

Financing PDA Infrastructure: Strategies to Meet Today's Needs

Forum #2 - Advancing PDA Implementation: Infrastructure Financing

Wednesday, July 27, 2016

10:00 a.m. - 12:00 p.m.

Hayes Mansion

200 Edenvale Avenue

San Jose, CA



ABAG
ASSOCIATION
OF BAY AREA
GOVERNMENTS



Future Vision for Light Rail Transit Corridor



Core of N. San Jose area

FORUM AGENDA

- I. Welcome and Introductions
- II. Overview of Regional Infrastructure Financing Challenges and Opportunities
- III. Case Study: North San José
- IV. Panel Discussion and Analysis
- V. Participant Q+A
- VI. Close and Upcoming Events
- VII. Adjourn

PRESENTERS/PANELISTS

Darin Smith, *Managing Principal, Economic & Planning Systems (EPS)*

Jason Rogers, *Planning Division Manager, City of San José*

Constantine Baranoff, *Bond Counsel, Kronick Moskowitz Tiedemann & Girard*

David Cropper, *Development Director, TMG Partners*

Mirjam Link, *Project Manager, Boston Properties*

Tom Lockard, *Independent Investor Representative, Fundrise*

OVERVIEW OF REGIONAL INFRASTRUCTURE FINANCING

Infrastructure Financing for Bay Area Infill Development

Infrastructure Financing “White Paper”

- Commissioned by MTC in 2015
- Finalized by Economic & Planning Systems in 2016
- Intended to explore viability of different tools in various contexts to help PDA development implementation

