

Alternative Approaches to  
The Joint Development  
Planning Process

by

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Submitted to the Department of Urban Studies and Planning  
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ABSTRACT

Joint development is defined as the joint use of a transportation facility for real estate development purposes. Transportation agencies which own developable land can take one of several approaches to joint development. These approaches depend upon two factors: 1) the level of activity with which a transportation agency pursues development opportunities, and 2) the interorganizational environment within which projects are developed. Assuming an active approach, a transportation agency may choose one of three institutional approaches: the cooperative agreement, the internal department and the independent development corporation. These approaches, which have been applied successfully in Washington, D.C., Los Angeles, California, Baltimore, Maryland and Toronto, Canada, have strengths and weaknesses as well and unique implementation requirements.

In most cities, because the planning functions necessary for joint development are shared by a group of agencies rather than by a single development entity, a joint development program must be coordinated within an established institutional framework. A major conclusion drawn from the analysis is that coordination between participants in the joint development process must take place at the earliest possible time. There is no single approach which is most appropriate in a general sense, but the theme of early coordination applies to any joint development strategy.

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## Chapter One

### INTRODUCTION

Urban planners and developers of real estate have understood the significance of the relationship between transportation and land development throughout the past century. However, many cities, especially older cities in the United States, have been developed without consideration of this relationship. In the past twenty years, some municipal governments have been trying to reconcile this conflict by promoting intensive development at nodes, where transportation access is good and efficiencies of space and scale are maximized. At the focal point of these efforts is the process of joint development; the coordination of transportation investments with land development investments.

The development of real estate along transportation facilities has a long history. In the past two decades, the public sector has become involved in promoting the development of property owned by public transportation organizations (especially in new or expanding transit systems). Real estate development which is coordinated with transit system development can generate financial returns to the public sector, improve station and terminal facilities, and (most importantly) promote efficient use of land, leading to more efficient utilization of the transportation system. This higher efficiency can also result in higher development densities, providing an improved return on investment to developers.

Although joint development is considered a usable tool for urban land use planning, a wide range of options exist for coordinating the joint development process. The range of available options and the strategies for successful implementation of joint development is the subject of this thesis. Through case studies of the joint development process in five North American cities: Baltimore, Boston, Los Angeles, Toronto and Washington, D.C., the thesis explores the interrelationships between the organizations participating in the joint development process. Alternative institutional approaches to the joint development coordination process are examined with respect to these cities, each of which has used different strategies in response to unique political environments.

### 1.1 Defining Joint Development

There are several definitions and activity levels associated with the joint development planning process. Joint development, in its broadest definition, involves the joint use of a transportation facility for real estate development purposes. It can be applied to transit system projects planned for construction and to improvements to existing, previously undeveloped station facilities.

Some confusion exists regarding the role of public/private cooperation in the joint development process. Most joint development projects involve private development on publicly-owned transportation property. This thesis, which focuses on the public role in the joint development process, considers



the development of a transportation facility for a complementary or joint use in cooperation with the private sector as the appropriate definition.

## 1.2 Activity Levels

The role taken by the public sector in promoting development at transportation facilities ranges from active coordination to no coordination at all. For transportation projects which are under construction, planners can actively promote development by inviting developers to participate in planning decisions. Developers can then design and construct their project in concert with the transit station development and the revenues from these projects can help pay for the costs of construction.

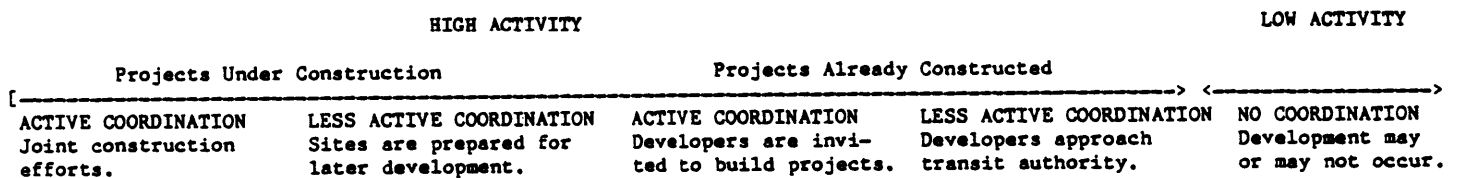
At transportation facilities which are already complete but where air rights or adjacent property is not yet developed, planners can promote development of these parcels. Most projects of this type are constructed at parking lots or land or air space above the transportation facility right-of-way. In older transit systems many joint development opportunities occur at station parking lots and easements over station property.

A transit authority can also take a less active role, allowing developers to approach the agency, rather than soliciting proposals. In Toronto, Canada, the Toronto Transit Commission's development program includes a combination of activity levels. At some stations, developer-initiated proposals are received, while at others, the TTC development staff identifies development opportunities and solicits proposals for the agency.

The least active type of joint development involves little or no cooperation between the public and private sectors. Traditionally, publicly funded transit improvements were constructed in this manner, and any windfalls associated with development adjacent to transit stations were not captured by the public sector other than through tax revenues generated by increases in property value. These levels of activity are illustrated by a continuum in figure 1-1

Figure 1-1

CONTINUUM OF JOINT DEVELOPMENT ACTIVITY LEVELS



In sum, an agency constructing new transportation rights-of-way or an agency which owns valuable transportation property is in the position to promote joint development. The revenues from these projects can serve as a partial source of subsidy for capital and operating costs, and for new or reconstructed stations, the public investment can be a catalyst for increased land values and promising development opportunities. Publicly initiated joint development projects are simply one means to capture the increases in land values for public benefit.

### 1.3 Value Capture

Value capture is defined as the process by which the public shares in the economic benefits from publicly funded improvements and facilities. Examples of value capture, which is also referred to as cost recovery, or benefit sharing, include: 1) joint development; 2) special benefit assessment districts, which are established to assess property owners a fee for "benefitting" from the new public improvement such as a transit system; and, 3) tax increment financing, which involves dedicating the incremental tax revenues generated from the value created by a new development (above a predetermined level) to a specific use. In the past, windfalls from land value increases associated with transportation improvements went to private landowners. Through property taxes, municipalities recouped some of these windfalls, but innovative value capture techniques have only been used over the past few decades.

### 1.4 Equity

There are different views on the equity of value capture. Owners of property adjacent to a transit facility, who will argue that increases in land value are the result of speculative investment, may be unwilling to pay additional taxes. However, policymakers may wish to levy heavier taxes on these landowners to help pay for the public expenditures or to control development. While value capture is a common objective in transit system development, conflicts often arise between the participants in the development process. It is central to this thesis, however, that value

capture is a public right, and that within a negotiating environment characterized by cooperation and sharing of benefits, value capture is a useful tool for allowing the public to benefit from increased land values associated with public improvements.

### 1.5 Model of Institutional Approaches to Joint Development

There are three types of institutional approaches to joint development, each reflecting different interorganizational environments. These are: the Cooperative Agreement, the Internal Joint Development Department, and the Transit Corridor Development Corporation (TCDC). The applications of these approaches are summarized in Table 1-1. Each approach is defined and analyzed in detail in chapter three and within the case studies.

### 1.6 Thesis Organization

The case study analyses are addressed in the context of issues relative to the joint development process including, strategies for the management of risk, the role of the participating public and private organizations, and the appropriate level of interaction between participants both before and during project construction. Underlying these issues is a general question as to the selection of an appropriate strategy for achieving transportation related development goals. The model of institutional approaches, which is the "choice framework" for this question, is the central theme of the thesis.

Table 1-1  
Applications of Institutional Approaches to the Case Study Cities

| <u>Chapter</u> | <u>Transit System</u>  | <u>Approach Used</u>  | <u>Number of Projects</u>   | <u>Notes</u>   |
|----------------|--|---|---|--|
| Four           | Washington, D.C.<br>Metropolitan Area<br>Transit Authority<br>(WMATA)<br>Metrorail     | Internal Department (Department of Planning and Development)  | 7 Joint Development<br>6 System Interface                             | The development department operates without formal agreements but has an extensive internal review process.                                    |
| Five           | Los Angeles, CA<br>Southern California<br>Rapid Transit District (SCRTD)<br>Metro Rail | Cooperative Agreement between SCRTD and other city agencies   | 17 projects proposed  | The agreement reached between these agencies established a three-tiered interaction process to coordinate development.                         |
| Six            | Baltimore, MD<br>Market Center<br>Development Corporation (MCDC)                       | Transit Corridor Development Corporation  | Several development projects at two downtown stations                 | This is one of two TCDC's to be established in the US.<br><br>The agency is housed in the Baltimore Dept. of Housing and Community Development |
| Six            | Boston, MA<br>Massachusetts Bay<br>Transportation<br>Authority (MBTA)                  | Approach is under development- will be a combination of cooperative agreement and internal department | Numerous projects in Southwest Corridor + 13 other projects           | Only one project has been constructed to date.   |
| Six            | Toronto, CANADA<br>Toronto Transit<br>Commission (TTC)                                 | Combination of internal department and cooperative agreement  | Numerous large-scale projects at both suburban and downtown locations | Nine of fifteen downtown stations are accessed via shops.  |

A history of joint development and a review of the literature is presented in chapter two. Chapter three is a description of the framework for coordinating the joint development process (from a practical approach). The interorganizational dynamics and institutional approaches to joint development are also introduced.

The case studies presented in chapters four and five provide examples of the first two of the three approaches to joint development described in chapter three. The Washington Metropolitan Area Transit Authority, analyzed in chapter four, uses the internal department approach, WMATA has successfully developed several station sites while operating within a complex and fragmented organizational environment. The Los Angeles case study in chapter five, which provides an excellent example of the cooperative agreement approach to joint development, traces the evolution of this program and outlines the anticipated functions of each of the development organizations.

Three short cases are presented in Chapter six. These describe: 1) the first example of a transit corridor development corporation in Baltimore, Maryland; 2) the unique coordination process used to develop the southwest corridor transit project in Boston, Massachusetts (constructed as an alternative to a major expressway); and, 3) the earliest examples of a publicly-managed joint development program in Toronto, Canada.

Of the three approaches to joint development, the Transit Corridor Development Corporation, has been implemented in only two cities: Baltimore, Maryland and Portland, Oregon. The Baltimore case is unique because it is one of the few cities to take advantage of the Urban Initiatives program (described in Chapter two).

The Toronto joint development program, widely cited as exemplary, has resulted in development which is closely integrated with transit, which encourages high system ridership and generates revenues.

The Boston, Massachusetts example is one of both missed and emerging opportunities. Traditionally, the Massachusetts Bay Transportation Authority (MBTA) had played a passive role in development coordination, allowing projects to occur, but at the initiation of private developers. Recently, however, the MBTA has embarked upon a station area development program and although opportunities have been missed, many parcels under MBTA control are available for development.

Chapter seven is a summary of the thesis and an outline of policy recommendations for future joint development planning.

## Chapter Two

### THE HISTORY OF JOINT DEVELOPMENT IN THE UNITED STATES

#### 2.1 Introduction

The availability of transportation has been a major factor in the growth and development of cities in their modern form. In the late eighteenth century, access to new housing, employment and leisure uses such as amusement parks outside of central business districts encouraged urban expansion.

Mass transportation was first provided by horse-drawn street railway cars. These were replaced by electric streetcars, the first major technological development in urban transportation. The electric streetcar, which began to operate in the late nineteenth century, provided the basic transportation for American cities before the coming of the auto age.<sup>1</sup> In Boston, the electrification of street railways in the late 1880's and 1890's brought convenient transportation to residential areas of the city. These areas had previously been limited to wealthy individuals who could afford personal transportation to the downtown.<sup>2</sup>

The rapidly growing industrial and manufacturing sectors in the United States provided the impetus for urban expansion. The growth of streetcar networks was fostered by entrepreneurs, many of whom were real estate speculators who wanted to attract new customers for their land.<sup>3</sup> By purchasing large parcels of land for development and constructing streetcar lines to new housing, these speculators encouraged outmigration from older



parts of cities and facilitated the expansion of newer urbanized areas in the earliest form of joint development.

One of the most vivid examples of this phenomenon is the development of Los Angeles, between 1900 and 1910. As historian Daniel Boorstein observes:

The urban sprawl which characterizes modern Los Angeles received its initial impulse from the designs of Henry E. Huntington. In 1900, after inheriting a vast fortune from his uncle, Huntington began to extend streetcar lines in all directions from Los Angeles. Simultaneously, he purchased thousands of acres of real estate along the lines and began developing residential and resort communities. In this way, Huntington constantly recouped the costs of his car lines through the sale of his real estate.

Eventually his streetcar lines, valued at \$100 million in 1910, extending 30 miles from the city, served at least 40 incorporated communities and added 12 suburbs to metropolitan Los Angeles.<sup>4</sup>

Within large metropolitan areas, the development of land adjacent to transportation facilities in the early twentieth century was also recognized as a productive means of commercial development. The Grand Central Terminal in New York City was constructed in the early 1900s after electrified trains first became technologically feasible. Under pressure to improve its facilities, the New York Central Railroad constructed an elaborate new terminal between 1900 and 1914. The track yard remained uncovered until 1928 when these land parcels were developed into office buildings and hotels. On 29 acres of land owned by New York Central, 22 major buildings have been built, including the Pan Am Building, the New York General Building and the Waldorf-Astoria Hotel.<sup>5</sup>

Many of the earliest examples of joint development projects were actually system interface projects, which are projects that provide direct physical connections of pedestrian, vehicular or visual access from adjoining public or private development.<sup>8</sup> System interface has been used in New York City, where major buildings such as Macy's Department store in Herald Square, Madison Square Garden and the World Trade Center have direct links to subway stations.

Throughout the middle part of the twentieth century, entrepreneurs continued to take advantage of development opportunities at the site of transportation facilities. In many instances owners of adjacent property benefitted from access to the transportation system.

After the Second World War, the private transit industry in the United States began to experience dramatic ridership losses, which has been attributed to secular increases in postwar family incomes, rising rates of auto ownership, and idyllic preferences for suburban living.<sup>6</sup> Concern over a possible industrywide collapse in the mid-1960's and early 1970's brought strong cries for public support of transit. Responding to these concerns, government intervened, purchasing and consolidating existing transit systems to create municipal transit authorities. The rebirth of transit had begun.

## 2.2 1960 to 1980

Before the 1970's, many of the system interface projects and the few joint developments did not return significant revenues to the public sector.

One explanation for this phenomenon was the reluctance of elected officials to involve the government in profit-making ventures. Even when government investment was desirable for other purposes such as economic revitalization of urban areas, the public often had other priorities for the allocation of resources.<sup>9</sup>

During this period, new transit systems were planned for Washington, Baltimore, Atlanta and other cities. Similar to the Interstate highway system (which was then under construction), new rail transit facilities were expected to provide increased land values around the stations.<sup>7</sup> Value capture was viewed as a way to generate returns to public investments helping to defray part of the cost of these new projects. Joint development emerged in the 1970's as one means through which value capture could be achieved by public transit organizations.

### 2.3 The Urban Initiatives Program

In 1974, Congressman Andrew Young, representing the Atlanta, Georgia region (the site of a new rapid transit system), introduced amendments to the Urban Mass Transportation Act of 1964. The amendment authorized the establishment of quasi-public transit-corridor development corporations (TCDCs) and allocated funds to be used for joint development. (See Chapter three for a detailed description of TCDCs.)

The Young amendments became the basis for President Carter's 1978 Urban Initiatives program, a part of the 1978 Surface Transportation Act, which expanded federal support for joint development. The program allowed expenditures for preconstruction activities (e.g., design and engineering studies, land acquisition and write down, and real estate packaging) and items which connect transportation with land developments (e.g., pedestrian connections, parking and street furniture. Funds were not available for the construction of commercial revenue-producing facilities or of public facilities not related to public transportation.<sup>10</sup>

The Urban Initiatives program, which resulted from early efforts to institute a federal joint development policy, created new interest in joint development. Experiences with joint development in the early part of the decade proved more complex than anticipated. Because the opposing forces from continued highway construction often lured development away from transit facilities, many joint development projects failed to promote high-density development at transit stations.

Urban Initiatives gave planners new tools to make incremental investments in transit facilities to attract private development, and streamlined the project implementation process.<sup>11</sup> The Urban Initiatives program was designed to encourage private participation in development projects, but the program was funded during a period of high interest rates and economic stagnation. The result was a small number of successful projects.<sup>12</sup> The election of President Reagan in 1980 also marked a sharp change in federal philosophy. Federal support for public transportation was reduced and the

Urban Initiatives program was dismantled. Reagan also implemented substantial tax reforms. Certain provisions of the Economic Recovery Tax Act of 1981, however, made joint development attractive to real estate developers and provided significant tax shelter benefits to investors who participated in real estate projects (see section 3.2.1).

The dismantling of the Urban Initiatives program removed a valuable program which provided policy direction to transit authorities regarding station area development efforts. While UMTA has not enacted a policy regarding joint development since the program was changed, it continues to provide limited funding for efforts similar in purpose to Urban Initiatives.

By the end of the decade, several joint development projects separate from the Urban Initiatives program had been successfully completed in Washington, D.C. and Philadelphia in the United States and in two Canadian cities: Montreal and Toronto. In the short time since the first publicly planned projects were completed, joint development evolved into a usable value capture tool for many transportation organizations. Private developers, encouraged by tax incentives, are recognizing that many downtown areas served or proposed to be served by rail transit are experiencing a renaissance. Developers have begun to recognize opportunities to integrate their projects with transportation facilities and are more receptive to joint development.<sup>13</sup>

Despite this optimistic attitude, the practice of joint development has not become an established value capture mechanism. There are several explanations for this situation. The history of publicly managed joint development is brief and because no two projects are alike, it is difficult to transfer ideas and approaches from one project to another. The combination of inexperience and the difficulty of transferring lessons from one joint development project to new sites has been a major factor causing transportation and development specialists to approach joint development from varying perspectives and levels of effort. There are, however, strategies for approaching certain situations in any development framework. These perspectives and approaches are described in Chapter three and in the case studies in Chapters four through six.

#### 2.4 Review of the Literature on Joint Development

In formulating an analysis of the joint development process, two separate sets of bibliographic materials were reviewed: 1) theoretical literature (including academic research), and 2) materials which have a practical orientation. The majority of the materials published on joint development have a practical, descriptive orientation. The reasons are threefold: 1) the very process of joint development is practice-oriented; 2) areas of academic interest tend to be analytical or evaluative topics (for example, an analysis of the land value impacts of transit improvements as a basis for special value capture techniques); and, 3) practitioners of joint development have a great demand for descriptive materials.

With the exception of the Southern California Rapid Transit District-sponsored research findings,<sup>14</sup> the published materials do not adequately address the alternative approaches to the joint development coordination process; a topic which bridges the gap between the practically-oriented information and the analytically-oriented research.

Because the demand has been for simply-written "how to" materials on joint development, most of the publications have focused on practical approaches to the development process. In order to analyze the process in detail, it was necessary to review three discrete areas of analysis, all of which are more theoretically-oriented: 1) real estate development; 2) transportation planning; and, 3) organizational analysis. Suggestions for further reading are: Wiedemer for real estate development economics;<sup>15</sup> Meyer & Miller and Altshuler for transportation planning and policy development;<sup>16</sup> and, Beckhard and Kotter for organizational dynamics.<sup>17</sup>

Three publications on joint development written for practitioners are: 1) Transit Station Area Joint Development: Strategies for Implementation by the Administration Management Research Association (AMRA);<sup>18</sup> 2) Joint Development and Value Capture in Los Angeles: Local Policy Formulation, by the Southern California Rapid Transit District (SCRTD);<sup>19</sup> and, 3) Joint Development: Making the Real Estate- Transit Connection, by the Urban Land Institute (ULI).<sup>20</sup>

The books by the AMRA and ULI both argue that the benefits of joint development are significant, and that given the proper environment and a substantial amount of patience and perseverance, joint development can be a favorable value capture strategy. SCRTD's book focuses on the alternative approaches to joint development and the station area planning process.

