Very low transit use		Low transit use		Moderate transit use		High transit use		Very high transit use	
Transit users per acre:	0	1	1-5	5-10	>10					
Data source: Review of SANDAG transit data										
Weighting Factor: 1.25 x Raw Test Score: 80%										
Weighted Score: 100%										
13. TRANSIT SERVICE DISTANCES & LEVELS (Where transit service, quality & frequency is high, transit use is higher)										
Metrics:	No transit service		Infreq. bus (> 15 min. headway)		Frequent bus, BRT (10-15 min.)		Heavy or light rail (> 1 hour)		Freq. multimode transit (<15 min.)	
Distance to transit:	No service within 15 minute walk		Bus service >10 minute walk		Premium bus service in 10 min. walk		Rail service within 15 min. walk		Freq. multimode transit in 5 min.	
Data source: SANDAG transit mapping										
Weighting Factor: 1.5 x Raw Test Score: 100%										
Weighted Score: 150%										
14. LAND USE DIVERSITY (Horizontal & vertical mixing of uses supports chained trips, walking, riding & transit use)										
Metrics:	Single land use throughout most of the area		Single use / minor other uses in area		Minor mixed use (multi-blocks are the same use)		Moderate mixed use (blocks are mixed)		Fine grain mixed use (mixed uses per parcel)	
Residential / office / retail:	100% single use		80% Resident /20% Comm. or Office		60% Res /20% Comm /20% Office		50 Res / 25% Comm /25% Off		50% Res / 20% Comm /20% Off	
Data source: SANDAG Existing land use mapping										
Weighting Factor: 1.25 x Raw Test Score: 90%										
Weighted Score: 113%										
15. WALK CONNECTIVITY (Well connected areas with streets at pedestrian scales with ped. crossing priority, encourages walking)										
Metrics:	Multiple barriers (freeways, canyons, railroad, arterials) or non-connected streets		Long blocks, non-connected grids split by arterials, no ped crossing / ADA facilities		Mod. block length, full grid with ped. crossing control/ ADA facilities at some arterials		Short block length, full grid, most blocks have ped crossings & ADA compliant		Short block length, split block options & all ped crossings provide priority & accessibility	
Pedestrian planning:	Pedestrians mostly prohibited		Pedestrian use discouraged		Pedestrians accommodated		Pedestrians encouraged		Pedestrians are priority	
Data source: Street grid analysis & field work of facilities										
Weighting Factor: 1.5 x Raw Test Score: 90%										
Weighted Score: 135%										
16. WALK ENVIRONMENT (A safe, protected & interesting walk environment encourages high levels of walking & retail interface)										
Metrics:	Missing sidewalks on high speed / high volume arterials /safety issues exist		Walkways next to high speed lanes, no buffer & no ped. amenities / feels unsafe		Walkways have buffers but few amenities / feels safe		Walkways are protected from vehicles & from the elements / feels safe & enjoyable		Trees, buffer against traffic, public amenities, lighting, interesting uses, is safe, well used	
Pedestrian design:	Limited ped. facilities / design		Some ped. facilities no amenities		Full ped. facilities / limited features		Full ped. facilities / well designed		Well designed with amenities	
Data source: Street grid analysis & field work of facilities										
Weighting Factor: 1.5 x Raw Test Score: 80%										
Weighted Score: 120%										
17. PARKING RESOURCES (Managed parking supports uses while limited parking encourages options & allows reinvestment)										
Metrics:	High supply of highly visible, subsidized surplus parking		Mod. supply of limited visibility subsidized public parking		Mod. supply of reasonable priced / subsidized parking		Managed supply of on & off-street parking with low subsidy		Not subsidized, limited supply of unbundled parking	
Parking resources:	Surplus free parking		Surplus mostly subsidized parking		Moderate supply for pay parking		Low subsidized limited parking		No subsidy limited parking	
Data source: Field work of facilities										
Weighting Factor: 1.25 x Raw Test Score: 70%										
Weighted Score: 88%										
Total Potential Score: 1,150										
Score for Adjacent Area: 930										
Summary % of a Perfect Score: 81%										
Existing Adjacent Conditions Grade: B-										

Table 7-1D: Smart Growth Rankings of the Proposed Project

D. PROJECT ELEMENTS (Characteristics of the project site)										
SMARTER >>>>										
GRADE:	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
18. DEVELOPMENT TYPE (Larger multi-block projects can affect a larger area, support mixed use & fund more public improvements)										
Metrics:	Partial parcel development	Mod. supply of limited visibility subsidized public parking		Mod. supply of reasonable priced / subsidized parking		Managed supply of on & off-street parking with low subsidy		Not subsidized, limited supply of unbundled parking		
Parking resources:	<1/4 acre	1/4-1 acre		1 to 5 acres		5-10 acres		10+ acres		
Data source: Proposed project maps										
Weighting Factor: 1 x 100%										
Weighted Score: 100%										
19. DEVELOPMENT SCALE (Compact development supports density, allows investment in amenities including public realm space)										
Metrics:	Inefficient use of transit area	Not compact		Slightly compact		Compact		Highly compact		
Parking resources:	> 25 FAR	25-4. FAR	4-6 FAR	6-75 FAR	75-10 FAR	1.0-1.5 FAR	1.5-2.0 FAR	2.0-2.25 FAR	2.5-3.0 FAR	>3 FAR
Data source: Calculated from parcel size & proposed development										
Weighting Factor: 1 x 80%										
Weighted Score: 80%										
20. DEVELOPMENT HOUSING DENSITY & DIVERSITY (Residents equate to transit riders and density affects mixed use viability)										
Metrics:	Low density full market rate housing	Low density partial affordable housing		Mod. Density with some work-force housing units		Mod-high density with some subsidized housing		High density with affordable, workforce & market rates		
Units per developable acre:	>2	2-5	5-7.5	7.5-10	10-15	15-20	20-25	25-30	30-50	>50
Data source: Calculated from parcel size & proposed development										
Weighting Factor: 2 x 90%										
Weighted Score: 180%										
21. DEVELOPMENT LAND USE (Mixed uses support other uses, allows for local walk / bike trips & provides a jobs/ housing balance)										
Metrics:	No on site trips possible / requires vehicular travel	Minimal on site trips possible, requires some vehicular use		Some of resident's needs met on site / limits vehicle use		Most of residents retail needs met on site with some jobs		Most retail & service needs met on site, various jobs		
Land use mix:	Single land use	Dominant use / small 2nd use		Residential & retail mix		Residential, retail & employment		Mix set by city to meet deficiencies		
Data source: Determined by proposed development plans										
Weighting Factor: 2 x 90%										
Weighted Score: 180%										
22. DEVELOPMENT DESIGN (Walking facilities and public spaces encourage walking, transit use, retail support & social gathering)										
Metrics:	No walking facilities / no public spaces	Minimal walking facilities / minor semi-private /public spaces		Adequate on-site and minimal near site ped. improvements / adeq. public spaces		Improves all on-site / near site ped. facilities & provides extensive public space		Project improves off-site ped. connections /provides public spaces with unique character		
Design features:	No ped. facilities provided	Ped facilities per local standards		Site ped. facilities exceed standards		Improves near site ped. facilities		Improves adj. area ped. facilities		
Data source: Determined by proposed development plans										
Weighting Factor: 2 x 100%										
Weighted Score: 200%										
23. DEVELOPMENT PARKING (Managed parking can lower costs, the purchase price or allow for other project investment)										
Metrics:	High supply of highly visible, subsidized surplus parking	Mod. supply of limited visibility subsidized public parking		Mod. supply of reasonable priced / subsidized parking		Mod. supply of mod. priced / partly subsidized parking		Adeq. supply of min. parking, highly priced above min.		
Parking resources:	> 2 spaces per unit or 5 per 1,000sf	1.75-2 spaces per unit or 5 per 1k sf		1.25 -1.75 per unit or 4 per 1k sf		1.0-1.25 per unit or 3 per 1k sf		<1 per unit or 2 per 1k sf		
Data source: Determined by proposed development plans										
Weighting Factor: 2 x 80%										
Weighted Score: 160%										
Total Potential Score: 1,000										
Score for Adjacent Area: 900										
Summary % of a Perfect Score: 90%										
Proposed Development Grade: A-										
Overall Raw Score: 2,150										
Potential Score: 2,500										
Proposed Development Grade: 86%										
Proposed Project Overall Grade: B										