[White Paper available at:](http://mtc.ca.gov/our-work/plans-projects/focused-growth-livable-communities/priority-development-areas/planning)

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OVERVIEW OF REGIONAL INFRASTRUCTURE FINANCING

Infill Development Context

- Local and regional planning and financing efforts
- Physical and environmental constraints are common
- Widening economic gaps among jurisdictions
- Intergovernmental conflicts and policy misalignments
- Often inadequate local government resources

OVERVIEW OF REGIONAL INFRASTRUCTURE FINANCING

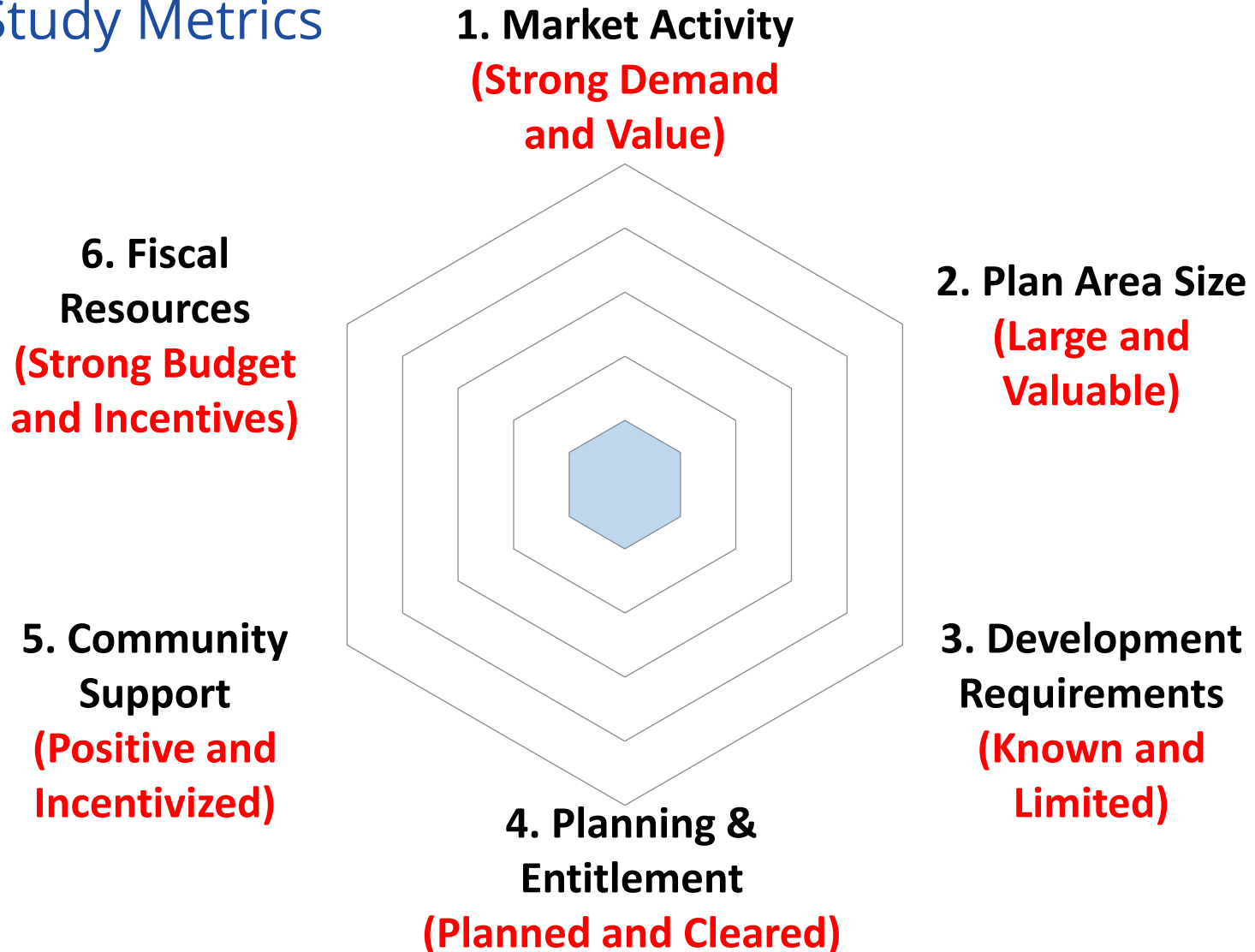
Category	Strengths	Challenges
Sites	<ul style="list-style-type: none"> • Access to Jobs & Amenities • Some Existing Infrastructure • Limited Greenfield Competition 	<ul style="list-style-type: none"> • Contamination • Configuration • Ownership • Existing Uses
Feasibility	<ul style="list-style-type: none"> • Higher Values • Shifting Market Preferences 	<ul style="list-style-type: none"> • Infrastructure Upgrades • Costly Materials • Logistics • Structured Parking
Regulations/Politics	<ul style="list-style-type: none"> • Higher Density • Reduced Parking • Regional Support 	<ul style="list-style-type: none"> • Environmental Clearance • Community Opposition

