

Real Opportunity

How San Diego's Metropolitan Transit System can transform empty parking lots into affordable homes



A #PlanDiego
Report

Supported by

TransitCenter



Acknowledgements



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Special Thanks

A special thanks goes to TransitCenter for funding elements of this report, and for providing technical assistance. Maya Rosas and Oscar Medina provided additional edits. Design was by Oscar Medina. Substantial research for this report was provided by Jesse O'Sullivan. Parking counts were provided by student volunteers Ashley Gracyk and Michael Cline.

Staff for MTS and MTS board members provided useful feedback for the report, and assisted with the collection of relevant data and documents. Substantial assistance was provided by leadership and staff among the three peer transit agencies referenced in this report. BART Board Member Rebecca Saltzman provided useful insights. Staff at BART and LA Metro provided invaluable guidance, including by Abby Thorne-Lyman of BART and Jenna Hornstock from LA Metro.

Circulate also wishes to recognize the advisory committee members that provided comments and feedback on this report. They include:

Matthew Adams
Murtaza Baxamusa
Ethan Elkind
Dave Gatzke
Ginger Hitzke
Andrew Malick
Laura Nunn
Kwofi Reed



Executive Summary

The Metropolitan Transit System (MTS) owns substantial under-utilized properties, which present an opportunity for the agency to leverage those assets to build affordable homes, catalyze economic development, and to address climate change.

The properties MTS has already identified for potential development total more than 57 acres. Those properties could support more than 8,000 new homes, with more than 3,000 reserved as permanently affordable for low income renters, with accommodating land uses and affordability requirements. With new policies, MTS can make a substantial contribution to addressing the region's housing affordability crisis.

Recent changes to the structure of MTS and its leadership present a new opportunity to revisit the policies that govern joint development on MTS real estate. Not only will development of this real estate provide public benefits, it will provide new sources of revenue to support transit operations and to provide better service for riders.

This report recommends that MTS take advantage of the current political support for transit oriented development through reform of its policies to:

- Create a joint development program that issues requests for proposals for priority sites and actively solicits near-term development partners.
- Require that any residential development include a percentage of homes to be made permanently affordable for low income families.
- Eliminate the costly requirement for new developments to replace or maintain parking where it is already underutilized.

Circulate San Diego recently performed a system-wide survey of all MTS parking lots and structures located near trolley stations and bus stops. That research found that a substantial number of the MTS parking facilities have very low utilization rates. Many large properties, including the Grantville Station parking lot, have as little as 30 percent utilization.

Parking lots are only a subset of the MTS real estate portfolio. Large parking lots without any cars parked in them provide an easy-to-understand metric of the underutilized state of MTS land holdings. The recommendations in this report apply to the entire MTS real estate portfolio, not just its parking facilities.

MTS is also an outlier among large California transit agencies. Los Angeles County Metropolitan Transit Authority, Bay Area Rapid Transit, and Santa Clara Valley Transportation Authority all have similar policies to encourage productive joint development adjacent to transit investments. MTS should adopt the best practices from other transit agencies in California, to encourage more transit oriented development on its land.

The elected officials on the MTS board are responsible for setting priorities and directing staff on how to make the best use of the agency's assets. Recent changes to the MTS structure and leadership present an opportunity for a new start.

With updated policies, MTS can encourage more of its land to be developed to the benefit of the agency and the community. Transit oriented development on MTS land presents an important opportunity to help improve the local economy, allow people to live and commute more affordably, and reduce greenhouse gas emissions in the region.

Introduction

The Metropolitan Transit System (MTS) is the larger of two public transportation agencies in San Diego County. It is also the fourth largest transit agency in California.¹ MTS provides public transportation in the County of San Diego, and the cities of San Diego, El Cajon, Imperial Beach, Lemon Grove, Santee, La Mesa, Poway, National City, Coronado, and Chula Vista. The system operates a substantial number of bus lines, and a trolley system that stretches from as far east as Santee, and as far south as the San Ysidro border.

MTS is governed by a board made up of elected officials from each of its constituent jurisdictions. Every jurisdiction has one representative on the MTS board, except for the City of San Diego, which has four, and the City of Chula Vista, which has two.