Table 7-2A: Smart Growth Report Card Summary

SMART GROWTH REPORT CARD- NCTD OCEANSIDE PROJECT			
Summary of Test Results			
	Raw Score	Weighting Factor	Weighted Score
REGIONAL CONTEXT			
1. LOCATION WITHIN THE BROADER REGION	90%	50%	45%
2. TRANSIT CONNECTIVITY TO REGION	100%	50%	50%
3. REGIONAL DESIGNATIONS FOR SMART GROWTH	90%	25%	23%
4. CONGESTION FOR CONNECTIONS TO REGION	80%	25%	20%
	90%	Grade	A-
	% of Perfect Score		92%
COMMUNITY CONTEXT			
5. AREA JOBS / HOUSING BALANCE	90%	50%	45%
6. CAR OWNERSHIP	70%	25%	18%
7. MEDIAN INCOME	100%	25%	25%
8. CYCLING ENVIRONMENT	100%	50%	50%
	90%	Grade	A-
	% of Perfect Score		92%
NEIGHBORHOOD CONTEXT			
9. AREA HOUSING DENSITY	60%	100%	60%
10. POPULATION DENSITY	60%	125%	75%
11. AREA JOB DESTINATIONS	90%	100%	90%
12. CURRENT TRANSIT USE LEVELS	80%	125%	100%
13. TRANSIT SERVICE DISTANCES & LEVELS	100%	150%	150%
14. LAND USE DIVERSITY	90%	125%	113%
15. WALK CONNECTIVITY	90%	150%	135%
16. WALK ENVIRONMENT	80%	150%	120%
17. PARKING RESOURCES	70%	125%	88%
	80%	Grade	B-
	% of Perfect Score		81%
PROJECT ELEMENTS			
18. DEVELOPMENT TYPE	100%	100%	100%
19. DEVELOPMENT SCALE	80%	100%	80%
20. DEVELOPMENT HOUSING DENSITY & DIVERSITY	90%	200%	180%
21. DEVELOPMENT LAND USE	90%	200%	180%
22. DEVELOPMENT DESIGN	100%	200%	200%
23. DEVELOPMENT PARKING	80%	200%	160%
	90%	Grade	B
	% of Perfect Score		90%
	Overall Grade		B
	Overall % of Perfect Score		86%

Table 7-2B: Smart Growth Report Card- Raw Scores

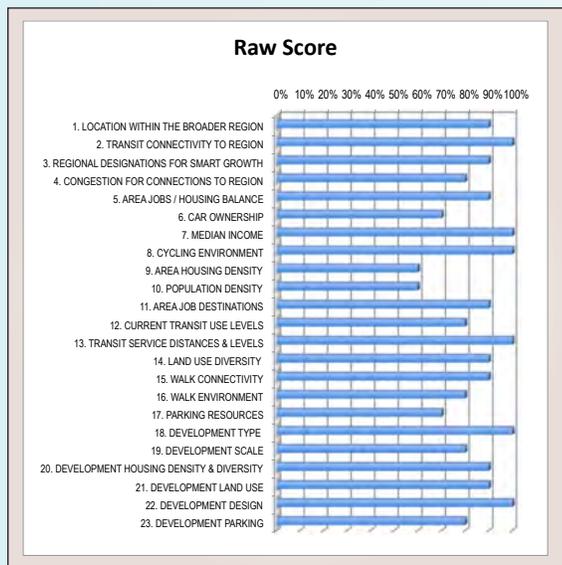


Table 7-2C: Report Card- Weighted Scores

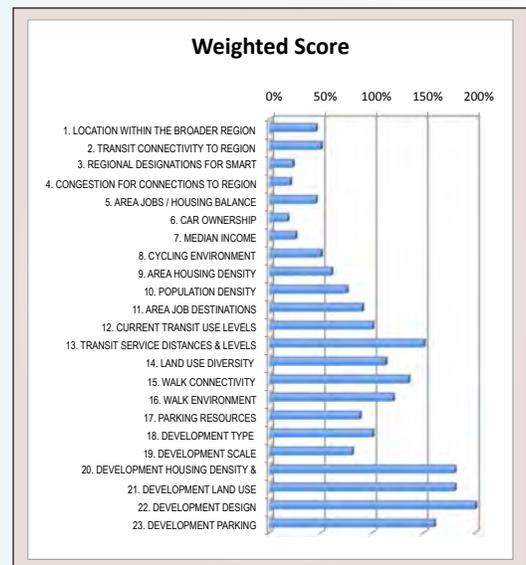


Table 7-4: Existing, Proposed and Potential Land Use Intensity of the Study Area

ADJACENT RAMIFICATIONS ON DEVELOPMENT & COSTS FOR AREAS WITHIN 5 MINUTE WALK																										
EXISTING SITE INFORMATION					EXISTING LAND USES (& parking rates per 1,000 sf)					DEVELOPMENT ASSUMPTIONS					POTENTIAL LAND USES (& parking rates per 1,000 sf)					POTENTIAL PARKING REDUCTIONS						
Parcel Size (sf)	Parcel Size (Acres)	Existing Footprint	Existing # of Floors	Existing Total Bldg. Floor Area	Existing Floor Area Ratio	Land Use Category	Existing Residential	Existing Multi-Family	Existing Office	Existing Retail	Existing Industrial	Existing Institutional	Existing Parking Required	% of parcel available minus setbacks / misc. use	Assumed # of Floors / Maximum Development	Calculated Total Potential	Proposed Mod. Density Residential	Proposed High Density Multi-Family Residential	Proposed Density Multi-Family Residential	Proposed Office	New FAR	Proposed Standard Parking Required	Adjusted Percent Surface Parking	Assumed Reduction from transit min. walk area	Parking Spaces no longer Required	Cost Savings (with structured assumptions)
							1.75	1.75	4	3.33	2.5		0	75.00%			1.75	2	4	3.33	0.00	35%	25%	0	\$30,000	
70,926	1.63	63,617	3	0.00	0.00	Parking Structure							0		0	0	0	0	0	0	0.00	0	0	0	0	\$0
9,087	0.21	795	1	0.09	0.09	Arterial Commercial							3	6.815	4	27,260	0	16,356	6,815	4,089	3.00	74	46	36	12	\$396,747
4,296	0.10	593	1	0.14	0.14	Single Family Multiple Units		593		795			3	3.222	3	9,667	6,445	3,222	3,222	2.25	24	12	12	4	\$117,816	
4,116	0.09	625	1	0.15	0.15	Single Family Detached	625						1	3.294	3	6,173	3,087	3,087	3,087	1.50	18	12	9	3	\$86,525	
4,393	0.10	688	1	0.16	0.16	Single Family Multiple Units	688						1	3.294	3	9,883	6,589	3,294	3,294	2.25	25	16	12	4	\$120,453	
5,168	0.12	838	1	0.16	0.16	Single Family Detached	838						2	3.876	2	7,553	3,876	3,876	3,876	1.50	22	14	11	4	\$106,657	
5,039	0.12	972	1	0.19	0.19	Single Family Detached	972						2	3.779	2	7,559	3,779	3,779	3,779	1.50	22	14	11	4	\$106,942	
177,892	4.08	34,965	1	0.20	0.20	Rail Station/Transit Center							0		0	0	0	0	0	0	0.00	0	0	0	\$0	
5,099	0.12	1,031	1	0.20	0.20	Multi-Family Residential		1,031					0	3.824	3.5	13,385	8,222	3,824	3,824	2.63	36	24	18	6	\$176,468	
9,830	0.23	1,998	1	0.23	0.23	Arterial Commercial			1,998				8	7.373	4	29,491	17,695	7,373	4,424	3.00	80	52	39	13	\$388,108	
4,449	0.10	1,010	1	0.10	0.10	Single Family Detached	1,010						2	3.337	2	6,674	3,337	3,337	3,337	1.50	19	12	9	3	\$93,541	
4,626	0.11	1,079	1	0.23	0.23	Arterial Commercial			1,079				4	3.469	4	13,877	8,326	3,669	2,082	3.00	37	24	18	6	\$182,629	
5,378	0.12	1,274	1	0.24	0.24	Single Family Detached	1,274						2	4.033	2	8,066	4,033	4,033	4,033	1.50	23	15	11	4	\$113,056	
4,877	0.11	1,230	1	0.25	0.25	Single Family Detached	1,230						2	3.657	2	7,315	3,657	3,657	3,657	1.50	21	14	10	3	\$102,521	
5,001	0.11	1,320	1	0.26	0.26	Single Family Detached	1,320						2	3.751	2	7,502	3,751	3,751	3,751	1.50	22	14	11	4	\$105,140	
5,253	0.12	1,412	1	0.27	0.27	Single Family Detached	1,412						1	3.940	2	7,880	3,940	3,940	3,940	1.50	23	15	11	4	\$110,440	
9,901	0.23	2,725	1	0.26	0.26	Arterial Commercial			2,725				11	7.426	4	29,702	17,821	7,426	4,455	3.00	80	52	39	13	\$390,863	
4,197	0.10	1,177	1	0.26	0.26	Single Family Detached	1,177						2	3.148	2	6,295	3,148	3,148	3,148	1.50	18	12	9	3	\$88,233	
4,987	0.11	1,439	1	0.29	0.29	Arterial Commercial			1,439				6	3.725	4	14,901	8,941	3,725	2,235	3.00	40	26	20	7	\$196,101	
6,719	0.15	1,982	1	0.30	0.30	Arterial Commercial			1,982				8	5.039	4	20,157	12,094	5,039	3,024	3.00	54	35	27	9	\$265,274	
2,633	0.06	827	1	0.32	0.32	Single Family Detached	827						3	1.975	2	3,950	1,975	1,975	1,975	1.50	11	7	6	2	\$55,357	
4,684	0.11	1,517	1	0.31	0.31	Single Family Detached	1,517						3	3.513	2	7,026	3,513	3,513	3,513	1.50	20	13	10	3	\$98,470	
24,589	0.56	8,024	1	0.33	0.33	Office (Low-Rise)			8,024				27	18.441	4	73,766	47,948	18,441	7,377	3.00	194	126	95	32	\$946,848	
4,265	0.10	1,437	1	0.34	0.34	Single Family Detached	1,437						3	3.199	2	6,398	3,199	3,199	3,199	1.50	18	12	9	3	\$89,674	
4,296	0.10	1,462	1	0.34	0.34	Single Family Multiple Units	1,462						3	3.222	3	9,667	6,445	3,222	3,222	2.25	24	16	12	4	\$117,816	
7,995	0.18	1,412	2	0.36	0.36	Arterial Commercial			2,824				11	5.965	4	23,859	14,315	5,965	3,379	3.00	64	42	31	10	\$313,986	
9,995	0.23	3,823	1	0.38	0.38	Light Industry							10		0	0				0.00	0	0	0	0	\$0	
4,910	0.11	2,016	1	0.41	0.41	Arterial Commercial			2,016				4	3.684	4	14,735	8,941	3,684	2,210	3.00	40	26	19	6	\$193,911	
5,292	0.12	2,175	1	0.41	0.41	Single Family Detached	2,175						4	3.968	2	7,935	3,968	3,968	3,968	1.50	23	15	11	4	\$111,216	
5,010	0.12	2,144	1	0.43	0.43	Single Family Multiple Units	2,144						4	3.757	3	11,272	7,514	3,757	2,25	26	18	14	5	\$137,372		
4,495	0.10	1,958	1	0.44	0.44	Single Family Detached	1,958						3	3.371	2	6,742	3,371	3,371	3,371	1.50	19	13	9	3	\$94,490	
8,611	0.20	4,208	1	0.49	0.49	Arterial Commercial			4,208				17	6.468	4	25,833	15,500	6,468	3,875	3.00	70	45	34	11	\$339,967	
2,254	0.05	1,154	1	0.51	0.51	Single Family Multiple Units	1,154						2	1.691	3	5,073	3,382	1,691	1,691	2.25	13	8	6	2	\$61,822	
2,902	0.07	1,512	1	0.52	0.52	Single Family Detached	1,512						3	2.176	2	4,353	2,176	2,176	2,176	1.50	13	8	6	2	\$61,008	
10,235	0.23	5,382	1	0.53	0.53	Institutions							13		0	0				0.00	0	0	0	0	\$0	
8,678	0.20	4,569	1	0.56	0.56	Multi-Family Residential		4,569					8	6.509	3.5	22,780	13,994	6,509	2,278	2.63	62	40	30	10	\$300,336	
5,168	0.12	2,845	1	0.59	0.59	Single Family Detached	2,845						5	3.876	2	7,753	3,876	3,876	3,876	1.50	22	14	11	4	\$106,657	
9,873	0.23	5,489	1	0.58	0.58	Arterial Commercial			5,489				22	7.404	4	29,618	17,771	7,404	4,443	3.00	80	52	39	13	\$388,775	
3,308	0.08	922	2	0.64	0.64	Single Family Detached				922			3	2.481	2	4,962	2,481	2,481	2,481	1.50	14	9	7	2	\$69,546	
862	0.02	489	1	0.66	0.66	Single Family Multiple Units	489						5	6.46	3	1,939	1,293	646	646	2.25	5	3	2	1	\$23,637	
23,002	0.53	13,438	1	0.56	0.56	Arterial Commercial			13,438				54	17.251	4	63,005	41,403	17,251	10,351	3.00	166	121	91	30	\$908,106	
4,554	0.10	2,751	1	0.60	0.60	Arterial Commercial			2,751				11	3.416	2	13,663	8,198	3,416	2,049	3.00	37	24	18	6	\$179,809	
5,023	0.12	3,122	1	0.62	0.62	Single Family Detached	3,122						5	3.767	2	7,534	3,767	3,767	3,767	1.50	22	14	11	4	\$106,595	
5,102	0.12	3,362	1	0.66	0.66	Multi-Family Residential			3,362				6	3.826	3.5	13,392	8,227	3,826	1,339	2.63	36	24	18	6	\$176,566	
4,859	0.11	3,252	1	0.67	0.67	Single Family Residential			3,252				27	3.644	3	10,932	7,288	3,644	4,414	3.00	79	52	39	13	\$133,233	
9,809	0.23	6,645	1	0.64	0.64	Arterial Commercial			6,645				6	3.592	3.5	12,571	7,722	3,592	1,257	2.63	34	22	17	6	\$165,739	
4,789	0.11	3,254	1	0.66	0.66	Multi-Family Residential			3,254				11	6.625	3.5	23,189	14,245	6,625	2,319	2.63	63	41	31	10	\$100,220	
8,834	0.20	3,099	2	0.198	0.70	Multi-Family Residential			6,198				7	3.932	2	7,864	3,932	3,932	3,932	1.50	23	15	11	4	\$110,220	
5,243	0.12	1,877	2	0.72	0.72	Single Family Detached	3,754						6	3.367	3	10,100	6,333	3,367	1,366	2.63	25	16	12	4	\$123,056	
5,202	0.12	3,803	1	0.73	0.73	Multi-Family Residential			3,803				6	3.902	3.5	13,656	8,388	3,902	1,366	2.63	37	24	18	6	\$180,036	
4,489	0.10	3,299	1</																							

