INCENTIVES FOR TRIP REDUCTION THROUGH LOCATION OF HOUSING NEAR CALIFORNIA'S RAIL TRANSIT STATIONS

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SUMMARY

Locating Housing Near Rail Transit Stations in California

In the past few years, the idea of using rail transit stations as centers of development, particularly residential development, has attracted increasing attention from state legislators and state and local growth-management organizations. The logic is compelling: Data on transit-ridership show significantly higher than average transit ridership among commuters who can walk to stations. Further, development at rail transit stations offers an important way out of California's housing conundrum of the past decade: the desire of Californians for more housing, and the opposition of Californians to greater housing densities in existing neighborhoods.

Increased high density housing near rail has air quality benefits. The proximity to the rail stations allow the residents to walk to the stations in a short time thus encouraging increased rail transit use and reduce vehicle trips and miles traveled (VMT). The distance to the station is especially important because if a resident taking a train drives to the station, however short the distance, the emissions from the vehicle will be significant due the cold start emissions. Elimination of the trip is the significant air quality benefit.

However, despite the interest in transit-based development, the discussion of transit-based housing has been mainly theoretical. Absent has been hard data on such practical questions as "What are the experiences of housing near rail stations in California?" "Do persons who live near rail transit stations actually use rail transit for their commutes or recreation?" "What governmental incentives have increased

high density developments near rail stations?" "Does the rental market provide incentives to locate near rail stations?"

To address these questions, researchers from the Transit/Residential Access Center of University of California, Berkeley identified major residential projects built or in the process of being built within one quarter of a mile (walking distance) of rail transit stations in and outside California. The research focused on relatively large housing developments of at least 50 units built near the stations of six major rail transit lines operating in California: the Bay Area Rapid Transit system (BART), CalTrain, Santa Clara Light Rail, San Diego Light Rail, Sacramento Light Rail, and the Long Beach-Los Angeles Light Rail. The major non-California housing developments under study are located near three large urban areas' rail transit systems: Washington D.C., Atlanta, and Portland.

Selected developments were surveyed by the project team. The team sent surveys to the developers and property managers. They followed the survey with site visits, transit ridership survey of the residents, and in-depth interviews with the developers to examine designs, densities, government incentives, and financial viability of the housing developments near rail transit.

Major Findings

What Are the Experiences of Housing Near Rail Transit in California?

Transit-based housing in California remains at an early stage of development. The majority of transit-based developments have been built along the rail transit lines in

northern California. For the most part, they have been three to four stories in height, between thirty and seventy units per acre in density. This density is not comparable to the high rise transit-based housing built along rail transit lines in the eastern United States and Canada. But the northern California transit-based housing has been significantly higher in density than the surrounding suburban densities in the San Francisco Bay Area, and Sacramento.

For example, Del Norte Place near the El Cerrito Del Norte BART station in Contra Cost county is thirty units per acre and also includes ground floor retail stores. Park Place near Mountain View CalTrain Station is forty-nine unites per care and mixes housing with separate office/retail structure.

Southern California has less experience with high density housing near rail stations. Along the Los Angeles-Long Beach "Blue Line" and along the San Diego Light Rail, the number of high density housing is fewer than in northern California. In San Diego, the major projects on the East Line include Villages of La Mesa and La Mesa Village Plaza, both at near 20 units per acre. Along the "Blue Line", the main projects built near transit are concentrated in downtown Long Beach, including the 160-unit Bellamar and the 78-unit Pacific Shores. They reflect, though, multi-family housing in a growing downtown more than an attempt to concentrate development around rail stations.

<u>Do Residents Who Live Near Rail Transit Stations Use Rail Transit?</u>

Perhaps the most encouraging finding for transit-based housing is the high rail transit ridership among residents of the projects near rail. The research team

Table E1

Rail Transit Ridership by Residents Living Near Rail Transit Stations

Survey Results from Four San Francisco Bay Area Rapid Transit (BART) Station Housing Developments*

Total Responses	Residents' Travel Behavior Measured	Sample Proportions (percent)
167	Commute to work by BART at least 4 times per week	38.5
167	Commute to work by BART at least 1 time per week	43.5
154	Ride BART for non-commute trips at least 4 times per week	21.4
189	Ride BART for non-commute trips at least 1 time per week	70.4
189	Declare a nearby station the main factor in choosing housing	55.0
189	Willing to pay at least $75 more for housing near BART	26.1
189	Would actively seek to reside near BART	61.7

Note:

* The housing developments surveyed are all in California and near the BART stations. They are:

1. Treat Commons in Pleasant Hill
2. The Verandas in Union City
3. The Foothills in Hayward
4. Mission Wells in Fremont

surveyed four of the housing developments in northern California. The results are presented in Table E1. Use of rail transit rather than automobile for the daily commute is significantly higher among residents of the four housing developments than among the population at large. The Metropolitan Transportation Commission for the San Francisco Bay Area reports that BART ridership for commuting among all East Bay residents is about 8 percent. The BART weekly commute ridership (four times a week) among residents of the major developments near BART stations is over 38 percent of residents according to the surveys.

The proximity of residences to the stations seem to be a major reason for the high ridership. Of those surveyed a significant 55 percent responded that the proximity to rail transit was a "main factor" in choosing their residence in the development. About 26 percent expressed their willingness to pay for the convenience of being near the BART stations by expecting to pay less rent if they had to live farther away from the stations. About 62 percent stated that they would actively seek to reside near BART station.

<u>What Governmental Incentives Have Increased High Density Developments Near Rail Stations?</u>

The local governments and transit agencies so far have had limited impact in spurring transit-based housing in California.

The main governmental entity involved in a number of the transit-based housing projects has been the local Redevelopment Agency. Redevelopment agencies in Contra Costa County and the City of El Cerrito helped to assemble land, and

employed tax-exempt assessment, Mello-Roos (tax exempt financing for infrastructure), and multi-family rental housing financing.

They usually cannot afford direct monetary subsidies as incentives for locating high density housing near rail stations. Other incentives that the governments may be able to afford directly for high density housing near rail transit are: redevelopment powers, property tax exemption, Mello-Roos bonds, and tax-exempt bond financing. These incentives result in lower cost of building residential housing.

Two other incentives save development costs, reduced parking and density bonuses (the right to build at higher density than zoning allows) have also been used on a small scale. But their results have been mixed: in a number of cases, developers have found the reduced parking to be a detriment in marketing the housing units outweighing the cost savings.

Does the Rental Market Provide Incentives to Locate Near Rail Stations?

Although the surveys showed that some of the residents are willing to pay extra for housing near rail stations, the developments studied in this research do not consistently show significantly higher rents than comparable projects outside of rail transit areas. Additional tracking and survey of rents and consumer behavior are needed to ascertain the relationship between proximity to the stations and the rent premium.

Transit-Based Housing Outside of California

Outside of California, transit-based housing is at a more advanced stage, particularly in Atlanta and Washington, D.C.

In Atlanta, the heavy rail system is doted with a number of high rise residential projects of far greater densities than the projects in California. Three projects were singled out: Georgian Terrace, 294 apartments at over 196 units per acre; Grandview Apartments, 336 units (36 floors) at 190 units per acre; and Mayfair, 332 units, at 124 units per acre. All are market driven projects that did not benefit from significant government incentives.

In contrast, the high-density housing surrounding the stations on the Rosslyn-Ballston corridor in Washington, D.C., area is the result of aggressive siting of housing by the Arlington County Planning Department--the one planning entity for all five stations in the corridor. For over the past decade, the General Plan of Arlington County concentrates high-rise housing and office space within walking distance of the Metro stations, tapers density down to the existing single family neighborhoods, and provides for a mix of office, retail, and residential development.

The Ballston station area is the most dramatic example of the Arlington County development policy--office, hotel, and residential--tied to the station. Until 1985, the Ballston station was the end of the Orange Line and the station area featured a large bus terminal. With the extension of the Orange Line to Vienna in 1986, the bus connection was no longer needed, and in the next five years, a new town of high rise residential, office and hotel structures sprang up within a quarter mile of the station.

2,471 residential units have been built, and an additional 1,206 are in stages of pre-construction and development.

Conclusions

The research undertaken for this report indicates that: (1) high density housing near rail stations can reduce vehicle trips, miles traveled, and emissions; (2) even without government action in California, high density housing near rail stations will likely begin to appear in greater number within a walking distance of rail transit stations; (3) more aggressive incentives to build high density housing near rail stations from the state and the local governments justified for air quality concerns could lead to significant emission reductions.

Developers are taking a heightened interest in such housing. Higher auto insurance costs and the increased congestion on the roads are driving consumers to place an increasing priority on living near rail transit.

Yet, transit-based housing will emerge slowly and irregularly without more active government involvement. In the current recessionary economic climate of 1992, financing of high density housing near rail transit stations is limited as it is for all forms of multi-family housing in California. Further, even when financing is available, other obstacles might arise in assembling small land parcels currently occupied for other purposes in order to build high density housing. For these reasons, more aggressive policy is needed to promote housing near rail transit.

The aggressive incentives policy must be formulated at the state level. Three types of state-level or state-mandated incentives are possible: zoning, assembling of land, and financial incentives including underwriting land costs and/or eliminating or reducing housing impact fees. Of these incentives, the financial ones bring the biggest impact. Such incentives are best managed by establishment of a local organization such as a "Transit-Based Development District." A District, focusing on a one-third mile radius around the rail transit stations, would coordinate and use tax-increment funds to spur transit-based development, particularly transit-based housing. The coordinated incentives effort by such district would lead to high density housing near rail stations and reduce vehicle trips, miles traveled and emissions.