2.4.1 AMRA, which analyzed the relationships between transit and development, found that the land value impacts of transit vary widely and in many cases are not significant. They also found that:

- o Transportation improvements act largely to redistribute development within a region rather than to create new development;
- o Positive land value impacts at transit station areas are dependent factors in addition to transit itself; and,
- o It is difficult in the practice of joint development to separate out the effects of transit from those of other factors, particularly on a parcel-by-parcel basis.<sup>21</sup>

The AMRA argument is basically valid. If officials planning the construction of a new transit system implement strategies to concentrate development at transit stations, several goals can be achieved (see Chapter three). In addition, if the development around a transit station is of high quality and in a strong market, transit access is likely to have real economic growth benefits beyond a regional redistribution of development. Officials must be cautious, however, not to attribute excessive land value increases to transit access but must create a balance between transit and other factors.



2.4.2 SCRTD's publication resulted from an actual joint development planning study. The authors describe a series of organizational and institutional issues associated with joint development planning in Los Angeles. Having analyzed the joint development projects coordinated in the late 1970's and early 1980's, SCRTD identified a major problem area in need of resolution. The authors wrote that, "A major constraint to joint development is the division of local jurisdictional authority with no one entity to oversee coordination of land use and transportation planning."<sup>22</sup>

SCRTD argues that the transit authority must take an active approach to joint development and have different options for project coordination. (see Chapter five.) In addition, the authors describe a process which is extended beyond what was traditionally known as joint development, referring to the overall process as a "station area development program." Because the process includes other value capture techniques such as system interface projects and because the planning of transit stations includes the area around it, this extension is appropriate.

2.4.3 The Urban Land Institute's publication on joint development is a seminal work. ULI is a research organization sponsored by the development community whose research is oriented toward developers. The book was written in response to what was perceived as "a paucity of information on the joint development implementation process." Through case studies, the report reviews the planning and negotiation efforts that were involved in the execution of seven major projects in five United States and Canadian

cities. The case studies, which are oriented to private developers, include analyses of the public participation process. In addition, the book describes the theoretical bases for joint development, defined both in practice and in theory:

In practice, joint development can be defined concisely as the development of real estate projects in relation to public transit stations...In theory, joint development is based on the trade-off which business firms (or households) face between rents (or location costs) and transportation costs. Access to a new transit system reduces transportation costs and results in higher rents at those stations. A developer who pays for the rights to develop what is presumed to be more valuable land, will want to use the property more intensively. Intensity of use is translated into greater density. Therefore, the theoretical definition of joint development is based upon the agglomeration of people-intensive activities around transit stations in order to maximize the benefits of reduced transportation time and costs.<sup>23</sup>

ULI categorizes the levels of accessibility created by transit into three groups: 1) improvement of general or regional accessibility, which provides access to a previously unserved area; 2) improvement of accessibility at specific sites, particularly in downtown areas which are already developed; and, 3) improvement of internal circulation within the downtown area, through the construction of inside concourse-type facilities which protect from weather and promote interstore traffic. (Toronto and Montreal, Canada have utilized this technique extensively-see Chapter six.)<sup>24</sup>

Finally, the ULI report categorizes the relationship between real estate development and transit station development into three levels: 1) air rights development which requires large-scale planning, negotiation

and deal-making; 2) adjacent development across or next to a transit station which requires less complicated planning; and, 3) area development at high densities with the transit station as the focal point.<sup>25</sup> (This thesis considers all three categories with an emphasis on air rights development.)

The Urban Land Institute's main argument, in the case studies and in the conclusions in the book, is that the process of joint development is more complex than ordinary real estate development projects; there are lessons to be learned from the experiences which the book describes. This argument is supported in the Los Angeles case study in Chapter five. In Los Angeles, the Southern California Rapid Transit District's approach to joint development was developed with full consideration for the problems which occurred in the Washington, D.C. joint development process (see Chapter four) and other cities described in the various publications on joint development.

## 2.5 Summary

The evolution of the joint development field and alternative approaches to it are well summarized in "The History of Joint Development," an article by Kenneth Cook of the Transportation Research Board. Cook concludes:

If by joint development we finally come to mean coordinated land and transportation development, considering the impacts of each on the other, then the future prospects for joint development are good. If we mean a method for identifying mutually beneficial transportation improvements to land developers and transportation providers, then we will see further use of joint development projects.<sup>25</sup>

The need for close project coordination underlies almost all of the published materials on joint development. Earlier works were skeptical about the prospects for success because public officials overstated the public benefits of development at transportation facilities, while understating the need for comprehensive station area planning and interagency cooperation. In the more recent literature, by Public Technology, Inc. and by SCRTD, which is more optimistic, the central theme is the coordination process, which is described in the next chapter.

#### ENDNOTES

<sup>1</sup>George M. Smerk, "200 Years in Transit," Mass Transit, 3, No. 7 (July-August, 1976), pp. 4-9.

<sup>2</sup>Sam B. Warner, Streetcar Suburbs: The Process of Growth in Boston, (MIT Press, 1962).

<sup>3</sup>Ibid., p. 60.

<sup>4</sup>Daniel Boorstein, Portraits from the Americans: The Democratic Experience (Random House, 1975), p. 87, cited by Robert Witherspoon, "Transit and Urban Economic Development: How Cities Could Use Transit As a Development Tool; Why They Don't; What to Do About It." in Transit Journal, Volume 5, No. 2, 1979, p. 63-78.

<sup>5</sup>Administration and Management Research Association of New York City, Inc., Transit Station Area Joint Development: Strategies for Implementation. Volumes 1 & 2. (Urban Mass Transportation Administration, 1976), p. 47.

<sup>6</sup>Robert Cervero, Intergovernmental Responsibilities for Financing Public Transit, (Institute for Urban and Regional Studies, University of California, Berkeley, Urban Mass Transportation Administration, 1983), p. 9.

<sup>7</sup>Kenneth E. Cook, "Joint Development: A Historical Perspective", in Land Use and Transportation, (newsletter, Transportation Research Board, 1982).

<sup>8</sup>Washington Metropolitan Area Transit Authority, "Policies and Procedures for Station Area Development Activities," (Management Memorandum # 713) October 5, 1981.

<sup>9</sup>Cook, 1982.

<sup>10</sup>Edward Weiner, Urban Transportation Planning in the United States: An Historical Overview, (United States Department of Transportation, 1983), p. 70. This distinction remains significant today because UMTA, which finances capital acquisitions requires that all "surplus" properties be sold, and the revenues returned to them. As a result, few "surplus" properties exist and are often put to other transit-related uses as intermodal facilities, park and ride lots and other uses.

<sup>12</sup>Urban Land Institute with Gladstone Associates. Joint Development: Making the Real Estate-Transit Connection, (U.S. Department of Transportation, 1979), p. 18.

<sup>12</sup>Through the Urban Initiatives program, which lasted from 1978 through 1980, UMTA invested \$49.5 million in nine joint development projects. While most of the projects have yet to be completed, a preliminary review of these projects concludes that the money was well spent. An analysis of cost per additional rider illustrates that UMTA spent substantially less on urban initiatives than on capital expenditures for rail construction projects. (see Keefer, 1983).

<sup>13</sup>Greg Dahlberg, Counsel to U.S. House of Representatives Committee on Appropriations, speech given at 1984 Annual Meeting of the Transportation Research Board.

<sup>14</sup>Refer to: Southern California Rapid Transit District, Joint Development and Value Capture in Los Angeles: Local Policy Formulation, (Urban Mass Transportation Administration), 1983), discussed in Chapter three.

<sup>15</sup>John P. Wiedemer, Real Estate: The Money Angle, (Reston Publishing Company, 1983).

<sup>16</sup>Alan Altshuler, The Urban Transportation System: Politics and Policy Innovation (MIT Press, 1979) and Michael D. Meyer and Eric J. Miller, Urban Transportation Planning: A Decision Oriented Approach, (McGraw-Hill, 1984)

<sup>17</sup>Richard Beckhard, Organizational Development: Strategies and Models, (Addison-Wesley, 1976) and John Kotter, Organizational Dynamics: Diagnosis and Intervention, (Addison-Wesley, 1978).

<sup>18</sup>AMRA, 1976.

<sup>19</sup>Southern California Rapid Transit District, Joint Development and Value Capture in Los Angeles: Local Policy Formulation, (Urban Mass Transportation Administration), 1983).

<sup>20</sup>Urban Land Institute, 1979.

<sup>21</sup>AMRA, (Volume II-Economic Case Studies), pp. 1-5.

<sup>22</sup>SCRTD, p. II-6.

<sup>23</sup>ULI, p. 17.

<sup>24</sup>Ibid, p. 21.

<sup>25</sup>Ibid, p. 22-23.

<sup>26</sup>Cook, 1982.

## Chapter Three

### THE JOINT DEVELOPMENT FRAMEWORK

The process of joint development is characterized by a variety of approaches, skills and complex, lengthy negotiations. This chapter describes the framework of joint development planning, including the benefits resulting from successful projects, the necessary capabilities of joint development planners, the participants involved and their objectives. A model of institutional approaches to joint development is introduced and discussed in terms of the interorganizational relationships between joint development agencies.

#### 3.1 The Benefits of Joint Development

Joint development can assist in the achievement of regional goals for transportation, urban design and economic growth. Two types of benefits are associated with joint development: 1) direct, revenue producing benefits and 2) long-term benefits to the transit authority and the public at large. These are described in detail in Joint Development: Making the Real Estate-Transit Connection, by the Urban Land Institute with Gladstone Associates.

3.1.1 Direct Benefits- A successfully planned and well-utilized joint development can result in increased transit system ridership, especially during off-peak hours. This is most evident at central city joint developments, which have proved to attract transit patrons as customers.<sup>1</sup>

In addition to ridership increases, joint developments can generate revenues (through value capture) to a transit agency from lease payments and, if a project is successful, through overage rents (a percentage of revenues above a fixed level paid directly to the transit authority).

Transit authorities which are either expanding or constructing new rail lines are looking at value capture techniques as a source of local contribution to construction financing. In Los Angeles, the Southern California Rapid Transit District expects to generate revenue from early station joint developments and then finance a portion of subsequent system expansion projects (see Chapter four).

3.1.2 Avoiding Disruption- During the lengthy process of rapid transit system construction the physical disruption to land adjacent to the transit right-of-way can be substantial. A joint development project which is coordinated at the beginning of system planning can assure an early balance between transportation access and future use of the land near a station.

3.1.2 Long Term Benefits- Apart from construction cost subsidies, the value created by the combination of rail system expansion and station development can provide a valuable resource for the future. In the United States, the Urban Mass Transportation Administration (UMTA) is the agency which finances and administers most transit system capital improvements.



UMTA grant requirements specify that if property for which it funds acquisition costs (usually 80%) is sold, then the grant recipient must return the same percentage of the proceeds to UMTA.

As a result of the UMTA rules, very few joint development parcels are sold. Instead the parcels are leased for long terms, usually 99 years.<sup>2</sup> The benefit of these leases, however, is that in the late 21st century, when the system built in the 1970s is in need of reconstruction, the transit authority still owns a valuable parcel of land which can be re-leased or sold to generate capital funds for reconstruction.

3.1.3 Cost Efficiencies- In new or expanded transit system construction projects, certain efficiencies are achievable through the coordination of project elements. If a joint development is planned for a site and construction plans incorporate future development, capital and operational cost savings are possible. At one joint development in Washington, D.C. (International Square), the developer's foresight led to a combined construction effort that reduced the developer's construction costs by one million dollars. At Washington Street station in Boston, an efficient sequencing of renovation of construction efforts allowed the Jordan Marsh department store and the Massachusetts Bay Transportation Authority to share facilities and costs.<sup>3</sup>

3.1.4 Growth Management- A spinoff benefit of coordinated development is the promotion of higher densities at or adjacent to station locations. The incremental cost of providing city services and utility hookups to

these sites is substantially less than the cost of a new low-density development location. Other benefits of a more consolidated growth pattern include energy conservation, alleviation of auto-induced pollution, and the preservation of open space.<sup>4</sup>

3.1.5 Increased Developer Returns- Private developers see an increased return on investment as a primary benefit of joint development.<sup>5</sup> This results from improved access and the associated higher rents, which are analagous to those charged of small retailers in a suburban shopping mall anchored by a major department store, which is the attraction (see section 2.2.2). In Toronto, nine of the fifteen downtown subway stations are connected with shopping concourses. In some stations, the shopping concourse is the only route to the station (see Chapter six).

3.1.6 Other Benefits- Joint development can also contribute to improved urban design and community amenities. By incorporating transit facilities into the design of developments, a more harmonious design can result.<sup>6</sup> At the community level, joint development can help achieve land use goals, provide a catalyst for urban (re)development and broaden the tax base.<sup>7</sup>

### 3.2 The Participants, their Objectives and the Risks of Joint Development

Each of the participants in the development process has a set of objectives and risks relative to a project or group of projects. In planning, goals and objectives are the foundation of public policy development. In public/private partnerships it is essential that the objectives and roles of

all parties involved be clearly understood from the inception of a project. A well structured joint development deal is one that meets the objectives of the public sector agencies, the developer, and the permanent lender.<sup>8</sup> As with any real estate project, joint developments have many risks; the management of these risks is a primary objective of all actors involved.

3.2.1 The Developer- The real estate development end of joint development project including project coordination, the organization of financial resources and negotiations, are usually coordinated by the private developer.<sup>9</sup> Developer objectives fall into two categories, return on investment and professional reputation.

Return on investment is measured in terms of three indicators: 1) the net income generated from the development, measured by deducting expenses and debt service from revenues; 2) the appreciation in value, measured by the profit from the eventual sale of a more valuable development in the future; and, 3) the sheltering of otherwise taxable income.

Tax shelter is measured by the "on paper" losses derived from depreciating a proportion of the asset each year, deducted from the net income before taxes. When the depreciation expense exceeds net income, there is a negative tax due, which enables the property owners to deduct these losses from taxes due on other personal income.

The second objective of the developer, the maintenance of a professional reputation, is also important. Joint development projects receive high

exposure and often involve complex negotiations between many participants. Risks to the developer include possible construction problems, increased project costs, unfavorable lease terms, and poor market acceptance. It is important that the amount of risk to the developer and investor is reduced to an acceptable level in order to maintain a high standards of performance.

Developers constructing a joint development project with a public agency may also have an interest in continuing that professional relationship. For example, in Boston, at the proposed joint development of the Route 128 train station, the developer is coordinating the first major joint development for the Massachusetts Bay Transportation Authority, an agency which owns many developable parcels. The developer may want to participate in these future projects, and a strong performance on the first project is important (see Chapter six). In Los Angeles, it is the stated policy of the Southern California Rapid Transit District that in the selection process for future ventures, it will favor developer teams who are successful in early projects.

3.2.2 The Lender- There are many sources of capital for large-scale development and the lenders vary from project to project. In major real estate developments, long-term financing is obtained from insurance companies and the pension funds of large corporations. Additional capital is often raised by inviting equity participation through limited partnership syndications. The availability of funds from either source is subject to an assessment of the income and returns of a project.

Lenders require assurance of debt repayment and that the interest payments yield a rate of return which is competitive with the prevailing conditions in the capital markets. When projects appear less promising, lenders require some form of participation in project income. Typical risks to a lender include a clouded title to the property, poor market acceptance of the project, and constraining lease requirements.<sup>10</sup> Due to the complexities of real estate deals in joint development, lenders may require a stable stream of the income generated from a project, referred to as a participatory loan.

3.2.3 The Lead Public Agency- As described in Chapter one, there are several public sector agencies involved in the joint development process and in most cities, the transit authority serves as the main coordinating agency. In cities where several organizations are involved in the joint development process, control over development rights is sometimes a source of conflict. In cases of control disputes, participants can form joint committees and intergovernmental agreements to formalize the coordination of development projects as in Los Angeles (see Chapter five).

Public agencies place more emphasis on policymaking and planning objectives than on financial objectives.<sup>11</sup> Risks to the public sector tend to be measured in political terms because several causes exist for project failure, including that: 1) the proposal was not appropriate for the site; 2) the chosen developer was unqualified to conduct the project; 3) the developer, however competent, was either too large or too small for the project; or, 4) the real estate market was too "soft" to support the project.

Typical joint development objectives for a public transit agency include: 1) the generation of revenue; 2) the enhancement of station facilities; 3) the maintenance of station operations; and, 4) the generation of increased transit ridership. At the regional level, agency objectives include coordination of local zoning policies, promotion of controlled regional economic development, and maintenance of the status quo with respect to the transportation network.

The achievement of these objectives is often difficult to measure. In many cities, the transit authority must achieve a balance between financial objectives and transportation objectives. For example, a development project may yield a significant lease payment to the transit authority yet not promote utilization of the transit system. In addition, a project may improve transit ridership and generate revenues but may generate other vehicle trips for which the existing roadway network is not designed. On the regional level, large-scale development projects at transportation nodes should be complemented by policies which promote such development patterns.

3.2.4 Local Officials- Under the constraints of regional objectives, local officials can assist in the development process. Municipalities can prepare for joint development by identifying potential projects and understanding the process. This includes monitoring potential development sites as identified by the transit authority which fall under local jurisdiction; 2) identifying development prospects by surveying existing transportation facilities within a municipality; and, 3) establishing a formalized review and approval process within the extant local planning body.

Local officials can help build public support for a joint development project by demonstrating a commitment to developers and lenders. To prepare a site for joint development local officials can adopt local land use plans or amend zoning ordinances to encourage development of a site.

3.2.5- Strategies for the Management of Risk- Joint development projects can be risky for both the political proponents and opponents of a project. Local officials who support a project through the expenditure of public funds risk project failure and the associated political ramifications. To minimize the potential for project failure, public officials can assume some of the risk associated with the development. Localities can do this by reducing project costs, or creating a market for a project. Strategies available to reduce project cost include: tax exemption or abatement; write-down of land costs; and, contributions of infrastructure improvements (see Chapter four, section 4.4).<sup>12</sup> To create a market for a project, the public sector can lease space, support prospective tenants by offering to construct public facilities such as parks, or provide other complementary facilities.<sup>13</sup>

### 3.3 Capabilities Needed to Coordinate Joint Development

The Southern California Rapid Transit District has identified six planning functions which are necessary for public agencies to coordinate joint development: 1) comprehensive planning and redevelopment coordination; 2) station siting and design; 3) real estate project packaging; 4) interagency representation; 5) financial leveraging and value capture; and, 6) permitting.<sup>14</sup>

In most cities these planning functions are shared by a group of agencies whose roles are geared to the task of each function. For example, a redevelopment authority may have project packaging capabilities while a regional planning agency may have interagency representation. The diversity of existing capabilities is one reason for approaching joint development within an established institutional framework (see section 3.4).

The staff of a joint development agency should possess certain skills and institutional capabilities. The joint development staff, including planners and negotiators, should have experience in real estate law and finance. Professionalism is important to private developers, who can be reluctant to negotiate with public officials. For example, in Toronto, Canada, one reason for the successful joint development program is the professional approach of the Toronto Transit Commission real estate staff (see Chapter six).

According to Public Technology, Inc., in its 1984 book on joint development, the public sector should also possess specific powers and resources to 1) influence the design of the facility, 2) enter into agreements and contracts with private developers and other actors involved with the process, 3) enforce those agreements, and, 4) market the completed projects.<sup>15</sup>

These capabilities are common to all development projects. If the public sector is to take an active part in the development of transit station areas, then it must establish a formal institutional framework. This framework must include all organizations which have a role in the public joint development process.