COMMUNITY FACILITIES DISTRICTS

Potential Use for Supporting Transit Oriented Developments in California



APPENDIX "A" - "D"

APPENDIX A: SAMPLE GOALS AND POLICIES FOR A TOD/CFD (TRANSIT SERVICE ONLY)

These Goals and Policies are presented as an example of goals and policies that could be used by a transit agency to fund services only. Note, until the Community Facilities District legislation is changed to allow transit service as an eligible expense, a transit agency cannot, on its own, create a Community Facilities District to fund transit services. A General Law city or other public agency that operates under the provisions of the Government Code of the State of California is also prevented from implementing a CFD to fund transit service under current law. A Charter City, on the other hand, is capable of creating a CFD to fund transit service through its charter powers. Some cities have allowed such funding; the City of Sacramento is an example.

Name TRANSIT DISTRICT

LOCAL GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS

I. GENERAL.

Section 53312.7(a) of the California Government Code requires that the name Transit District (the "Transit District") consider and adopt local goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (the "Act") prior to the initiation of proceedings on or after January 1, 1994 to establish a new Community Facilities District ("CFD") under the Act.

These Local Goals and Policies for Community Facilities Districts (the "Policies") provide guidance and conditions for the conduct by the Transit District of proceedings for a CFD in which special taxes will be levied to finance public services. With respect to formation of a CFD to finance public facilities and issue bonds, these Policies include the minimum necessary to comply with Section 53312.7(a) of the Act; the Transit District intends to supplement these Policies in connection with formation of such a CFD.

The Policies are intended to be general in nature; specific details will depend on the nature of each particular CFD. The Policies are subject to amendment by the Transit District Board of Directors at any time.

II. FINANCING PRIORITIES.

Eligible Facilities. The Transit District will not initiate formation of a CFD to finance facilities without amending these Policies to include a statement of the priority that various kinds of public facilities shall have for financing through the use of the Act, including public facilities to be owned and operated by other public agencies, including school districts.

Eligible Services; Priority Services. The services eligible to be financed by a CFD (the "Services") are those identified in the Act. Subject to the conditions set forth in the Act, priority for public services to be financed by a CFD shall be given to services which are necessary for the public health, safety and welfare. The Transit District may finance services to be provided by another local agency if it determines the public convenience and necessity require it to do so, although the Transit District prioritizes financing services to be provided by the Transit District. If appropriate, the Transit District shall prepare a public services financing plan as a part of the specific plan or other financing document that identifies the public services required to serve a project and the source of funding for each such service.

III. BOND FINANCING

The Transit District will not initiate formation of a CFD to issue bonds without amending these Policies.

IV. DISCLOSURES

Purchasers of Property. As a minimum, any disclosures mandated by applicable state law to inform prospective purchasers of their obligations under the CFD shall apply to each CFD. In addition, there may be additional requirements mandated by the Transit District for particular kinds of financing on a case-by-case basis. The Transit District may prescribe specific forms to be used to disclose the existence and extent of obligations imposed by a CFD.

Disclosure Requirements for the Resale of Lots. The Transit District shall provide a notice of special taxes to sellers of property (other than developers) which will enable them to comply with their notice requirements under Section 1102.6 of the State of California Civil Code. This notice shall be provided by the Transit District within five working days of receiving a written request for the notice. A reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act.

V. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

Minimum Special Tax Levels. Special tax formulas shall provide for minimum special tax levels which satisfy the payment obligations of a CFD, which will initially consist of (a) payment of the cost of Services to be financed with the special taxes (including any applicable reserves), (b) the administrative expenses of the CFD and (c) any other costs permitted by law.

Equity of Special Tax Allocation Formula. The special tax formula shall be reasonable in allocating the CFD's payment obligations to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

Aggregate Tax Burden. The total projected property tax levels for any CFD (including ad valorem taxes, any maintenance, landscaping or other impositions on the land in the CFD and other similar annual government charges levied on parcels in the CFD, but excluding property owners' association annual levies and as to any special tax levies, based on the expected special tax rates and not any "back-up" special taxes) must be reasonable, may not exceed any maximum level specified in the Act, and will be considered by the Transit District Board of Directors on a case-by-case basis.

The annual increase, if any, in the maximum special tax for any parcel shall not exceed any maximum specified in the Act. The increase in the special tax levied on any parcel as a consequence of delinquency or default by the owner of any other parcel shall not exceed any maximum specified in the Act.