In addition to running the bus and trolley lines within its boundaries, MTS owns a substantial amount of real estate. The agency's properties include bus yards, repair stations, offices, and other facilities that are necessary for a large public transit agency to operate. MTS also owns substantial real estate that is either vacant or that is dedicated to parking for transit riders near trolley stops and major bus stations.

The structure of MTS changed recently with the adoption of Assembly Bill 805 (Gonzalez Fletcher). A new chair has been elected, who has called for leveraging the MTS real estate portfolio to combat the region's housing crisis.² New changes to MTS present opportunities for progress.

Circulate San Diego recently launched our #PlanDiego initiative, dedicated to research and advocacy for sustainable land use policy in the region. This report is the latest contribution to that series, and it provides a guide for how San Diego's largest transit agency can use its substantial real estate assets to promote affordability, economic vibrancy, and greenhouse gas reduction.



*Massachusetts Ave Station
Photography by Colin Parent*

1 American Public Transportation Association, 2016 Public Transportation Fact Book (February 2017), at page 10, available at <http://www.apta.com/resources/statistics/Documents/FactBook/2016-APTA-Fact-Book.pdf>. Larger agencies in California include Los Angeles County Metropolitan Transit Authority, San Francisco Municipal Railway, and Bay Area Rapid Transit.

2 Councilmember Georgette Gomez, "Commentary: What new MTS chair Georgette Gomez has planned for public transit," San Diego Union Tribune, February 8, 2018, available at <http://www.sandiegouniontribune.com/opinion/commentary/sd-utbg-public-transit-mts-20180209-story.html>.

Transit Oriented Development

Transit oriented development (TOD) is the concept of building homes, jobs, and other destinations near transit, so that people can move around without having to rely on a car. TOD is a longstanding policy of the City of Villages Strategy that is a part of the City of San Diego's General Plan. Similarly, TOD is a significant component of the City of San Diego's Climate Action Plan.

Not only is TOD a key part of the legal commitments under San Diego's General Plan and Climate Action Plan, TOD can also provide a win-win-win for affordability, economic development, and greenhouse gas reduction.³ More homes and job centers near transit will allow people to get around more affordably without having to own a car. Ensuring that affordable housing is a part of TOD can also create new opportunities for people to live in homes they can afford during our region's continuing housing crisis. TOD can also provide economic development, by unlocking value from land that is enhanced by being located near transit investments.

Finally, TOD can reduce greenhouse gas emissions by reducing vehicle miles traveled, and by increasing the percentage of commuters who take transit instead of driving. California cannot meet its ambitious climate change goals without developing more homes near transit.⁴ Studies have also shown that including affordable homes with low income renters as a part of TOD creates further greenhouse gas reductions and higher transit ridership,⁵ important co-benefits with affordability.



Grantville Station
Photography by Colin Parent

3 Circulate San Diego, Letter: Recommendations for Win-Win-Win Approaches to Housing Affordability in the City of San Diego (January 26, 2017), available at http://www.circulatesd.org/policy_letter_recommendations_for_win_win_win_approaches_to_housing_affordability_in_the_city_of_san_diego.

4 Liam Dillon, "California won't meet its climate change goals without a lot more housing density in its cities," Los Angeles Times, March 6, 2017, available at <http://www.latimes.com/politics/la-pol-ca-housing-climate-change-goals-20170306-story.html>.

5 TransForm and the California Housing Partnership Corporation, Why Creating and Preserving Affordable Homes Near Transit is a Highly Effective Climate Protection Strategy (2014), available at <http://www.transformca.org/sites/default/files/CHPC%20TF%20Affordable%20TOD%20Climate%20Strategy%20BOOKLET%20FORMAT.pdf>.

In addition to the City of San Diego, other jurisdictions that are a part of MTS have or are planning to adopt Climate Action Plans. Like with San Diego's climate plan, some of the other jurisdictions' plans include goals to reduce vehicle miles traveled and increase the percentage of people who use transit. These transportation goals require the participation of local multi-jurisdictional agencies like MTS and the San Diego Association of Governments (SANDAG).⁶

So far, plans adopted by SANDAG have not provided sufficient transit and bicycle infrastructure to achieve climate plan mode share goals.⁷ MTS must also be a part of the conversation for how to meet greenhouse gas reduction goals, since its operational decisions impact ridership within the boundaries of its member jurisdictions. The board members of MTS are also themselves mayors and councilmembers of the very same jurisdictions that have adopted these climate-related transportation goals.