CHAPTER 1

INTRODUCTION

In the past few years, the idea of using rail transit stations as centers of development, particularly residential development, has attracted increasing attention from state legislators and state and local growth-management organizations. Major reasons of the increased attention is that developing residential projects near rail transit station has great potential for cost-effectively alleviating traffic congestion, and air quality problems.

There is a compelling logic to promote housing near rail transit. Data on transit ridership show significantly higher than average transit ridership among commuters who can walk to stations. Ability and convenience of walking to the station means that the car stays at home reducing trips, emissions, and congestion. Further, development near rail transit stations offers an important way out of California's housing conundrum of the past decade. Californians desire more housing, but not greater housing densities in existing neighborhoods. Current trend of low density implies auto-based housing developments that lead to more sever traffic congestion, higher mobile source emissions, and air quality degradation.

Increased development of high density housing near rail has air quality benefits. The proximity to the rail stations allow the residents to walk to the stations in a short time thus encouraging increased rail transit use, and reduce vehicle trips and miles traveled (VMT). The distance to the station is especially important because if a resident taking a train drives to the station, however short the drive, the emissions from the vehicle will be significant due the cold start emissions. But if the distance

from the residence to the station is short and the resident can walk to take the train, a trip and the cold start emissions are eliminated. Thus the elimination of the trip is a significant air quality benefit.

Despite the interest in transit-based development, the discussion of transit-based housing has been mainly theoretical. Absent has been hard data on such practical questions as "What are the experiences of housing near rail stations in California?" "Do persons who live near rail transit stations actually use rail transit for their commutes or recreation?" "What governmental incentives have increased high density developments near rail stations?" "Does the rental market provide incentives to locate near rail stations?"

To address these questions, the California Air Resources Board (CARB) contracted with the Transit/Residential Access Center (TRAC) of University of California, Berkeley for a study. Researchers from the TRAC identified major residential projects built or in the process of being built within one quarter of a mile of rail transit stations in and outside California. One quarter of a mile has been suggested in the literature as the maximum distance that commuters are willing to walk to access public transit.

The research focused on relatively large housing developments of at least 50 units built near the stations of six major rail transit lines operating in California: the Bay Area Rapid Transit system (BART), CalTrain, Santa Clara Light Rail, San Diego Light Rail, Sacramento Light Rail, and the Long Beach-Los Angeles Light Rail.

To explore the experience of other urban areas, three non-California rail transit systems were also studied. The major non-California housing developments under

study are located near three large urban areas' rail transit systems: Washington D.C., Atlanta, and Portland.

The project team surveyed selected housing developments. The team sent survey questionnaires to the developers and property managers. They followed the survey with site visits, transit ridership survey of the residents, and in-depth interviews with the developers to examine designs and densities, government incentives, financial viability, and other factors that may provide incentives that lead to increased development near rail transit.

Chapter 2 of this report lists the developments that were identified for study. It discusses the California experience with high density housing near rail transit. Chapter 3 discusses the frequency at which the persons living in the developments actually use rail transit. Chapter 4 sheds light on the incentives that government agencies have used to promote high density housing, and the extent the incentives have been used to promote development near transit. Chapter 5 explains the housing market factors that help explain locating and living near rail transit. Chapter 6 discusses housing developments near the rail transits of Washington D.C., Atlanta Georgia, and Portland Oregon.

CHAPTER 2

MAJOR HOUSING DEVELOPMENTS NEAR RAIL TRANSIT STATIONS IN CALIFORNIA

Interest in high density housing near rail stations have been based largely on theoretical assumptions. To verify the benefits of promoting such developments, data and their analysis must be collected. The TRAC project team searched for housing development that are built or being built within a quarter mile of rail transit stations.

Most commonly, the station proximity has been one of several factors in development. For developers, proximity alone has not been sufficient to justify a project, but has been a significant factor. For example, in the development of Del Norte Place, next to the El Cerrito Del Norte BART station, the Redevelopment Agency of El Cerrito took the lead in assembling land.

The existing and planned projects (see Table 2-1 and 2-2) are mainly of three designs:

(1) three to four stories of residential, with underground parking;

(2) two to three stories of residential above ground- floor retail;

(3) three to four stories of residential mixed with retail and commercial

1. *Three or four stories of residential, with underground or ground-level parking:* This is the most frequent design, of such projects as Verandas at Union City (3 stories above underground parking), Palo Alto Central at Palo Alto CalTrain station (3 stories above underground parking), Foothills at South Hayward BART (3 stories with carports), Mission Wells (3 stories above underground parking), Treat

Commons at Pleasant Hill BART (3 stories with carports), and The Gardens (3 stories above underground parking).

2. *Two to three stories of residential, above ground-floor retail:* This is the design of Del Norte Place, a block from the El Cerrito Del Norte BART station.

Del Norte Place is an attempt to replicate the higher-end retail shops present at the Rockridge BART station: gourmet coffee bars, french pastry cafes, fresh produce and fresh meat-fish-poultry shops. The retail shops are intended to serve the residents of Del Norte Place and also BART riders coming to and from the station by car, bus, and walking.

3. *Three to four stories of residential in a mixed-use project with retail and commercial:* The design of Park Place, near the Mountain View CalTrain station, has a mixed-use development which includes nearly 300,000 sq.ft. of residential, 36,000 sq.ft. of retail, and 164,000 sq.ft. of commercial.

River Oaks Village, the master planned community near the River Oaks Santa Clara Light Rail station, is a second example of mixed-use development: 1,214 residential units when completed, combined with a separate retail center.

Similarly, Renaissance Village near the planned Vista Montana Santa Clara light rail station, features 1541 units with a separate 10,000 sq. ft. retail center.

4. *High-Rise Residential and Retail:* As noted above, the exceptional high-density project near rail transit in the Bay Area is the proposed San Mateo

Center, at the San Mateo CalTrain stop. The Center is a mixed-use project of 331,615 sq.ft. of residential and 24,300 of retail, in a 12-story structure.

Northen California

Eleven major projects have been built in the past five years within a quarter-mile radius of Bay Area rail transit stations. Each of these projects met the survey criteria of over 50 units in size and over 15 units per acre.

Table 2-1

Housing Developments Near Rail Transit In San Francisco Bay Area

Project	Year Built	Type Units	Developer	Densities (Dwelling) Units per Acre
Mission Wells (Fremont BART)	1989-1991	392(rental)	A.F. Evans	35
Treat Commons (Pleasant Hill BART)	1987	510(rental)	Tramell Crow	43
Veranda Apts (Union City BART)	1988-1989	360(rental)	Oewell Partners	36
Wayside Plaza (Pleasant Hill BART) Deco Group				
a. Phase 1	1985-1986	36(ownership)		24
b. Phase 2	1986-1987	60(ownership)		60
c. Phase 3	1987-1988	60(rental)		60
Bay Landing (Pleasant Hill BART)	1986-1988	282(rental)	Oewell Partners	43
The Foothills (So. Hayward BART)	1986-1987	188(rental)	M. H. Podell	33
Mission Bay Condominiums (So. Hayward BART)	1988-1989	52(rental)	Marcotte & Sons	20
Palo Alto Central (Palo Alto CalT*)	1988	74(ownership)	Summer Hill Homes	18
River Oaks Village (River Oaks SCLR**)			Shea Homes	
a. Villagio	1989	273(ownership)		25
b. Elan	1991	941(rental)		25
Park Place (Mt. View CalT*)	1989	370(rental)	Prometheus	49
Villa Mariposa (Mt. View CalT*)	1985-1986	248(rental)	Greenbrier Development Co.	

* CalTrain

**Santa Clara Light Rail

Table 2-2

Housing Developments Near Rail Transit In San Francisco Bay Area Under Construction

Project	Year Built	Type Units	Developer	Units/Acre
Del Norte Place (El Cerrito Del Norte BART)	1992	135(rental)	Ibex Group	30
Park Regency (Pleasant Hill BART)	1992	892(rental)	G B W Properties	43
The Gardens (Fremont BART)	1992	1,065(rental)	M. H. Podell	50
Renaissance Village	1993	421(ownership)	Forest City	43
(Planned Vista Montana SCLR)	(first phase)	1,120(rental)		
San Mateo Center (San Mateo CalTrain) (Being Developed one block from Sam Mateo CalTrain station)		328(ownership) 30(rental)	Wm. Meyer	220

Among these projects, the influence of the rail station has varied. In a few projects (Verandas next to Union City BART, Bay Landing next to Pleasant Hill BART, and Treat Commons next to Pleasant Hill BART) the developer actively sought out a site near a rail transit station. In other projects, the proximity to rail actually was a minor factor. Land costs, rents or sales prices in the area, the usual factors in development decisions, were more important. The M.H. Podell Company developed the Foothills near the South Hayward BART station primarily on the basis of land costs, and only secondarily due to the proximity to BART. Greenbrier Company developed Villa Mariposa near Mountain View CalTrain, with the CalTrain proximity as a minor factor.

Along the Sacramento light rail, major housing developments exist primarily in downtown Sacramento. Four developments have been built since 1987. They are listed in Table 3-2.

Table 2-3

Housing Developments Near Rail Transit In Sacramento Area

Project	Year Built	Number/type of Units
Brannan Court	1988	40 (rental)
Stanford Park	1987	50 Townhomes (Sale)
Riverview Plaza	1988	124 Elderly/Mix. Use rental)
Capital View Apts.	1991	40 (rental)
Windsor Ridge	1987	112 (rental)

The influence of the Sacramento Light Rail Transit in the siting of these projects has been very little. Each of these projects was "in the pipeline" well before the Light Rail Transit opened, and in one case before construction of the Light Rail even commenced. The locations of the projects were driven primarily by access to specific land parcels owned by the two public agencies sponsoring the projects: the Sacramento Housing and Redevelopment Authority (SHRA), which owned the parcels on which Riverview Plaza and Capital View Apartments were built, and the state-chartered Capitol Area Development Authority (CADA), which owned the parcels on which Brannan Court and Stanford Park were built.