Levy on Entire Parcels. Special taxes will only be levied on an entire county assessor's parcel, and any allocation of special tax liability of a county assessor's parcel to leasehold or possessory interest in the fee ownership of such county assessor's parcel shall be the responsibility of the fee owner of such parcel and the Transit District shall have no responsibility therefor and has no interest therein. Failure of the owner of any county assessor's parcel to pay or cause to be paid any special taxes in full when due, shall subject the entire parcel to foreclosure in accordance with the Act.

VI. APPRAISALS

The Transit District will not initiate formation of a CFD to finance facilities and issue bonds without amending these Policies to include a statement concerning the definitions, standards, and assumptions to be used in appraisals of real property required by the Act.

VII. TRANSIT DISTRICT PROCEEDINGS

Petition. For new development projects, a petition meeting the requirements of the applicable authorizing law will be required. The applicant is urged to obtain unanimous waivers of the election waiting period. In applying to the Transit District for formation of a CFD, the applicant must specify any reasonably expected impediments to obtaining petitions, including from co-owners and/or lenders of record (where required). Waiver of the petition shall be made only upon showing of extraordinary hardship. For existing development, petitions are preferred, but may be waived, depending on the nature of the project and degree of public importance.

Deposits and Reimbursements. All Transit District staff and consultant costs incurred in the evaluation of CFD applications and the establishment of the CFD will be paid by the entity, if any, requesting the establishment of the CFD by advance deposit increments. The Transit District shall not incur any expenses for processing and administering a CFD that are not paid by the applicant. In general, expenses not chargeable to the CFD shall be directly borne by the proponents of the CFD.

Any petition for formation of a CFD shall be accompanied by an initial deposit in the amount determined by the Transit District to fund initial staff and consultant costs associated with CFD review and implementation. If additional funds are needed to off-set costs and expenses incurred by the Transit District, the Transit District shall make written demand upon the applicant for such funds. If the applicant fails to make any deposit of additional funds for the proceedings, the Transit District may suspend all proceedings until receipt of such additional deposit.

The Transit District shall not accrue or pay any interest on any portion of the deposit refunded to any applicant or the costs and expenses reimbursed to an applicant. Neither the Transit District nor the CFD shall be required to reimburse any applicant or property owner from any funds other than the proceeds of bonds issued by the CFD or special taxes levied in the CFD.

Representatives. The Transit District and the applicant shall each designate a representative for each financing district proceeding. The representatives shall be responsible for coordinating the activities of their respective interests and shall be the spokespersons for each such interest. The purpose of this requirement is to avoid duplication of effort and misunderstandings from failure to communicate effectively. In the case of the Transit District, it allows the Transit District's consultants to report to a single official who will, in turn, communicate with other staff members.

Time Schedule. The final schedule of events for any proceeding shall be determined by the Transit District, in consultation with its financing team and the applicant. Any changes will require approval by the appropriate Transit District official. Time schedules will (unless specific exceptions are allowed) observe established Transit District Board of Directors meeting schedules and agenda deadlines.

The Transit District shall select all consultants necessary for the formation of the CFD, including legal counsel and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the Transit District of the consulting and financing team.

VIII. EXCEPTIONS TO THESE POLICIES

The Transit District may find in limited and exceptional instances that a waiver to any of the above stated policies is reasonable given identified special benefits to be derived from such waiver. Such waivers only will be granted by action of the Transit District Board of Directors.

APPENDIX B: SAMPLE RATE, METHOD & APPORTIONMENT OF SPECIAL TAX

This Rate and Method of Apportionment of Special Tax ("RMA") is presented as an example of a RMA that could be used by a transit agency to fund transit services generated by the CFD Special Tax described herein. Note, until the Community Facilities District legislation, see the definition of "Act" below, is changed to allow transit services, a transit agency cannot, on its own, create a Community Facilities District to fund transit services like those described herein. A General Law city or other public agency that operates under the provisions of the government code of the State of California is also prevented from implementing a CFD to fund transit service. A Charter City, on the other hand, is capable of creating a CFD under its charter powers to fund transit service. Some cities have allowed such funding; the City of Sacramento is an example. Note that this sample RMA is provided as an example only. Any agency with the authority wishing to create a CFD to fund services should engage the use of a special tax consultant to craft the RMA to the particular circumstances of the agency and also engage the use of Special Council to advise on the legal ramifications of the use of the CFD legislation.

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

TRANSIT DISTRICT COMMUNITY FACILITIES DISTRICT NO. __

(TRANSIT SERVICES ONLY)

A Special Tax of Transit District Community Facilities District No. __ (Transit Services) ("CFD") shall be levied on all Assessor's Parcels in the CFD and collected each Fiscal Year commencing in Fiscal Year 20__ - __ in an amount determined through the application of the Rate and Method of Apportionment of the Special Tax set forth below. All of the real property in the CFD, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the actual or estimated costs incurred by the Transit District, acting for and on behalf of the CFD as the administrator thereof, to determine, levy and collect the Special Taxes, including salaries of Transit District employees and a proportionate amount of the Transit District's general administrative overhead related thereto, and the fees of consultants and legal counsel providing services related to the administration of the CFD; the costs of collecting installments of the Special Taxes; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the Transit District or any designee thereof related to an appeal of the Special Tax; attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes; and any other costs required to administer the CFD as determined by the Transit District.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County of _____ designating parcels by assessor's parcel number.

"Board of Directors" means the Board of Directors of the Transit District, acting as the legislative body of the CFD.

"CFD" means Transit District Community Facilities District No. __ (Transit Services).

"CFD Administrator" means an official of the Transit District, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"Clerk of the Board" means the Clerk of the Board of Directors for the Transit District or his or her designee.

"County" means the County of _____, California.

"Developed Property" means all Taxable Property for which a building permit was issued after January 1, 20__, but prior to the May 31st preceding the Fiscal Year in which the Special Tax is being levied.

" Dwelling Unit " means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

"Eligible Expenses" means that amount required in any Fiscal Year for the CFD to: (i) pay for Transit Service and (ii) pay reasonable Administrative Expenses.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below, that may be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property.

"Mixed Use Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for both Residential Property and Non-Residential Property uses on each such Assessor's Parcel.

"Multi-Family Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for a residential structure consisting of two or more residential units that share common walls, including, but not limited to, duplexes, triplexes, townhomes, condominiums, and apartment units.

"Non-Residential Property" means all Assessor's Parcels for which a building permit(s) has been issued for a structure or structures for non-residential use, but excluding Mixed Use Property and Public Property.

"Public Property" means any property within the CFD boundaries that is, at the time of the CFD formation, expected to be used for any public purpose and is owned by or dedicated to the federal government, the State, the County, the City or any other public agency.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit(s) has been issued for purposes of constructing at least one residential dwelling unit.

"Special Tax" means the monetary amount levied pursuant to the provisions of sections C and D below in each Fiscal Year on each Assessor's Parcel of Developed Property in the CFD to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for the CFD to: (i) pay Transit Service; (ii) pay reasonable Administrative Expenses; and (iii) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year.

"Square Footage" or "Sq. Ft." means the floor area square footage reflected on the original construction building permit issued for construction of Non-Residential Property, plus any Square Footage subsequently added to a building of Non-Residential Property after issuance of a building permit for expansion or renovation of such building.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of the CFD that not classified as Tax-Exempt Property and are not exempt from the Special Tax pursuant to law or as defined below.

“Tax-Exempt Property” means an Assessor’s Parcel not subject to the Special Tax. Tax-Exempt Property includes: (i) Public Property or (ii) Assessor’s Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement. An Assessor’s Parcel previously classified as Taxable Property that is acquired by a public agency shall become Public Property if the Assessor’s Parcel is no longer used as Residential Property or Non-Residential Property as determined by the Transit District in the exercise of its sole discretion.

“Transit District” means the _____ Transit District.

“Transit District Administrator” means the Transit District Administrator for the Transit District or his or her designee.

“Transit Service” means transit pass subsidies, bus shuttle service, guaranteed ride home programs, ride-share matching, distribution of transit information such as routes, schedules, fares and related information, alternative mode allowances, parking reduction credits, carshare programs, transit service advocacy, transportation fairs and similar promotional events, and services related to any one or more of the matters the transit district is allowed to provide.

“Undeveloped Property” means, for each Fiscal Year, all Assessor’s Parcels not classified as Developed Property or Tax-Exempt Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year using the definitions above, all Taxable Property within the CFD shall be classified as either Developed Property or Undeveloped Property. Developed Property shall be subject to Special Taxes pursuant to Sections C and D below. Once an Assessor’s Parcel of Residential Property or Mixed Use Property is classified as such, it cannot be changed except as noted in the definition of Tax-Exempt Property.

C. MAXIMUM SPECIAL TAX

a. Developed Property

Table 1: Assigned Special Tax for Developed Property

Land Use Class	Description	Assigned Special Tax
1	Residential Property	\$1,134 per dwelling unit
2	Non-Residential Property	\$0.85 per Sq. Ft. of Non-Residential Property

Multiple Land Use Classes

In some instances an Assessor’s Parcel of Developed Property may be classified as Mixed Use Property. The Maximum Special Tax that may be levied on an Assessor’s Parcel classified as Mixed Use Property shall be calculated as the sum of the Maximum Special Tax for Residential Property for the total number of Dwelling Units located on that Assessor’s Parcel plus the sum of the Maximum Special Tax for the total Square Feet of Non-Residential Property located on that Assessor’s Parcel.

b. Annual Escalation of Maximum Special Tax

The Maximum Special Tax as shown in the Table 1 above that may be levied on each Assessor’s Parcel in The CFD shall be increased each Fiscal Year beginning in Fiscal Year 20__ - __ and thereafter by a factor equal to the annual percentage change in the (insert escalation index here).