Importantly, TOD can also benefit the transit agency itself. Developing MTS real estate will provide the agency with new sources of revenue from development partners. Those funds can support operations and expansions of service for transit riders.

Adding people who live or work near a transit station builds in a market of potential transit riders. In particular, locating homes that are affordable to low income renters has a measurable reduction to greenhouse gas emissions, because lower income people are more likely to ride transit.⁸ A number of programs that fund affordable housing development, or that address transportation demand management provide workers or residents with transit passes. Having more development near a transit station is good for a transit agency, and MTS should capitalize on the opportunities its real estate assets present.

The San Diego region is challenged when it comes to TOD. A recent study from U.C. Berkeley School of Law found that the land near MTS stations was the least well-utilized, as compared to all of the other large transit agencies in California.⁹ The relatively sparse development near MTS transit stops prevents the San Diego region from meeting its climate, affordability, and economic development goals.

A variety of causes contribute to the region's land use patterns near transit, including significant policy barriers to development adopted and maintained by the local jurisdictions within MTS.¹⁰ Local governments can help promote TOD by updating land uses rules near transit. Circulate San Diego published a series of recommendations in 2017 for how local governments can promote transit oriented development through city-wide municipal code updates.¹¹

Most of the land within a walkable or bikeable radius to MTS transit stations is not owned by MTS. MTS has little say over what gets developed on property that it does not own. Nonetheless, MTS can help promote TOD on its own properties by changing its policies and practices.

6 Circulate San Diego, New Climate for Transportation (September 23, 2015), available at <http://www.circulatesd.org/newclimate>.

7 Joshua Emerson Smith, "City hasn't been tracking transit, biking goals in landmark Climate Action Plan," San Diego Union Tribune, October 31, 2017, available at <http://www.sandiegouniontribune.com/news/environment/sd-me-climate-transit-goals-20171027-story.html>.

8 San Diego Housing Federation, Center for Neighborhood Technology, California Housing Partnership Corporation, Location Matters: Affordable Housing and VMT Reduction in San Diego County (September 2016), available at <https://www.housingsandiego.org/s/Climate-Action-Affordable-Housing-And-VMT-Reduction.pdf>.

9 The UC Berkeley School of Law's Center for Law, Energy & the Environment, Grading California's Rail Transit Station Areas (October 5, 2015), available at <http://next10.org/transitscorecard>.

10 There are a number of barriers to unlocking economic benefits of lands, including the high costs of development. Fermanian Business & Economic Institute at Point Loma Nazarene University, Opening San Diego's Door to Lower Housing Costs (2015), available at <https://www.housingyoumatters.org/images/HousingYouMatters.pdf>.

11 Circulate San Diego, Transit Oriented Development (January 2017), available at <http://www.circulatesd.org/todreport>.

MTS Real Estate Holdings

Like many transit agencies in California, MTS owns a substantial amount of real property. Much of the MTS land holdings are concentrated around trolley, bus, and bus rapid transit stations. A substantial portion of the MTS land is dedicated to surface parking lots. As this report details below, many of those parking lots are underutilized and should be made available for TOD.

MTS also owns parcels that are currently being used for transit operations, and they include bus yards, repair facilities, etc. Many of these parcels are not likely good candidates for development, because they are being used to operate the transit system. However, some of those operations could be considered for relocation or consolidation, to make land available for development of affordable homes, job centers, or other priority uses in close proximity to transit stations. In 2016, MTS signaled a willingness to consider such a transaction to accommodate the development of a football stadium downtown.¹²

MTS readily acknowledges that some of its land could be developed near its transit stations. MTS maintains a Real Estate Department, the website¹³ for which lists a 2015 inventory of properties that MTS believes would make good development opportunities.¹⁴ The same website also contains a presentation document with details about potential TOD opportunities.¹⁵ The MTS board periodically hears reports about the program, including as recently as 2018.¹⁶

“In 2016, MTS signaled a willingness to consider such a transaction to accommodate the development of a football stadium downtown.”