OVERVIEW OF REGIONAL INFRASTRUCTURE FINANCING

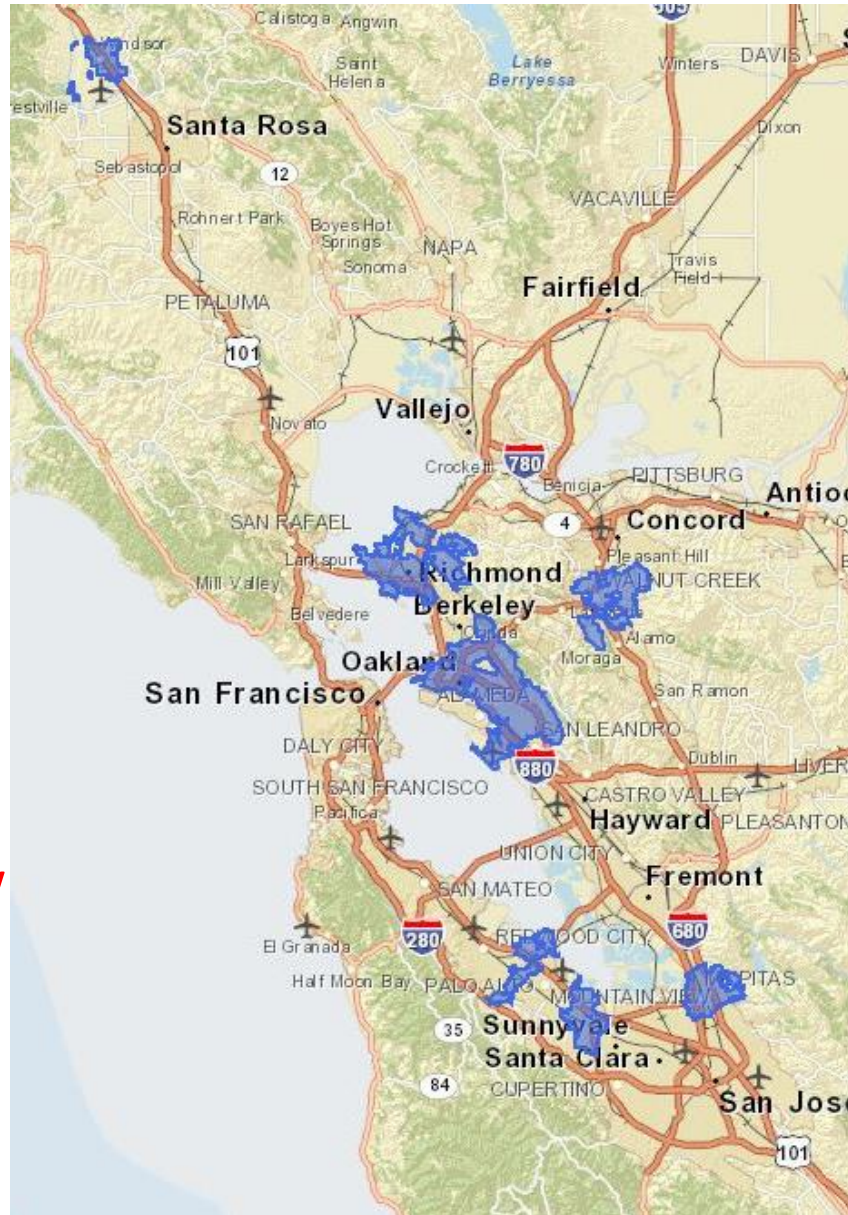
SOURCE	TOOL	Best When . . .
Developer-Based Funding	<ul style="list-style-type: none"> • Impact Fees • Private Financing 	<ul style="list-style-type: none"> • Strong Market • Limited Fiscal Resources & Community Support
Land-Secured Funding	<ul style="list-style-type: none"> • Community Facilities Districts • Benefit Assessment Districts 	<ul style="list-style-type: none"> • Strong Market & Community Support • Limited Fiscal Resources • “Special Benefits”
City Funding & Financing	<ul style="list-style-type: none"> • GO Bonds • Revenue Bonds • Parcel Taxes • Sales Taxes • Capitalizing Leases • EIFD/CRIA 	<ul style="list-style-type: none"> • Strong Fiscal Resources & Community Support • Limited Market Demand • General Benefit or Existing Deficiencies
State & Federal Programs	<ul style="list-style-type: none"> • Grants • Low-Cost Loans 	<ul style="list-style-type: none"> • Limited Market & Fiscal Resources • General Benefit or Existing Deficiencies