The one major housing development built near the Sacramento light rail line outside of downtown is Windsor Ridge Apartments, opened in 1987, the same year as the rail system began service. The development has 112 units on eight acres (14 units

per acre), approximately one block from the present terminus of the Folsom line, Butterfield Station.

Southern California

On the 22 mile Los Angeles "Blue Line" light rail system, from Los Angeles to Long Beach which opened for service in July 1990, the major multi-family residential developments are concentrated near the downtown Long Beach stations. Among the major residential developments built since the Blue Line was announced are those listed in Table 2-4.

Table 2-4

Housing Developments Near Rail Transit In Long Beach

Project	Number/Type of Units	Location
Bellamar	160 (rental)	5th & Pacific
Pacific Shores	78 (owner)	7th & Pacific
Villa Capri	40 (rental)	1st & Long Beach
City Terrace	30 (rental)	1st & Long Beach

The largest project, the Bellmar was built in 1989-1990 by Wesco Realty, a Torrance, California firm. The project is located one block from the Blue Line station. According to Wesco, the proximity to the Blue Line was a factor in the development, though the main factor was the location in downtown Long Beach, near downtown jobs as well as the marina and beaches. The Bellmar is four stories of residential above ground floor retail, with a total of approximately 17,000 square feet of retail space.

A promotional brochure for the Bellmar sets out a number of the luxury features of the building--entry access control, heated swimming pool, rooftop sundeck, fitness center with state of the art exercise equipment--as well as the building's location "just minutes from" Long Beach Airport. Although offering ample parking to residents, the brochure tells residents to "leave your car at home during the week...because the new light rail line linking Long Beach to Downtown has a stop right at the Bellmar."

On the San Diego light rail system, the only major residential projects built near the transit stations have occurred along the East Line. These projects have been concentrated at the stations in the City of La Mesa and at the 47th Street station. The main developments among these residential projects are listed in Table 2-5.

Table 2-5

Housing Developments Near Rail Transit In La Mesa

Project	Number/Type of Units	Nearest Station
Villages of La Mesa	384 (rental)	La Mesa (Amaya)
La Mesa Village Plaza	95 (owner)	La Mesa (LM Blvd)
Park Grossmont	160 (rental)	La Mesa (Amaya)
Creekside Villas	141 (rental)	47th Street
Harbor View	60 (rental)	47th Street

Spring Hill Apartments at the Spring Street station in La Mesa is an additional residential project of 94 rental units one block from the transit station. It was built, though, in 1979, well before the development of the transit line.

The five projects noted above were built with the transit system in mind. They are three to four stories in height: only slightly greater density than the surrounding suburban uses. Three are fully residential projects, while two, La Mesa Village Plaza and Creekside Villas, are combinations of housing, retail, and commercial.

Villages of La Mesa is a combination of two-story and three-story structures. It has 384 units which are spread over 19 acres for a density of slightly over 20 units per acre. La Mesa Village Plaza is a mixed use project of residential, retail, and office. Ground floor retail and office is topped by four stories of residential. The project is of similar density to Villages of La Mesa: 95 units are spread over 5.4 acres, for a density of slightly more than 17 units per acre.

Figure 2-1

Del Norte Place
(El Cerrito del Norte BART Station)

Del Norte Place is located a block from the El Cerrito del Norte BART Station, and was built as "transit based housing", with BART proximity as major sales point. Three (3) stories of residential above ground floor retail, 135 unites at 30 units per acre.

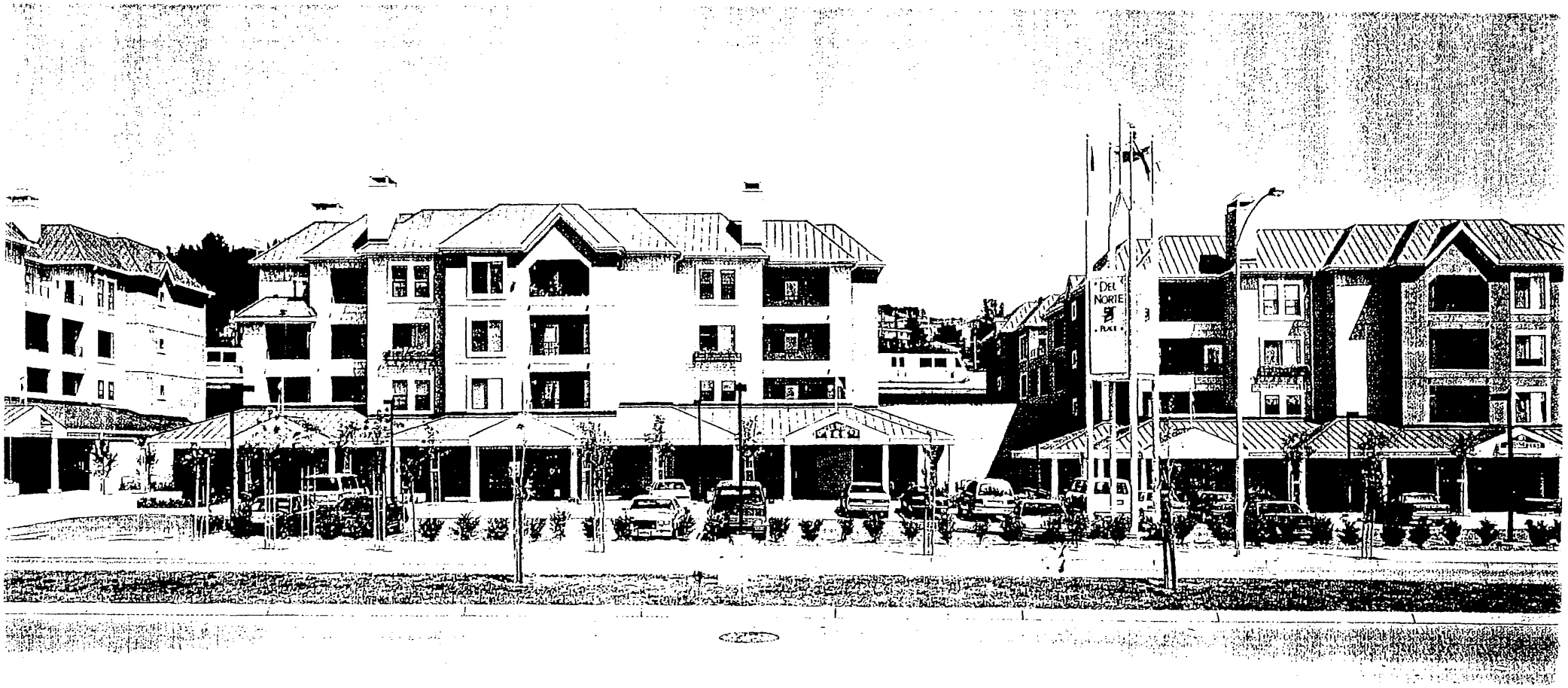
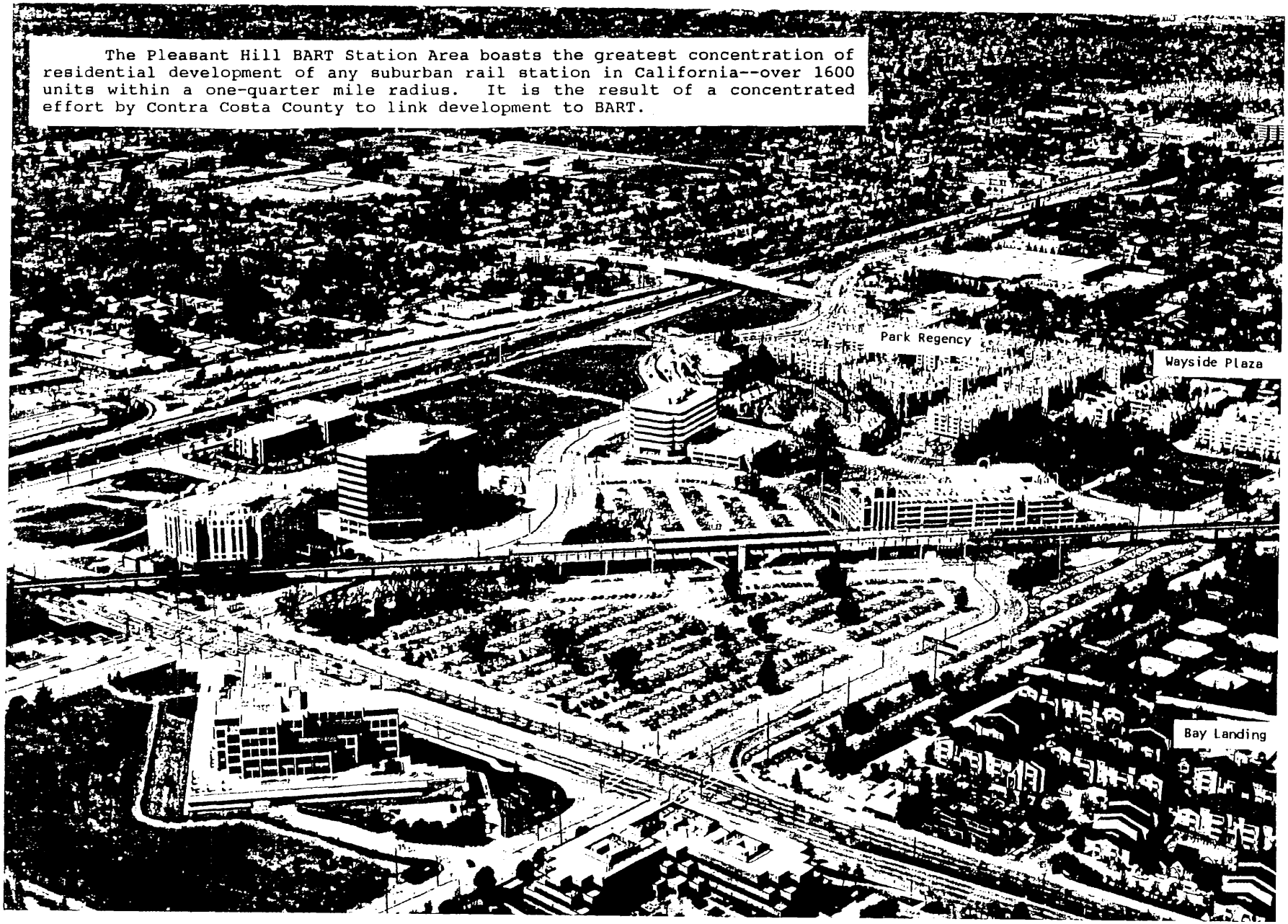