MTS has an adopted policy for how it may allow for development on its real estate assets, MTS Board Policy and Procedure Number 18 (Policy 18).¹⁷ The current version of Policy 18 was approved in 2007, and it allows for MTS to develop properties either through putting those properties on the market with a request for proposals (RFP), or in response to unsolicited proposals from the development community. In the last ten years, MTS has not issued an RFP for any of its properties.¹⁸

The list of MTS joint development sites includes 57.32 acres of developable property.¹⁹ The City of San Diego recently adopted a Focused Plan Amendment that updated land use rules for the property

¹² Roger Showley & Lori Weisberg, “Transit agency wants to start talks on Chargers stadium,” San Diego Union Tribune, March 28, 2016, available at <http://www.sandiegouniontribune.com/business/growth-development/sdut-stadium-chargers-jmi-downtown-mts-2016mar28-story.html>.

¹³ MTS, Real Estate Website, available at <https://www.sdmts.com/business-center/real-estate>, last visited February 24, 2018.

¹⁴ MTS, Joint Development Property Inventory (October 8, 2015), available at https://www.sdmts.com/sites/default/files/attachments/joint_development_property_inventory.pdf, last visited February 24, 2018.

¹⁵ MTS, Presentation: Joint Development Property Inventory, available at https://www.sdmts.com/sites/default/files/attachments/website_tod_presentation_option_compatibility_mode.pdf, last visited February 24, 2018.

¹⁶ MTS, Board of Directors Agenda (March 8, 2018), Item 46, at page 195, available at https://www.sdmts.com/sites/default/files/2018-03-08_board_agenda_and_materials.pdf, last visited February 24, 2018.

¹⁷ MTS, Board Policy and Procedure Number 18 (January 18, 2007), available at <https://www.sdmts.com/sites/default/files/POLICY.18.JOINT%20USE%20AND%20DEVELOPMENT%20OF%20PROPERTY.pdf>, last visited February 24, 2018.

¹⁸ In-person conversation between Circulate San Diego and MTS staff on January 10, 2018. Circulate San Diego also made a Public Records Act request for all copies of all RFPs issued by MTS for joint development, and none were provided.

¹⁹ Calculations for development capacity for MTS properties is available online as an electronic appendix to this report. Circulate San Diego, Real Opportunity (April 2018), Electronic Appendix B, available at <http://www.circulatesd.org/realopportunity>.

owned by MTS adjacent to the Grantville Station. That amendment allows for 109 units per acre.²⁰ If local governments updated land use capacity at an equal level for the other MTS properties, that would allow up to 6,248 new homes to be developed. When combined with state and local affordable bonus programs,²¹ that results in a potential residential capacity on MTS properties of 8,836 new homes.

As discussed in a later section, this report recommends that MTS adopt a portfolio goal to deed restrict 35 percent of residential construction on agency land as affordable. That policy could result in as many as 3,093 new homes on MTS land that were permanently affordable for low income renters.



*Spring Street Station
Photography by Colin Parent*

20 City of San Diego, Report to the City Council No. 15-062 (June 9, 2015), pages 5 and 53, available at <https://www.sandiego.gov/sites/default/files/ccrep5212015.pdf>.

21 California State Density Bonus Law allows developers a 35 percent bonus above and beyond what local land use rules allow. California Government Code § 65915. For a useful primer on California Density Bonus Law, read Kronick, Moskovitz, Tiedemann & Girard, Maximizing Density Through Affordability (January 1, 2015), available at http://www.kmtg.com/sites/default/files/files/Density%20Bonus%20Law_2015_Web%20Version.pdf. The City of San Diego recently adopted an enhanced bonus program that provides up to a 50 percent bonus. Circulate San Diego recently published a report showing San Diego's local enhanced program is driving even higher unit production. Circulate San Diego, Early Win for Affordable Homes Bonus Program (October 2017), available at <http://www.circulatesd.org/ahbpreport>.