OVERVIEW OF REGIONAL INFRASTRUCTURE FINANCING

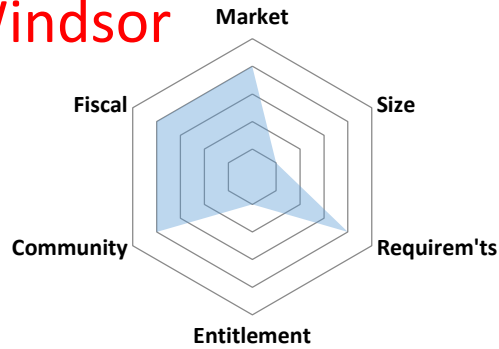
Case Study Metrics



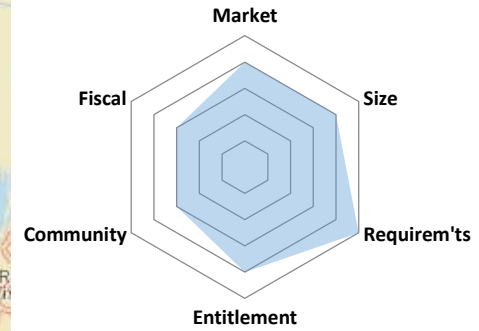
OVERVIEW OF REGIONAL INFRASTRUCTURE FINANCING



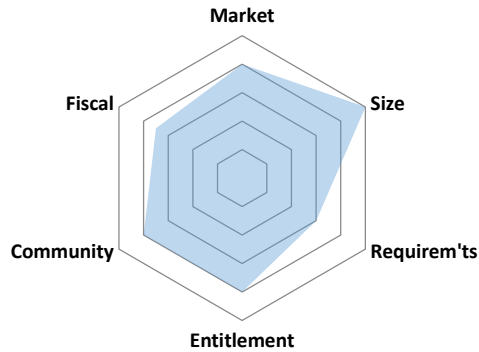
Windsor



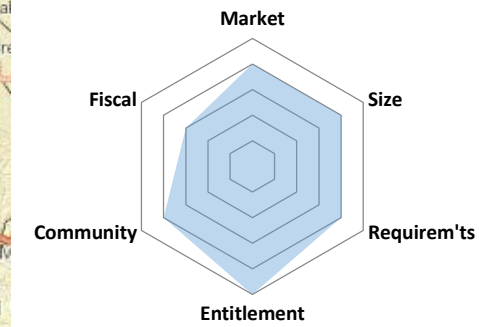
Walnut Creek



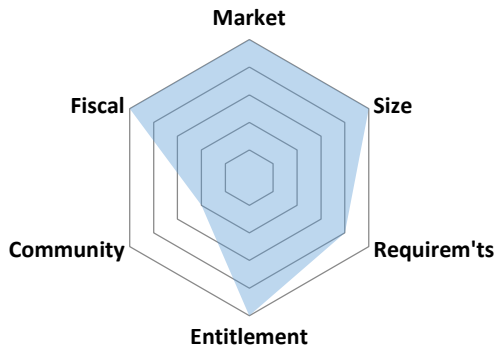
Richmond



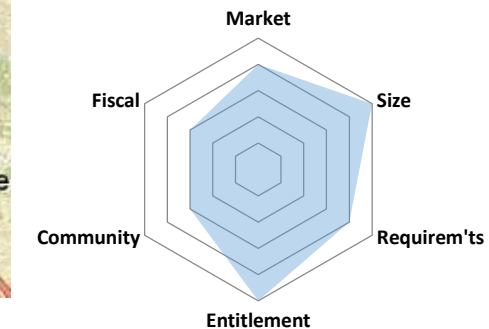
Oakland



Menlo Park & Mt. View

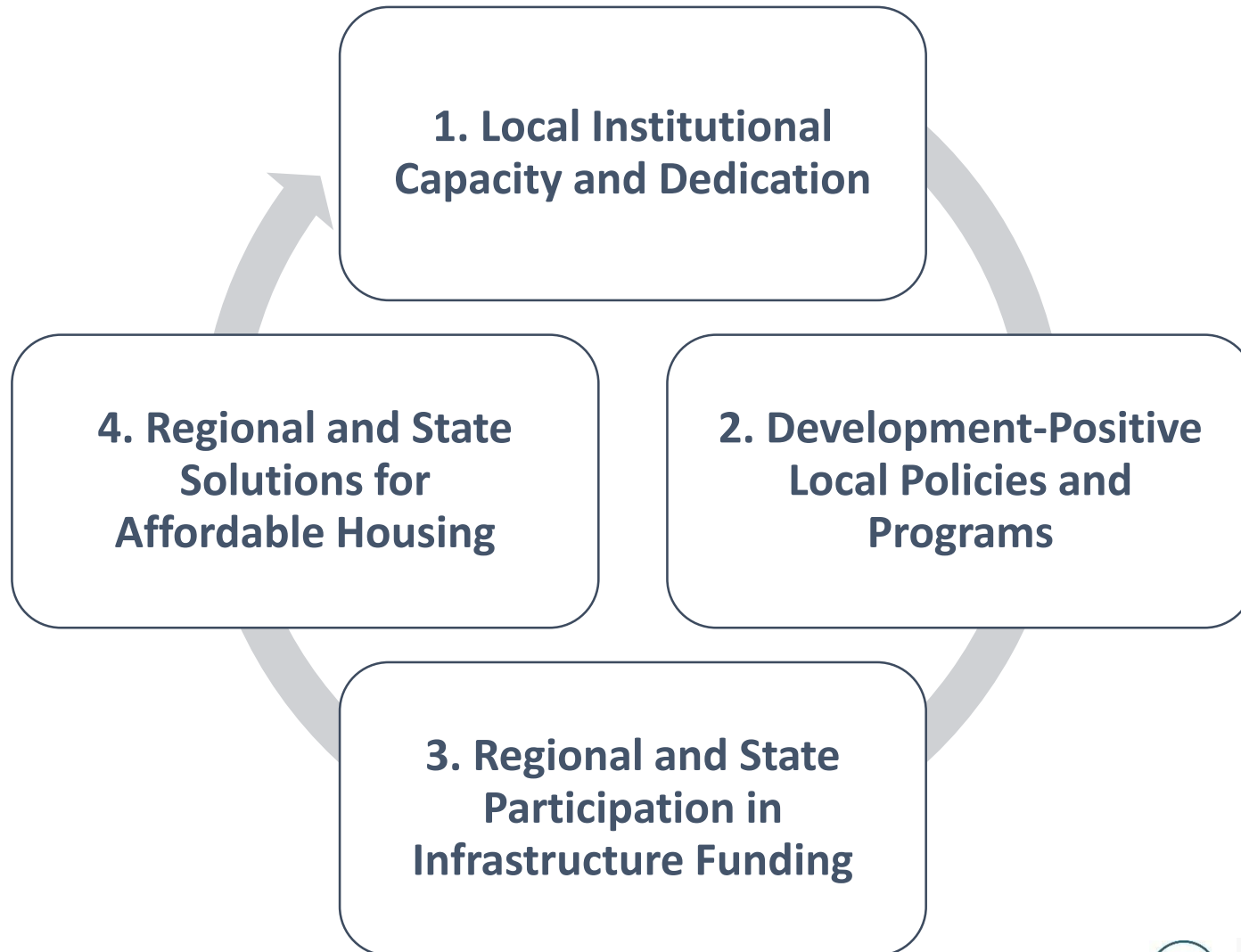


Milpitas



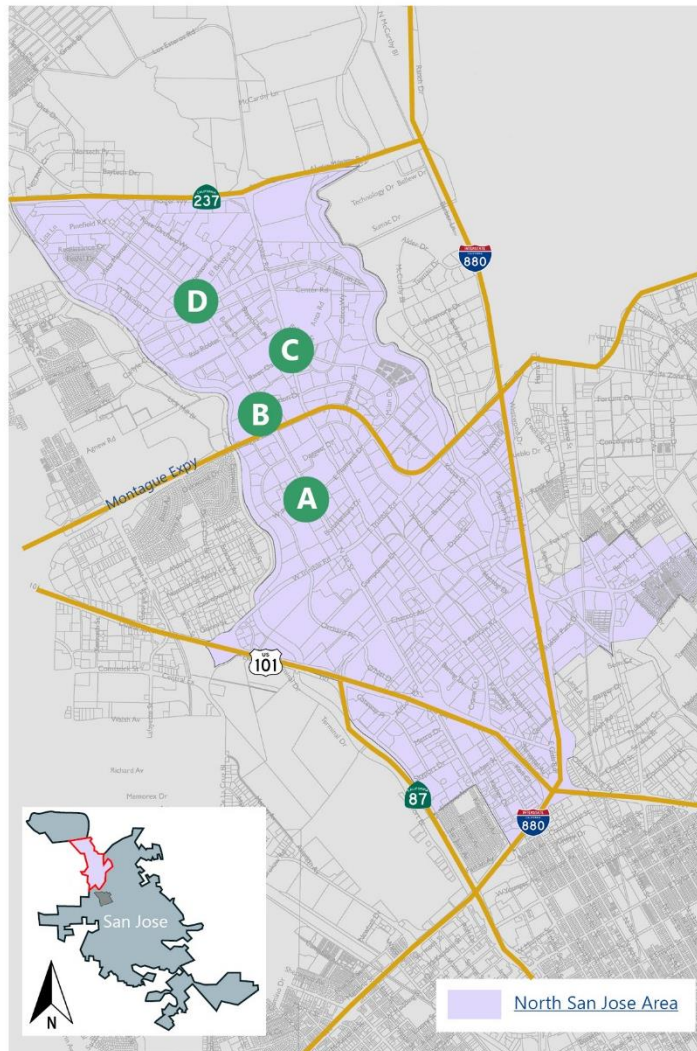
OVERVIEW OF REGIONAL INFRASTRUCTURE FINANCING

Conditions that can Optimize Infill Outcomes