Figure 2-2

Pleasant Hill BART Station Area



CHAPTER 3

TRANSIT RIDERSHIP OF PERSONS LIVING NEAR RAIL TRANSIT STATIONS IN CALIFORNIA

To what extent do persons who live near a rail transit station actually use rail transit on a regular basis for their commutes? To what extent do they use rail transit rather than the auto for recreational use or shopping trips?

To address these frequently-asked questions, TRAC researchers surveyed residents of four of the major residential projects near the BART stations: Treat Commons (Pleasant Hill), the Verandas (Union City), Mission Wells (Fremont), and The Foothills (South Hayward). The results (Tables 3-1 through 3-4) showed considerably higher rail transit ridership among these residents than among the population at large.

The most recent travel estimates by the Metropolitan Transportation Commission (MTC) place rail transit ridership for weekday commutes among all East Bay residents at 8 percent. In contrast, at Treat Commons, 40.5 percent of residents indicated they used the nearby rail transit system, BART (Table 3-1), on a regular basis (at least 4 days per week) for their commutes. At the Verandas, the relevant percentage was 41.1 percent using BART (Table 3-2), at the Foothills 42 percent using BART (Table 3-3), and at Mission Wells 27.6 percent using BART (Table 3-4).

Further, the percentage of persons saying that "if faced with relocation" they would actively seek to live near BART ranged from 67 percent at Verandas, 65 percent at Mission Wells, 62 percent at the Foothills, and 51.3 percent at Treat Commons.

Treat Commons

Forty residents of Treat Commons near the Pleasant Hill BART station were surveyed by phone (Table 3-1). Over 40 percent indicated they used BART for their commute on a regular basis. BART was used for other trips on a less frequent basis, with 57.5 percent of residents indicating they used BART one to three trips per month. Sixty percent cited the BART station as a "main" or "major" factor in choosing their residence, and 51.7 percent indicated they would pay $75 per month or more in additional rent to be near the BART station.

Verandas

Thirty-five residents of the Verandas were surveyed by phone (Table 3-2). The majority of surveys were conducted by the Verandas' staff when residents phoned in work orders; other surveys were conducted on the weekends by phone.

About 42 percent of the residents indicated they used BART on a regular basis for their commutes. Sixty two percent cited BART as a "main" or "major" factor in choosing their residence, though only 10 percent indicated a willingness to pay at least $75 in additional rent to be near the BART station.

Foothills

Fifty-three residents of the Foothills were surveyed by phone by the Foothills staff, primarily on the weekends (Table 3-3). Forty two percent indicated they used BART on a regular basis for their commutes. Relative to the other three surveys, a low percentage, 44.4 percent, cited BART as a "main" or "major" factor in

choosing their residence, and 18 percent indicated they would pay at least $75 in additional rent to be near the BART station.

Mission Wells

Sixty residents of Mission Wells were surveyed by phone by the TRAC staff (Table 3-4). The percentage of BART commuters in Mission Wells was 27.6 percent, considerably lower than the other developments. One explanation for this is the high number of Mission Wells residents who work in the San Jose area, where BART does not currently operate, rather than the East Bay or San Francisco. About 57 percent indicated BART to be a "main" or "major" factor in their location decision, and 25.6 percent indicated they would pay at least $75 per month more to be near BART.

These four residential/rail ridership surveys, the first such surveys in California, are important starting points in building a data base in California on rail transit ridership by proximity to station. They indicate that especially for commute use, persons living near rail transit actually do use the transit system in considerably higher numbers than the general public. The combined survey results are shown in Table 3-5.

Table 3-1

Transit Ridership Survey
Treat Commons Development
Near Pleasant Hill BART Station

How many days do you take BART to work per week?

BART > 4	BART 1-3	Not BART	NA	Total	Pct. commute by BART > 4
15	2	20	3	40	40.5%
					Pct. commute by BART > 1
					10.0%

How many times do you ride BART for other trips each week?

BART > 4	BART 1-3	Not BART	NA	Total	Pct. other trip by BART > 4
1	22	17	0	40	2.5%
					Pct. other trip by BART > 1
					57.5%

How much a factor was the BART station in choosing this project?

Main	Major	Ordinary	not a factor	Total	Pct. factor main or major
11	13	8	8	40	60.0%
					Pct. factor main
					27.5%

Since moving here, have you been riding BART more often?

Much more	Slightly more	Same	Less	NA	Total	Pct. "much more"
6	6	7	4	17	40	26.1%

How much less would you pay if there were no nearby BART station?

X > $125	$125>X>$75	$75>X	0$	NA	Total	Percent $X>$75
8	7	10	4	11	40	51.7%

If faced with relocation, would you actively seek to live near BART?

Yes	No	Don't know	Total	Pct. relocate="yes"
19	18	3	40	51.4%

Table 3-2

Transit Ridership Survey
The Verandas Development
Near Union City BART Station

How many days do you take BART to work per week?

BART > 4	BART 1-3	Not BART	NA	Total	Pct. commute by BART > 4
14	2	18	1	35	41.2%
					Pct. commute by BART > 1
					47.1%

How many times do you ride BART for other trips each week?

BART	Not BART	Total	Pct. other trip by BART > 1
25	10	35	71.4%

How much a factor was the BART station in choosing this project?

Main	Major	Ordinary	Not a factor	Total	Pct. factor main or major
7	15	5	8	35	62.9%
					Pct. factor main
					20.0%

How much less would you pay if there were no nearby BART station?

X > $125	$125>X>$75	$75>X	0$	NA	Total	Percent $X>$75
2	1	6	21	5	35	10.0%

If faced with relocation, would you actively seek to live near BART?

Yes	No	Don't know	Total	Pct. relocate="yes"
22	11	2	35	66.7%

Table 3-3

Transit Ridership Survey
The Foothills Development
Near South Hayward BART Station

How many days do you take BART to work per week?

BART > 4	BART 1-3	Not BART	NA	Total	Pct. commute by BART > 4
21	3	26	4	54	42.0%
					Pct. commute by BART > 1
					48.0%

How many times do you ride BART for other trips each week?

BART > 4	BART 1-3	Not BART	Total	Pct. other trip BART > 4
16	30	8	54	29.6%
				Pct. other trip by BART > 1
				85.2%

How much a factor was the BART station in choosing this project?

Main	Major	Ordinary	not a factor	Total	Pct. factor main or major
14	10	11	19	54	44.4%
					Pct. factor main
					25.9%

How much less would you pay if there were no nearby BART station?

X > $125	$125>X>$75	$75>X	0$	NA	Total	Percent $X>$75
1	6	22	10	15	54	17.9%

If faced with relocation, would you actively seek to live near BART?

Yes	No	Don't know	Total	Pct. relocate="yes"
30	18	6	54	62.5%

Table 3-4

Transit Ridership Survey
Mission Wells Development
Near Fremont BART Station

How many days do you take BART to work per week?

BART > 4	BART 1-3	Not BART	NA	Total	Pct. commute by BART > 4
13	3	31	13	60	27.7%
					Pct. commute by BART > 1
					34.0%

How many times do you ride BART for other trips each week?

BART > 4	BART 1-3	Not BART	Total	Pct. other trip by BART > 4
16	23	21	60	26.7%
				Pct. other trip by BART > 1
				65.0%

How much a factor was the BART station in choosing this project?

Main	Major	Ordinary	Not a factor	Total	Pct. factor main or major
16	18	13	13	60	56.7%
					Pct. factor main
					26.7%

How much less would you pay if there were no nearby BART station?

X > $125	$125>X>$75	$75>X	0$	NA	Total	Percent $X>$75
3	7	8	21	21	60	25.6%

If faced with relocation, would you actively seek to live near BART?

Yes	No	Don't know	Total	Pct. relocate="yes"
37	20	3	60	64.9%

Table 3-5

Rail Transit Ridership by Residents Living Near Rail Transit Stations

Survey Results from Four San Francisco Bay Area Rapid Transit (BART) Station Housing Developments*

Total Responses	Residents' Travel Behavior Measured	Sample Proportions (percent)
167	Commute to work by BART at least 4 times per week	38.5
167	Commute to work by BART at least 1 time per week	43.5
154	Ride BART for non-commute trips at least 4 times per week	21.4
189	Ride BART for non-commute trips at least 1 time per week	70.4
189	Declare a nearby station the main factor in choosing housing	55.0
189	Willing to pay at least $75 more for housing near BART	26.1
189	Would actively seek to reside near BART	61.7

Note:

* The housing developments surveyed are all in California and near the BART stations. They are:

1. Treat Commons in Pleasant Hill
2. The Verandas in Union City
3. The Foothills in Hayward
4. Mission Wells in Fremont

CHAPTER 4

GOVERNMENT INCENTIVIES UTILIZED TO PROMOTE HOUSING NEAR RAIL TRANSIT STATIONS

The local Bay Area governments have offered basically four lines of incentives in the achievement of the region's existing transit-based housing.