Prior Joint Development Projects on MTS Properties

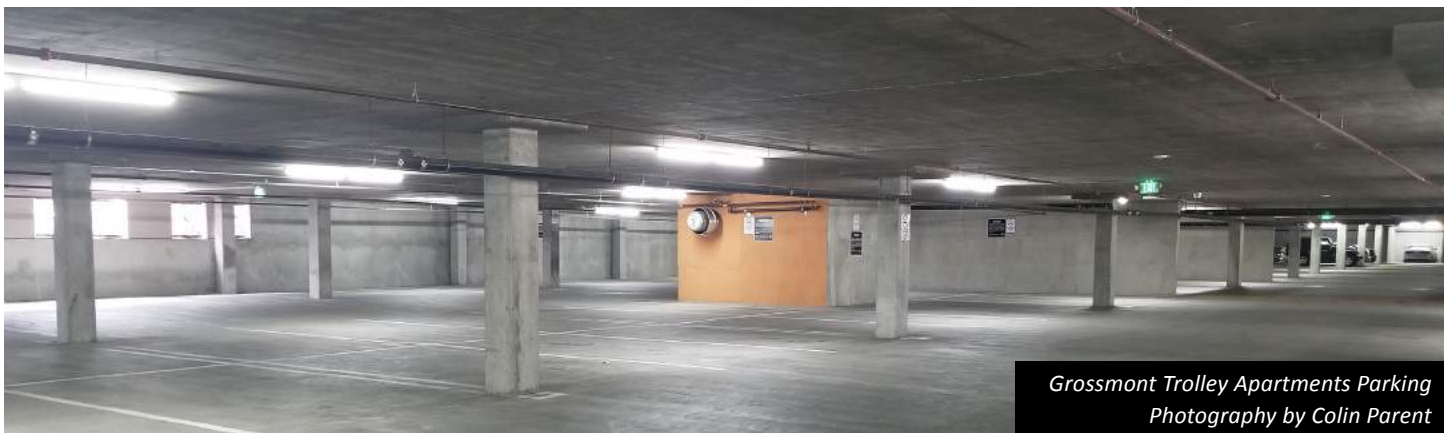
While MTS has not actively sought bids through RFPs, the agency does have a track record of developing some of its properties. The below projects represent the MTS joint development projects in recent years.

- Creekside Villas at the 47th Street Station in Southeast San Diego
- Sweetwater Union High School District Adult Education Extension at the 24th Street Station in National City
- Morena/Linda Vista Development on the Green Line in Mission Valley
- Grossmont Trolley Apartments at the Grossmont Transit Station in La Mesa²²
- Villa Encantada Apartments at the Encanto/62nd Street Station²³ in Southeast San Diego

The six projects above are substantially fewer than the 15 remaining properties listed on the MTS inventory of properties.²⁴

MTS as an agency has incentives not to activate their real estate portfolio. The value of its land grows every year, even without any development, sale, or leasing activity. MTS does not have to receive income from the land for it to benefit the agency's bottom line, at least when considering the total value of agency assets. Furthermore, land development is a politically challenging endeavor, and MTS can avoid difficult conversations with adjoining landowners, neighborhood groups, and other stakeholders by choosing continually to defer development. In particular, MTS staff may be hesitant to take bold or politically challenging action on the use of agency property, absent direction from the MTS board.

The limited development on these properties results in significant missed opportunities to leverage MTS land for the public benefit. It is the responsibility of the MTS board members to ensure the agency uses its real estate assets to benefit both the agency directly and other important public policy goals. While staff have an important role in decisionmaking by any public agency, MTS is ultimately governed by elected officials who serve on the MTS board. For MTS to move forward with a better program to create TOD, the board must set the direction.



*Grossmont Trolley Apartments Parking
Photography by Colin Parent*

²² MTS Executive Committee Meeting (February 5, 2015), Item C4, at page 17, available at <https://www.sdmts.com/sites/default/files/2015-02-05ECFULL.pdf>.

²³ Chris Jennewein, "MTS Breaks Ground for 67 Affordable Apartments at Encanto Trolley Station," Times of San Diego, February 23, 2017, available at <https://timesofsandiego.com/business/2017/02/23/mts-breaks-ground-67-affordable-apartments-encanto-trolley-station/>.

²⁴ MTS, Joint Development Property Inventory (October 8, 2015), available at https://www.sdmts.com/sites/default/files/attachments/joint_development_property_inventory.pdf, last visited February 24, 2018.

Circulate San Diego Parking Survey

A substantial component of the MTS land holdings consists of surface parking lots. Those lots are intended to provide access to the transit system for bus and trolley riders who drive to their stations.