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 20__-__ and for each following Fiscal Year, the CFD Administrator shall levy the Special Tax on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax until the amount levied is equal to the Special Tax Requirement for that Fiscal Year.

E. APPEALS

Any landowner or resident who pays the Special Tax and believes that the amount of the Special Tax levied on their Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner or resident believes such error still exists, such person may file a written notice with the Transit District Clerk of the Board appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of any such notice, the Transit District Clerk of the Board shall forward a copy of such notice to the CFD Administrator who shall establish as part of the proceedings and administration of the CFD, a special three-member Review/Appeal Committee. The Review/Appeal Committee may establish such procedures, as it deems necessary to undertake the review of any such appeal. The Review/Appeal Committee shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

F. MANNER OF COLLECTION

Special Taxes levied pursuant to Section D above shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that the CFD Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations of the CFD or as otherwise determined appropriate by the CFD Administrator.

G. TERM OF SPECIAL TAX

Taxable Property in the CFD shall remain subject to the Special Tax in perpetuity or until the services financed by the Special Tax are no longer necessary, as determined by the Transit District Board of Directors. If the Special Tax ceases to be levied, the Transit District Board of Directors shall direct the County Recorder to record a Notice of Cessation of Special Tax. Such notice shall state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished. The Notice of Cessation of Special Tax shall additionally identify the book and page of the Book of Maps of Assessment and Community Facilities Districts where the map of the boundaries of the CFD is recorded.

H. REPEAL OF SPECIAL TAX

If the levy of the Special Tax shall be repealed by initiative or any other action participated in by the owners of the parcels in the CFD, the Transit District shall cease to levy the Special Tax and shall cease to be obligated to provide the Services for which the Special Tax was levied.

APPENDIX C: SAMPLE GOALS AND POLICIES FOR A TOD/CFD (TRANSIT SERVICE AND TRANSIT INFRASTRUCTURE)

These Goals and Policies are presented as an example of goals and policies that could be used by a transit agency to fund capital facilities and services. Note, until the Community Facilities District legislation is changed to allow transit service as an eligible expense, a transit agency cannot, on its own, create a Community Facilities District to fund transit services. A General Law city or other public agency that operates under the provisions of the Government Code of the State of California is also prevented from implementing a CFD to fund transit service under current law. A Charter City, on the other hand, is capable of creating a CFD to fund transit service through its charter powers. Some cities have allowed such funding; the City of Sacramento is an example.

Transit Agency _____
Guidelines and Policies
Concerning the Use of the
MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982

INTRODUCTION

The purpose of the Guidelines and Policies is to establish for the Transit Agency (the "Agency") a format to establish the public benefit and guidelines for the financial aspects of Community Facilities District ("CFD"). The underlying principles behind the proposed policies are public interest and benefit, fairness to current and future property and homeowners, avoidance of future failure of the project, protection of the Agency's financial position, and reimbursement to the Agency of its incurred expenses. The Disclosure Guidelines for Land-Based Securities, as recommended by the California Debt and Investment Commission, are also incorporated into this policy. The Guidelines and Policies are subject to amendment by the Agency Board at any time.

1. POLICY & GOALS

The Agency has developed the following Guidelines and Policies on creating CFDs for services and debt financing as guidelines for the Agency's approach to allow the formation of CFDs. It is the Agency's goal to support projects and services which address a public need and provide a public benefit. Proposed projects requesting CFD debt financing will be evaluated to determine if such financing is viable and in the best interest of the Agency, project residents and property owners. These Guidelines and Policies are designed to comply with Section 53312.7 of the Government Code.

The Agency will consider developer or property owner initiated applications requesting the formation of CFDs and the issuance of bonds to finance eligible public facilities necessary to serve newly developing commercial, industrial and residential projects within Transit Oriented Development zones in the following instances:

- When tax-exempt financing of project public facilities will result in a significant public benefit; and/or
- When the Agency has negotiated and executed a Development Agreement addressing project implementation which supports the goals of the Agency.

Generally, community serving public facilities may be eligible for a tax-exempt financing program. Facilities will be financed and districts formed in accordance with the current provisions of the Mello-Roos Community Facilities Act of 1982 (the "Act"), as amended or any other methodology legally available to the Agency to finance such improvements.

The Agency will also consider developer or property owner initiated applications requesting the formation of CFDs for services provided by the Agency. The services eligible to be financed by a CFD (the "Services") are those identified in the Act. Subject to the conditions set forth in the Act, priority for public services to be financed by a CFD shall be given to services which are necessary for the public health, safety and welfare. The Transit Agency may finance services to be provided by another local agency if it determines the public convenience and necessity require it to do so, although the Transit Agency prioritizes financing services to be provided by the Transit District. If appropriate, the Transit District shall prepare a public services financing plan as a part of the specific plan or other financing document that identifies the public services required to serve a project and the source of funding for each such service.

Each time a community facilities district is formed for the benefit of a development project, and maintenance requirements will exceed normal Agency standards, the Agency may require the creation of a maintenance district or property owners' association suitable to provide such needs. The maintenance district may be established pursuant to the provisions of the Mello Roos Community Facilities Act of 1982 or any other methodology legally available to the Agency to finance such maintenance. The purpose of the maintenance district is to fund all or a portion of the ongoing costs of parks and open space, public landscaping, police and fire protection services and library services; and/or to pay for any unfunded ongoing Agency maintenance costs associated with the development project.

Existing neighborhoods may apply to the Agency for the use of financing to fund local or neighborhood serving facilities and/or services in accordance with the Act. The Agency will apply applicable provisions of this policy to those financing programs for existing neighborhoods.

The Agency shall make the determination as to whether a proposed district shall proceed under the provisions of the Mello Roos Community Facilities Act of 1982 or any other methodology legally available to the Agency to finance improvements or services. The Agency may confer with consultants and the applicant to learn of any unique district requirements such as facilities serving the regional area or long-term development phasing prior to making any final determination.

All Agency and consultant costs incurred in the evaluation of new development applications and the establishment of CFDs will be paid by the applicant(s) by advance deposit increments. The Agency shall not incur any non-reimbursable expense for processing community facilities districts. Expenses not chargeable to the Agency shall be borne by the applicant(s).

2. DEFINITIONS

Unless the context otherwise requires, the terms employed in the following policies shall have the meanings specified below:

"Act" means the Mello-Roos Community Facilities Act of 1982.

"Bonds" means bonds authorized and issued under the Act or any other methodology legally available to the Agency to finance improvements.

"Agency" means the Transit Agency.

"District" means a Community Facilities District formed under the Act or any other district legally available to the Agency to finance improvements or maintenance of eligible facilities.

"Infrastructure" those improvements noted in Section 53313.5 of the Government Code as those improvements the Transit Agency is authorized by law to contribute revenue to, construct, own, or operate, or improvements defined as authorized improvements under the Act selected by the Agency.

“Public Facilities” means improvements authorized to be constructed or acquired under the Act including, but not limited to, costs for specified capital facilities imposed by public agencies as a condition to approval of the development encompassed by the District or as a condition to service the Agency.

“Services” means such services as defined by Section 53313 of the Government Code and authorized as services provided by the Transit Agency.

“Value” or “Fair Market Value” means the amount of cash or its equivalent which property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of a difficulty of the other and both have knowledge of all of the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions upon uses and purposes.

3. ELIGIBLE PUBLIC FACILITIES

Infrastructure and public facilities eligible for District financing are those improvements which benefit properties within a proposed development, and/or will mitigate impacts of that development upon areas of the Agency outside the proposed development, and which will be owned, operated and maintained by the Agency or another public agency approved by the Agency.

Priority for funding will be determined by the Agency and the amount of available bond proceeds. In general, in-tract facilities will not be considered eligible.

4. VALUE-TO-LIEN RATIO

The Agency may sell bonds for the District only if it determines that the value of the real property that would be subject to the special tax or assessment to pay debt service will be at least three times the principal amount of the bonds to be sold and the principal amount of all other bonds outstanding that are secured by a special tax (note: some agencies have raised the value to lien ration to a 4:1 standard). Such determination will be based upon the full cash value as shown on the ad valorem assessment roll or upon an appraisal of the subject property made in a manner consistent with the policies of the Agency.

5. SECURITY

Requirements of a higher value to lien ratio may be imposed by the Agency in its sole discretion based on consideration of the facts pertaining to each particular project, including diversification of land ownership. Each project will be considered on its own merits. The aggregate value to lien ratio of no more than 5% of the included parcels expected to be subject to special taxes to pay debt service shall fall below 3:1 (or 4:1 if applicable). The Agency may allow exceptions to its value to lien ratio requirements if it finds and determines that the proposed bonds do not present any unusual credit risk due to the availability of credit enhancements or for other reasons determined by the Agency.

The appraiser shall be selected by, and the appraisal shall be coordinated by, under the direction of, and addressed to the Agency Board. The applicant shall pay all costs associated with the preparation of the appraisal report through the advance deposit mechanism. The appraisal shall be conducted in accordance with criteria, standards and assumptions established by the Agency, based upon the recommendations for each specific project received from the underwriter and/or financial advisor designated by the Agency. In every case, the appraisal shall reflect nationally and locally recognized appraisal standards for land-secured bond financing. The Agency prefers that the appraisal be prepared in accordance with the recommendations of the California Debt and Investment Commission as contained in the Disclosure Guidelines for Land-Based Securities, and deviations therefrom will only be considered upon recommendation from bond counsel, financial advisor, special tax consultant, the underwriter and the appraiser, with consideration of the facts pertaining to each particular project.