1. **Redevelopment powers in assembling land, lowering land costs, and providing tax increment financing**
2. **Tax exempt financing**
3. **Reduced parking requirements**
4. **Density bonuses**

1. Redevelopment Powers

Redevelopment powers have been the most influential incentive in spurring transit-based housing. The Contra Costa Redevelopment Authority, in whose jurisdiction the Pleasant Hill BART station area lies, has helped assemble and write-down land for the development of two projects near the station: Park Regency and Wayside Plaza. The El Cerrito Redevelopment Authority assembled and packaged the land for Del Norte Place near the El Cerrito Del Norte BART station.

Del Norte Place

The El Cerrito Redevelopment Agency initiated the Del Norte Place project by issuing an request for proposal to developers in 1989 as part of its more general redevelopment plan

for nearby San Pablo Avenue. The Ibex group, headed by the general partner, San Francisco-based John Stewart Company, won the competition and entered into a development agreement with the Redevelopment Agency, through which the Redevelopment Agency agreed to the following:

- The assembling and write-down of land. The Agency assembled the land and owns the 4.4-acre site. It is leasing it to the Ibex Group at $1 per year and 15 to 20 percent of cash flow. In effect, the Redevelopment Agency is an equity partner in the venture. The Ibex Group partners contribute $3.7 million in equity financing, and share the $115,000 of annual tax credits for 10 years.

- The use of tax increment financing. The infrastructure improvements and construction cost $14 million, of which over $10 million is financed through a combination of two tax-exempt bond issues, the largest of which is a tax increment bond issue by the Redevelopment Agency.

Park Regency

The area surrounding the Pleasant Hill BART station is part of a redevelopment area formed by the County of Contra Costa. For Park Regency, a project of 892 units, the Contra Costa Redevelopment Agency acquired and conveyed to the developer, GBW Properties, various privately owned parcels. The County Redevelopment Agency also wrote-down land costs to subsidize 15 percent of units for low-income families.

Wayside Plaza

The developers of Wayside Plaza near the Pleasant Hill BART station had completed 156 condominiums in three phases through 1988. In order to facilitate a fourth phase of 211 rental units, to begin in 1992 and be completed in 1994, the Contra Costa Redevelopment Agency entered into agreement with the developer, the Desco Group, to acquire and convey various privately and publicly owned properties. Additionally, the Agency is assisting in tax-exempt financing through an assessment district.

2. Tax-Exempt Financing

Local governments have aided transit-based housing through forms of tax exempt financing: assessment district financing, Mello Roos financing, and Multi-family Rental Housing financing.

Assessment district financing: This traditional form of financing in California for infrastructure improvements enables developers to obtain tax-exempt bond financing for a range of improvements: street paving, sidewalks, curbs, gutters, and local gas and electrical services. For example, assessment financing was made available by Contra Costa County for the Wayside Plaza development.

Mello Roos financing: Mello Roos financing is a variant of assessment financing that also enables developers to obtain tax-exempt financing for infrastructure improvements; in a nutshell, Mello Roos enlarges the types of improvements available under assessment financing, and allows greater flexibility to developers in devising the assessed district. Contra Costa County did a $40 million Mello Roos financing for the development of Park Regency.

Multi-family Rental Housing financing: Multi-family rental housing bonds provide tax-exempt funds for residential projects that reserve at least 20 percent of the units for lower-income households. The city of El Cerrito did a multi-family rental housing bond issue for Del Norte Place.

3. Reduced Parking Requirements

Four projects have been given reduced parking requirements, due to their proximity to transit stations. The developers' views toward such reduction, though, have been mixed: some have welcomed the reduction because of the obvious savings in construction costs; others have regarded reduced parking in their circumstances as a detriment in marketing.

Table 4-1
Government Incentives for Transit-Based Housing

Project	Redevelopment	Tax-Exempt Financing	Reduced Parking	Density Bonuses
Wayside Plaza (Pleasant Hill)	X	X	X	X
Del Norte Place (El Cerrito)	X	X		
Park Regency (Pleasant Hill)	X	X		X
Mission Wells (Fremont)			X	X
The Foothills (South Hayward)			X	
Villa Mariposa (Mountain View)			X	
Treat Commons (Pleasant Hill)			X	
The Gardens (Fremont)				X
San Mateo Center (San Mateo)				X

1. Mission Wells (Fremont BART): In this project, the City of Fremont agreed to a reduction in parking from 2 spaces per unit to 1.65 spaces per unit, which the developer, AF Evans, favored.

2. Foothills (South Hayward): Because of the proximity to transit, the Foothills' parking requirement was reduced from 2 spaces per unit to 1.75 spaces per unit. The developer, the M.H. Podell Company, has come to regard the 1.75 spaces as too restrictive for the South Hayward area.

3. Wayside Plaza (Pleasant Hill): For the first three phases of Wayside's Plaza development, the Desco Group was given a parking requirement of 1.7 spaces per unit. After five years of project performance, the Desco Group has come to regard the 1.7 requirement as too limited for the Pleasant Hill area.

4. **Treat Commons (Pleasant Hill): For Treat Commons in Pleasant Hill, the parking requirement was even stricter than Wayside Plaza, at 1.06 spaces per unit. According to the developer, Trammell Crow Residential, this parking requirement has been too strict, and a serious detriment in marketing.**

4. Density Bonuses

For a number of projects, the local city or county granted density bonuses--the rights to build at higher densities than are otherwise allowed under the existing ordinances--due to proximity to the rail station.

1. **Mission Wells (Fremont), The Gardens (Fremont): The City of Fremont in the 1980's zoned the area around the BART station for high density housing, allowing, at first, 30 units per acre, and more recently, at least 50 units per acre. Mission Wells was built at 30 units per acre, and The Gardens at 50 units per acre.**

2. **Wayside Plaza, Park Regency (Pleasant Hill): To encourage residential densities around the Pleasant Hill station, Contra Costa County zoned for minimum densities of 35 units per acre. Wayside came in at 24 to 60 units per acre, Park Regency at over 70 units per acre.**

3. **San Mateo Center (San Mateo): San Mateo Center at 12 stories has benefitted from the City of San Mateo's zoning for high-rise residential in its downtown area, near the CalTrain station.**

Outside of the Bay Area rail transit systems, the use of government incentives has been very limited. Windsor Ridge on the Sacramento line was developed without government involvement, except normal land use approvals and permitting. The Bellmar, located just outside of the downtown Redevelopment zone in Long Beach, also was built without government assistance, as were Villages of La Mesa in San Diego.

CHAPTER 5

THE MARKET FOR HOUSING NEAR RAIL TRANSIT STATIONS IN CALIFORNIA

When transit-based housing is discussed, it is at times identified with low-cost or below-market housing. In fact, of the 16 existing and proposed Bay Area projects, nearly all are market-rate projects, and a number are higher-end, luxury apartments.

Projects like Palo Alto Central and River Oaks aim at smaller-sized households with financial assets. At Palo Alto Central, condominiums range from $200,000 for a one-bedroom to over $245,000 for two-bedroom townhouses. The advertising material for Palo Alto Central, emphasizes the wood burning fireplaces, private decks, landscaped grounds, proximity to Stanford, and the ability to have "a Palo Alto address at a Mountain View price." This particular advertisement does not mention the proximity to CalTrain, though such proximity is mentioned in other advertisements. The developer of Palo Alto Central Summer Hill homes explains in a letter to TRAC:

> The buyer profile is a white collar worker who is employed locally or commutes by Southern Pacific train to San Francisco, San Jose or the Peninsula. The person is either single between 40 to 55 years old or married between age 28 to 35 years old. The person places a financial priority on housing amenities, a short convenient commute, nearby shopping, and an established community.

The River Oaks consists of two projects: the 273-unit condominium project of Villagio; and 941-rental-unit of Elan. The prices for the Villagio condominiums range from $154,400 to $345,000 (three-bedroom). The brochure for Villagio provides up-scale names for the apartment models of : "Epicurean," "Journalist," "Voyager," and "Designer." At

other projects, rents range for a basic one-bedroom/one-bath from $680 at Treat Commons and $695 at the Foothills to $950 at Park Place in Mountain View.

To determine the market for housing near rail transit stations, TRAC surveyed developers, residents, and compared notes with similar projects that do not promote to rail, and surveyed resident.

1. Survey of Developers:

Eleven developers were surveyed to determine incremental rental value of proximity to rail transit stations. They were asked "Has proximity to the station increased (decreased) rent (sale) values?"

Six of the developers replied that station proximity increased value. They are Verandas, Bay Landing, Treat Commons, River Oaks Village, Wayside Plaza, and Palo Alto Central. Three of the project developers responded that in their view the proximity had no impact on values. They are Mission Bay Apartments in South Hayward, Villa Mariposa in Mountain View, the Foothills in South Hayward. The remaining two did not respond.

Nearly all of the developers claimed that their projects had shown a profit. The exceptions identified factors unrelated to rail transit and common to residential projects in general. Two separate developers of projects near BART claimed that their projects were unprofitable as they were too expensively designed for the local market.

2. Comparison of Rents with Similar Projects Not Near Rail Transit

Four projects were studied for comparable rents, or "comps" with projects in adjacent areas: Treat Commons and Bay Landing in Pleasant Hill, the Foothills in Hayward, and Park Place in Mountain View. Rents were sought for comparable residential projects in the adjacent areas.