CASE STUDY: NORTH SAN JOSE

City of San José's Infrastructure Challenge and Opportunities



Future Vision for North First Street



Future Vision for Light Rail Transit Corridor



Proposed Residential Mixed-Use

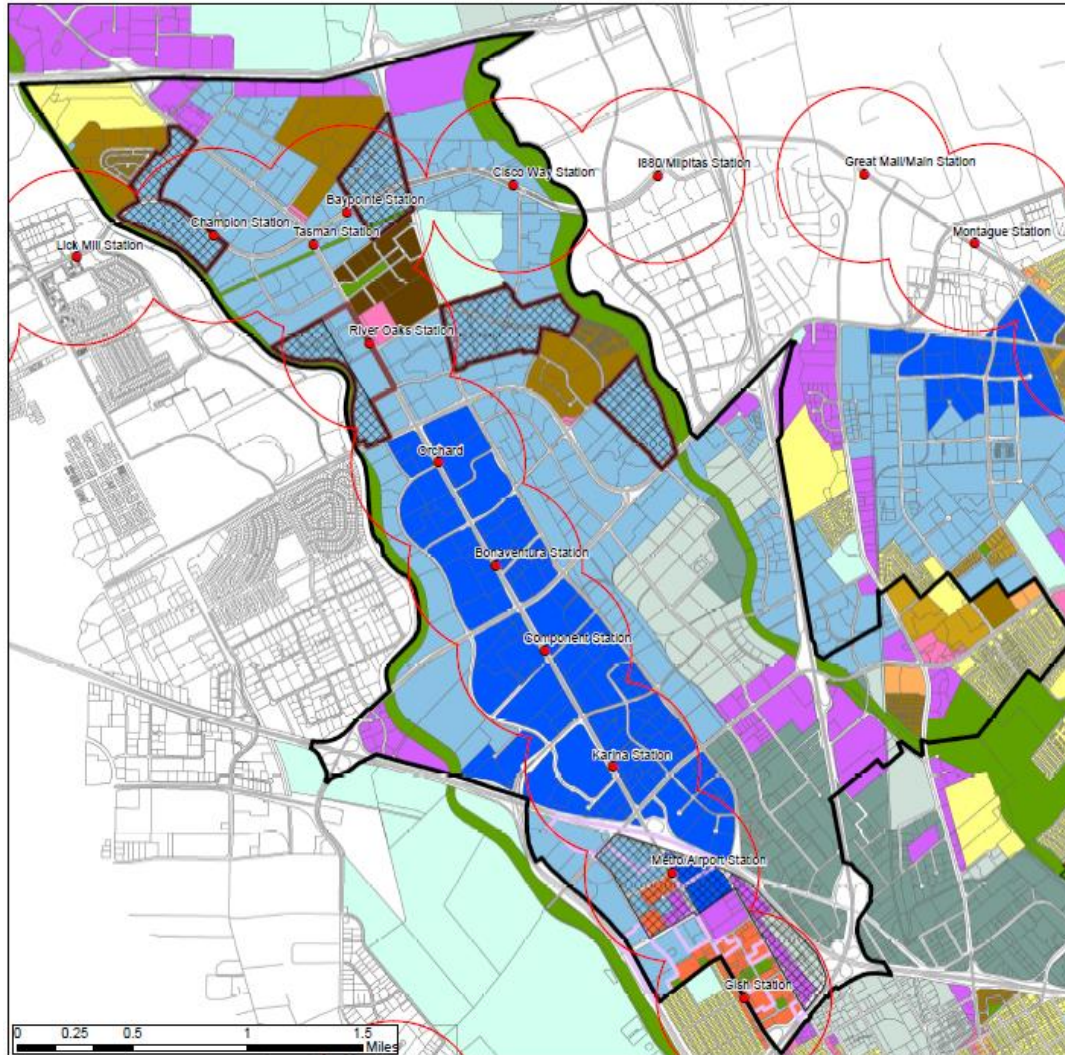


Samsung Development



CASE STUDY: NORTH SAN JOSE

North San José Land Use Plan



CASE STUDY: NORTH SAN JOSE

North San José (NSJ) – Background

1. NSJ is a **regional economic engine** and vital to the City's fiscal health
 - Current/entitled:
 - Industrial - ~ 1.2 million sq. ft. constructed (~ 8.9 million sq. ft. entitled)
 - Residential - 7,939 dwelling units constructed
 - Commercial - ~ 400 thousand sq. ft. constructed
 - Future:
 - Office - 26.7 million sq. ft.
 - Residential - 32,000 new dwelling units
 - Commercial - 1.7 million sq. ft. "local serving" & 1 million sq. ft. regional

2. The **NSJ Area Development Plan** governs new development and mitigation. The Plan:
 - Is not fully aligned with General Plan update
 - Includes a "jobs-first" development phasing approach
 - Includes a Traffic Impact Fee currently at \$14.44, with a 3.3% escalator every two years

CASE STUDY: NORTH SAN JOSE

North San José (NSJ) – Background (cont.)

