

SENATE TRANSPORTATION & HOUSING COMMITTEE
SENATOR ALAN LOWENTHAL, CHAIRMAN

BILL NO: AB 1091
AUTHOR: BASS
VERSION: 6/1/07
FISCAL: YES

Analysis by: Mark Stivers
Hearing date: July 10, 2007

SUBJECT:

Proposition 1C Transit-Oriented Development Implementation Program

DESCRIPTION:

This bill makes a number of changes to the Transit-Oriented Development (TOD) Implementation Program.

ANALYSIS:

In November 2006, California voters approved Proposition 1C, the \$2.85 billion Housing and Emergency Shelter Trust Fund Act of 2006. Included within the housing bond is an allocation of \$300 million for the TOD Implementation Program.

Unlike many other new programs funded by the bond, the statutory framework for this program was included in the legislation that placed the bond on the ballot, SB 1689 (Perata), Chapter 27, Statutes of 2006. The Department of Housing and Community Development (HCD) administers the TOD Implementation Program to provide local assistance to cities, counties, cities and counties, transit agencies, and developers for the purpose of developing or facilitating the development of higher density uses within close proximity to transit stations that will increase public transit ridership. Transit stations are defined as rail or light-rail stations, ferry terminals, bus hubs, or bus transfer stations.

The TOD Implementation Program provides grants for the provision of infrastructure necessary for the development of higher density uses within close proximity to a transit station, or to facilitate connections between that development and the station. Higher-density uses include both housing (departure points for transit) and non-residential uses such as office buildings (destination points for transit).

The TOD Implementation Program also provides loans for the development of housing on parcels at least a portion of which are located within one-quarter mile of a transit station. Housing developments that receive loans must include at least 15% of units that are affordable to very low- and low-income households for at least 55 years.

In ranking applications, HCD must consider the extent to which the project or development will increase public transit ridership and minimize automobile trips. HCD is also required to grant bonus points to projects or developments that are in an area designated by the appropriate council of governments in a regional plan for infill development.

HCD is currently working on a draft Notice of Funding Availability (NOFA) for this program and intends to release the draft for comment by early August. Upon receiving and incorporating comments, and assuming that funds are appropriated for this program in the state budget, HCD intends to issue the NOFA and begin accepting applications in the fall of this year.

This bill makes a number of changes to the TOD Implementation Program. Specifically, the bill:

- Allows redevelopment agencies to apply for infrastructure grants.
- Requires that infrastructure grants support a particular higher density development project, that the project include housing, and that 25% of the housing be affordable to very low, low-, and moderate-income households.
- Requires that housing developments receiving loans include at least 25% of units affordable to very low-, low-, or moderate-income households.
- Specifically allows affordable units to be provided through homeownership and requires that the grant or loan recipient recapture and reuse subsidies on ownership units for at least 20 years.
- Allows development projects assisted or supported by the program to be on parcels at least a portion of which is within ½ mile, as opposed to ¼ mile, of a transit station.
- Requires projects to include a demonstrated local match of an unspecified amount.
- Deletes the requirement that HCD grant bonus points to projects designated for infill development by a regional growth plan and instead requires HCD to grant bonus points to projects that:
 - Provide multiple benefits, including walkability, green space or community space, and a mix of rental and home-ownership opportunities.
 - Include coordination of funding from state bond funds other than Proposition 1C.
 - Include coordination of investment from multiple sources of local funding.
 - Are located, at least in part, in a redevelopment project area or in an area designated for transit-oriented development in a general plan, capital improvement plan, specific plan, regional transportation plan, or regional blueprint plan.

COMMENTS:

1. **Purpose of the bill.** The intent of this bill is to alter the parameters of the TOD Implementation Program in order to make redevelopment agencies and projects farther from a transit station eligible for funding, to require housing and particularly affordable housing in all areas that receive program funds, and to require a local match. The author believes that this bill will most effectively and efficiently distribute program funds throughout California.
2. **Housing in every project.** The current statute recognizes that in order for individuals to use transit, they need both easy access (i.e., close to home) and transit-friendly destinations. While it was envisioned that housing would be the primary beneficiary, the program was crafted to also allow funding for purely non-residential projects (i.e., job centers) near transit. This bill requires that every project include at least some residential units. This is consistent with HCD's proposed implementation of the program that would also require at least some housing associated with every loan or grant. **Nonetheless, the committee may wish to consider whether it is advisable to preclude non-housing projects in statute.**