The "comps" for Treat Commons and Bay Landing are shown on Table 5-1. Both Treat Commons and Bay Landing show high occupancy rates: 97 percent for Treat Commons and 97 percent for Bay Landing. All of the eight projects surveyed have occupancy levels above 96 percent, reflecting the very strong rental housing market in the area.

For a one-bedroom/one-bath unit, the rents at Treat Commons and Bay Landing are above five of the six other projects. At Treat Commons, the effective rent per sq.ft. for an "A" unit is $1.22, and at Bay Landing it is $1.12. Only Park Place at $1.23 per sq.ft. is higher. For two-bedroom units, Treat Commons and Bay Landing are near the top, lower than only Park Place and slightly lower than the Villas.

The comparisons do no control for some factors such as age of the building (Treat Commons and Bay Landing were built in the late 1980's, while Stoneridge was built in 1971). Still, they provide a starting point for analysis.

The "comps" for the Foothills in Hayward are shown on Table 5-2. A basic one-bedroom/one-bath unit in the Foothills rented for $695 in June 1991, higher than $650 at Austin Commons and $680 at Huntwood Terrace, lower than Waterford ($725) and Clarendon Hills ($720-$780). According to the developer of the Foothills project, these differences in part reflect factors other than transit: Austin Commons and Huntwood

Terrace are in less desirable areas of Hayward, while Waterford and Clarendon Hills are newer projects with superior amenities.

3. Survey of Residents Willingness to Pay to Live Near Rail Transit

TRAC researchers surveyed residents of four of the projects, and asked about willingness to pay more for living near rail transit. They were asked "Under identical conditions, please estimate how much less rent you would pay if there was no nearby transit station?"

The results are shown on Table 5-3. At Treat Commons, 25 of the 29 respondents indicated they would be willing to pay more to live near rail transit. Only 4 said they would not pay more to live near the rail transit station, and 10 declined to comment. The willingness to pay more was considerable among at least 15 of the respondents: 8 said they would pay more than $125 per month -- roughly 15 percent to 18 percent of rent; 7 said they would pay between $75 and $125, and 10 said they would pay up to $75.

At the Verandas, the willingness to pay more for rail transit proximity was considerably more muted: only 9 of the 30 respondents indicated willingness to pay more to live near a rail transit station. Responses at Mission Wells were between Treat Commons and the Verandas: 18 of the 39 respondents indicated a willingness to pay more to live near a rail transit station, 10 willing to pay more than $75 a month more to live near rail transit.

At none of the projects did residents indicate that living near rail transit stations was a detriment or should reduce value.

Table 5-1
Rents for Treat Commons and Bay Landing as Compared to Other Pleasant Hill Apartments

Apartments Within a One-third Mile of a BART Station

1 Bedroom, 1 Bath Apartment

Style		Number	Sq. Footage	Street Rate	Rent Per Sq.Ft.	Deductions Descrip.	Deductions Amount	Base	Specials	Effective Rent	Rent Per Sq.Ft.
Treat Commons	A	206	558	$680	$1.22			$680	0.00	$680	$1.22
510 Units	B	160	674	$750	$1.11			$750		$750	$1.11
415/943-7977	C										
Trammell Crow											
Occupancy 97%											
Bay Landing	A		510	$595	$1.17	W/D	$25	$570	0.00	$570	$1.12
360 Units	B		603	$705	$1.17			$580		$680	$1.13
415/256-8000	C										
Lincoln Property											
Occupancy 97%											

Apartments Not Within a One-third Mile of a BART Station

Style		Number	Sq. Footage	Street Rate	Rent Per Sq.Ft.	Deductions Descrip.	Deductions Amount	Base	Specials	Effective Rent	Rent Per Sq.Ft.
Stoneridge	A		695	$725	$1.04			$725	0.00	$725	$1.04
340 Units	B		770	$745	$0.97			$745		$745	$0.97
415/932-1900											
Sequoia Equity											
Occupancy 98%											
Woodcreek	A		798	$885	$1.11			$885	0.00	$885	$1.11
256 Units											
415/682-2898											
Grupe Mgmt											
Occupancy 97%											
The Villas A		676	$750	$1.11	W/D	$25	$705	0.00	$705	$1.04	
105 Units					Micro	$ 5					
415/939-1926						Park	$15				
Occupancy 100%											
Park Place			570	$700	$1.23			$700	0.00	$700	$1.23
148 Units			660	$715	$1.08			$715		$715	$1.08
415/256-0506											
Park Place Asset Mgmt											
Occupancy 96%											
Park Lake		775	$700	$0.90	FP	$20	$680	0.00	$680	$0.88	
184 Units											
415/930-0559											
Occupancy 98%											
Bridgeport			777	$870	$1.12	Garage	$50	$770	0.00	$770	$0.99
4165/256-8001						Micro	$ 5				
Occupancy 100 %						FP	$20				
						WD	$25				

Table 5-1 (Continued)
Rents for Treat Commons and Bay Landing as Compared to Other Pleasant Hill Apartments

Apartments Within a One-third Mile of a BART Station

2 Bedrooms, 1 or 2 Bath Apartment

Style		Number	Sq. Footage	Street Rate	Rent Per Sq.Ft.	Deductions Descrip.	Deductions Amount	Base	Specials	Effective Rent	Rent Per Sq.Ft.
Treat Commons	A		817	$ 880	$1.08	VC	$30	$ 820	0.00	$ 820	$1.00
510 Units	B		880	$1000	$1.14	FP	$20	$ 940	0.00	$ 940	$1.07
415/943-7977	C					WD	$10				
Trammell Crow											
Occupancy 97%											
Bay Landing	A		955	$1015	$1.06	FP	$20	$ 955	0.00	$ 955	$1.00
360 Units	B					WD	$25				
415/256-8000	C					Park	$15				
Lincoln Property											
Occupancy 97%											

Apartments Not Within a One-third Mile of a BART Station

Style		Number	Sq. Footage	Street Rate	Rent Per Sq.Ft.	Deductions Descrip.	Deductions Amount	Base	Specials	Effective Rent	Rent Per Sq.Ft.
Stoneridge	A		870	$ 860	$0.99			$ 860	0.00	$ 860	$0.99
340 Units	B		1150	$ 905	$0.79			$ 905	0.00	$ 905	$0.79
415/932-1900											
Sequoia Equity											
Occupancy 98%											
Woodcreek	A		1019	$1020	$1.00	Garage	$25	$ 970	0.00	$ 970	$0.95
256 Units	B		1029	$1040	$1.01	WD	$25	$ 990	0.00	$ 990	$0.96
415/682-2898	C		1212	$1215	$1.00			$1165	0.00	$1165	$0.96
Grupe Mgmt											
Occupancy 96%											
The Villas A		956	$ 990	$1.04	Park	$15	$ 970	0.00	$ 970	$1.01	
105 Units	B		914	$ 990	$1.08	Micro	$ 5	$ 970	0.00	$ 970	$1.06
415/939-1926											
Occupancy 100%											
Park Place	A		835	$ 932	$1.12			$ 932	0.00	$ 932	$1.12
148 Units	B		1082	$1062	$0.98			$1062	0.00	$1062	$0.98
415/256-0506											
Park Place Asset Mgmt											
Occupancy 96%											
Park Lake A		988	$ 880	$0.89			$ 880	0.00	$ 800	$0.89	
184 Units	B		1160	$ 900	$0.78			$ 900	0.00	$ 900	$0.78
415/930-0559											
Occupancy 98%											
Bridgeport	A		945	$1030	$1.09	WD	$20	$ 920	0.00	$ 920	$0.97
415//256-8001	B		1011	$1020	$1.02	Garage	$50	$ 910	0.00	$ 910	$0.91
Occupancy 100 %						FP	$20				
						Micro	$20				

Table 5-2

Rents for the Foothills, South Hayward as Compared to Other Hayward Apartments

Apartment Complex	Rates as of 6/6/91
Foothills	
A: 1 Bd/1 Ba	$695
B: 1 Bd/1 Ba	$800
C: 2 Bd/2 Ba	$810
D: 2 Bd/2 Ba	$810
Austin Commons	
1 Bd/1 Ba	$625-650
2 Bd/1 Ba	$770-795
Huntwood Terrace	
1 Bd/1 Ba	$680
2 Bd/1 Ba	$780
3 Bd/2 Ba	$950
Waterford	
1 Bd/1 Ba	$675-725
2 Bd/2 Ba	$775-820
Clarendon Hills	
A: 1 Bd/1 Ba	$720-780
B: 2 Bd/1 Ba	$860-900
C: 2 Bd/2 Ba	$880-995

Table 5-3

TRAC Survey of Residents of Housing Near Rail Transit

"Under identical conditions, please estimate how much less rent would you pay if there were no nearby transit stations?"

	Over $125	$75-125	$0-75	$0	N/A
Treat Commons	8	7	10	4	10
Mission Wells3	7	8	21	22	
Verandas	2	1	6	21	5
Foothills	1	6	22	10	15

CHAPTER 6

HOUSING NEAR RAIL TRANSIT STATIONS OUTSIDE CALIFORNIA: WASHINGTON D.C., ATLANTA, AND PORTLAND

To place California's emerging transit-based housing in perspective, examination was made of transit-based housing on three leading rail transit systems outside of the state: the rail transit systems in Washington D.C., Atlanta, and Portland. While in Atlanta and Portland, the number of transit-based housing developments is still small, in Washington D.C. the Arlington County line has seen a concentration of developments at the Metro stations.

1. Washington D.C.

The Washington Metropolitan Area Transportation Authority (WMATA), operates a 73-mile heavy rail transit system with 63 stations. The system began revenue operations in 1976, and averaged over 472,000 passenger trips per day in 1990.