Although the transit authority takes on the leading role of coordinator in most joint development projects, these projects cannot proceed without the cooperation of the other public agencies involved (even peripherally) with development. The lead agencies must develop a set of clearly defined policies and procedures for joint development and must include consideration of the roles of other organizations involved in the joint development process. The case studies which follow this chapter will evaluate the extent to which these requirements are met.

### 3.4 The Institutional Framework for Joint Development

As defined in Chapter one, joint development is the development of real estate which occurs at or adjacent to transportation facilities. Several factors will vary, including: the degree of cooperation between the public and private sectors, the timing of joint development planning and the level of initiative taken by participants.

While joint development has several interpretations and applications, the institutional approach to joint development most often falls into one of three categories: 1) the cooperative agreement approach; 2) the internal department approach; and, 3) the independent development corporation approach. These approaches are defined below.

3.4.1 Cooperative Agreement- This involves the enactment of formal cooperative arrangements between the government organizations which have a role in the joint development planning process. In most instances the

transit authority serves as coordinator of joint development. The roles of other agencies are clearly defined and the individual powers of the agencies including zoning, project packaging and land acquisition are combined into a single entity which operates through formal cooperating committees. The cooperative agreement approach is characterized by a strong working relationship between cooperating agencies. For example, in Los Angeles, three interagency committees were formed through the cooperative agreement to resolve interagency disputes early in the planning process (see Chapter five).

3.4.2 Internal Department- This is a professionally staffed joint development department within the lead (usually transit) agency whose sole responsibility is to identify, develop, and manage joint development projects. The staff of an internal department must be highly skilled in real estate development planning and analysis and must be able to negotiate directly with developers. In addition, this department must be able to represent the concerns of the transit agency and should have a formal internal coordination process in order to present a single, agreed upon perspective to developers. This approach is preferred by transit agencies which have clear control over system construction or rehabilitation projects.

Relationships between an internal joint development department and outside groups are usually weaker without a cooperative agreement (see the discussion of Washington, D.C. in Chapter four). An internal joint development department has a strong relationship with developers, however,

and under certain conditions, such as one in which the transit agency has full control over development rights, the internal department approach may be a more suitable alternative.

3.4.3 Development Corporation- In some cities, such as Baltimore, Maryland, the logical approach for development coordination is a quasi-independent transit corridor development corporation (see Chapter six). These corporations are often established solely to coordinate joint development projects. While development corporations are used occasionally in large scale urban redevelopment projects, the concept is new to the transit industry.

The amendments to the Urban Mass Transportation Act introduced by Andrew Young in 1974 authorized and recommended the establishment of TCDC's. Once considered as the most appropriate institutional approach to joint development, only two TCDC's have actually been established. Because TCDC's are based on quasi-public redevelopment corporations, they tend to have good relationships with developers and other public officials, and are often perceived by developers a more "professional" public agency.

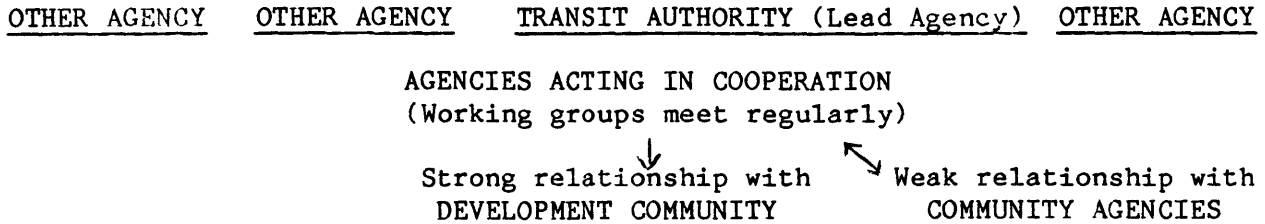
The structure of relationships between organizations in the three approaches varies substantially. Each of the approaches is characterized by different levels of interaction between the transit authority, local governments, and the development community<sup>27</sup>.

The model of institutional relationships is illustrated in figure 3-1. The links between and among the various agencies and developers are shown and the direction of the flow of information and authority is hypothesized. Examples of each of these institutional approaches to joint development are presented in the following chapters. In several of the cases the joint development entity is a combination of two approaches. This is common in other North American joint development programs.

Figure 3-1

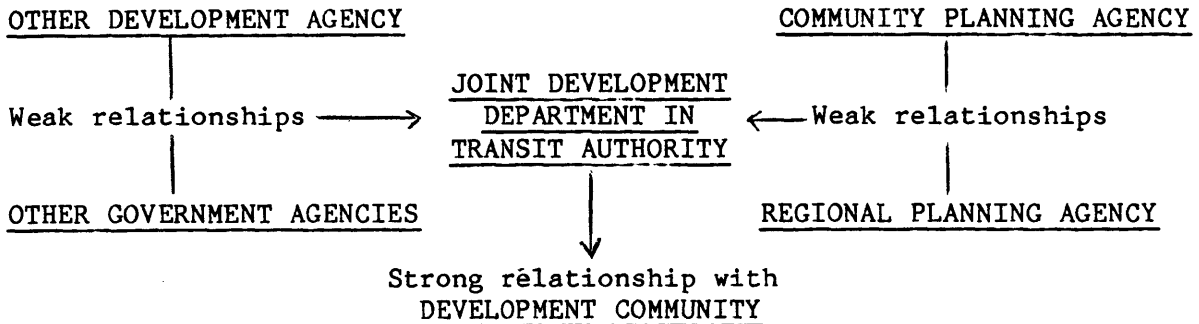
MODEL OF AGENCY INTERACTIONS IN THE JOINT DEVELOPMENT PROCESS  
Three Institutional Approaches

COOPERATIVE AGREEMENT APPROACH



Agency powers are combined to form an entity with development packaging capabilities.

INTERNAL DEPARTMENT APPROACH



Because developers must negotiate permits with local and regional bodies, the lack of formal interactions often characterized by this approach can delay and occasionally obstruct the development process

\*

TRANSIT CORRIDOR DEVELOPMENT CORPORATION



Agency powers are assigned to the TCDC.

\*

As applied to the Market Center Development Corporation in Baltimore, MD

ENDNOTES

<sup>1</sup>Urban Land Institute with Gladstone Associates. Joint Development: Making the Real Estate-Transit Connection, (U.S. Department of Transportation, 1979), p. 212.

<sup>2</sup>As a result of this requirement residential development of condominiums is not possible because land must be owned by the tenants of the development.

<sup>3</sup>Ibid., p. 13 (see Chapter six).

<sup>4</sup>Ibid., p. 212.

<sup>5</sup>Ibid., p. 212.

<sup>6</sup>Ibid., p. 213.

<sup>7</sup>Southern California Rapid Transit District, Joint Development and Value Capture in Los Angeles: Local Policy Formulation, (Urban Mass Transportation Administration), 1983), p. VI-4.

<sup>8</sup>Urban Land Institute, p. 228.

<sup>9</sup>Ibid., p. 231.

<sup>10</sup>In Toronto, most transit properties are designed to accomodate development, but almost all of the projects resulted from developer initiative. This is changing with system expansion (see Chapter six.

<sup>11</sup>Public Technology, Inc. Joint Development: Handbook for Local Officials. Draft Report. (U.S. Department of Transportation, September 7, 1983), p. 25.

<sup>12</sup>Urban Land Institute, p. 101.

<sup>13</sup>Ibid., p. 232.

<sup>14</sup>SCRTD, Metro Rail Project Milestone 12 Preliminary Draft Report-System Plan, cited in Susan Jones O'Carroll and Gary S. Spivack, "Joint Development and the Los Angeles Metro Rail: A Status Report. (Southern California Rapid Transit District, 1983).

<sup>15</sup>Public Technology, Inc., p. 13.

## Chapter 4

### WASHINGTON, D.C. CASE STUDY

#### 4.1 Introduction

The station area development program in the Washington D.C. metropolitan area is an example of the internal department approach to joint development. Construction of the regional rapid transit system is underway in Washington and the Washington Metropolitan Area Transit Authority (WMATA), through its Office of Planning and Development, has completed seven joint development and six system interface projects. WMATA, which is pursuing additional projects as the system expands, has accomplished this in a highly-fragmented, multi-jurisdictional environment.

WMATA has taken the lead in coordinating station development and cooperates with its communities. The agency's Board of Directors, which is comprised of representatives from each of the three jurisdictions of Maryland, Virginia, and the District of Columbia, has developed a joint development policy in which full coordination between these bodies is a critical element to the successful completion of projects. In addition, WMATA promotes high density development at transit stations through the development of nodal centers served by transit as well as by an adequate roadway system.

WMATA has established procedures internally to promote concentrated development. Despite the existence of these procedures, however, there is no systemwide development framework to ensure that this form of land use is encouraged. Several successful joint development projects have been completed without either a systemwide framework or formal cooperative agreements between participating agencies. The detrimental effect on the region is difficult to measure, but a comparison of different counties in the metropolitan area illustrates the difference that coordinated land use and transportation planning can make. This chapter considers this issue and presents an analysis of WMATA's internal department approach to the station area development process.

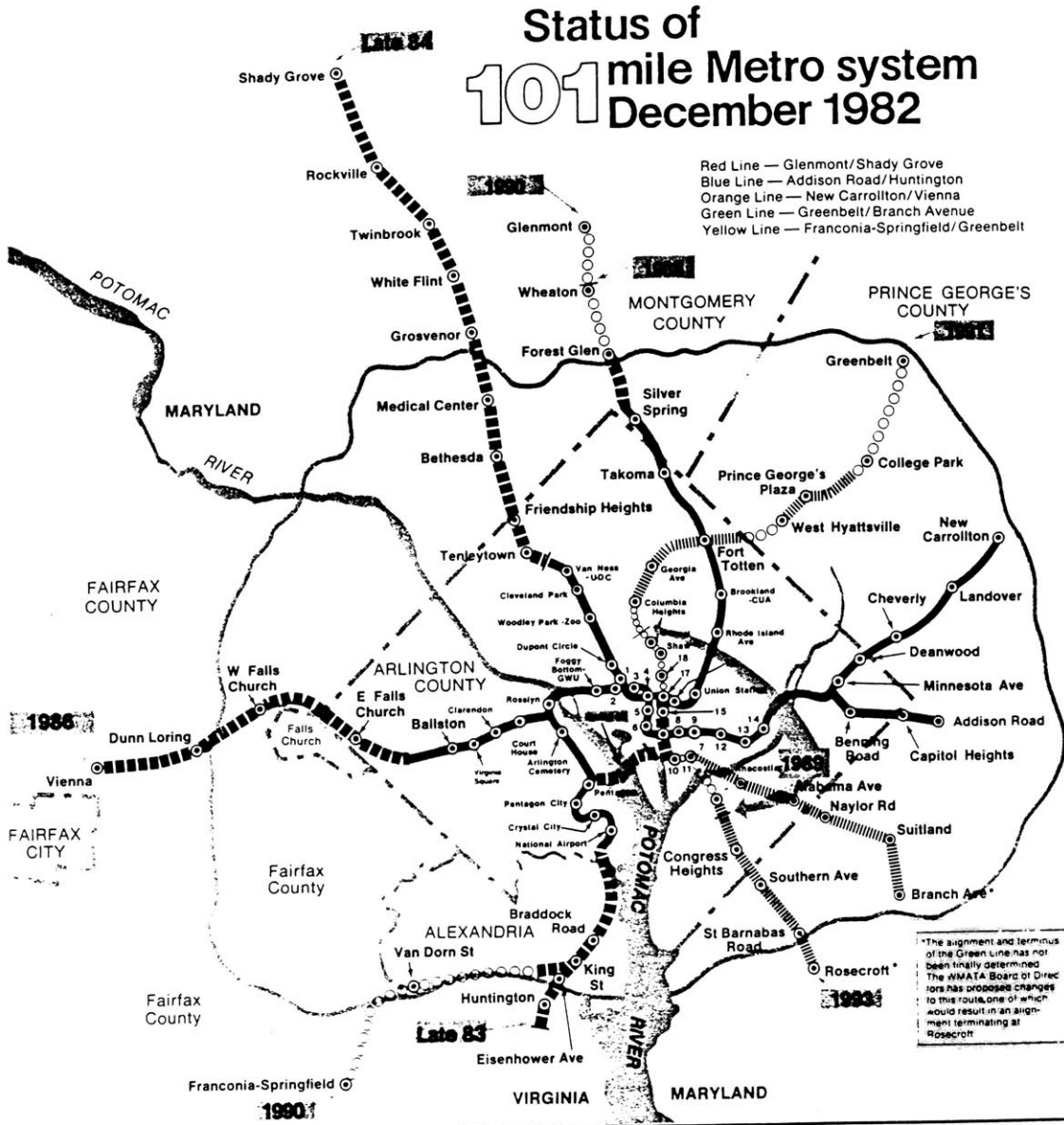
#### 4.2 System Construction

By the end of 1984, the Metrorail system, begun in 1969, will include 60 stations and 61.4 miles of rail. Completion of 101 miles of rail and 86 stations by 1996 is scheduled, although changes in funding could alter this.<sup>1</sup> See figure 4-1 for an illustration of the rail network.

The Metrorail project has cost five billion dollars since construction began in 1969. The original estimate for the cost of the entire system was \$2.5 billion. Inflation, delays by federal, state, and local governments, strikes, and storm damage have more than tripled that cost estimate.<sup>2</sup>



Figure 4-1



**LEGEND**

- Operating Lines 39.12 miles 44 stations
- ■ ■ ■ Under Construction or Substantially Complete 32.4 miles 22 stations
- ○ ○ ○ Under Final Design 19.78 miles 12 stations
- ■ ■ ■ Remainder of System 9.88 miles 8 stations
- ■ ■ ■ Projected start of operations for this segment based on approved schedule. Applies to all stations inbound from this point.

Total mileage—101.18  
 Total stations—86

- |                      |                      |
|----------------------|----------------------|
| 1. Farragut North    | 10. Waterfront       |
| 2. Farragut West     | 11. Navy Yard        |
| 3. McPherson Square  | 12. Eastern Market   |
| 4. Metro Center      | 13. Potomac Ave      |
| 5. Federal Triangle  | 14. Stadium-Armory   |
| 6. Smithsonian       | 15. Archives         |
| 7. L'Enfant Plaza    | 16. Judiciary Square |
| 8. Federal Center SW | 17. Gallery Place    |
| 9. Capitol South     | 18. Mt Vernon Sq-UDC |

**M** Washington Metropolitan Area Transit Authority  
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 Department of Public Services, Office of Public Affairs  
 Paul Willis, Editor  
 637-1247

As a result of its high cost, many critics have suggested that the system should not be completed. This is unlikely, however, as WMATA is governed by the elected officials of Maryland, Virginia, the District of Columbia and their appointees. Many of these politicians have committed themselves to supporting the system's completion, especially suburban board members, who have witnessed the completion of the initial central city segment of Metrorail. Having already contributed millions to the project, they are anxious to see stations in their jurisdictions open.

Metrorail construction is financed with federal funds matched by local funds on either an 80%/20% or 85%/15% basis, depending on the specific law that applies to the source of the federal funds. The local portion is paid through long-term bonds, state grants and general revenues in each of the local jurisdictions. Other revenue sources, such as lease payments from joint development projects and rental fees from concessions, are not dedicated to system construction projects (see section 4.7).

#### 4.3 The Participants in the Station Area Development Process

Although funds generated from WMATA development projects have not been dedicated to system construction, planners of the system recognized that some revenues could be raised by developing WMATA-owned property. In 1975, when system construction was well underway, WMATA coordinated its first joint development projects at Farragut North station in downtown

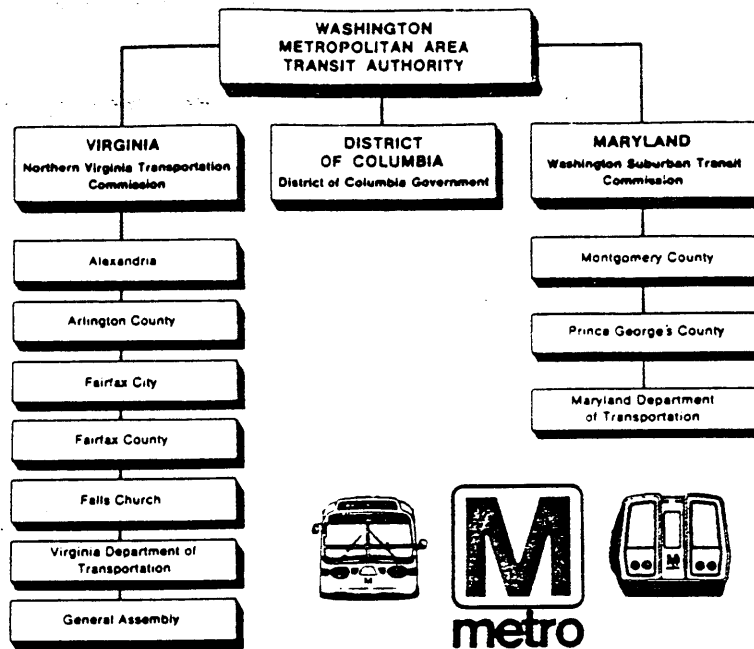
Washington and at Rosslyn Metro Center in Arlington, Virginia. (The project, a mixed-use air rights development which includes busbays, offices and a hotel and is one of the few land parcels which WMATA sold rather than leased to a developer, has been a commercial success.)

As Metro's construction program progressed, it became increasingly evident that substantial benefits could accrue to WMATA by implementing a more comprehensive and professionally-managed station area development program within the agency.<sup>3</sup> While WMATA does not own substantial developable property, it does own a number of small parcels,<sup>4</sup> and the value of the real estate held by WMATA is substantial. WMATA expects to generate \$25-30 million in annual leasehold revenues from all of the planned joint development projects by the time the system is completed (see section 4.6).<sup>5</sup>

Outside of WMATA there are several participants in the Metrorail planning process, each with unique requirements related to development. The main forum for interagency coordination and policy development is the WMATA Board of Directors. (Refer to figure 4-2 for an illustration of the board's composition.)

Figure 4-2

# Metro Structure



4.3.1 The Federal Government and the District of Columbia- While the federal government does not formally serve on the WMATA board, federal input is ensured by the budget appropriations process. Each year, the federal government, as the largest landowner in Washington, makes a payment in lieu of property taxes to the District. Until 1973, the District had to coordinate city policy with the federal government and did not have its first mayor until this time, when home rule legislation was passed. The District maintains zoning review powers over development around Metrorail stations.

The federal government also strives to coordinate state and local government planning and development activities with federal construction through the National Capital Planning Commission. NCPC's planning

jurisdiction for Metrorail stations is limited to federal land affected by route alignments and station locations. The NCPC has not promoted joint development projects at stations which it controls.

4.3.2 The State of Maryland- In the Washington suburban counties, the State of Maryland has granted zoning and planning powers to the Maryland-National Capital Parks and Planning Commission, the staff of which answers to elected County Councils in Prince George's County and Montgomery County. Cities in Maryland, with the exception of three, generally rely on the planning commission for planning and zoning services.<sup>6</sup> MNCPC, which is regarded as a highly-skilled planning agency, has worked closely with WMATA on several projects, including the Bethesda Metro station (see section 4.4.3).

4.3.3 Virginia- Virginia's cities are independent of its counties, and Alexandria, Fairfax and Falls Church, the largest cities within the WMATA service area regulate their own planning and development. Fairfax County is the exception, where the state is responsible for roadway construction.<sup>7</sup> As a result of the division of transportation responsibilities, Fairfax County has not experienced the level of joint development which is commercially feasible (see section 4.4.3).