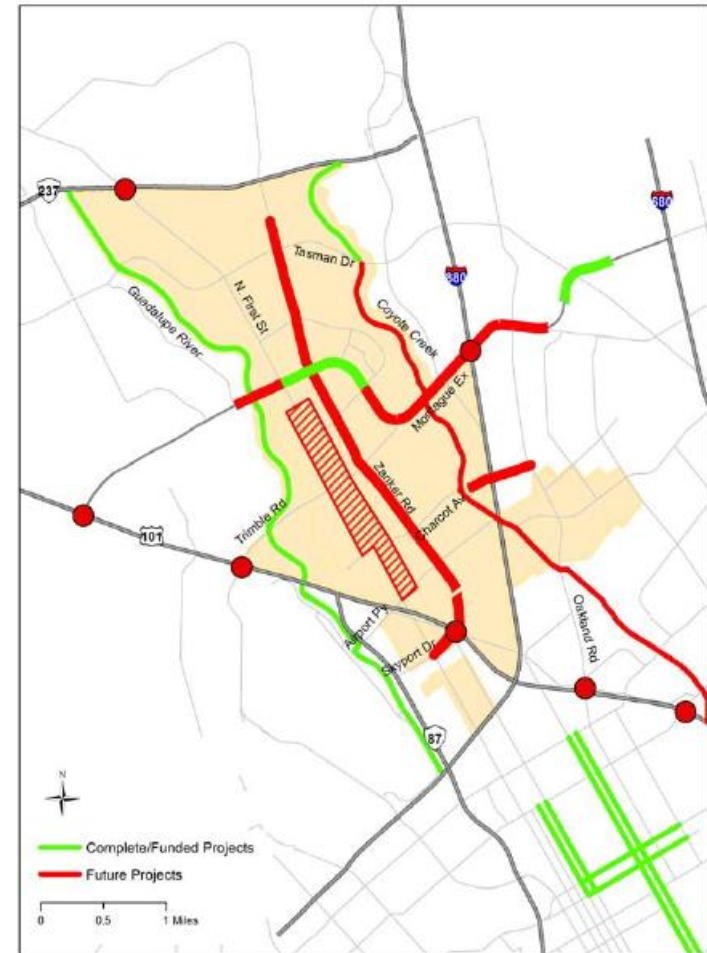
3. With the dissolution of Redevelopment Agencies, the City of San Jose assumed **financial responsibility** for \$30-40M of public infrastructure in NSJ.



CASE STUDY: NORTH SAN JOSE

NSJ Planned Major Transportation Projects: *Total Cost = \$570 million*

1. Montague Expwy Improvement
2. Freeway Interchange
 - Route 101 at Montague, Trimble, Oakland, Mabury
 - Route 880 at Montague
 - Route 237 at First
3. New Overcrossings
 - Zanker/Skyport/101, Charcot/880
4. Core Area Grid Streets
5. Zanker Road Widening
6. Trails/Bike/Ped Improvements
7. Transit Enhancements
8. Intersections/Couplet Conversions



CASE STUDY: NORTH SAN JOSE

NSJ Policy Implementation Based on Current Entitlements: Lessons Learned

- Facilitate new industrial 'construction'
- Create complete neighborhoods
- More cohesive retail and amenities
- Increase residential densities & unit yield
- Reevaluate required transportation infrastructure & phasing
- Implementation challenges

CASE STUDY: NORTH SAN JOSE

CHALLENGE:

How can the City of San José modify its North San José (NSJ) infrastructure funding approach to attract development and improve its jobs/housing balance and fiscal health?

CASE STUDY: NORTH SAN JOSE

ISSUES:

- **NSJ Development Policy** (“jobs first plan”) calls for four buildout phases. While all 8,000 housing units in phase one have been entitled, only 15% of the 10 million sq. ft. commercial/industrial development has been constructed.
- **Traffic Impact Fee** – is this the best mechanism to finance infrastructure or does it place NSJ at a competitive disadvantage relative to other South Bay locations?
- **Water Supply/Sanitary Sewer** – City requires significant capital improvement to address deficiencies to realize NSJ buildout.

CASE STUDY: NORTH SAN JOSE

POTENTIAL SOLUTIONS:

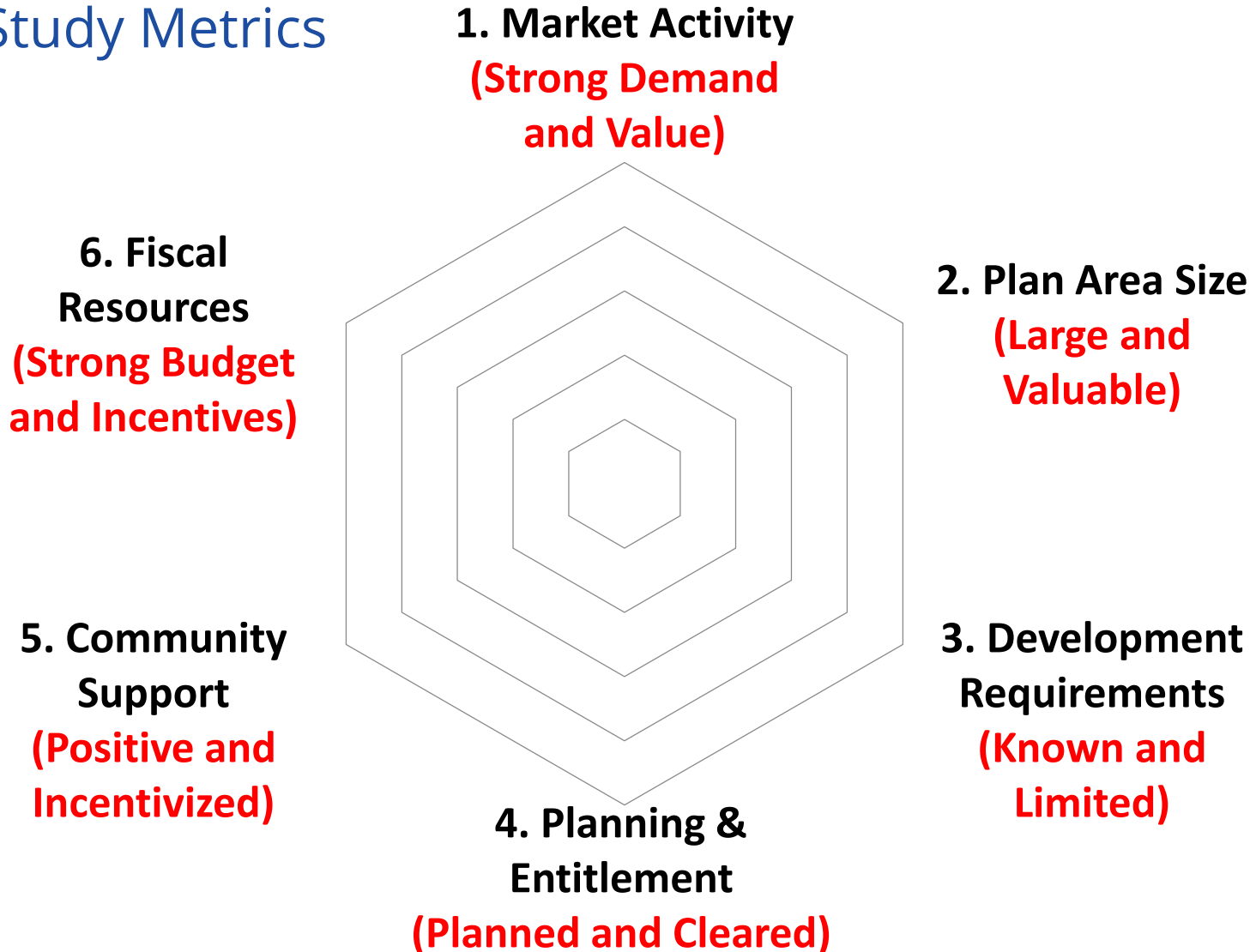
1. Revised Land Use Plan for the NSJADP Area
 - **Comprehensive strategy** to re-imagine NSJ development and the necessary infrastructure to support build out.
2. Traffic Impact Fee Options
 - Analyze **appropriate mitigation** share between new commercial, industrial and residential development.
3. Assess options to supplement the City of San José's **financial obligations**
4. Implement **alternative forms of infrastructure financing:**
 - Enhanced Infrastructure Financing District
 - Low-interest loans through infrastructure financing bank

PANEL DISCUSSION AND ANALYSIS

INPUT FROM THE PANEL

CASE STUDY: NORTH SAN JOSE

Case Study Metrics



QUESTIONS FOR THE PRESENTERS OR PANEL?

UPCOMING EVENTS

PLANNING INNOVATIONS FORUM #3 | FALL / WINTER 2016

POTENTIAL FORUM TOPICS

- Planning for and implementing Complete Streets
- Making affordable housing a reality
- Rightsizing Community Benefits and Developer Incentives
- Developing pro-active community engagement plans
- Identifying tools to build healthy communities
- CEQA and Transit-Oriented Development – exploring successful streamlining practices outlined in recent legislation
- Collaboration – working toward a common goal

STAY TUNED! <http://mtc.ca.gov/our-work/plans-projects/focused-growth-livable-communities/priority-development-areas/planning>



Future Vision for Light Rail Transit Corridor



THANK YOU