The system goes from downtown Washington, D.C., into suburban areas of Arlington County, Montgomery County, Fairfax, and Prince George's County. In Montgomery County, the stations at Betheseda, Grosvenor, and White Flint stations all boast high rise residential developments built nearby. It is Arlington County, though, that has been the most aggressive in the siting of housing around rail transit stations. The corridor between Rosslyn and Ballston on the Orange Line in Arlington County features perhaps the most striking examples of rail transit-based development in the country, with high rise residential developments concentrated almost exclusively at to the stations.

Arlington County Planning Department controls planning around each of the stations on the Rosslyn-Ballston corridor. For nearly the past twenty years, the County Planning Department has been aggressive in siting development near the five transit stations in the

corridor, which opened between 1976 and 1979: Rosslyn, Court House, Clarendon, Virginia Square/George Mason University, and Ballston.

The General Land Use Plan of Arlington County concentrates high density uses within walking distance of the Metro stations; tapers densities, heights and uses down to the existing single family neighborhoods; and provides for a mix of office, retail and residential. A number of areas around the stations have specific functions: Rosslyn is a major business center, Court House is the local government center, and Virginia Square is the site of George Mason University. Yet, even within these functions, all of the station areas except Virginia Square have high density residential. At Court House, for example, there are four high rise residential projects, mixed with the Arlington County government buildings.

The Ballston Station area is the most dramatic example of development where office, hotel, and residential are tied to the station. Until 1985, the Ballston station was the end of the line for the Orange Line and the station area featured a large bus terminal. With the extension of the Orange Line to Vienna in 1986, the bus connection was no longer needed. In the next five years, a new town of high rise residential, office, and hotel structures sprang up within a quarter-mile of the station.

Chief among the residential projects located within a one-quarter mile radius in Ballston are:

Project	Number/Type of Units
Summerwalk	173 (owner)
Randolph Towers	509 (rental)/8000 sq.ft. retail
Chase at Ballston	344 (rental)
Ballston Place	139 (rental)
	93 (rental)
Ballston Metro Center	277 (owner)/26,474 sq.ft.retail/203,000 of office
Lincoln Towers	714 (rental)
Quincy Street Station	222 (rental)/180,000 sq.ft. retail/office

Among these projects are 2471 new units. An additional 1,206 units are in stages of pre-construction and development.

Lincoln Towers is 714 residential units, to be completed in January 1992. It is two towers of 22 stories each, with a projected 13,500 sq.ft. of ground floor retail among the towers.

According to the developer of Lincoln Towers, Lincoln Property Company, they actively sought a site near the Metro. Lincoln Towers was built without government subsidies or incentives. It is a market rate project, aimed at more affluent renters, with a one bedroom of 808 sq.ft. renting for $1,025 and a two bedroom of 1,215 sq. ft at $1,385.

According to the leasing agent for the project, the target renters are singles and couples without children, and to a lesser degree, older couples or individuals who no longer want to live in larger suburban homes, and who see living near the rail line as an advantage.

2. Atlanta

Atlanta is a housing market where multi-family construction has typically outpaced single-family lease construction, even after the impact of adverse changes in tax laws and lending practices. While the bulk of multi-family development has consisted of projects with densities of 15-20 units/acre, a number of high-density projects have moved through the development pipeline in the past five years. Numerous other projects have been proposed, though all project development is currently stalled pending improvements in the real estate and financial markets.

Table 6-1 lists the major housing developments near the Metropolitan Atlanta Rapid Transit Authority (MARTA) stations, either built or proposed to be built.

Table 6-1

Housing Developments Near Rail Transit In Atlanta, Georgia

Name	Size	MARTA Stn	Status	Comment
Baltimore Row	15 T.H.	Civic Center	Operational	Historic Renovation
City Chateau	1,200 Units	Civic Center	Approved	Former MARTA Maint. Facility.
Georgian Terrace	294 Units	North Avenue	Leasing	See below.
GLG Grand	129 Units	Arts Center	Under Constr.	Mixed use "stacked" tower: hotel, office, residential.
Mayfair Apts.	323 Units	Arts Center	Leasing	See below
Grandview	226 Units	Lenox	Operational	See below.
The Oaks at Buckhead	217 Units	Lenox	Under Constr.	201 condos and 16 homes.
Villas at Buckhead Hghts	58 Units	Lenox	Selling	Condos. Poor sales
St. James Apts.	100+	Lenox	Operational	Mid-rise rental. Near walk distance to station.
Noble Center	900 Units (Est.)	(Buckhead)	Proposed	Part of mixed use project. Total site is 12 acres.
Capital City Plaza	Unknown	(Buckhead)	Proposed	11.5-acre mixed use project, including HD residential.
Stratford Hall	1,400 Units	(Buckhead)	Proposed	8-acre mixed use project, including HD residential.
Pope & Land Project	2,500 units	(Buckhead)	Proposed 21-acres	Combination of mid-rise and high-rise.
Equitable/Monarch II	Unknown	(Buckhead)	Proposed	Second phase.All-office first phase.

Georgian Terrace

This 294 unit project (196 units/acre) involves the renovation and expansion of a historic property in the rapidly redeveloping Midtown area. It is nominally a mixed use project, though the retail space is a small component of the total area. The project is located one block from an existing MARTA station, though given the owner's desire to renovate this specific historic structure, the proximity of MARTA was not a factor in site selection. The entire project was accomplished in approximately four years without active government involvement.

The cost, location, extensive amenities and marketing of this project suggest it is currently the most "upscale" location in Atlanta, and the asking rents confirm this. Approximately 20 percent of the units are leased, and the developer believes that virtually all residents are middle or upper-middle income, white collar workers. Parking is extensive on site, and the developer believes that tenants view transit service as "nice to have," but that actual usage is very low--limited to special events and a small percentage of airport travelers. Transit is not pushed by leasing agents.

Mayfair (Tower 1)

The 323-unit first tower of this ultimate two-tower project has been leasing since September, 1990 and is now about 75 percent leased. Density is approximately 125 units/acre with the first tower. Unlike the Georgian Terrace project, the developer (Laing Properties, a wholly owned American subsidiary of a British company) actively searched for sites in the Midtown/Arts Center area that were "within 3-4 blocks, but no closer" to a MARTA station. Thus, unlike Club Tower, which is across the street from the MARTA Midtown station,

Laing chose a site closer to existing single-family neighborhoods and some four blocks from the Arts Center MARTA station.

The developer believes that having MARTA nearby is important to Mayfair tenants (whether or not they actually patronize MARTA) and therefore to the project's financial success. Resident surveys suggest that 15-20 percent of existing tenants use MARTA "to some extent."

Mayfair rents are above all other nearby multi-family projects (including Club Tower) with the exception of Georgian Terrace. Mayfair was actually first of the current crop of multi-family projects to receive building approval, and took approximately three years to bring from site acquisition to first occupancy. There is no timetable for the second phase of the project (330 units), and it appears unlikely that it will process in the near future. There was no government involvement in the project, and financial return is expected to be in the six to seven percent range, adequate to Laing but unacceptable to most American lenders, particularly pension funds.

Grandview at Buckhead Heights

The Grandview is the first high-density rental apartment tower in the immediate Lenox/Buckhead area. Like the Mayfair, this project was begun in 1987 and opened in 1990. It boasts the "second-highest" rents in Atlanta, and is now 92 percent occupied (considered to have stabilized). Containing 226 units on 36 floors, it provides an attractive amenity package and is well-marketed. The developer states that cash flow is meeting expectations.

The building is located one block from the existing Lenox MARTA station, and is approximately three blocks from the pending Buckhead station. The project is located within the so-called "Buckhead Superblock," which is slated to contain extensive high-density mixed-use development (including two of the three condominium projects listed in Table 4-6). The developer believes that the transit linkage was absolutely necessary to make the project a success, and looked only at potential sites within walking distance of a rail station. Proximity to MARTA is highlighted by leasing agents and is listed by most residents as a "plus," though actual transit usage is believed to be limited (perhaps 15 percent use transit at least once a month).

The amenity value of transit notwithstanding, the original developer does not believe that proximity to MARTA correlates directly with financial performance now. Grandview is performing well now because of its site, amenities, and management. In his view, the importance of transit should increase in the future.

3. Portland

Along the Portland, MAX light rail line (MAX denotes "Metropolitan Area Express"), the Rockwood Station Apartments and the Windsor Court Apartments are the primary multi-family projects built near the transit stations.

Rockwood Station Apartments

Described by a recent *Portland Business Journal* article (9/30/91) as being "as good as it gets" as far as multi-family development near MAX, the Rockwood Station project was completed in 1990 by David Hunt, a former director of the Portland Development Commis-

sion. The project was developed in one of the transit station mixed-use zones, and through a successful appeal for rezoning, only residential units were included in the project.

Comprised of nine three-story buildings, and at 31 units/acre, the project is among the most dense anywhere in Portland outside of the downtown core. The developer was conscious of the transit line and intentionally sought a site near a transit station; however, he received no direct involvement from Tri-Met or the City of Gresham in the project, and the project was accomplished entirely with private resources.

The owner believes that transit accessibility is a "plus" with residents, and he has sought to implement "joint advertising strategies" with Tri-Met. An onsite resale program for MAX tickets, however, was canceled after a poor response. The project is now over 90 percent leased, though the time to achieve stable occupancy was longer than anticipated. The developer believes the project would not be funded in today's market, with or without MAX, and indeed he is having no success with his attempt to sell the project.

Tenants are a mix of older and younger couples, primarily without children, with household incomes in the $30,000± range. Rents average $500/unit and are comparable with, but not greater than, other post-1985 projects which are not near MAX. (Indeed, they are lower than several of those cited for comparable projects in sales literature.) As with most project analysis, a variety of regional and local market are contributing to market rent setting, including a perceived undesirable character to the immediate neighborhood.