4.3.4 Metropolitan Washington Council of Governments- MWCOG is the regional planning agency for major local governments and their governing officials. Similar to many of the metropolitan planning organizations in the United States, MWCOG develops a regional plan with which all

municipalities must conform. Although MWCOG does not have significant power in the station area development program, it has conducted a number of in-depth studies on Metrorail.

#### 4.4 The Internal Joint Development Department

Planners of Metrorail have been aware of the development impacts of the project since before construction began. It was not until 1969, however, that the Board of Directors considered the issue in earnest. According to Lee Skillman of the WMATA Office of Planning and Development:

Henry Cord, who was director of real estate at WMATA, created a special projects branch in 1969, wishing to hire the best people he could to coordinate development. This was in response to a request from Woodward and Lothrop, a major department store chain, which wanted a direct connection to the Metro Center Metro station. At that time, the WMATA Board of Directors approved a policy for system interface projects, which established the concept that WMATA could earn money from these projects, charging for more than just the cost of connection. At Connecticut Avenue and L Streets, which was to be the site of Farragut North Station, WMATA was approached by a developer who wanted to coordinate development of the station. At this time, WMATA began to realize that they should pursue these opportunities more closely.

At that time, Skillman was working out of the Office of Planning, coordinating system planning issues with the communities in the region focusing mostly on station design issues. Because he was interested in the impacts of stations on adjacent land uses, Skillman went out to the communities to try to convince them that the new stations would have a significant impact on development patterns and land use in general. Local officials were encouraged to travel to Toronto and Montreal to study the

development impacts of the transit systems there. In some of these cities, especially Montgomery County, local officials responded to these concerns by planning land use and transportation more closely (see section 4.4.3).

Because of these early efforts, in 1977, Cord and Skillman identified Bethesda as the site of a potential, large-scale joint development. They sought to produce a master plan to complement the surface transit facility and parking lot planned for the site. Cord agreed to coordinate with MNCPC to develop the master plan. At this point, WMATA began to recognize that the Office of Planning and the Real Estate Office were duplicating efforts related to station area development.

In 1981, a new general manager, Richard Page, agreed to establish a separate development branch to coordinate future station development projects. Cord directed this office with a staff of five professionals. Three of these individuals have experience in real estate transactions (appraisals, sales negotiations and brokerage). Two more have background in urban design and planning (although one of these positions is currently vacant). The sixth professional staff member is a development finance expert who conducts computer analyses of all development projects. Cord eventually moved to a similar position in Los Angeles (see Chapter five). Most of the experts on the staff were hired from either the planning or real estate departments at WMATA.<sup>9</sup>

The Development Branch is housed within the Office of Planning and Development and is guided by the following goals and objectives:

#### Goals

- Enhancement of levels of mass transit use;
- Conservation of petroleum-derived energy;
- Allocation of resources in a more optimal fashion;
- Reduction of urban sprawl;
- Encouragement of quality development.

#### Objectives

- Reduction of energy consumption
- Increased transit ridership;
- Reduction of travel time;
- Addition of real property to the tax rolls;
- Increase in tax base;
- Improvement of cost/benefit ratios of public goods and services provided by local government; and,
- Provision of revenue to WMATA for subsidy offset.<sup>10</sup>

According to WMATA's Management Memorandum regarding station area development:

This organizational structure recognizes the close inherent relationship which exists between Metro(rail) system planning and land development functions. It also serves to sharpen the focus organizationally of a development mechanism to local area<sup>11</sup> governments, the development community and to the public.

4.4.1 Intra-Agency Coordination- The Development Branch is normally staffed by seven professionals, two more than the original five. The Office of Planning and Development falls under the control of the Assistant General Manager for the Department of Public Services, who is responsible for the "administration, management, planning and implementation of the development program."<sup>12</sup> This office must coordinate internally with the engineering, construction, contracts management and operations offices.



WMATA identifies station development opportunities using a three-to-five year work program and using a process of: 1) preliminary study; 2) identification of potential sites; 3) internal discussion and analysis; and, 4) development of a screening and disposition plan. After the plan is developed a project prospectus is prepared and distributed to the development community. Once proposals are received, a selection committee is established to review proposals. (This process is outlined in a flow chart, presented in figure 4-3.)<sup>13</sup>

4.4.2 Interagency Coordination- Once the process of screening potential developments and the disposition of properties has been completed internally, the staff of the Planning and Development office continues to coordinate the proposed development activity with the local government bodies involved and other non-WMATA entities.<sup>14</sup>

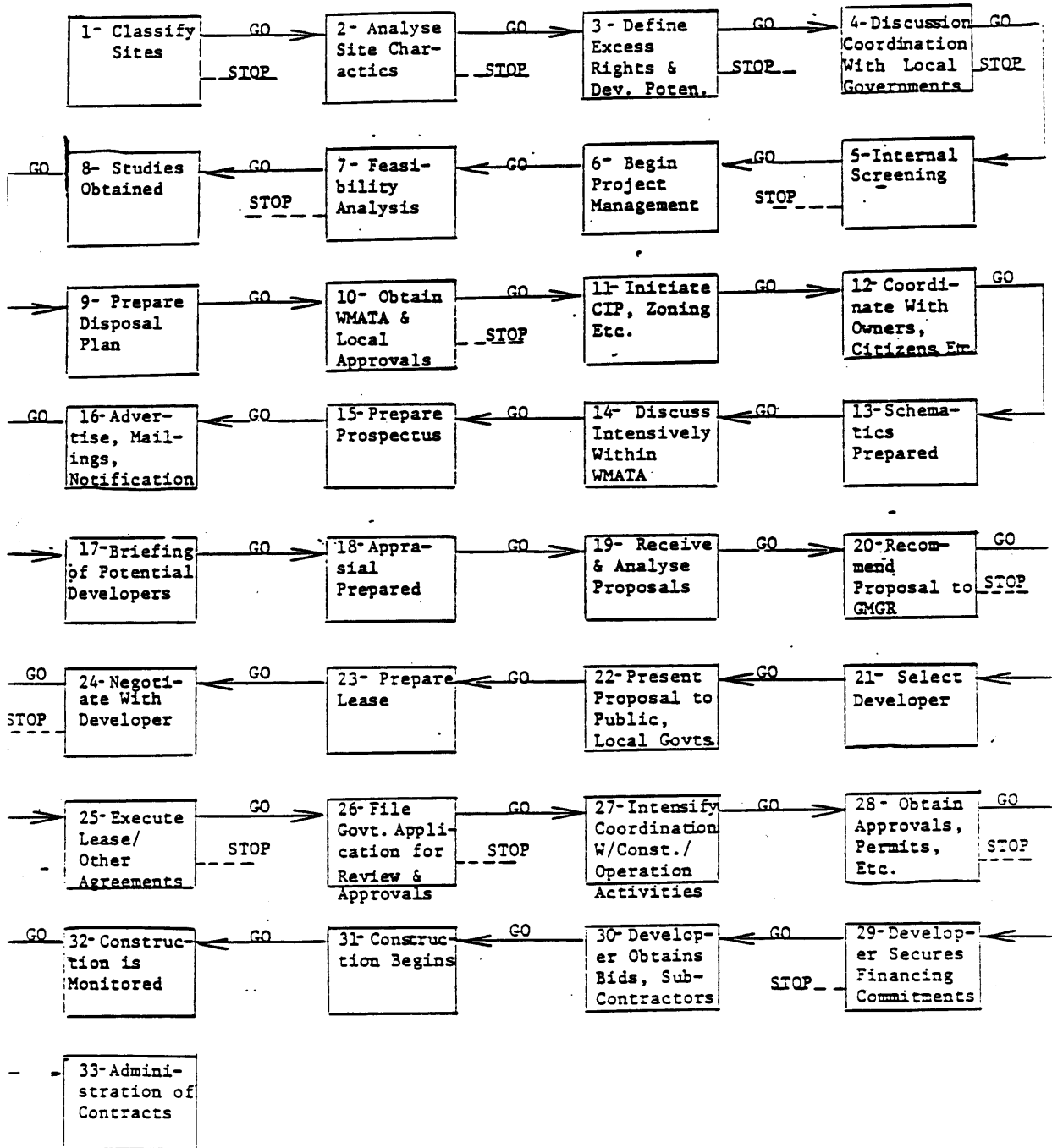
According to Lawrence Goldstein, a development specialist at WMATA, the process of local coordination is useful.

Because all large projects involve a zoning change, WMATA looks to meet with local jurisdictions from a project's inception. In initiating projects, WMATA identifies the market scale, design scale and technical options and shares this information with the localities. This is especially true in Montgomery County where optional method zoning exists. In order to obtain the necessary densities and other requirements for successful joint development projects, those projects normally have to go optional method zoning. All proposals of this scale have to be submitted to and approved by the planning commission. The meetings run from love meetings to hate meetings.<sup>15</sup>

WMATA must operate within an environment characterized by several levels of government whose policy objectives sometimes conflict. Despite an improved internal framework for station area development, there are

Figure 4-3

FLOW CHART OF  
WMATA JOINT DEVELOPMENT PROCESS



difficulties in achieving station area development goals within the existing interorganizational environment. Because no formal body for project coordination exists outside of the WMATA Board of Directors, occasional conflicts arise between participants.

4.4.3 Development Conflicts- The Washington region has experienced rapid development over the last two decades. (Refer to a discussion of development impacts of Metrorail in Appendix A.) At some of the suburban Metrorail stations, developers have constructed high density buildings which generate unanticipated vehicular traffic. In some instances, excess traffic capacity designed into the system for WMATA related development has been used up before a WMATA development was officially encouraged. Local officials have not been able to restrict most of the development nor have they constructed additional roadway capacity, thus creating policy problems for WMATA.<sup>16</sup>

As a result of these conflicts, roadway traffic capacity is a critical element in determining of project feasibility. Unpopular projects have been challenged by residents who cite traffic concerns. According to Goldstein:

Opposition based on traffic is the biggest source of problems because traffic projections are easily contested. Everyone comes up with their own numbers. Even if a project is considered favorable by all parties, some cannot be constructed. For example, in Fairfax County the capacity of the road system is so far behind the demand that the prospects for large development projects are extremely limited.<sup>17</sup>

Although the concerns based on traffic may not be valid, if there is substantial citizen opposition, projects are not approved. According to the MWCOG, projects are also stopped due to the lack of a formalized, systemwide development framework.<sup>18</sup> To remedy these shortfalls, at some Virginia station sites, developers have begun to address transportation problems themselves by constructing their own improvements to the highway system. The need for this type of response is changing, however, as local officials are recognizing the need for additional planning.<sup>19</sup>

Establishing a more formalized development framework is a difficult process in a region with many separate jurisdictions. Those localities which have met the overall requirements for large scale developments at transportation facilities have reaped tremendous benefits. For example, Montgomery County, Maryland, is characterized by one of the wealthiest household median income levels in the United States. An entire business industry related to Washington has evolved in the suburban cities of Silver Spring and Bethesda.

Planning in Montgomery County is conducted by the MNCPC (see section 4.3.2.), with which the Office and Planning Development has had a long standing, close relationship. MNCPC is one of the few planning organizations to have conducted analyses of travel patterns and development trends long before the system had reached the County and developed policies which set limits on the quantity and location of development.<sup>20</sup> In some instances, the public sector has not done what is needed and the private sector has gone forward and developed projects.

In contrast to Montgomery County, neighboring Prince George's County, the other Maryland county served by Metrorail, is much less affluent and not well developed. At New Carrollton station, for example, existing development is at a small enough scale as to limit the prospects for a higher level joint development project. Developers have had to be induced to participate in projects at this station by publicly financed improvements to the area. This is accomplished through tax increment financing, an innovative financing technique designed to tax the increased value of land resulting from a new development adjacent to a public improvement. This technique was enacted to respond to a property tax austerity measure passed by county residents in 1982. The publicly financed improvements, including a parking facility for an Amtrak station, have encouraged more developer interest in this station.<sup>21</sup>

Local officials throughout the region are being encouraged to develop policies which promote station area development at stations using the Bethesda and New Carrollton examples. One example of local assistance is through the provision of improvements to the development site (new escalators, parking facilities, etc.) or additional funding. According to Goldstein. "Localities are much more enlightened than they were in the past and are advocating quality development. If they oppose a proposal it is because they oppose any development whatsoever."<sup>22</sup>

#### 4.5 WMATA Joint Development Projects

Despite the lack of a systemwide institutional framework for station area development, WMATA has accomplished several successful joint development projects. Since its first joint development project in 1978 at Farragut North Station, WMATA has sponsored seven joint development projects and six system interface projects. (See Table 4-1 for a list of projects.) In addition to those projects already constructed, the Office of Planning and Development has identified 11 other immediate joint development opportunities with over 20 additional longer-range development prospects.<sup>23</sup>

4.5.1 Farragut North- Farragut North Station, which handles 15,000 riders on a typical weekday,<sup>24</sup> is situated in a high-rent section of the downtown Washington office market, just one block north of the intersection of Connecticut Avenue and K Street (see figure 4-4). Commercial development at Farragut North has taken place in two stages, 1) a simultaneous development of the station and air rights at the northeastern end of the station and 2) a subsequent development of a modern and unique office and retail facility which does not provide direct station access.

The first development, at 1101 Connecticut Avenue houses the popular Connecticut Connection, a two-level underground eatery. Above the eatery is a 205,000 square foot, 12-story office building with two levels of retail shops. The project is unique for Washington because the two lower

Table 4-1  
WMATA STATION DEVELOPMENT PROJECTS

JOINT DEVELOPMENT

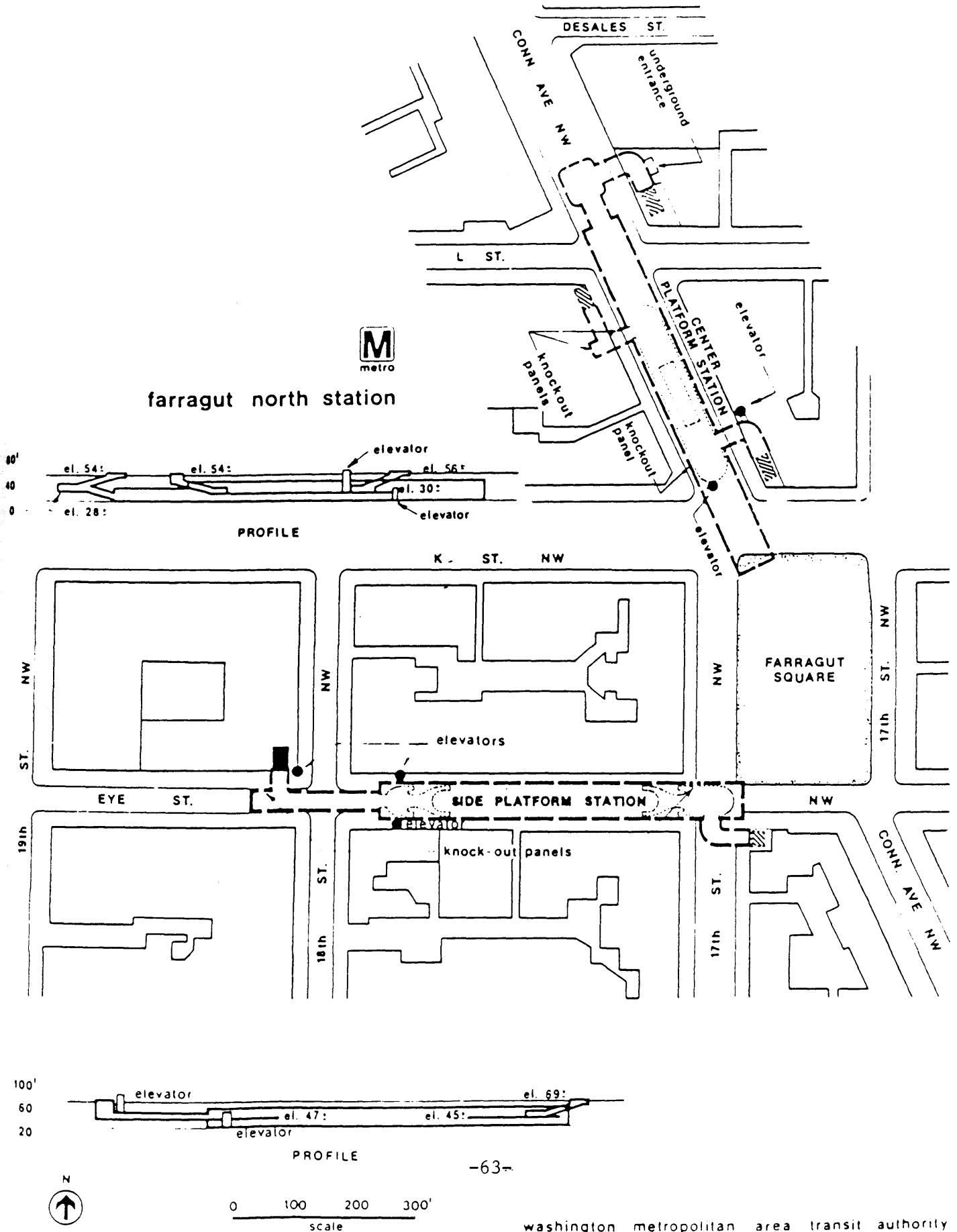
| <u>Project Station Location</u> | <u>Project Type</u>                                  | <u>Status</u>      |
|---------------------------------|--|--------------------|
| Bethesda                        | Office, hotel,<br>retail, parking                    | Under Construction |
| Farragut North                  | Office, retail                                       | Completed in 1978  |
| Freindship Heights              | Office, retail                                       | Under Construction |
| Gallery Place                   | Office, hotel<br>retail, parking,<br>and residential | Approved           |
| McPherson Square                | Office, retail                                       | Completed in 1983  |
| Rosslyn                         | Office, retail<br>bus terminal                       | Completed in 1979  |
| Van Ness/ UDC                   | Office, retail,<br>kiss and ride                     | Completed in 1983  |

System Interface

1. Woodward and Lothrop at Metro Center
2. International Square at Farragut West
3. Woodward and Lothrop at Friendship Heights
4. Crystal City
5. L'Enfant Plaza
6. Pentagon City

Source: WMATA Office of Planning and Development

Figure 4-4  
FARRAGUT NORTH STATION





levels are actually integrated with the subway station entrance as patrons of Metrorail are funnelled through the concourse. The developer of this project based its design on Toronto and Montreal joint developments, where a significant portion of the downtown subway stations are directly integrated with commercial properties (see Chapter six).

The 1101 Connecticut Avenue project at Farragut North Station is an exemplary joint development. When WMATA solicited proposals for this project, the complex requirements for station integration discouraged many developers from participating in the bidding process. Miller Company, which was selected for the project, had to devise some unusual techniques, including structuring the lease agreement which recognized and attempted to minimize the risks in advance of signing the lease.

In contrast to this development project, Washington Place, a luxury office building with premium shops and restaurants which could be served by Farragut North Station, is not. Patrons who wish to use Metrorail must exit the front door of this building and then travel down an escalator to the station mezzanine. While WMATA included knockout panels next to the underground level of the building, the developer is not interested in paying WMATA for system access.<sup>25</sup> This is one of the few examples of a development not taking advantage of an opportunity to generate business for off-peak retail usage.

#### 4.6 Preliminary Findings

In the first five years of Metrorail operation, WMATA has coordinated 13 station area development projects. The benefits to local governments and to the transit authority are substantial. For example, the development projects at Farragut North, VanNess and Bethesda stations are expected to generate 600,000 additional transit trips per year. The developments will pay more than \$3 million annually in taxes to local governments, and \$2 million per year to WMATA.<sup>26</sup> By 1989, WMATA expects to generate \$6 per year from its projects and between \$25 and \$30 million annually when the system is complete.