During the summer of 2016, Circulate San Diego directed a pair of volunteers to visit each of the MTS parking lots and structures twice, during the peak use hours of 9:00 AM and 12:00 PM. They counted the number of parking spaces available at each location,²⁵ and the number currently occupied. The results of this parking survey are included in the electronic appendix to this report.²⁶

Parking counts show clearly that a large number of the MTS lots are underutilized. Many lots dedicate far more land to parking than is necessary even to accommodate the drivers that choose to park in them.

The result is a substantial amount of publicly owned land that is adjacent to a transit stop and not used by anyone for any purpose. Notably, the high levels of underutilized parking on MTS real estate is a part of a broader national trend of parking over-supply near transit.²⁷

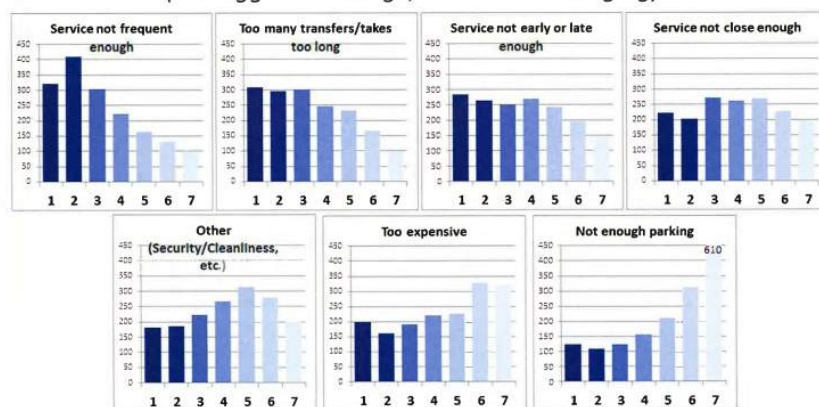
Much has been written about the cost of parking to society as a whole, though many have come to expect parking to be both free and plentiful.²⁸ Current parking utilization shows demand for at least some space for car storage on MTS real estate. However, public opinion data generated by MTS shows that parking availability is not a leading factor for why people choose to ride transit from among other modes.²⁹

Empty parking lots are not only underutilized assets, but they can also create barriers to accessing transit. Parking lots create hot expanses of asphalt that mandate greater distance between a transit station and any location where someone might want to travel to or from. The barrier effects for some riders are not justified by providing car access to transit stations, if car drivers are not even using the opportunity.

Empty parking lots also create meaningful opportunity costs. Land that could be dedicated to affordable homes, or locations for jobs, are instead maintained as parking that is not even used. Empty lots represent an opportunity to make positive change.

Community Survey

**What are your biggest challenges using MTS?
Or, Why don't you ride MTS?**
(1 = Biggest challenge, 7 = least challenging)



²⁵ There were some discrepancies between the number of spaces counted by Circulate San Diego, and those listed on the MTS website, located at <https://www.sdmts.com/rider-info/transit-station-parking>. However, those differences were minor, and if MTS counts of spaces are more accurate, that would not make much of a difference with regard to utilization rates.

²⁶ Circulate San Diego, Real Opportunity (March 2018), Electronic Appendix A, available at <http://www.circulatesd.org/realopportunity>.

²⁷ Smart Growth America, Empty Spaces: Real Parking Needs at Five TODs (January 2017), available at <https://smartgrowthamerica.org/resources/empty-spaces-real-parking-needs-five-tods>.

²⁸ Donald Shoup, The High Cost of Free Parking, University of California Transportation Center (2001), available at <http://www.uctc.net/research/papers/351.pdf>; Alan Durning, "Parking Rules Raise Your Rent," Grist, September 6, 2013, available at <http://grist.org/cities/parking-rules-raise-your-rent>.