The parking ratio for the project is 1.5 spaces/unit, barely adequate in the developer's view given the large preponderance of two-worker households. This characteristic, he believes, is "here for good" and suggests that less parking than that will make projects unmarketable. The developer also believes that projects in the 30-60 unit/acre range are "completely

impractical," given the required shift in construction methods required above 30/acre (a view echoed by the Metropolitan Homebuilders organization). Densities of 70 units/acre are an absolute minimum when considering high-rise masonry, concrete, or steel construction. The result--despite the HDR-60 zone, the Burnside corridor will see nothing above 30/acre densities for the foreseeable future.

Windsor Court Apartments

Windsor Court is a much less ambitious project than Rockwood Station. While approximately the same density, it is one-third the size and has no common amenities. Access to MAX (a station is virtually across the street) is cited prominently in sales literature, though there is no direct information relating to usage of MAX by residents.

The project was accomplished with market financing and involved no special participation by either local government or Tri-Met. Rents are among the lowest for comparable projects cited in sales materials. The lack of common amenities (pool, spa, etc.) and the very close proximity ("too close") to the MAX station were cited as possible reasons for this. Also, the project has a slightly lower parking ratio than Rockwood Station (1.45 spaces/unit). For all of these reasons, it is being offered for sale at a lower price per unit than Rockwood Station.

CHAPTER 7

PROMOTING TRANSIT-BASED HOUSING IN CALIFORNIA IN THE 1990s

The California Air Resources Board's 1990 guidance paper, "California Clean Air Act Transportation Requirements Guidance" lists among the major transportation system improvement measures for air quality plans, "Land development policies for motor vehicle trip reduction." In defining this measure, a chief approach presented is "Incentives for new development to locate along proposed and existing transit lines."

What are such incentives? How can such development successfully occur along transit lines?

These are the policy questions discussed by TRAC with Air Resources Board staff when this research project was launched. Now, after what TRAC believes is the most complete study done so far of housing built near rail stations in California, it is time to return to these questions.

1. Current State-Level Incentives for Transit-Based Housing

As of December 1992, the state level incentives for transit-based housing are modest. They consist primarily of rewarding municipalities that grant density bonuses to developers who build housing near transit stations. The reward, though, is no more than "consideration" for state bond funds.

In 1990, Senators Quentin Kopp and Leroy Greene sponsored SB2559, the High Density Housing Demonstration Program. SB2559 easily was passed by the legislature and signed by the Governor.

SB2559 provides for the state government to choose at least three demonstration projects throughout the state. To qualify as a demonstration project, a housing development must be within a one-half mile radius of a fixed rail station. Also, the municipality must grant a density bonus of at least 25 percent over the otherwise maximum residential allowed under the local general plan and any applicable zoning.

As initially drafted, SB2559 gave "priority" in state bond funds to higher density projects located near rail. After going through the legislature, this "priority" was reduced to "consideration" in certain bond funds. Other elements of SB2559 also were watered down, including the number of bond funds included, after opposition by the associations of cities and of counties.

The state Department of Transportation, which is administering SB2559, spent 1991 drafting regulations and expects to choose the demonstration sites in Fall 1992. There has been considerable interest among developers, but less among cities and counties. The "consideration" in bond funds is modest, compared to other neighborhood and fiscal considerations.

The idea of siting housing near transit stations has appeared in a steady stream of state government reports and advisory papers, including Does California Need a Policy to Manage Urban Growth? (1989), California 2000: Getting Ahead of the Growth Curve (1990), and California Transportation Directions, Mobility for 2010 (1991). Yet, SB2559 has been the only serious legislation enacted.

In late 1991, the Growth Management Consensus Project, a well-financed project headed by the Center for California Studies at California State University, Sacramento, cited the location of housing near rail transit stations in California as one important goal agreed to by developers and environmentalists. Yet, the Project, a project of the state legislature, has gone no further in setting out specifics.

2. Realistic Incentives for Transit-Based Housing in California

The research undertaken for this report indicates that even without a government action in California, multi-family housing will begin to appear in greater amount within a one-quarter mile radius of rail transit stations.

Developers are taking a heightened interest in such housing--in part due to the collapse of the office market in most areas of California, in part due to the difficulty of building elsewhere in urban areas. The higher costs of auto insurance and the increased gridlock on the roads are driving consumers to place an increasing priority on living near rail transit.

Yet, transit-based housing will emerge slowly and irregularly without more active government involvement. In the current climate, financing of multi-family around rail transit stations is limited as it is for all forms of multi-family financing. Further, even when financing is available, other obstacles arise in neighborhood opposition to densities and in difficulties in assembling parcels.

Three types of incentives are possible:

1. Zoning that limits multi-family housing elsewhere in the municipality.

2. Redevelopment powers or other government assistance in assembling parcels of land.

3. Financial incentives including underwriting land costs, eliminating or reducing local housing impact fees, and/or allowing mixed use development to increase the financial viability of the project.

Taking each of these individually:

1. Zoning and land use: High density housing can be directed to rail transit stations by a complete or partial prohibition against higher density housing densities elsewhere. This approach has been most successfully utilized to develop transit-based housing in the Washington, D.C. Metro corridor of Rosslyn-Ballston. High density residential has been developed around the five transit stations in the area, due in part to the zoning for low density elsewhere in the region. In this case, Arlington County is the sole land use decision-maker for the region.

   In California, blue-ribbon citizen committees have suggested that land use decisions be transferred from municipalities to regional bodies or even state-level bodies. Land use decisions would be made by one body across a metropolitan region, rather that different planning bodies operating within the region. The regional state-level body would be able, as in Arlington County, to encourage density development around rail transit stations by discouraging density elsewhere.

Because of opposition to the regional and state-level decision-making, and such decision-making process appears unlikely. The alternative, though, is a more indirect means of encouraging zoning for densities around rail transit stations.

SB 2559 represents one of these means. It encourages density bonuses through rewards of state bond funds. Another means is the Congestion Management Plan process. The current Congestion Management state legislation requires counties to mitigate the negative transportation impacts of new development. As the ridership surveys in this report suggest, the siting of housing near rail stations offers a form of new housing that carries significantly less automobile commute traffic than housing not near rail.

2. Government assistance in assembling land: The most effective approach so for in California for developing transit-based housing has been the use of Redevelopment powers. The Pleasant Hill BART station represents the most advanced development of transit-based housing in California, with over 2000 units developed in the past five years within a one-third mile radius of the station. The main reason for this result has been the use of the redevelopment powers of the Contra Costa County Redevelopment Agency.

In part, the effectiveness of these powers has been financial incentives available for housing in redevelopment areas. For Wayside Plaza, for example, Contra Costa Redevelopment Agency discounted the price of land in return for 15 percent low income units. A similar write-down of land was done by the El Cerrito Redevelopment Agency to encourage the Del Norte Place Project next to the Del Norte BART station.

In part, though, a main Redevelopment power has been the ability to assemble parcels. For Park Regency, a project of 892 units, the Contra Costa Redevelopment agency acquired and conveyed to the developer, GBW Properties, variously privately owned parcels.

The areas around most of the existing intracity rail stations in California are currently neither empty nor high density. They are mainly low density commercial and mixes of single-family residences and duplexes, with various landowners. Building multi-family projects of some density around these areas will be assisted considerably by government assistance in assembling land.

3. Financial Incentives: Transit-based housing, of course, will be spurred most of all by financial incentives that make building such housing more attractive to developers than building multi-family housing elsewhere. Underwriting land costs, eliminating or reducing local housing impact fees, and allowing mixed use development, are all financial incentives that will spur greater housing activity around California's rail transit stations.

This leads to the main policy recommendation for California government that comes out of the research for this report: the establishment of "Transit-Based Development Districts."

The Districts would replicate some of the powers now given to redevelopment agencies under state law. In particular, the Districts would utilize the concept of tax increment financing now utilized by redevelopment agencies. The Districts also would utilize the power to assemble land possessed by redevelopment agencies.

Though redevelopment agencies have been active in assembling land and subsidizing land costs to build transit-based housing, redevelopment zones are not present at most of California's rail transit stations, nor are they appropriate for these stations. Under the state Community Redevelopment Law, initially enacted in 1951, the use of redevelopment powers requires a finding that an area is "blighted"--characterized by either physical, social, or economic liabilities which require redevelopment.

The Transit-Based Development District would not require a finding of "blight." Instead, the District would be defined by proximity to the transit station: it would include the land within a quarter mile radius of California rail transit stations.

The primary source of district funding would be tax increment financing, the annual difference between the property taxes generated in a project area before the district and the property taxes generated in later years. The increment approach is similar to the tax increment in redevelopment. The increment could be used to provide the financial incentives to spur density housing around stations.

A question has arisen in the past two years regarding the ability of the state legislature to use tax increment for purposes other than redevelopment projects. In 1990, the state legislature enacted the Infrastructure Finance District program (Government Code Section 53395 et seq.) authorizing the creation of tax increment to finance public facilities with an estimated useful life of 15 years or longer. Among municipal finance attorneys opinions differ as to whether the districts are consistent with section 16 of Article XVI of the California Constitution. As no infrastructure finance district has been established in the state, California courts have yet to rule on the constitutionality of the program.

At a time when state revenues are tight, the establishment of a Transit Development District Zone program might seem highly unrealistic. However, the program, like the Redevelopment District program, relies on increment financing. No tax money is drawn from the state General Fund, and sales tax revenue will be generated by the retail and commercial components that are likely to accompany most major housing developments near transit.

Further, through only local and state taxes, Californians are already committed to investing over four billion dollars on rail transit expansions in the next eight years. This report indicates that the siting of housing near transit stations is an important element in maximizing this enormous investment.