WMATA has built a highly skilled and professional development staff within the agency and developers have a high regard for conducting business with the agency. Much of the success of the station area development programs can be attributed to this staff as well as to favorable market conditions. Unfortunately, some local conflicts continue to arise in the absence of a systemwide, comprehensive development framework which emphasizes coordination, although efforts have been made to improve this condition.

Because of the fragmentation of jurisdictions in the Washington region, cooperative agreements, had they been sought, would have been difficult to achieve. Also, while some planners at WMATA had sufficient vision to recognize the development potential at Metrorail stations, the majority of decisionmakers were either skeptical about the prospects for Metrorail construction, or were simply not willing to negotiate agreements

for something which was an unproven endeavor. At the local level, the lack of foresight has resulted in vehicle traffic problems in some areas, although local officials are beginning to recognize the need for better planning at their level.

According to Lee Skillman, "an important aspect of the WMATA joint development program is that the benefits which result from coordinating land use and transportation planning are public benefits, not just benefits to WMATA."<sup>27</sup> The joint development program in Washington has served as a model for other programs in the United States, including Los Angeles and Atlanta. The lessons learned from the interorganizational conflicts which existed in Washington, have prompted planners in Los Angeles to seek cooperative agreements well in an advance of system construction (an approach which planners in Washington would have benefitted from). These are described in the next chapter.

<sup>1</sup> Washington Metropolitan Area Transit Authority (WMATA), "Chronological History of WMATA," in Tabloid, No. 74, (WMATA, July, 1983), p. 12.

<sup>2</sup>Ibid.

<sup>3</sup>Ibid.

<sup>4</sup>Urban Land Institute with Gladstone Associates, Joint Development: Making the Real Estate-Transit Connection, (U.S. Department of Transportation, 1979), p. 81.

<sup>5</sup>Telephone interview with Lee Skillman, WMATA Office of Planning and Development, June 1, 1984.

<sup>6</sup>Metropolitan Washington Council of Governments (MWCOC), Metrorail Area Planning, (MWCOC, August, 1983), p. 13.

<sup>7</sup>Ibid. p. 13

<sup>8</sup>Skillman interview.

<sup>9</sup>Ibid.

<sup>10</sup>WMATA, "Policies and Procedures for Station Area Development Activities," (Management Memorandum # 713) October 5, 1981.

<sup>11</sup>Ibid.

<sup>12</sup>WMATA Management Memorandum

<sup>13</sup>Ibid.

<sup>14</sup>Ibid.

<sup>15</sup>Telephone interview with Lawrence Goldstein, WMATA Development Branch, May 17, 1984.

<sup>16</sup>Ibid.

<sup>17</sup>Ibid.

<sup>18</sup>MWCOC, "Background Paper: Initial Findings on Metro Related Development Issues (date unknown).

<sup>19</sup>Goldstein interview.

<sup>20</sup>Skillman interview.

<sup>21</sup>Ibid.

<sup>22</sup>Goldstein interview.

<sup>23</sup>MWCOG, Metrorail Area Planning, p. 45.

<sup>24</sup>Goldstein interview.

<sup>25</sup>Ibid.

<sup>26</sup>Henry W. Cord, "Remarks for Transit at a Crossroads Conference,"  
January 7, 1982

<sup>27</sup>Skillman interview.

Chapter Five  
LOS ANGELES CASE STUDY

5.1 Introduction

The station area development program in the Los Angeles, California metropolitan area is an example of the cooperative agreement approach to joint development planning. While construction of the Los Angeles Metro Rail, a rapid transit system proposed for the Los Angeles metropolitan region, is not yet underway, planners at the Southern California Rapid Transit District (SCRTD) recognized the need for a formal institutionalized process for development coordination. The agreement delineates the roles of SCRTD, the lead agency, the Community Redevelopment Authority of Los Angeles (CRA), the City of Los Angeles and the County of Los Angeles in the station area development process. This chapter describes the formation of that agreement.

The initial segment of Metro Rail, an eighteen-mile rail line, is expected to create joint development opportunities at all but one of the seventeen proposed stations. The agreements established a cooperative joint development entity combining the station area development powers and resources of the major participants. The prospects for successful coordination of development at Metro Rail stations appear promising because: 1) these agreements were reached at an early stage in the

planning of Metro Rail; and, 2) the joint development entity combines most of the necessary planning and development functions that did not previously reside in one individual agency prior to its establishment.

5.1.1 Planning a Rapid Transit System- A regional rapid transit system was first proposed for Los Angeles in 1964 when SCRTD was created. The proposed Los Angeles subway line will extend from the Central Business District (CBD) through the Wilshire Boulevard corridor to Fairfax Avenue, and north through Hollywood to North Hollywood (see figure 5-1).

SCRTD is responsible for system construction and operation and is the lead participant in station area development. In conjunction with city and county agencies, SCRTD proposes to use joint development, tax increment financing and special benefit assessment districts as value capture techniques. SCRTD will also use proceeds from these programs to help finance subsequent system expansion projects.

5.1.2 Financing System Construction- The Metro Rail system is being developed at a time when the federal funding share for mass transit capital expenditures has decreased officially from 80% to 75%. In June, 1984, the federal government agreed to fund only the initial 4.2 miles of the Wilshire line and future funding remains uncertain. The entire project is expected to cost more than \$3 billion, and planners at SCRTD expect that at the time of groundbreaking, the federal commitment may fall to as low as 50%<sup>1</sup>. As a result of this change, the California Transportation Commission, a state policymaking body, has required cities to make commitments to system financing, including a requirement that at least five percent of project costs come from private sector sources.<sup>2</sup>

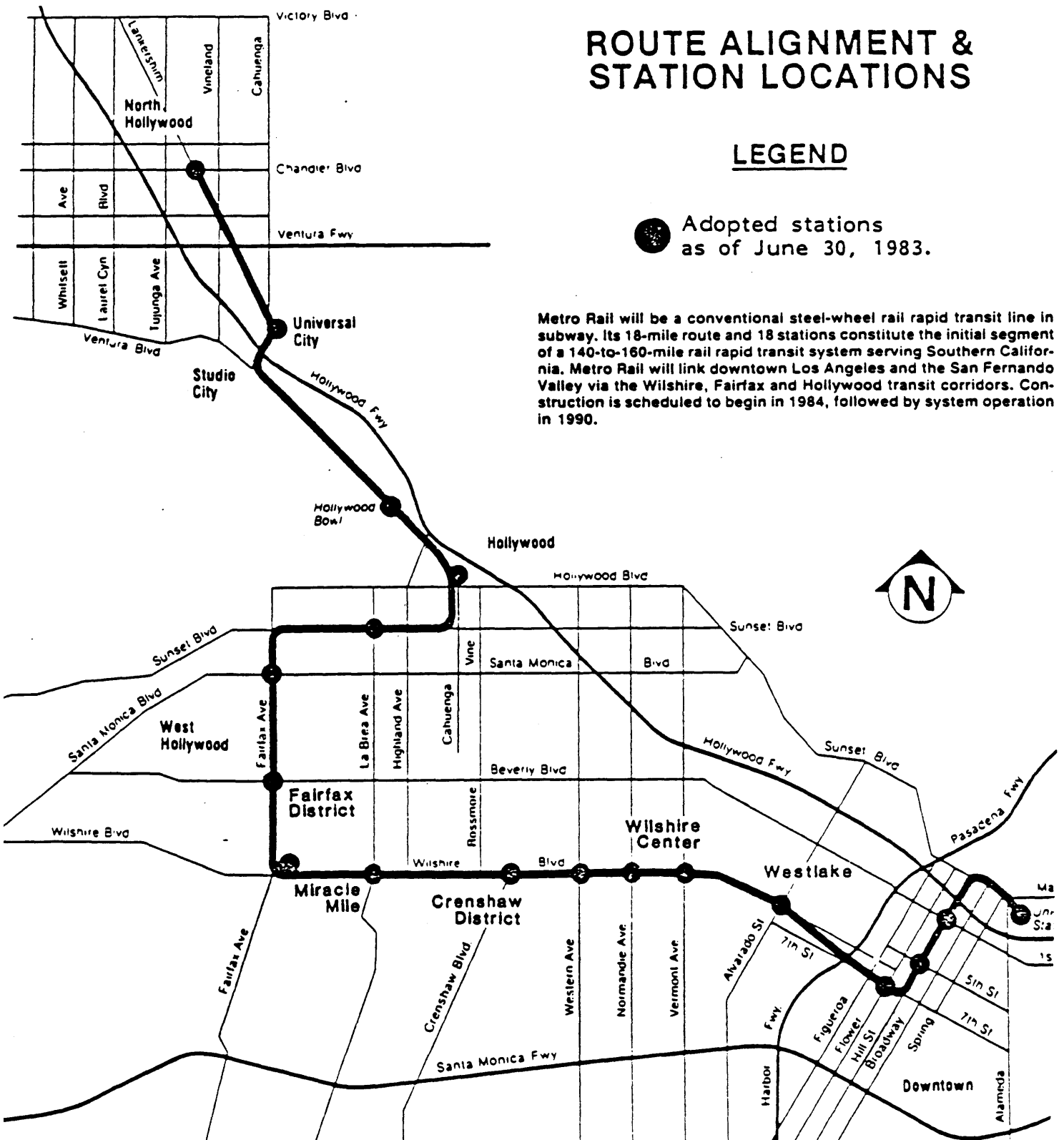
Figure 5-1

# ROUTE ALIGNMENT & STATION LOCATIONS

## LEGEND

 Adopted stations as of June 30, 1983.

Metro Rail will be a conventional steel-wheel rail rapid transit line in subway. Its 18-mile route and 18 stations constitute the initial segment of a 140-to-160-mile rail rapid transit system serving Southern California. Metro Rail will link downtown Los Angeles and the San Fernando Valley via the Wilshire, Fairfax and Hollywood transit corridors. Construction is scheduled to begin in 1984, followed by system operation in 1990.





## 5.2 Implementing a Joint Development/Value Capture Program

SCR TD was able to apply the lessons learned from experiences in other cities in developing its joint development program. Because land use and development issues in the Los Angeles region are complex, SCR TD recognized the need to establish new institutional arrangements and clear guidelines for conducting its joint development program.

5.2.1 Selecting an Institutional Framework- To determine which form of insitutional coordination was most appropriate, SCR TD reviewed each of the institutional options described in the model in Chapter three: the enactment of a cooperative agreement between the various land use and regulatory agencies in the transit corridor; the establishment of a formal joint development department within the SCR TD; and, the establishment of a separate transit corridor development corporation.

SCR TD reviewed these institutional options by sponsoring a joint development charette. As described by SCR TD:

the process involved simulating community response and private sector negotiation that would occur during the development implementation process; and, applying these institutional options to determine their effectiveness in achieving the land use and development objectives of the SCR TD.<sup>3</sup>

This preliminary "negotiating" process, held at SCR TD offices and attended by senior management of the four major agencies, afforded those who would be involved in future joint developments an opportunity to identify potential sources of conflict. Individuals expressed their views

on which institutional option was most appropriate, allowing planners to ascertain what capabilities and powers were needed to implement development projects.

5.2.2 Necessary Planning Functions- Through the charette process and with the assistance of a consultant, SCRTD determined that six planning functions were necessary to achieve joint development: 1) comprehensive planning and redevelopment coordination; 2) station siting and design; 3) real estate project packaging; 5) permitting; 4) financial leveraging and value capture; and, 6) interagency representation.<sup>4</sup>

Public transportation entities rarely possess the powers necessary to control all six of these planning functions. In some regions a metropolitan government may exert control in a manner sufficient to achieve comprehensive planning goals.<sup>5</sup> In Los Angeles, however, the comprehensive legal authority and specialized staff resources to coordinate joint development and other station area planning efforts are not embodied in a "single" public agency.<sup>6</sup> The CRA, the SCRTD and the City and County of Los Angeles all play a role in station area planning (see section 5.4).

5.2.4 Selection of the Cooperative Agreement Approach- Because of the diversity of each of the agency roles, SCRTD, in conjunction with the participating agencies, selected the cooperative agreement approach as appropriate for the Metro Rail project. The actual agreements reached authorizes the establishment of a joint development coordinating group which

will have at its disposal all of the land use and regulatory and taxing powers of the four main agencies (SCR TD, the City of Los Angeles, the County of Los Angeles, and the CRA).

The cooperative entity will have the ability to: 1) direct a comprehensive station area masterplanning process at each station; 2) package specific joint development projects; 3) negotiate appropriate and equitable value capture agreements and administer other joint development mechanisms; 4) provide ombudsman support services to facilitate joint development project implementation; and, 5) monitor the implementation of station area masterplans.<sup>7</sup>

### 5.3 Agency Interaction

The agencies participating in the Metro Rail joint development process interact through a masterplanning process described in section 5.4. Individual agencies retain their autonomy but collectively function as a cooperative entity responsible for station area development. The joint development issues are coordinated by committees at three levels:

The Joint Policy Council- responsible for reviewing the planning process and establishing the overall joint development goals and objectives. It is comprised of one member of the SCR TD Board of Directors, one LACTC member, one member of the Los Angeles City Council, the SCR TD General Manager, five private developers and the chairman of the LACTC.

The Interagency Management Committee- will oversee the Metrorail station area masterplanning process and is responsible for approving final plans. It is comprised of the chief administrative officers of the cooperative agencies.

The Professional Development Council- responsible for coordinating the masterplanning effort which includes developing actual station plans and resolving technical issues. It is comprised of the planning directors of the three agencies who are the day to day project managers.

Refer to figure 5-2 for an illustration of this agency interaction process.

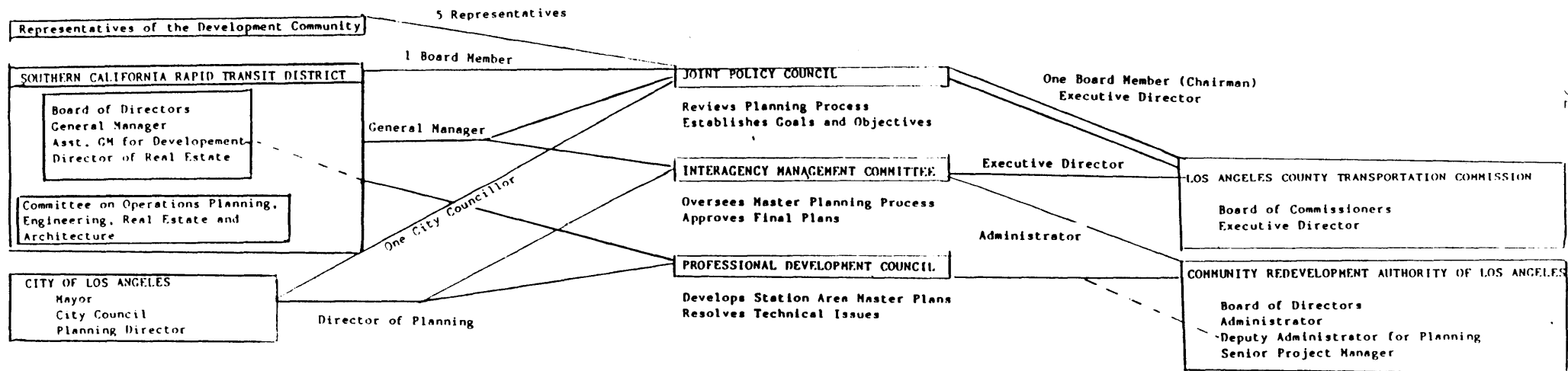
Within the agency itself, SCRTD has established an Operations Planning, Real Estate, Engineering, and Architecture Committee (OPERA) to deal with all joint development-related proposals as they arise and to serve as the contact between the SCRTD, other agencies and individuals. The committee, comprised of departmental managers from within the SCRTD, was formed as a result of the experience of the SCRTD Real Estate Director, when he worked on joint development projects in Washington, D.C.<sup>8</sup> The Committee is also a forum for the coordination of project design issues.<sup>9</sup>

SCRTD has wanted, in the short-term, to establish interim controls to prevent preemption of the District's joint development options by premature development. In the long-term, SCRTD will require new development to share in the costs of constructing and operating transit facilities.<sup>10</sup>

SCRTD plans to use three joint development mechanisms as part of its value capture program. These include 1) station cost sharing through simultaneous construction efforts, 2) connector fees which will require negotiation of direct links paid through lump sum payments or "in lieu"

Figure 5-2

INTERACTIONS BETWEEN AGENCIES IN THE COOPERATIVE AGREEMENT  
LOS ANGELES METRO RAIL



dedication payments of private property or easements, and 3) land/air rights leases. In addition, SCRTD will require developers to share maintenance costs at future joint developments.

Under the terms of the cooperative agreement and through special laws passed by the California legislatures, SCRTD (which is responsible for determining the location of the stations and for their design and construction) is able to acquire land and to lease or sell the land within the system's right-of way or the air rights to that property.<sup>11</sup>

The law also authorizes SCRTD to jointly develop, lease or dispose of property which is acquired for system construction. For non-transit facilities, the approval of the local jurisdiction is required for joint development projects. Project packaging authority is also granted in the bill. The second bill, permits the formation of benefit assessment districts.<sup>12</sup>

#### 5.4 Agency Responsibilities for Joint Development Coordination

5.4.1 SCRTD- The roles and responsibilities of the SCRTD fit into a development framework which requires that development of station areas be consistent with the specific area plans under development by the Los Angeles City and County planning departments. Coordination is made possible by the station area master planning process which also requires SCRTD to attain and sustain the highest level of system revenue and return without interfering with the private marketplace.<sup>13</sup>

5.4.2 CRA- The CRA has broad authority to: 1) engage in real estate project packaging; 2) acquire land in redevelopment areas and assemble remnant properties; and, 3) sell or lease those properties to private developers. CRA also has access to special funding sources such as Urban Development Action Grants (UDAGs) and has value capture authority, using its power to obtain revenues from the incremental tax returns which are created by intensified (re)development. CRA, which controls seven of the eighteen station parcels as redevelopment districts, will be the lead negotiator with the development community at the seven stations. Because three of the stations are in proposed redevelopment districts, the CRA must follow the normal approval process with the City of Los Angeles.

5.4.3- The City and County of Los Angeles are responsible for comprehensive land use planning within their jurisdictions. These powers include: 1) defining permissible land uses and densities; and 2) issuing building permits to projects which conform with their requirements. The City and County control zoning and zoning tools which are used as value capture techniques. These include: 1) parking requirement reductions; 2) the sale of density bonuses; and 3) transfer of development rights.<sup>14</sup>

5.4.4 The Los Angeles County Transportation Commission (LACTC) is responsible for regional transportation policymaking. LACTC will coordinate planning and construction of the proposed light rail line from Los Angeles to Long Beach.

## 5.5 The Master Planning Process

The Metro Rail project is a primary element in realizing a "centers" concept pattern of development.<sup>15</sup> Within the context of this development framework the combined development entity can offer several benefits to developers, including: higher densities, a mix of bonuses and incentives and other joint development tools which fall into four categories:<sup>16</sup>

Transfer of Development Rights (TDR)- This concept is based on the view that the right to develop is a component of land ownership, which can be bought and sold.<sup>17</sup> Because transit system construction is an infrastructure improvement, the public can recoup some of the costs through a TDR program.

Development rights are transferable because the transit improvement increases the capacity of an area by increasing access. Thus, density levels can be raised and the public investment creates new, salable development potential. The City and County of Los Angeles are empowered to use TDR and to sell density increases to developers in the rezoned areas and place the revenues in a Metro Rail operating or construction fund.