3. Distance from the station. The general consensus is that the biggest impact on transit ridership comes from development within ¼ mile of a station, though there is some additional benefit up to ½ mile from the station. The current TOD Implementation Program statute requires that infrastructure grants support projects located within close proximity to a transit station. Loans for housing must go to projects on parcels at least a portion of which is within ¼ mile of the transit station. In its draft NOFA, HCD intends to require that the housing supported by both loans and grants be on parcels at least a portion of which is within ¼ mile of the outside boundary of the transit station. Furthermore, the housing itself must be within ½ mile of the heart of the transit station via a readily walkable route. HCD will use the scoring system to benefit housing closest to the station. This bill would expand the ring even farther by allowing projects to be funded that are on parcels at least a portion of which is within ½ mile of the station. The actual housing units could be even farther away with no outside limit. **The committee may wish to consider whether it is appropriate to fund projects in which the housing may be more than ½ mile from the station.**
4. Match required. Current law does not require TOD Implementation Program applicants to provide a local match. This was intended to ensure that communities with minimal resources would be able to participate in the program. It was also intended to recognize that match requirements do not reduce the total public subsidy to a project but simply increase costs by requiring the coordination of multiple funding sources. This bill requires that each project receive an unspecified local match. This is at least partially consistent with HCD's intent to require a local match for infrastructure projects. It appears that HCD will not require a local match for housing loans but will encourage the leveraging of private funds to the maximum extent possible. **The committee may wish to consider whether it is advisable to require a local match in statute, especially for housing loans.**
5. Redevelopment agency loans. This bill allows redevelopment agencies to apply for infrastructure grant funding. Redevelopment agencies are very much involved in the provision of infrastructure in existing communities and are often the primary force facilitating transit-oriented development. For that reason, this addition seems appropriate. Redevelopment agencies, however, reap the property tax increment that follows development. While they may not have the money up front to finance transit-oriented development, they will benefit financially once projects are completed. **Given that this windfall is a ready source of repayment, the committee may wish to consider providing loans instead of grants to redevelopment agencies.**
6. Bonus points. Transit-oriented development is intended to maximize the public investment in transit by increasing ridership. The current TOD implementation program statute provides bonus points for projects that increase transit ridership and reduce automobile trips. HCD intends to implement this provision by providing points for projects with higher densities, jobs/housing diversity, walkable design, minimal distance to the station, and access to destinations. This bill maintains this provision but adds more bonus points for projects that provide walkability, a mix of rental and ownership housing, and green space. Of these, the first is already slated for inclusion in HCD's NOFA, and it is not clear why the inclusion of greenspace within the development or the mix of ownership and rental housing within the development, as opposed to within the surrounding community, is important or how it benefits transit ridership.

The statute also seeks to prioritize projects and promote the regional blueprint planning processes undertaken in all major regions of the state by providing bonus points for developments designated for infill development within a blueprint. HCD is considering expanding this category to include transit area plans developed by transit providers. Both would maintain a focus on regional priorities in an attempt to maximize regional benefits. This bill removes this provision and instead provides bonus points to projects that meet one of a long list of criteria, including being located in a redevelopment project area or in an area designated for transit-oriented development in a general plan, capital improvement plan, specific plan, regional transportation plan, or regional blueprint plan. To the extent that almost any project will meet this criteria, it is not clear what benefit is provided from this priority. Moreover, the bill's approach does not ensure that the project is providing a true regional benefit.

Lastly, this bill provides bonus points to projects that include multiple sources of local funds and state funds from bonds other than Proposition 1C. It is not at all clear what benefit is derived from requiring applicants to assemble so many different funding sources, nor what is special about these funding sources over any other. **The committee may wish to consider whether the bill or current statute ensures the most effective use of funds.**

7. Housing affordability. Current law does not require that areas supported with TOD infrastructure grants include affordable housing. Instead, it offers loans to developers who wish to build affordable housing near transit. Essentially, this is a voluntary approach. This bill requires the inclusion of affordable housing in every project area assisted with TOD grant or loan funds. This is intended to prevent displacement through gentrification and to ensure that people of all income have access to transit. The bill requires that 25% of all housing units in the project be affordable to very low-, low-, or moderate-income households. This requirement could be met, however, with all moderate-income units. In addition, the bill only requires that the subsidy on homeownership units be recaptured for 20 years. **The committee may wish to consider requiring that at least 15% of the units be affordable to very low- and low-income households and that homeownership subsidies be recaptured for at least 55 years.**
8. Technical amendment. On page 3, line 32 strike "public entity" and insert "borrower"

Assembly Votes:

Floor:	47-31
Appr:	12-5
Local Gov:	5-1
H&CD:	5-1

POSITIONS: (Communicated to the Committee before noon on Wednesday, July 4, 2007)

SUPPORT: City of Los Angeles (sponsor)
California Rural Legal Assistance Foundation
Western Center on Law and Poverty

OPPOSED: None received.