The Agency may require a market absorption study, and may retain a consultant to prepare a report to verify market absorption assumptions and projected sales prices of the properties subject to the special taxes or assessments in the District. The appraisal shall take into consideration and be based upon the conclusions of the market absorption study. Upon receiving an appraisal, determining the value-to-lien ratio, and evaluating the project and current underwriting criteria, the Agency, in its sole discretion, may require letters of credit from an "AA" rated counter party, or other security from a financial institution licensed to do business in the State of California to secure payment of the special taxes to be levied annually on properties within the District. Letters of credit or other security may also be required for individual parcels of specific property ownership within a District.

For new development, the applicant or property owner must demonstrate its financial plan and ability to pay all special taxes before full build-out has taken place. The Agency in certain instances may require additional security such as credit enhancement. Capitalized interest for bonds to be issued may be allowed at the discretion of the Agency.

If the Agency requires letters of credit or other credit enhancements, the credit enhancement shall be issued by an institution in a form and upon terms and conditions satisfactory to the Agency. All fees payable on the letter of credit or other security shall be the sole responsibility of the District applicant or developer, not the Agency or District. Any letters of credit or other credit enhancements required to be provided by the applicant shall be discharged by the Agency upon the opinion of a qualified appraiser retained by the Agency that the value-to-lien ratio has reached an acceptable level as determined by the Agency.

As an alternative to providing letters of credit or other credit enhancements, depending on circumstances:

A portion of the bond proceeds may be placed in escrow with a corporate agent in an amount sufficient to assure an acceptable value-to-lien ratio is reached on the escrowed proceeds. The escrowed proceeds shall be released at such time(s) and in such amount(s) as will assure an acceptable value-to-lien ratio with regard to the aggregate outstanding bonds and other covenants; or

The bonds may be issued in series with each series in an amount sufficient to assure an acceptable value-to-lien ratio with regard to the aggregate outstanding bonds and other covenants.

6. SPECIAL TAX FORMULA FOR COMMUNITY FACILITIES DISTRICTS

The maximum special tax formula shall adhere to the following requirements:

- The maximum tax shall include the annual costs incurred by the Agency to administer the District, including debt service, if applicable, Agency, County administrative expenses and 10% delinquency coverage, if applicable.
- The maximum special tax shall establish tax rates which correspond to the adopted land use designation of each parcel.
- The special tax formula shall be structured to ensure sufficient funds to pay for the annual service requirement and annual debt service, if applicable, and administrative expenses of the District.
- A backup special tax to protect against changes in densities resulting in insufficient annual special tax revenues to pay annual debt service, if applicable and administrative expenses shall be required.

The Agency may provide for an annual escalation factor, not to exceed 2% of the Maximum Special Tax in effect the prior fiscal year for districts where bonds are sold. Community Facilities Districts formed to provide a revenue stream for services may escalate in an amount greater than 2% provided the escalation factor is tied to a standard index. An example would be the "Consumer Price Index (San Francisco - all urban consumers)."

The maximum annual special tax submitted to the qualified electors of the CFD, when added together with all annual payment requirements of overlapping special taxes and assessments, and ad-valorem property taxes, shall not exceed 1.75% (Note: some agencies have allowed up to 2%) of the anticipated Fair Market Value of the subject properties at the time of district formation, based on either (i) a qualified appraisal, or (ii) the assessed value shown on the County's property tax roll.

The Agency shall retain a special tax consultant to prepare a report which:

- Recommends a special tax formula for the proposed CFD.
- Evaluates the special tax proposed to determine its ability to adequately fund identified public facilities, Agency administrative costs, services and other related expenditures. Such analysis shall also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes and assessments on the properties within the CFD. The rates and method of apportionment of special taxes shall be designed to ensure sufficient revenues are produced in case of final development at lower densities than anticipated.

Consultants of the Agency for the District shall comply with the existing policies of the Fair Political Practices Commission and of the California Government Code.

7. TERMS AND CONDITIONS OF BONDS

All terms and conditions of the bonds shall be established by the Agency, and shall be included in the Fiscal Agent Agreement. The Agency will control, manage and invest all District-issued bond proceeds designated for use on improvements. Each bond issue shall be structured to adequately protect bond owners and to not adversely impact the bonding capacity or credit rating of the Agency through the special taxes, credit enhancements, foreclosure covenant and reserve fund. Unless otherwise authorized by the Agency, the following shall serve as bond requirements:

A reserve fund equal to an amount equal to the lesser of ten percent (10%) of the original bond principal, maximum annual debt service on the Bonds, or 125% of average annual debt service on the Bonds, or as otherwise provided by Federal law.

The special taxes shall be levied for the first fiscal year following sale of the bonds for which they may be levied or at the end of a capitalized interest period. At the discretion of the Agency, interest may be funded (capitalized) during the estimated period of construction, but in no case shall the capitalized interest period exceed 24 months.

The repayment of principal shall begin on the earliest principal payment date for which sufficient special tax revenues become available after the end of the capitalized interest period.

At the commencement of the repayment of principal, annual debt service shall be level. The Agency may consider an increasing annual debt service for commercial and/or industrial districts only, but such increases shall not exceed two percent (2%) per year for the term of the bonds.

The maximum special tax shall be established to assure that the annual revenue produced by the levy of the maximum special tax shall be equal to at least 110% of the maximum annual debt service.

The Agency, in its sole discretion, may conclude that, prior to the issuance of the bonds, its bond counsel should commence and process to final judgment an action establishing the validity of the proceedings, the levy of the special tax and issuance of bonds.

In instances where multiple series of bonds are to be issued, the first series shall include public facilities of highest priority as determined by the Agency.

All statements and materials related to the sale of community facilities district bonds shall emphasize and state that neither the good faith, nor the taxing power of the Agency is pledged to security or repayment of the bonds. The sole source of revenues to secure bond owners is special taxes or foreclosure proceeds.

8. DISTRICT COSTS, DEPOSITS AND REIMBURSEMENTS

All Agency and consultant costs incurred in the formation, evaluation and administration of a proposed CFD, including all current and future costs of providing the CFD as a financing mechanism for costs of development and/or services contemplated within the CFD, will be paid by the proponents of the CFD. These costs may include, but are not limited to reimbursement for the time and expenses of Agency staff and related costs, as well as the fees and expenses of any consultants to the Agency (such as fiscal analysis, legal, financing and special tax consultants) employed in connection with the formation of the CFD, costs of appraisals, absorption or other studies and other reports necessary or deemed advisable by the Agency staff in forming the CFD and issuing bonds, costs of publication of notices, preparation and mailing of ballots and other costs related to any election for the CFD, the costs of any action prosecuted in court to validate any aspect of the CFD, its special tax and/or any bonds, allocatable shares of administrative expenses of Agency staff and overhead in connection with the CFD, and any and all other costs and expenses directly or indirectly incurred by the Agency in connection with the CFD. Agency staff shall use all reasonable efforts not to incur any expense for processing a CFD which is not eligible to be reimbursed from CFD special tax or CFD bond proceeds. Expenses incurred by the Agency that are not chargeable to the CFD shall be borne by the proponents of the CFD. A deposit toward such costs shall be made upon submission of the petition for formation of a CFD, with the total amount due not later than the closing date of the bonds issued by the Agency for the CFD. All such costs may be paid (or reimbursed) from proceeds of bonds issued for the CFD.

Funds to reimburse costs and expenses incurred by the Agency in excess of those funded in advance through a deposit agreement shall be billed to the applicant and the applicant shall pay each invoice within 15 business days of receipt of such notice. If the applicant fails to make any payment of funds for the proceedings, the Agency may suspend all proceedings until receipt of such additional deposit.

Except as otherwise provided herein, the applicant shall be entitled to reimbursement from bond proceeds, if applicable, for all reasonable costs and expenses incident to the process and construction of the public facilities as provided under the Act, provided that all such costs and expenses shall be verified by the Agency as a condition of reimbursement.

At the discretion of the Agency, the applicant or property owner shall not be entitled to reimbursement from bond proceeds for any of the expenses specified as follows:

- In-house administrative and overhead expenses incurred by the applicant;
- Interest expense incurred by the applicant on moneys advanced or expended during the proceedings and construction of public facilities.

Neither the Agency nor the District shall be required to reimburse the applicant or property owner from any funds other than the proceeds of bonds issued by the District.

9. AGREEMENTS

Agreements will be prepared incidental to District formation proceedings in a form satisfactory to the Agency and consistent with these policies. These agreements may include, but not be limited to:

- Funding, construction and acquisition agreement.
- Joint Community Facilities Agreement with any other public agency entitled to receive any portion of the bond proceeds or entitled to own and operate any of the public facilities financed by bond proceeds.
- Deposit and Reimbursement agreement.

As a condition to adoption of the Resolution of Formation, the form of all of the agreements specified shall be approved, and, with the exception of the Joint Community Facilities Agreement, which must be signed prior to adoption of the Resolution of Formation, all agreements must be executed prior to the issuance of the bonds. Prior to execution of any agreements, such agreements shall be reviewed and approved by bond counsel and the Agency special counsel, and approved by the Agency Board. Such approval by the Agency's special counsel shall be indicated thereon.