Leverage Capital Financing- In the early stages of joint development planning and especially at more complex sites, additional funds are sometimes needed to help finance private investment in a sensitive area. Without public leveraging tools such as Urban Development Action Grants, a program of



the U.S. Department of Housing and Urban Development, reinvestment in areas unpopular to developers might not proceed. Several of the agencies have the ability to apply for UDAG funds although the CRA is usually the applicant.

Project Approval Assistance- This category is identified in response to a reluctance of private developers to conduct business with public organizations for fear of project delays and cost overruns. The "ombudsman" function involves hand-carrying all necessary paper work through all agencies and/or departments involved in the public real estate project approval process. Through project packaging and ombudsman support assistance efforts, interactions with the public participants in the development process are intended to be simplified. Currently there is no official ombudsman in each agency, but the three members of the (interagency) Professional Development Council, which is described above, are expected to serve this function.

Assistance in Land Acquisition Through Air Rights Development and Land Assembly- In exchange for this assistance, the developer can be required to pay station connector fees, enter into land leases, provide public amenities, and sign operation and maintenance agreements. This is traditionally a redevelopment authority technique and is available to the cooperative entity through the CRA.<sup>18</sup>

## 5.6 Preliminary Findings

The joint development and value capture policies in Los Angeles evolved through a well-researched and comprehensive process. The use of charettes as

a simulation device resulted in the selection of the cooperative agreement approach to joint development. The joint development program in Los Angeles is still a plan, and until project funding is granted by the federal government, efforts to coordinate development will be limited.

The foresight of planning a joint development framework well in advance of construction will yield substantial benefits to the public and to developers. The SCRTD will prevent preemption of the joint development options by premature development. Many of the risks associated with joint development projects are likely to lessen as a result of early planning. Risks will also be minimized because the cooperative development team is professionally-managed, and has assembled the necessary tools to ensure that the public sector will be capable of coordinating large-scale station area development projects.

ENDNOTES

<sup>1</sup> Presentation on Los Angeles Metrorail by Susan O'Carroll at 1984 meeting of the Transportation Research Board).

<sup>2</sup> Susan Jones O'Carroll and Gary S. Spivack, Joint Development and the Los Angeles Metro Rail (Southern California Rapid Transit District, 1983), p. 1.

<sup>3</sup> Southern California Rapid Transit District, Joint Development and Value Capture in Los Angeles: Local Policy Formulation, (Urban Mass Transportation Administration), 1983), p. II-5.

<sup>4</sup> SCRTD, Metro Rail Project Milestone 12 Preliminary Draft Report-System Plan, cited in Susan Jones O'Carroll and Gary S. Spivack, "Joint Development and the Los Angeles Metro Rail: A Status Report. (Southern California Rapid Transit District, 1983).

<sup>5</sup> See Chapter six.

<sup>6</sup> SCRTD, p. II-6.

<sup>7</sup> Ibid. p. II-6.

<sup>8</sup> SCRTD's Real Estate Director was lured away from a similar position at the Washington Metropolitan Area Transit Authority where a similar committee exists (see Chapter 5).

<sup>9</sup> Telephone interview with Donald Spivack, Senior Project Manager, Community Redevelopment Authority of Los Angeles, April, 1984.

<sup>10</sup> SCRTD, p. II-5.

<sup>11</sup> State of California Public Utilities Code, Chapters 497 and 1322, 1981.

<sup>12</sup> SCRTD, p. II-7.

<sup>13</sup> Ibid., p. II-8

<sup>14</sup> O'Carroll and Spivack, p. 22.

<sup>15</sup> SCRTD p. II-8.

<sup>16</sup> O'Carroll and Spivack, p. 18.  
Ibid. p. II-8.

<sup>17</sup> Hagman and Misczynski, 1978, cited in O'Carroll and Spivack, p.19.)

<sup>18</sup> O'Carroll and Spivack, p. 14.

## Chapter Six

### STATION AREA DEVELOPMENT IN BALTIMORE, BOSTON AND TORONTO

#### 6.1 Introduction

The case studies presented in Chapters four and five have provided examples of the first two of the three approaches to joint development. The Washington Metropolitan Area Transit Authority, described in Chapter four, used the internal department approach and developed several station sites while operating within a complex and fragmented organizational environment. The Southern California Rapid Transit District, described in Chapter five, benefited from the experiences of WMATA and enacted a cooperative agreement between each of the development agencies before the system has broken ground.

Of the three approaches to joint development, the Transit Corridor Development Corporation, has been implemented in only two cities: Baltimore, Maryland and Portland, Oregon. This chapter presents a brief description of the Baltimore TCDC. This case is unique because Baltimore is one of the few cities to take advantage of the Urban Initiatives program described in Chapter two.

Joint development efforts in two other cities, Toronto and Boston are also described. The Toronto joint development process is a combination

of two approaches: a formal agency interaction process exists in the region and is coordinated by the Toronto Transit Commission, which established the first internal development department in the 1950's.

The Boston, Massachusetts case is a description of the Southwest Corridor Development Program, part of a major transit project which is being built in place of the southwest expressway, a radial highway which was stopped by community opposition. This development program has served as the impetus for the Massachusetts Bay Transportation Authority to consider formal policies for the development of land at other station properties. Traditionally, the MBTA had played a passive role in development coordination, allowing projects to occur, but only at the initiation of private developers. Although opportunities have been missed, many parcels under MBTA control are available for development.

## 6.2 Joint Development in Baltimore, Maryland

As described in Chapter two, the Urban Initiatives program laid the groundwork for the establishment of quasi-public, transit-corridor development corporations. Until recently, when the Portland, Oregon regional transit system established its own development corporation, the Market Center Development Corporation of Baltimore, Maryland was the only such entity established under this program.<sup>1</sup>

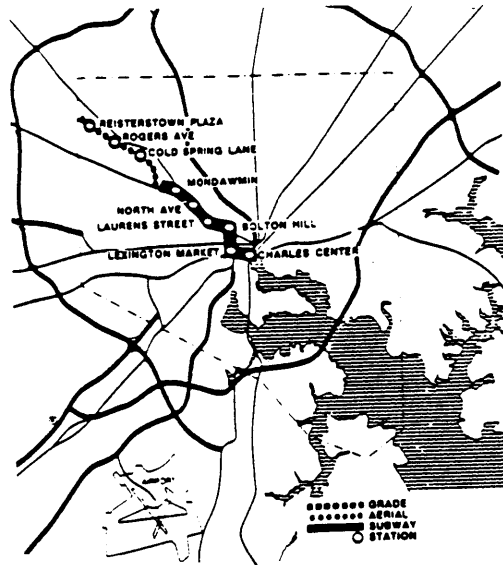
According to the compact written at its founding, the Market Center Development Corporation (MCDC) was established in 1979 to: create a public-private partnership to revitalize the declining retail area; to take advantage of joint development opportunities; and, to qualify for federal Urban Initiatives funds.<sup>2</sup>

#### 6.2.1 Transportation and Development in Baltimore

Baltimore has anticipated the construction of a rapid transit system for the metropolitan area since it was first recommended in the 1964 Baltimore Area Mass Transportation Study. The Baltimore region, with a 1980 population of 2.1 million, has experienced significant growth since the BAMTS was completed. In this period, several planned transportation improvements were held up through citizen opposition and other obstacles. Currently, the peak commuting periods to and from the downtown section of the city are characterized by severely congested roads and the regional transit network, originally proposed as a 65-mile radial system, was intended to alleviate some of these transportation problems (see figure 6-1).

The first of the rapid transit lines of the proposed system opened in November, 1983. The 8.5-mile segment, known as section A, was built by the Mass Transit Administration (MTA) of the Maryland Department of Transportation (MDOT) with 85% of its cost financed by UMTA. The local share was financed through gasoline taxes and state funds.<sup>3</sup> Construction of subsequent lines is subject to federal funding commitments, which are currently uncertain.

Figure 6-1  
THE BALTIMORE RAPID TRANSIT SYSTEM



Baltimore has undergone an impressive redevelopment over the last twenty years. Recently, under the direction of William Donald Shaefer, a third-term mayor credited with much of the city's success, Baltimore has reclaimed its waterfront. Led by the Rouse Company, which constructed Harborplace, a festival-like group of buildings housing restaurants and shops, developers have spent \$xx million in new construction since 19xx. Much of the development, which has also taken place in some of Baltimore's neighborhoods, was achieved through the urban renewal programs of the 1960's and 1970's.

Baltimoreans are accustomed to a strong relationship between the private development community and the city's Department of Housing and Community Development (DHCD), which is responsible for Baltimore's three quasi-public development corporations. MCDC is the most recent of the public/private partnership in Baltimore.

Joint Development- In the late 1960's, the Baltimore Planning Department, in analyzing the land use impacts of the proposed subway system, studied the potential for joint development at some of the stations. Funds for this analysis were requested from the federal government and were eventually granted by UMTA. The Regional Planning Council (RPC), which, with the Maryland Department of Transportation comprises Baltimore's metropolitan planning organization, looked at opportunities on a regionwide basis. RPC identified three station sites in 1976.

The land around each of the proposed stations was within or was declared an urban renewal area. Because of this status, this land fell under the jurisdiction of the DHCD, which has been instrumental in the evolution of joint development around transit stations in Baltimore.<sup>4</sup>

### 6.2.3 The Coordination Process

In Baltimore, coordination is necessary among private-sector interest groups and local community groups, the developer, the mayor, city departments, the MTC, the RPC, Maryland DOT, UMTA and other federal agencies. The high level of coordination necessary for successful implementation of joint development has been provided through the HCD, and through its development entity, MCDC.<sup>5</sup>

MCDC has been involved with the redevelopment of Market Center, in the heart of Baltimore's retail district. The project includes several components. The joint development portion includes the rehabilitation of an



historic structure, and construction of a new seven story building. The \$10 million project will contain office and retail space, including, Hutzler's, a major department store, which is the first department store to be built in the Market Center area in fifty years, according to MCDC. An additional one million square feet of commercial space with parking will also be constructed as a part of this project.<sup>6</sup> MCDC will not generate lease revenues from this project but will actually sell the project to developers. Proceeds will be used to coordinate the development of additional sites in the station area.<sup>7</sup>

#### 6.2.4 Findings

The MCDC was formed for several reasons. First, the joint development opportunities are limited and fall within the confines of the urban renewal districts of the city. This is not unusual for a transit system under construction in a well-developed, eastern metropolitan area which has already undergone significant downtown-oriented redevelopment. Were additional transit-related development opportunities available, other approaches might have been more appropriate. In Los Angeles, even though many of the station areas are already developed, because of the different jurisdictions with control over station area development, the cooperative agreement approach was a viable option (see Chapter five).

Transit corridor development corporations have their limitations. Under a limited scope of development options, the future of the corporation is tenuous. Unless legal agreements are established outlining methods of

addressing long-term problems after the entity is dissolved, problems with future site development may arise. It is likely that the primary reason that the City of Baltimore formulated the MCDC, was to take advantage of available funds from the Urban Initiatives program.

Second, the MTA is a state rather than a regional agency. MTA does not normally coordinate development projects and is not directly accountable to the residents of the region. Unlike the Boston metropolitan area, which relies heavily on the communities within its service area for financial support, local jurisdictions do not directly pay for the MTA deficit.<sup>8</sup>

From the combination of the MTA's limited role and the city's vigorous level of participation in development, the establishment of the MCDC follows easily. As Lutin and Walker noted in their article about the process of establishing MCDC:

Baltimore went beyond the traditional passive role of planning and entered the sphere of the private entrepreneur. The government became the planner and developer. In fact, it appears that success is most likely when proven development techniques--those with which the municipality has had previous successful experience--are used in the joint development process.

Third, planners in the Baltimore region had the same benefit of learning from its neighbors to the south in Washington as did planners in Los Angeles. Although unlike Baltimore, Los Angeles does not use a separate entity to coordinate projects with developers, both cities recognized the value of advance project coordination and of forming agreements outlining the formal process.

## 6.3 Joint Development in Boston, Massachusetts

### 6.3.1 Introduction

While most of the commercial properties in the downtown area of Boston are in close proximity to transit, few direct links are provided. This can be attributed to the age of the system and the fact that coordinated development had not been seriously considered by state and local officials or by private developers in Boston. Until 1984, the Massachusetts Bay Transportation Authority (MBTA), the regional transit authority for the Boston area, did not formulate policies related to station area development. In addition, only one MBTA station was developed (at the Washington Street Concourse). Although joint development opportunities in the central business district (CBD) have been missed, the MBTA owns property throughout the transit system which could be developed for joint uses. This section will review some of these opportunities in the context of the agency's efforts to formulate joint development policy.

Suburban development along Boston's rail lines is one of the earlier examples of successful development of rail corridor real estate. Transportation access to suburban Boston helped to create some of the strongest market factors for urban expansion. The benefits associated with the development of land adjacent to Boston transportation facilities have largely accrued to the private sector. Public transportation entities such as the have created valuable parcels of real estate through the construction of transit lines only to see private interests reap the benefits of increased land values.

Boston's central business district, first established in the seventeenth century, developed around a small cluster of narrow streets and has evolved into a pedestrian-oriented zone well served by transit. The CBD has been served by rapid transit since the early twentieth century when subway and trolley investors (described in Chapter one) influenced much of Boston's development. Boston's two major department stores, Filene's and Jordan Marsh, on Washington Street in the heart of Boston's retail district, influenced the routing of two rapid transit lines to a station between them.

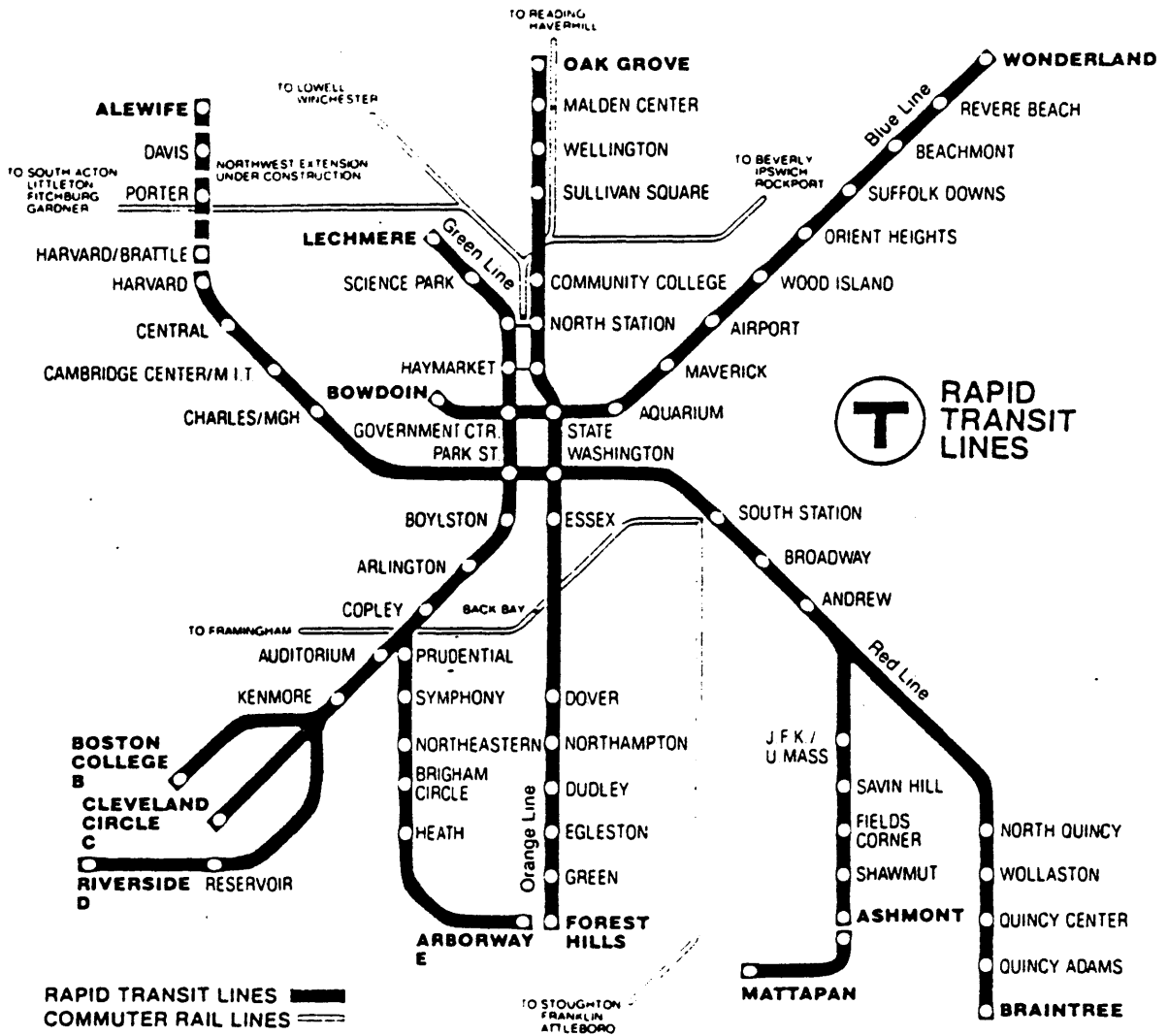
All four rapid transit lines converge on or near Washington Street. Washington station, which serves the red and orange lines, is the site of Boston's only documented example of a publicly-managed joint development project; a concourse of small shops connecting the basements of Jordan Marsh and Filenes. In addition, the station is connected to the green line via a 600-foot underground passageway (which has not been developed for other uses). The fourth rapid transit line, the blue line, is also accessible from an entrance on Washington Street just four blocks north of Washington station. (Refer to figure 6-2 for an illustration of the transit system.)

### 6.3.2 The Boston Transportation Controversy

Boston has experienced several transportation controversies, one of which has resulted in the cancellation of two major highway projects in favor of transit alternatives. These were not built as a result of what Ralph Gakenheimer, in his 1976 book on the freeway revolt, describes as "an almost complete highway moratorium in the late 1960's brought on by strong, public

Figure 6-2

THE MBTA RAPID TRANSIT SYSTEM



Source: MBTA Annual Report, 1982

anti-highway groups.<sup>9</sup> This anti-highway sentiment did not result in particularly strong transit support, however, as citizens were skeptical of government transportation agencies in general. As a result, the MBTA has been restricted to operating and constructing a transit system and development at transit stations had not been pursued.