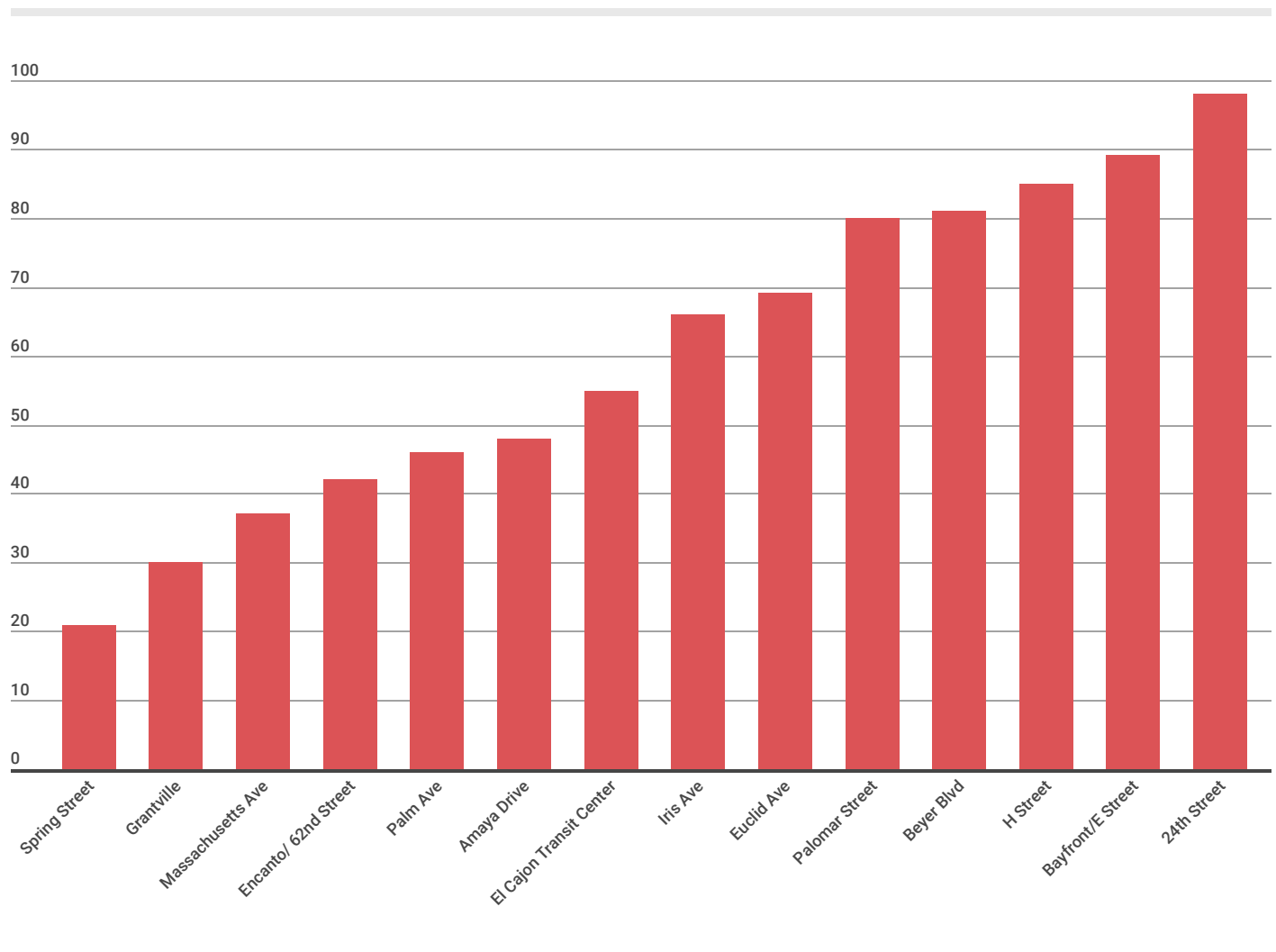
²⁹ MTS Board Meeting Agenda (December 8, 2016), Item 46, at page 301, available at https://www.sdmts.com/sites/default/files/2016-12-08_board.pdf.

Analysis of MTS Parking Trends

The data collected by Circulate San Diego shows a variety of trends. It also suggests that certain parcels of land are more obviously suitable for development than others.

Circulate San Diego staff grouped the results of the parking survey into the following categories: Very low usage (less than 30 percent), low usage (30-50 percent), some usage (50-90 percent) and full usage (90-100 percent). A parking facility is considered at full utilization by many in the planning community if it has 85 to 90 percent occupancy. These assumptions ensure that most parking facilities seldom or never fill.³⁰

Utilization Rates at MTS Opportunity Sites



30 Rachel R. Weinberger, Parking in Mixed-Use U.S. Districts: Oversupplied No Matter How You Slice the Pie, Nelson/Nygaard Consulting Associates (August 1, 2014), page 6, available at http://nelsonnygaard.com/wp-content/uploads/2014/03/Oversupplied-Parking_RW_JKR.pdf.