10. USE OF CONSULTANTS

The Agency shall have the sole discretion as to selection of consultants and determination of fees and expenses of all consultants necessary for the formation of the District and the issuance of bonds, including, but not limited to, the underwriter(s), bond counsel, disclosure counsel, financial advisor, appraiser, trustee, paying agent, market absorption study consultant, and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the Agency of the consulting and financing team.

The Agency shall also be responsible for determining the structure of the bonds to be issued, including the method of sale (negotiated or competitive), the need for bond ratings, investment of bond proceeds, and all other terms and conditions incidental to structuring and closing a bond issuance.

11. ACQUISITION PROVISIONS

The Agency, at its sole discretion, will determine the facilities to be acquired and the method of determining reasonable acquisition costs, which shall be set forth in the funding, construction and acquisition agreement. This document shall be prepared by the Agency's bond counsel and shall be approved by the Agency Board prior to the adoption of the Resolution of Formation of the District. Applicable bidding and prevailing wage requirements will be addressed during the preparation of the funding, construction and acquisition agreement.

12. DISCLOSURE TO PURCHASERS

The applicant or property owner will be required to demonstrate to the satisfaction of the Agency that, to the best of its abilities, there will be full disclosure of the Mello-Roos special taxes and any other special tax, assessment, overlapping special taxes or assessments of other districts, or other liens on individual parcels to existing and future property owners, and to prospective purchasers of property including interim purchasers and sales to merchant builders. In addition to all requirements of law, the Agency shall require the applicant to provide disclosure of such information as the Agency deems appropriate to the purchasers of property within the District, with respect to the existence of the District, maximum and/or backup special taxes to be levied within the District, facilities to be constructed, the foreclosure process and the terms and conditions of bonds issued on behalf of the District. Such disclosure shall include homebuyer notifications requiring signature prior to home purchases, as well as methods to notify subsequent home purchasers.

Upon request, the Agency will provide a "Notice of Special Tax" to sellers of real property subject to the levy of special taxes as required by Government Code Section 53340.2.

13. PROPERTY OWNER SUPPORT

In the instance of multiple property owners, the applicant shall be required to produce letters evidencing other property owners' support for the scope and establishment of the District as an attachment to the application. The applicant must have concurrence of 2/3 vote of the other property owners to be included in a proposed Community Facilities District, or the applicant must be willing to separately fund the facilities for non-participating property(s).

14. LAND USE APPROVALS

Properties proposed for inclusion in a District must possess the necessary land use determinations such that proposed development land use and specific facility requirements can be adequately identified and assessed.

15. EXCEPTIONS TO THESE POLICIES

The Agency may find in limited and exceptional instances that a waiver to any of the above stated policies is reasonable based upon specific public purpose and/or health and safety findings. Staff of the Agency and the Agency special counsel shall determine if the waiver shall be approved by action of the Agency Board and if so, such waivers must be identified in the staff report to the Agency Board as part of the proceedings.

16. APPLICATION PROCESS

Early communication with the Agency is encouraged to assist applicants in evaluating the feasibility of available financing programs and to discuss program procedures. The following schedule is recommended:

- **PREAPPLICATION CONFERENCE:** Applicant meets with Agency to discuss the proposed project and application procedures.
- **APPLICATION SUBMISSION AND PROJECT REVIEW:** Applicant submits application and meets with Agency staff to discuss the application and associated project, including any issues raised and further information that might be required. If necessary the applicant may be required to submit a revised application. Landowners in a CFD for which bonds will be issued that are responsible for 10% or more of the annual special taxes (or such other ownership threshold determined by the Agency) must agree to provide (i) initial disclosure sufficient, in the opinion of the Agency's bond counsel, for preparation of the disclosure documents required under federal securities laws and (ii) annual disclosure as required under Rule 15c2-12 of the Securities Exchange Commission until the special tax obligation of the property owned by such owner drops below 10%. The disclosure described in clause (i) of the previous sentence will be considered part of the application.
- **STRUCTURING CONFERENCE:** Upon Agency determination that application is complete, applicant meets with Agency and members of the financing team to discuss the objectives of the project, appropriate financing methods, preliminary project schedule and work necessary to initiate district formation. If necessary, application is revised and/or subsequent meetings are planned.
- **PROJECT IMPLEMENTATION:** Upon Agency determination that application is complete and project is feasible, staff prepares a report and recommendation to be used in connection with presentation of initial district proceedings and resolutions to the Agency Board.
- **PROJECT INITIATION:** Staff submits initial items for consideration of the Agency Board.

APPENDIX D: SAMPLE RATE, METHOD & APPORTIONMENT OF SPECIAL TAX (FOR TRANSIT SERVICE AND TRANSIT INFRASTRUCTURE)

This Rate and Method of Apportionment of Special Tax ("RMA") is presented as an example of a RMA that could be used by a transit agency to fund transit services and fund infrastructure improvements through the sale of bonds secured by the revenue generated by the CFD Special Tax described herein. Note, until the Community Facilities District legislation, see the definition of "Act" below, is changed to allow transit services, a transit agency cannot, on its own, create a Community Facilities District to fund transit services like those described herein, only infrastructure improvements. A General Law city or other public agency that operates under the provisions of the government code of the State of California is also prevented from implementing a CFD to fund transit service. A Charter City, on the other hand, is capable of creating a CFD under its charter powers to fund transit service. Some cities have allowed such funding; the City of Sacramento is an example. Note that this sample RMA is provided as an example only. Any agency with the authority wishing to create a CFD to fund services or infrastructure should engage the use of a special tax consultant to craft the RMA specific to the particular circumstances of the agency and also engage the use of Special Council to advise on the legal ramifications of the use of the CFD legislation.

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX TRANSIT DISTRICT COMMUNITY FACILITIES DISTRICT NO. __ (TRANSIT SERVICES AND INFRASTRUCTURE)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property within the Transit District Community Facilities District No. ____-__ ("CFD No. ____-__") and collected each Fiscal Year commencing in Fiscal Year 20__-__, in an amount determined by the Transit District Board of Directors through the application of the appropriate Special Tax for "Developed Property," and "Undeveloped Property as described below. All of the real property in CFD No. ____-__, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, record of survey, or other recorded document creating or describing the parcel. If the preceding maps are not available, the Acreage shall be determined by a person designated by the Board.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. ____-__ including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Agency or designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the Agency, or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the Agency, CFD No. ____-__, or any designee thereof of complying with arbitrage rebate requirements; the costs to the Agency, CFD No. ____-__, or any designee thereof of complying with Agency, CFD No. ____-__, or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs

associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the Agency, CFD No. ____-__, Improvement Area B or any designee thereof related to an appeal of the Special Tax; and the costs associated with the release of funds from an escrow account, if any. Administrative Expenses shall also include amounts estimated or advanced by the Agency or CFD No. ____-__, for any other administrative purposes of CFD No. ____-__, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Agency" or "Transit Agency" means the insert name Transit District.

"Assessor's Parcel" means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor of the County designating parcels by Assessor's Parcel number.

"Assigned Special Tax" means the Special Tax for each Land Use Category of Developed Property as determined in accordance with Section C.1.a.

"Available Funds" means the balance in the reserve fund established pursuant to the terms of the Indenture in excess of the reserve requirement as defined in such Indenture, delinquent special tax payments, the Special Tax prepayments collected to pay interest on Bonds, and other sources of funds available as a credit to the Special Tax Requirement as specified in such Indenture.

"Backup Special Tax" means the Special Tax amount set forth in Section C.1.b. below.

"Board" means the Transit District Board of Directors of the Agency, acting as the legislative body of CFD No. ____-__.

"Bonds" means any bonds or other debt (as defined in the Act), whether in one or more series, issued by CFD No. ____-__ under the Act.

"CFD Administrator" means an official of the Agency, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. ____-__" means Transit District, Community Facilities District No. ____-__, (Transit Service and Infrastructure).

"County" means the County of enter the name here.

"Developed Property" means, for each Fiscal Year, all Taxable Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

"Final Map" means a subdivision of property created by recordation of a final map, parcel map, or lot line adjustment, approved by the Local Agency pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which residential building permits may be issued without further subdivision of such property.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Indenture" means the indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Tables 1 and 2 of Section C.

“Local Agency” means the local agency charged with the approval of final maps and the issuing of building permits for the construction of property classified as Residential and Non-Residential. Identification of the local agency is noted within this definition.

“Lot(s)” means an individual legal lot created by a Final Map approved by the Local Agency for which a building permit for residential or non-residential construction has been or could be issued.

“Maximum Annual Special Tax” means the maximum annual Special Tax, determined in accordance with the provisions of Section C below, that may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more non-residential structures.

“Occupied Residential Property” means all Assessor’s Parcels of Residential Property which have closed escrow to an end user.

“Outstanding Bonds” means all Bonds which remain outstanding.

“Property Owner Association Property” means any property within the boundaries of CFD No. ____-__ owned by or dedicated to a property owner association, including any master or sub-association.

“Proportionately” means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax or Backup Special Tax is equal for all Assessor’s Parcels of Developed Property within CFD No. ____-__. For Undeveloped Property “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Annual Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property within CFD No. ____-__.

“Public Property” means any property within the boundaries of CFD No. ____-__ that is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State of California, the County, the Agency or any other public agency.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to appropriate records kept by the Local Agency’s Building Department. Residential Floor Area will be based on the building permit(s) issued for each dwelling unit prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made after such classification as Occupied Residential Property.