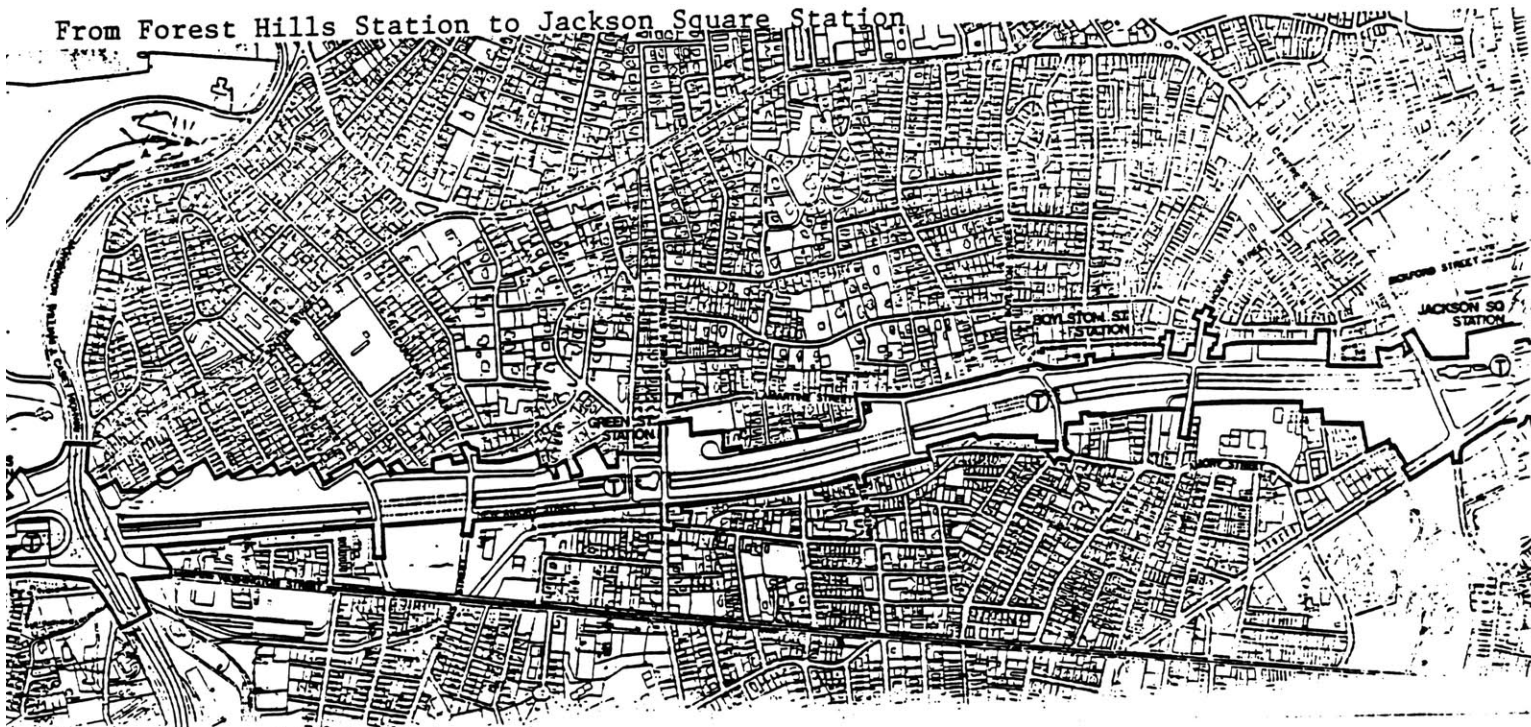
Because the funds for the northwest and southwest radial expressways had been allocated to the region from gasoline taxes, Governor Francis W. Sargent established the Boston Transportation Planning Review in 1970 to study regional transportation needs and determine the best use for these funds. In both the northwest and southwest corridors, funds for the expressway were transferred to transit and community development uses. R

According to the MBTA Southwest Corridor Development Plan, "this was the first time in the history of the United States that a major expressway had been scrapped and the land and funding converted to other uses."<sup>10</sup>

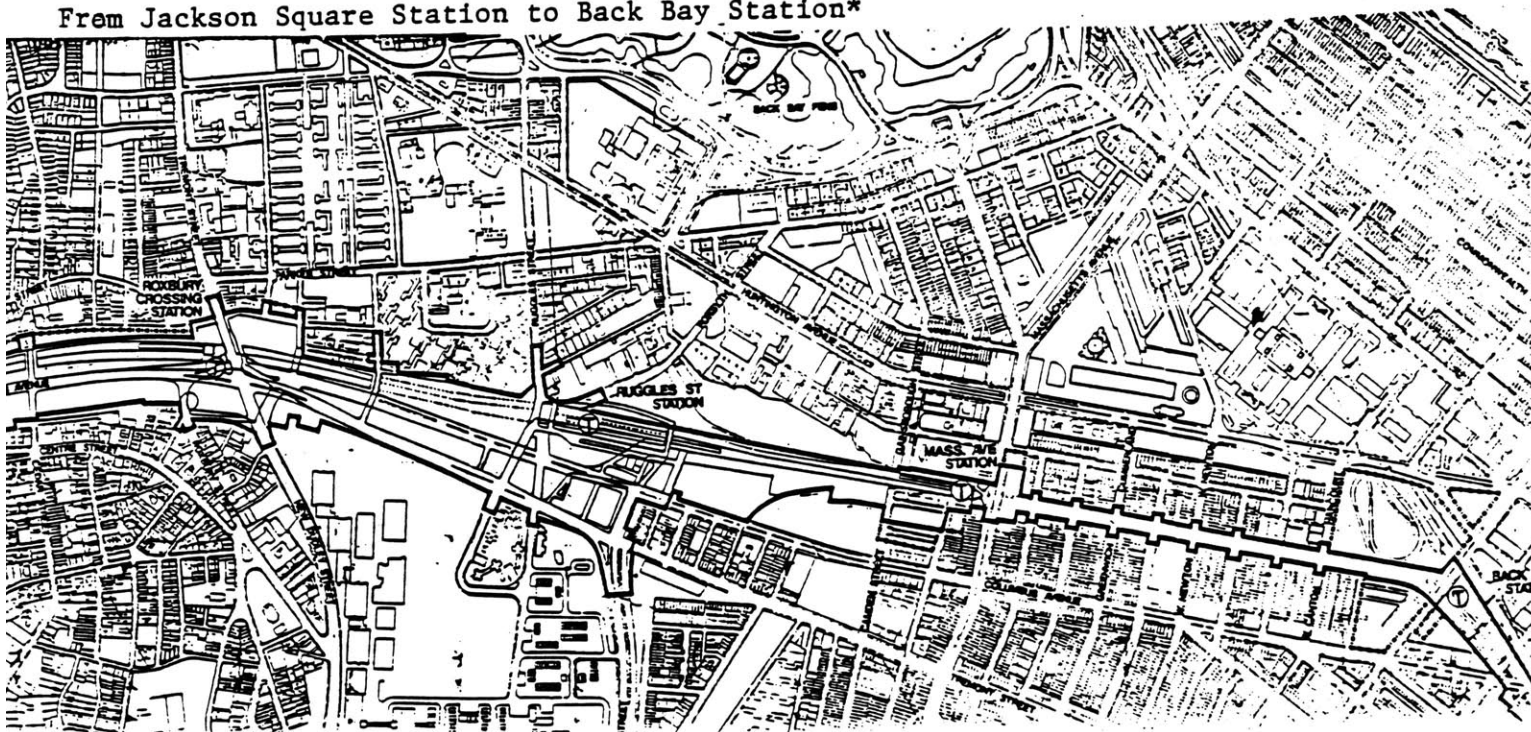
The funds were used to construct two rapid transit projects: 1) a 3.7 mile extension of the Red Line from Harvard Square in Cambridge to Alewife Brook at the borders of Cambridge, Arlington and Belmont in the northwest corridor, and 2) a complete relocation of the Orange Line from its present elevated track above Washington Street to a depressed track just a few blocks to the west on land which had been cleared for the southwest expressway. This project also includes improvements to the MBTA commuter rail and Amtrak facilities in the same right-of-way (see figure 6-3).

Figure 6-3  
The Southwest Corridor Transit Project

From Forest Hills Station to Jackson Square Station



From Jackson Square Station to Back Bay Station\*



\*Two more stations, South Cove and Essex (existing) follow Back Bay

SOURCE: Kaiser Engineers/ Fay, Spofford, and Thorndike

### 6.3.3 Planning Station Area Development

The Southwest Corridor Development Plan- The plan for the development of the southwest corridor has been the subject of numerous studies since the corridor project was first proposed. The actual plan was approved in 1979 by the state (which acquired most of the land for the expressway), the MBTA (a state-controlled agency which is constructing the system), and by local community groups (many of which were responsible for stopping the original expressway). The development plan includes new residential construction, a linear park system, an industrial park, new Roxbury Community College, and other commercial and industrial uses. The MBTA is the lead participant in development planning.

Few of the projects which were proposed in the plan have been built. The major reason for this delay is the need to complete construction of the corridor project. Other factors, including changes in government leadership, and the lack of private initiative in developing a low-income area have contributed to the delays. In addition, there are numerous agencies involved in the southwest corridor project and the MBTA has emphasized system construction over active development planning .<sup>11</sup>

Other Station Area Development- Because the development of MBTA stations is regarded as a source of badly needed system improvements and revenues, in 1983, the MBTA began to develop a land disposition and development program. At about the same time, because progress on the Southwest Corridor was ahead of schedule, the MBTA began to consider station area development policies and



procedures. Within the agency there are four offices which have some jurisdiction over development: 1) the real estate directorate; 2) the commuter rail division; 3) the rapid transit division; and, 4) the communications directorate (public information). In addition, certain planning functions are conducted by the construction directorate. This has resulted in the need for internal consolidation, which is currently under consideration.<sup>12</sup>

Route 128 Train Station- Before formal policies and procedures were developed, however, the MBTA Real Estate department began efforts to develop the train station parking lot at Route 128 in Dedham and Westwood. This project is described as follows.

This \$44.5 million project, to be developed by Gilbane Properties, Inc. of Providence, R.I., the development arm of the Gilbane Construction Company, is referred to as Stationpark. The project is unique because the majority of its value is created not by rail access but by its proximity to the I-95/Route 128 interchange and to Route 128, the inner belt highway serving the suburbs of Boston.

Gilbane Properties' development plan consists of a staged construction of a 150,000 square foot, six story first-class office building with a 525-car parking garage in the first phase. The next building is a 100,000 square foot, six story building with a 500-car garage. If these are successful, the third phase will consist of a 250-room motor hotel with a 250-car garage followed immediately by another 300-car garage. The phasing of the

development includes provisions for minimization of parking disruptions due to construction and provides the developer with opportunity to modify the project (within limitations) as needed once occupancy is achieved .

The train station will also be redeveloped with new buildings on each side of the tracks which, according to the developer, are intended to incorporate the notion of rail passenger travel into the development. There are four main participants in the planning of Stationpark: the development team, the MBTA, and the towns of Dedham and Westwood.

According to Robert Gilbane, president of Gilbane Properties, Stationpark is as complex as a suburban development can get.<sup>13</sup> The negotiating process, site restrictions, and engineering constraints are as complicated as downtown development projects. The original proposal called for construction to begin in the summer of 1984. The developer has had to conduct extensive analyses in response to community concerns and because it is being asked by the MBTA to comply with local zoning requirements, the development approval process could not be completed under the original timetable.

### 6.3.3 Preliminary Findings

The MBTA, which operates the oldest subway in North America as well as one of the few new rapid transit systems constructed in recent years, has a number of development opportunities at its stations. These include: the Route 128 commuter rail station (described above); a major air rights

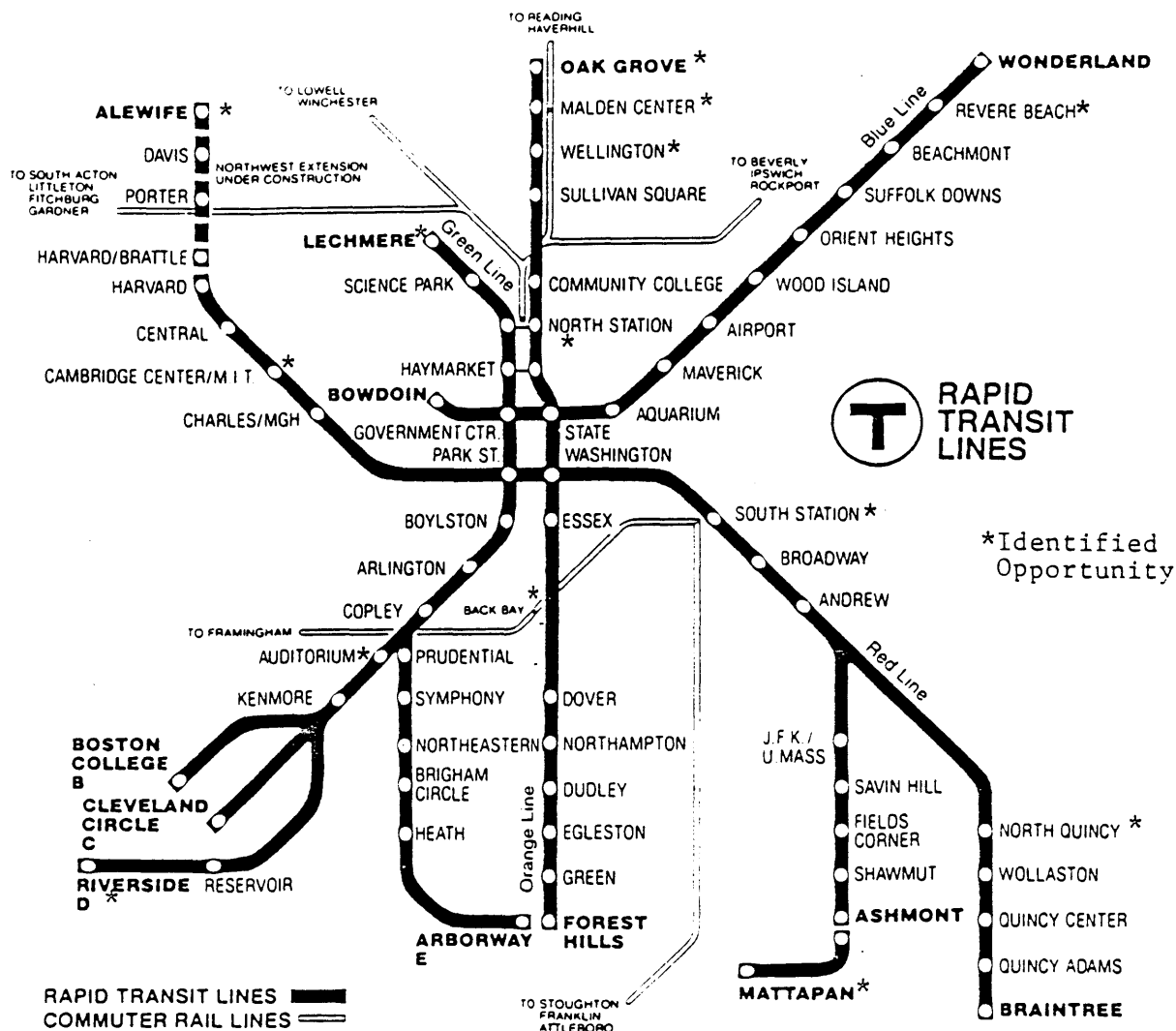
development at the South Station Transportation Center in Downtown Boston (a project initially funded through the Urban Initiatives program); and, opportunities at eleven other rapid transit facilities. Refer to figure 6-3 for the locations of these stations.

These opportunities have been identified and coordinated by several departments within the MBTA and local planning departments without formal policies to ensure that the projects achieve productive land use and transportation objectives. Before these opportunities are pursued more actively, the MBTA and other responsible agencies would benefit from both internal consolidation and the establishment of policies and agreements to establish a development framework.

Within this framework, the agencies involved with joint development would benefit from a definition of their roles and powers. The MBTA, as the transit agency and property owner, is the appropriate lead agency for project coordination. The process of coordination both within the MBTA and between other agencies would proceed more smoothly if formal procedures for station area development were established.

Figure 6-4

JOINT DEVELOPMENT OPPORTUNITIES IN THE MBTA SYSTEM



Source: MBTA Annual Report and conversations with MBTA Real Estate Department

#### 6.4 Joint Development in Toronto

The City of Toronto and surrounding metropolitan area is a showcase for transit-related development. The two main subway lines which serve the downtown are easily identified by the clusters of large-scale development above the alignment. Toronto developers, led by some of the world's largest real estate firms, have been quick to realize the benefits of transit access for their developments.

Many of the development projects which are directly integrated with the rapid transit system have served as a model for other transit-related development programs in North America. These projects have been coordinated in an environment conducive to joint development: transit ridership is high; Toronto has a downtown orientation; and, the planning process allows for formal interorganizational cooperation.<sup>14</sup>

This development strategy has been promoted by the Toronto Transit Commission (TTC), the transit agency which falls under the jurisdiction of the Municipality of Metropolitan Toronto (Metro). Metro, which was formed in 1953 in response to fragmented jurisdictions and the need to better serve a rapidly increasing demand for services, is a two-tiered federation of the City of Toronto and five other municipalities, consolidated from a 13-community region. The metropolitan government is responsible for major regional services including land use planning and the provision of funds for transit system expansion. Local governments such as the City of Toronto comprise the second tier. Each of the six municipalities must conform with

regional goals and zoning regulations. One such regulation, endorsed by Metro in 1978, promotes development at the downtown core and at subcentres, which are located at transit terminals.<sup>15</sup> This regulation has had an impact on suburban transit-related development. While most of the downtown area had already been built-up by 1978, substantial downtown redevelopment has occurred and much of the redevelopment has been attributed to good transit access.

#### 6.4.1 Coordinating Joint Development

The TTC constructed its first subway line on Yonge Street, the major north-south commercial street running from the downtown to the northern suburbs, in 1954. Most of the initial 4.6-mile segment of the subway system was financed mainly using TTC profits built up during World War II when revenues were high. Because the TTC did not have to seek government support for its capital program, it retained control over potential station area development. Over the past thirty years, many of the properties owned by the TTC have been developed, generating approximately \$1.5 million in lease revenues annually (see figure 6-4).

Construction of stations and lines since 1958 has been subsidized by the Province of Ontario. Because the provincial subsidy is available only to an upper-tier municipality such as Metro, the funds for right-of-way acquisition are channelled to the TTC from the Province through Metro. Because of this funding system, development rights at new stations are given to Metro.



project is located, the "ratepayers" (property taxpayers in the adjacent neighborhoods, the private developer(s), and the Ontario Municipal Board, a provincial zoning dispute-resolution body.

#### 6.4.2 The Participants

Local Zoning Review- At the local level, the municipalities have developed zoning regulations to regulate station-related growth. There is a conscious policy to concentrate this growth in central Toronto and at other "metropolitan centres" as focal points of business, government and community activity, while also serving as transportation hubs for local surface transit. This results in a clear strategy in Metropolitan Toronto to develop programs and policies which support rapid transit and adjacent land uses.<sup>17</sup>

The zoning regulations developed at the local level must conform to regional objectives. Once zoning is determined for a site the local municipality can permit development through a building permit. In most instances this is the extent of the participation of the municipality.<sup>18</sup>

Private Developers- Developers, who stand to gain the most from developments, must also deal with additional complexities. According to Kenneth Cooper, an architect for a leading development firm which has had a long relationship with the TTC, the joint development process is very difficult and often painful. This is due to the extra bureaucracy (TTC) involved in negotiations and the construction problems associated with avoiding the disruption of system operations. He suggests that two reasons



for the successes in Toronto are the business-like manner of the TTC and the fact that the members of the property development staff at the TTC have worked at the agency for a long time.<sup>19</sup>

To accommodate demands for system access, the TTC has developed a policy of requiring developers to pay for any improvements necessary to hook into the system. In contrast with the policies of the Washington Metropolitan Area Transit Authority, the TTC does not charge a fee for the right to interface with the subway station.<sup>20</sup> If developers want a separate entrance to the station, they must pay for all of the equipment, including automatic entrances and an attendant booth (approximately \$300,000). Upon completion, the TTC would only man the booth if daily traffic exceeded 1000 passengers.

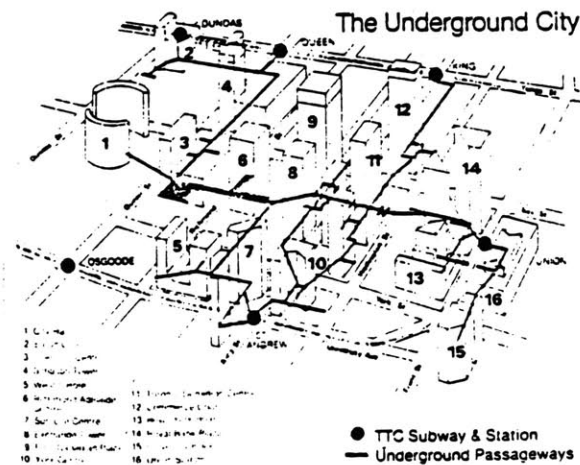
#### 6.4.3 The Benefits of Transit-Related Development in Toronto

The TTC, along with Metro, has promoted the development of air-rights above subway stations and of additional subway lands in a remarkable program. The proximity of development to transit encourages high system ridership, and provides a strong market for retail and office development. In the downtown region as well as at some suburban stations, access to the transit system is provided through well-lit, clearly signed, and spacious concourses of shops and restaurants. On a weekday, these concourses are filled with commuters and shoppers.