“Special Tax” means the annual special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. ____-__ to: (i) pay annual debt service on all Outstanding Bonds as defined in Section A.; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Transit Service; (iv) pay Administrative Expenses; (v) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds in accordance with the Indenture; (vi) and pay directly for acquisition and/or construction of public improvements which are authorized to be financed by CFD No. ____-__; (vii) less a credit for Available Funds.

“Square Footage” or Sq. Ft.” means the floor area square footage reflected on the original construction building permit issued for construction of Non-Residential Property, plus any Square Footage subsequently added to a building of Non-Residential Property after issuance of a building permit for expansion or renovation of such building.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. ____-__ which are not exempt from the Special Tax pursuant to law or Section E below.

“Transit Service” means transit pass subsidies, bus shuttle service, guaranteed ride home programs, ride-share matching, distribution of transit information such as routes, schedules, fares and related information, alternative mode allowances, parking reduction credits, carshare programs, transit service advocacy, transportation fairs and similar promotional events, and services related to any one or more of the matters the transit district is allowed to provide.

“Trustee” means the trustee, fiscal agent, or paying agent under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. ____-__ shall be classified as Developed Property or Undeveloped Property and shall be subject to the levy of annual Special Taxes determined pursuant to Sections C and D below. Furthermore, Developed Property shall be classified as Residential Property or Non-Residential Property.

C. MAXIMUM ANNUAL SPECIAL TAX RATE

1. Developed Property

The Maximum Annual Special Tax for each Assessor’s Parcel of Residential Property or Non-Residential Property that is classified as Developed Property shall be the greater of (1) the Assigned Special Tax described in Table 1 below or (2) the amount derived by application of the Backup Special Tax.

a. Assigned Special Tax

The Assigned Special Tax for each Assessor’s Parcel of Developed Property is shown in Table 2.

Table 2: Assigned Special Tax for Developed Property

Land Use Class	Description	Assigned Special Tax
1	Residential Property	\$1,134 per unit plus \$0.86 per Sq. Ft.
2	Non-Residential Property	\$1.99 per Sq. Ft. of Non-Residential Property

b. Backup Special Tax

Note: The backup special tax and undeveloped property tax calculation is based on the acreage of the development and would be calculated at the time that a map is recorded or anticipation of a map being recorded.

When a Final Map is recorded within CFD No. ____-__, the Backup Special Tax for Assessor's Parcels of Developed Property classified as Residential Property or Non-Residential Property shall be determined as follows:

For each Assessor's Parcel of Developed Property classified as Residential Property or for each Assessor's Parcel of Undeveloped Property to be classified as Residential Property within the Final Map area, the Backup Special Tax shall be the rate per Lot calculated according to the following formula:

$$B = \frac{\$ \text{_____} \times A}{L}$$

The terms above have the following meanings:

- B = Backup Special Tax per Lot in each Fiscal Year.
- A = Acreage classified or to be classified as Residential Property in such Final Map.
- L = Lots in the Final Map which are classified or to be classified as Residential Property.

For each Assessor's Parcel of Developed Property classified as Non-Residential Property or for each Assessor's Parcel of Undeveloped Property to be classified as Non-Residential Property within the Final Map area, the Backup Special Tax shall be determined by multiplying \$_____ by the total Acreage of the Non-Residential Property and Undeveloped Property to be classified as Non-Residential Property within the Final Map area.

Notwithstanding the foregoing, if Assessor's Parcels of Residential Property, Non-Residential Property or Undeveloped Property for which the Backup Special Tax has been determined are subsequently changed or modified by recordation of a new or amended Final Map, then the Backup Special Tax applicable to such Assessor's Parcels shall be recalculated to equal the amount of Backup Special Tax that would have been generated if such change did not take place.

2. Undeveloped Property

The Maximum Annual Special Tax for each Assessor's Parcel classified as Undeveloped Property shall be the amount shown in Table 3 below:

Table 3: Maximum Annual Special Tax for Undeveloped Property

Land Use Class	Description	Maximum Annual Special Tax
3	Undeveloped Property	\$_____ per Acre

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-03 and for each following Fiscal Year, the Board shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at a rate up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement.

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, excluding any Assessor's Parcels classified as Undeveloped Property pursuant to Section E, at up to 100% of the Maximum Annual Special Tax for Undeveloped Property.

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax to be levied on each Assessor's Parcel whose Maximum Annual Special Tax is derived by the application of the Backup Special Tax and shall be increased Proportionately from the Assigned Special Tax up to the Maximum Annual Special Tax for each such Assessor's Parcel.

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel classified as Undeveloped Property pursuant to Section E at up to 100% of the Maximum Annual Special Tax for Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Occupied Residential Property be increased by more than ten percent per year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Assessor's Parcel of CFD No. ____-__.

E. EXEMPTIONS

The CFD Administrator shall classify as exempt property (i) Assessor's Parcels defined as Public Property, (ii) Assessor's Parcels defined as Property Owner Association Property, (iii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iv) Assessor's Parcels defined as Community Purpose Facility Property or (v) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, provided that no such classification would reduce the sum of all Taxable Property to less than ____ Acres. Notwithstanding the above, the CFD Administrator shall not classify an Assessor's Parcel as exempt property if such classification would reduce the sum of all Taxable Property to less than ____ Acres. Assessor's Parcels which cannot be classified as exempt property because such classification would reduce the Acreage of all Taxable Property to less than ____ Acres will be classified as Undeveloped Property and shall be taxed as a part of the fourth step in Section D.

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes exempt property. The Maximum Annual Special Tax obligation for any Public Property which cannot be classified as exempt property as described in the first paragraph of Section E shall be prepaid in full by the seller pursuant to Section H.1, prior to the transfer/dedication of such property. Until the Maximum Annual Special Tax obligation for any such Public Property is prepaid, the property shall continue to be subject to the levy of the Special Tax as Undeveloped Property pursuant to the fourth step in Section D.

F. REVIEW/APPEAL COMMITTEE

The Board shall establish as part of the proceedings and administration of CFD No. ____ - __, a special three-member Review/Appeal Committee. Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may file a written notice with the Review/Appeal Committee appealing the amount of the Special Tax levied on such Assessor's Parcel. The Review/Appeal Committee may establish such procedures as it deems necessary to undertake the review of any such appeal. The Review/Appeal Committee shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

G. MANNER OF COLLECTION

The annual Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that CFD No. ____ - __, may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Assessor's Parcels which are delinquent in the payment of Special Taxes.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by the Board pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

H. PREPAYMENT OF SPECIAL TAX

The following definition applies to this Section H:

"Outstanding Bonds" means all previously issued Bonds which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Annual Special Taxes.

1. Prepayment in Full

The Maximum Annual Special Tax obligation may only be prepaid and permanently satisfied by an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, or Public Property. The Maximum Annual Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Annual Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this figure.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

Bond Redemption Amount
 plus Redemption Premium
 plus Defeasance Amount
 plus Administrative Fees and Expenses
 less Reserve Fund Credit
 less Capitalized Interest Credit
 Total: equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.1:

1. For Assessor's Parcels of Developed Property, compute the Maximum Annual Special Tax for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property to be prepaid, compute the Maximum Annual Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel. For Assessor's Parcels of Public Property to be prepaid, compute the Maximum Annual Special Tax for that Assessor's Parcel using the Maximum Annual Special Tax for Undeveloped Property.
2. Divide the Maximum Annual Special Tax computed pursuant to paragraph 1 by the sum of the total expected Maximum Annual Special Tax revenues excluding any Assessor's Parcels which have been prepaid.
3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
5. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
6. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
7. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
8. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
9. Add the amounts computed pursuant to paragraphs 5 and 7 and subtract the amount computed pursuant to paragraph 8 (the "Defeasance Amount").
10. Verify the administrative fees and expenses of CFD No. ____-__, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
11. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

12. If any capitalized interest for the Outstanding Bonds will not have been expended at the **time of** the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 2 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").

13. The Maximum Annual Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 9, and 10, less the amounts computed pursuant to paragraphs 11 and 12 (the "Prepayment Amount").

14. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 9, 11, and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments.

The amount computed pursuant to paragraph 10 shall be retained by CFD No. ____-__.

The Prepayment Amount may be insufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 7 above, the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Annual Special Taxes that may be levied on Taxable Property within CFD No. ____-__, both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

Tenders of Bonds in prepayment of Maximum Annual Special Taxes may be accepted upon the terms and conditions established by the Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Council.

2. Prepayment in Part

The Maximum Annual Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (PE \times F) + A$$

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section H.1, minus Administrative Expenses and Fees pursuant to Step 10.

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Annual Special Tax.

A = the Administrative Expenses and Fees pursuant to Step 10.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Annual Special Tax shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Annual Special Tax, (ii) the percentage by which the Maximum Annual Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Maximum Annual Special Tax for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the Agency shall (i) distribute the funds remitted to it according to Paragraph 14 of Section I.1, and (ii) indicate in the records of CFD No. ____-__, that there has been a partial prepayment of the Maximum Annual Special Tax and that a portion of the Maximum Annual Special Tax equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

I. TERM OF MAXIMUM ANNUAL SPECIAL TAX

The Maximum Annual Special Tax shall be levied commencing in Fiscal Year ____ - ____ to the extent necessary to fully satisfy the Special Tax Requirement for a period no longer than _____.