A substantial amount of development has occurred adjacent to TTC stations since completion of the system. Air rights over stations which are in operation have been redeveloped and new developments have been built at adjacent sites. Developers of parcels at transit stations have asked the TTC for access to adjoining subway stations. This has resulted in a system of underground tunnels in the downtown, connecting downtown hotels and office buildings (see figure 6-5).

Figure 6-6

DOWNTOWN SUBWAY CONNECTIONS AND WALKWAYS



As described above, the TTC owns development rights for a limited portion of its rapid transit system. Annual lease revenues for these sites amounts to \$1.5 million annually. In addition, the TTC earns \$1.5 million from other lease revenues on parking lots and concession space. These revenues, based on leases signed in the 1950's, represent one percent of the total operating costs of the TTC.<sup>21</sup> Because the TTC has retained the rights to these

properties, it stands to gain tremendous revenues in the future, when current leases expire. In the next year, the leases from two of these projects will be renegotiated with participatory leases, and by the seventh year the TTC anticipates revenues of \$1 million per year from each project.

This good fortune for the TTC is the result of foresight on the part of planners in the 1950's who chose not to sell off joint development rights, and the sophistication of the TTC development staff. TTC now retains real estate attorneys and development specialists, and while the developers may have to work harder to succeed, developers evaluate the TTC's requirements for project development as fair.<sup>22</sup>

While the TTC does not financially benefit from properties owned by Metro, there are other significant benefits. Surveys of building permits issued in municipalities in Metropolitan Toronto were conducted by the research departments of the Toronto Real Estate Board and A.E. LePage Limited. The statistics show that in the thirty-year period from 1954 (when the first subway opened) to 1984, Metropolitan Toronto experienced more new construction than during the first 120 years of the history of the City.

During this period, half of all new apartment construction was put in place within walking distance of rapid transit. In the same period, 90% of all new office construction occurred adjacent to downtown subway stations and other major stations (Bloor Street, St. Clair Avenue and at Eglinton Avenue). They concluded that access to the rapid transit system has played an important role in determining the location of approximately \$30 billion in new buildings since the formation of Metro.<sup>23</sup>

#### 6.4.5 Preliminary Findings

The joint development planning process in Toronto is effective because of the overall planning environment in the region. The metropolitan government, which coordinates transportation and land use planning and policymaking, is a major factor in successfully promoting transit station area development.

Another important factor is the length of time which the TTC has been coordinating joint development projects. The TTC's earliest projects date back to the 1950's, when the agency was an independent, quasi-private entity. Toronto's central business district was in a period of stagnation and because the TTC owned the rights to develop its stations, it was able to take advantage of regional economic growth. The TTC established itself early as a confident participant in the joint development process and has maintained its level of professionalism throughout the thirty years since the first subway line was constructed.

## Endnotes

<sup>1</sup>Funds for the program were distributed to several transit authorities and communities in order to assist in the preparation for several joint development projects, as described in Keefer.

<sup>2</sup>City of Baltimore, Md. Urban Renewal Plan: Market Center, (Originally approved by the mayor and city council of Baltimore by ordinance No. 579, November 16, 1977.)

<sup>3</sup>Jerome Lutin and Cynthia Walker, Joint Development Around Intermodal Transfer Facilites, (Transportation Research Record 760, 197x), pp. 33-39.

<sup>4</sup>Ibid., p. 34.

<sup>5</sup>Ibid., p. 36.

<sup>6</sup>Market Center Development Corporation, "Action Fact Sheet," (MCDC, November, 1983).

<sup>7</sup>Telephone interview with.....

<sup>8</sup>Public Technology, Inc. Joint Development: Handbook for Local Officials. (US Department of Transportation, September 1983, p. 43.

<sup>9</sup>Ralph Gakenheimer, Transportation Planning as a Response to Controversy: The Boston Experience, (Boston, MIT Press, 1979), p. 19.

<sup>10</sup>MBTA, Southwest Corridor Development Plan, (MBTA, 1979), p. 3.

<sup>11</sup>These agencies include: the Massachusetts Executive Office of Transportation and Construction (the chief policymaking body); the MBTA; the Metropolitan District Commission (responsible for parkland in the corridor); the Massachusetts Department of Public Works (responsible for roadway construction); the Metropolitan Area Planning Council (responsible for regional planning); six or seven Boston city agencies; the community development corporations and the station area task forces; and, two educational institutions. (Ibid).

<sup>12</sup>Ibid.

<sup>13</sup>Telephone interview with Robert Gilbane, President of Gilbane Properties, Inc. January, 5, 1981.

<sup>14</sup>Carole Marks, Paper on Joint Development for course 11.308J, Massachusetts Institute of Technology, April, 1984, p. 4.

<sup>15</sup>Ibid., p. 9.

<sup>16</sup>This is the same arrangement with UMTA funds in the United States, where most transit agencies lease sites making certain that they are not "surplus" properties. See Chapter 3.

17 Interview with Howard Sweezie, Manager of Land Development, Toronto Transit Commission, April 4, 1984.

18 According to the City of Toronto, once zoning has been established, the overall concerns of the municipality are protected by Metro.

19 Interview with Kenneth Cooper, Senior Vice-President, Canada Square Development Company, April 4, 1984.

20 Sweezie interview.

21 In Toronto, 69.1% of operating costs are derived from farebox revenues. The remaining costs are covered by subsidies and other revenues which amounted to \$10.1 million in 1982. Revenues from concessions and development leases generated \$3 million, or 30% of non-farebox revenue sources in 1982. (See TTC 1982 Annual Report: TTC, 1983)

22 Sweezie interview.

23 Toronto Transit Commission, Metropolitan Toronto: The Transit Development Connection (Toronto Transit Commission, 1983), p. 5.

## Chapter Seven

### SUMMARY FINDINGS AND POLICY RECOMMENDATIONS

The model of institutional approaches to joint development, which was introduced in Chapter three, has served as the focal point of the case studies in this thesis. Each of the three approaches identified in the model, the cooperative agreement, the internal department and the independent development corporation, have been applied successfully in at least one North American city. All three approaches have strengths and weaknesses as well as unique implementation requirements. This chapter will summarize the important characteristics of the model and will synthesize the policy initiatives necessary for continued success in the coordination of station area development.

#### 7.1 Planning for Joint Development .

As demonstrated in the case studies, the planning and coordination of station area development is a complex process. Joint development involves high risks, high returns, multiple actors and complex regulations. Public agencies have become more professional in their approach to joint development in order to respond to these complexities. To ease this process further, a formalized institutional framework for joint development coordination can be designed and implemented.

The case studies developed in this thesis considered three alternative approaches to this institutional framework. A major conclusion drawn from

these cases is that coordination between participants in the joint development process must take place at the earliest possible time. While there is no single approach which is most appropriate in a general sense, the theme of early coordination applies to any joint development strategy.

## 7.2 Summary of Major Points

7.2.1 Activity Levels- Different types of joint development coordination fall along a continuum of planning activity levels. As demonstrated in Chapter one, these levels can range from agencies planning new facilities which actively encourage development, to agencies which have identified joint development opportunities on older, existing parcels. Agencies which are planning new transit service are often in a better position to achieve coordinated land use and transportation objectives than agencies trying to develop existing parcels. However, existing parcels can be developed if the environment for development is favorable to public/private coventures.

7.2.2 Equity Issues- As discussed in Chapter one, efforts to implement value capture techniques are assumed to be a public right. Joint development is one of the more useful value capture tools because of the benefits it provides in addition to offering a return on public investment. In addition, joint development benefits the private sector by granting improved access to the transportation facility which, by promoting coordination between transportation and land use, can result in an efficient use of land. Because efficiencies of scale and construction timing allow for increased returns on investment, sharing of benefits from these projects between the public and private sector is more easily justified.



7.2.3 The History of Government Policy Regarding Joint Development- As described in Chapter two, federal policy towards joint development has varied considerably over the thirty years since it became involved in mass transportation. Federal activity has ranged from no support for transit to a period of heavy subsidization of operating costs (including the Urban Initiatives program to promote joint development) to the current period of limited financial support. At the state and municipal level, the posture towards joint development has also changed. The restrictions on excess condemnation for uses other than transportation have been mitigated over time as transportation improvements are being regarded as a tool for urban economic revitalization.

The recent period of limited financial support has led transit agencies to pursue joint development more actively. This has resulted from the need to participate in innovative financing practices to construct or operate transit service and from tax reforms which have encouraged developers and investors to consider joint development projects. These reforms have coincided with Reagan administration efforts to encourage the private sector to cooperate more actively with the public sector in development projects and in other areas.

7.2.4 Planning Requirements- As mentioned above, in order to achieve successful implementation of joint development projects, early planning by a professional staff empowered to negotiate projects is important. The capabilities identified by the Southern California Rapid Transit District serve as a valid framework for project planning (see Chapter five). In most

cities, because planning functions are shared by a group of agencies rather than by a single development entity, a joint development program which is coordinated within a formal institutional framework may be a more productive use of public resources. The approaches to this framework are summarized below.

### 7.3 Model of Institutional Approaches

Through the case studies described in the thesis, the three forms of joint development coordination were applied to five joint development programs in North America. The cooperative agreement approach has not been applied extensively but has served as the basis for coordination efforts in Toronto, Canada as well as in Los Angeles. The internal department approach has been applied in one form or another in several cities, including Toronto, Montreal and Washington, D.C. The development corporation approach has the fewest applications (Baltimore, Maryland and Portland, Oregon.)

7.3.1 The Cooperative Agreement Approach in Los Angeles- As demonstrated in Chapter five, the selection of this approach was appropriate given the complex interorganizational environment. As a result of the cooperative agreements, the prospects for successful coordination of development appear promising because: 1) these agreements were reached at an early stage of planning; and, 2) the joint development entity combines most of the necessary planning and development functions that did not previously reside in one individual agency. When the system is constructed, risks to the public agencies and to developers will be minimized because the cooperative

development team will be professionally-managed. In addition, SCRTD has assembled the necessary tools to ensure that the public sector will be capable of coordinating large-scale station area development projects.

In the type of organizational environment which exists in Los Angeles, strong interagency coordination is surely important. By combining the powers of the central public development agencies and by enacting special legislation to broaden some of the powers which were not available, a public agency which is in a similar position to the SCRTD should be able to coordinate a successful joint development program.

7.3.2 The Internal Department Approach in Washington- While the cooperative agreement approach is the most comprehensive, in cities such as Washington, D.C., the complexities of the organizational environment preclude this option. A formal cooperative agreement between all of the agencies and jurisdictions in Washington might have alleviated some of the development related problems identified in Chapter four. This was not possible to achieve, however, because when system construction began, developers were skeptical about the project and local officials did not recognize the impact that the system might have on the region.

The specific capabilities of the WMATA internal department serve as a good example for officials interested in establishing similar departments elsewhere. One of the significant observations of the thesis is that the staff of an internal department must have the the expertese necessary to negotiate with private developers and must establish guidelines for internal

coordination. In Washington, this has been achieved with a staff of seven professionals with experience in real estate appraisals and negotiations, planning and design and financial analysis. Two other capabilities not available to WMATA which would improve the internal department's strength are: 1) the power of zoning review for projects which are within a specified distance from transit stations; and 2) a comprehensive planning function to coordinate land use and transportation planning efforts.

7.3.3 Transit Corridor Development Corporations (TCDC)- TCDC's are similar in purpose to the entities established in a cooperative agreement. While powers are consolidated into one agency and formal agency interaction points are provided, the development corporation is different. The TCDC, which is staffed by ten development professionals may be limited by the small number of development projects. The corporation may have little work once the projects are completed. Officials who are considering establishing similar entities must address long range requirements at the beginning of the development process to determine if a development corporation is appropriate. While the establishment of such an agency on a temporary basis may be acceptable, its future should be decided upon before projects are developed.

#### 7.4 Policy Recommendations

As demonstrated in the case studies, the joint development process is complicated by the number of public participants, the demands of constructing projects at transportation facilities and the problems of trying to achieve

efficient, quality development. There are, however, strategies to ensure that the process is coordinated and that land use and transportation objectives are achieved. These strategies are summarized below.

7.4.1 Combining Capabilities- The capabilities identified in Chapter three as necessary for successful project coordination often do not reside in a single agency. Under these circumstances, the cooperative agreement approach is appropriate because agency powers and capabilities can be combined in order to achieve better development.

7.4.2 Providing Communication Channels- Emphasis has been placed on the importance of early coordination and planning. One important aspect of this strategy is the need for formal lines of communication both between and within the organizations involved in the development process and within the lead development agency. For example, intraagency as well as interagency project planning committees can be established.

7.4.3 Public Strategies to Reduce Private Project Risks- There are several strategies available to reduce the private sector risks associated with a project, as described in Chapter three. These include: 1) reducing the private sector costs of a project by committing public funds through federal grant or loan programs; 2) contributing land or infrastructure improvements such as new roads or other facilities; and, 3) contributing to the market acceptance of a project by either actually leasing space in an office building or by encouraging tenants to locate at the new development.

7.4.4 Considering Tradeoffs Between Objectives- A transit agency which is considering pursuing joint development opportunities must consider what is to be achieved by such a program. (The station area development goals and objectives of WMATA, described in Chapter four, are a good example for other transit agencies.) It is important to point out that transit agencies must be careful not to allow revenue generation concerns to take precedence over other transportation objectives.

## 7.5 The Outlook for Joint Development

Experiences with joint development in the 1970's were characterized by some success and by some failures. In some regions, as transit authorities are facing increasing budget deficits, joint development projects are being coordinated out of necessity. For transportation agencies establishing joint development programs, the three approaches to the planning process analyzed in this thesis provide a range of alternatives. As demonstrated in the case studies, transportation agencies in different metropolitan areas must coordinate joint development in complex political and organizational environments. The three organizational forms have attributes which, when applied to the characteristics of the local environment, can achieve public objectives. If it is not possible to implement a new form of organizational approach to joint development, an understanding of the capabilities and planning activities required can accomplish these same objectives.

As the Urban Land Institute remarked in the conclusion of its book on joint development, "the potential for an expansion of joint development exists in many cities. Metropolitan areas that are implementing rail transit systems or extending existing lines, can gain the synergistic benefits of joint development."<sup>1</sup> These projects will be likely to succeed if coordination efforts are incorporated into project planning at an early stage. Regardless of the institutional approach used to coordinate joint development, the public organizations participating in the development process should combine institutional capabilities and work together to maximize public gain.

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<sup>1</sup>Urban Land Institute with Gladstone Associates. Joint Development: Making the Real Estate-Transit Connection, (U.S. Department of Transportation, 1979.) p. 250.

Appendix A  
The Impact of Washington Metrorail on Development

The construction of a modern and efficient rapid transit system has had a significant impact on the value of real estate which is close in proximity to Metrorail. As described in Chapter One, the high costs of system construction have prompted public officials to seek value capture opportunities. Public sector value capture is however, often difficult to implement because quantifying benefits of the rail system is not a simple scientific process. As a result, techniques such as benefit assessments and tax increments have not been implemented in Washington. The accuracy of and legal justification for these techniques is often challenged in court. Resarchers (notably Lerman, 197x, and the Metropolitan Washington Council of Governments, 1980, have attempted to determine methods of quantifying the land use and propey value impacts of Metrorail to support public value capture.

Other studies have measured the effect of Metrorail on regional growth. In 1980, the Subcommittee on the City, U.S. House of Representatives speculated as to the development benefits related to Metrorail:

A sample of the land value increases generated by the opening of Metro leads to the finding that a minimum of \$2 billion in land values has already been added to the existing land value base.<sup>1</sup>

These land value impacts have translated into increased housing costs, higher retail and office rents. Owners of property adjacent to the system, however, are only one group of beneficiaries from regional growth.

Residential Real Estate- The Washingtonian magazine compared the price of homes in close proximity to Metrorail to similar properties not served by the system. Their study showed that over a three year period the price of a typical semi-detached house close to the Huntington station<sup>2</sup> in Fairfax County increased more than 70 percent. Over the same period, the average price of a Fairfax County home rose by only 37 percent. They concluded that the Metrorail factor caused homes close to the system to appreciate twice as fast as homes in areas not served by Metro.<sup>3</sup>

The rate of appreciation in Fairfax County during this period is indicative of residential real estate trends in the Washington metropolitan area. While Metrorail has had an impact on the rate of appreciation, other factors are, also important, as described in The Washingtonian:

While proximity to Metro seems always to increase the value of a house, its affect appears to be greater in two specific areas: 1) neighborhoods that were showing potential for improvement before Metro came along; and 2) neighborhoods that aren't too far from the center of Washington (within a twenty-minute Metro ride.<sup>4</sup>

Commercial Real Estate- Metrorail access has had a positive impact on the value of retail and office space both in downtown Washington and at suburban stations. In the retail section of the downtown, the construction of Metro Center station (a junction of the red, blue and orange lines) a once declining area is experiencing redevelopment. In 1977, Woodward and Lothrop,



a major Washington department store chain, approved the location of Metro Center station in its flagship store. Less than two years later, store officials reported that more than 25 percent<sup>5</sup> of their customers arrived by Metrorail and that sales had increased by 40%.

The cost of prime office space has increased more dramatically than any other real estate in the metropolitan area. In the business section of the downtown, office rents increased from \$7-10 per square foot in 1976 to \$28-34 in 1984.<sup>6</sup> At one office building within two blocks of both Farragut North and Farragut West stations, rates increased from \$14 to \$19 over a six month period in 1980.

Access to the subway system has become a prime selling factor for real estate developed adjacent to Metro stations. Again this is most evident in the area around Farragut Square. The stations adjacent to Farragut Square are two of the busiest stations in the system, with over 70 percent of riders surveyed in 1980 reporting work as their trip purpose.<sup>8</sup> The Federal City Council's 1979 survey of Metrorail-related development found 1,200,000 square feet of office development built since 1976 to be directly influenced by the presence of these stations.

The Benefits to WMATA- In the first five years of Metrorail operation, WMATA coordinated only two downtown joint development projects. WMATA's first joint development project, at Farragut North Station, along with the non-downtown VanNess and Bethesda stations is expected to generate 600,000 additional transit trips per year. The development projects will pay more than \$3 million annually in taxes to local governments, and \$2 million per year to WMATA.<sup>10</sup> (See section 4.5.)

Endnotes

<sup>1</sup> Subcommittee on the City, US House of Representatives, "Metrorail Impacts On Washington Area Land Values Summary, (US House of Representatives, January, 1981)

<sup>2</sup> Huntington Station did not open until late 1983, but anticipation of station completion was sufficient to affect the rate of land value appreciation.

<sup>3</sup> The Washingtonian, December, 1980.

<sup>4</sup> Ibid.

<sup>5</sup> Federal City Council, "Metro-Related Private Investment," (Federal City Council, July, 1979)

<sup>6</sup> The Washingtonian, December, 1980, and telephone Interview with Lawrence Goldstein, WMATA Development Branch, May 17, 1984.

<sup>7</sup> Ibid.

<sup>8</sup> Metropolitan Washington Council of Governments (MwCOG), Metrorail Area Planning, (MwCOG, August, 1983), p. 45.

<sup>9</sup> Federal City Council, 1979.

<sup>10</sup> Henry W. Cord, "Remarks for Transit at a Crossroads Conference," January 7, 1982

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