Very low usage lots are concentrated in the eastern portion of the transit system on Green Line and Orange Line stops. Gillespie Field (11 percent), Spring Street (21 percent), Arnele Avenue (26 percent), and Grantville (30 percent), are the very low usage stations. Some East County locations, including the Amaya Drive (48 percent), El Cajon Transit Center (55 percent) stations are somewhat better used. The Blue Line parking lots have the best usage, all of which are fully utilized except for Palm Avenue (46 percent) and Iris Avenue (66 percent) stations. Green Line stations Morena/Linda Vista (90 percent), 70th street (94 percent) and Old Town Transit Center (94 percent) have full utilization as well. As explained above, the Green Line stations of Grantville, Arnele, and El Cajon Transit Center all have low or very low utilization. RAPID bus stations are clustered between 45 and 72 percent usage, and are among the largest parking lots in the system.

Not every parking lot in the MTS system is listed on the joint development inventory maintained by MTS. This report does not examine whether additional sites should be added to the inventory, based on low parking utilization or other factors. Some may have other development constraints, and not all are owned by MTS. It is enough to demonstrate that a number of the parking lots on the joint development inventory are substantially underutilized, and they should be developed to benefit the public and the agency.

At the time of Circulate San Diego's parking survey, the Encanto/62nd Street Station maintained a 160 space parking lot, used at a 41 percent rate (an average of 67 spaces used at peak times). There is currently an affordable TOD project under construction at that site, which was required to maintain 100 spaces for an MTS parking lot in addition to parking for the residents of the affordable development itself.³¹ That amount of parking would bring usage up to 67 percent assuming similar demand. However, it can still be expected that a large portion of the spaces (34 percent) will go unused even during peak hours.

Documents from MTS show that the Encanto/62nd Street Station joint development effort included a study to determine future parking need. The study validated the parking counts in Circulate San Diego's survey, finding 66 spaces used, compared to Circulate San Diego's 67 spaces. The study assumed that reasonable future parking demand would grow 35 percent above current usage. However, the development was required to maintain enough parking to accommodate a 50 percent growth in public parking demand.³²

Grossmont Transit Center is on the Circulate San Diego survey even though there is already a TOD development on the site. When the TOD project was built, MTS required the developer to build substantial amounts of parking. The result is a parking garage made available to MTS customers with less than 60 percent utilization. The Morena/Linda Vista parking lot is a part of another joint development project, but it has 90 percent utilization.

Qualcomm Stadium and Hazard Center are on the survey list as well, though neither should likely be considered for new development by MTS, and they are not on the joint development inventory. Hazard Center's spaces are within the existing mall, and at the time of publication, the City of San Diego is the actual landowner of the stadium site.

This data shows that many of the parking lots owned by MTS are not being utilized for public benefit. While there may be good reason to provide some parking access near some transit stations, there is no good justification to sequester public land for parking that no one even wants to use as parking.

In the section below, we provide a variety of recommendations for how MTS can reform its joint development program to create more economic value through TOD, build more affordable homes, and to reduce greenhouse gas emissions.

31 MTS, Board Meeting Agenda (June 19, 2014), Item 30, at page 204, available at <https://www.sdmts.com/sites/default/files/2014-6-19BOARD.pdf>.

32 Andrew. P. Schlaefli, PE and Jacob Swim, 62nd Street and Imperial Avenue Parking Accumulation Study (February 20, 2014), available as Appendix C to this report located at <http://www.circulatesd.org/realopportunity>. This report was provided by MTS pursuant to a Public Records Act request from Circulate San Diego.

Policy Recommendations

The data is clear that MTS has an opportunity to make better use of a large section of its real estate assets. The current use of MTS lands is the result of public policy, and public policy can be changed. A number of specific written policies govern the MTS joint development program. In addition, agency practices not specified in any policy document also contribute to these land use outcomes.

Three other large peer transit agencies in California have joint development programs with similar characteristics to one another, Los Angeles County Metropolitan Transit Authority (LA Metro), Bay Area Rapid Transit (BART), and Santa Clara Valley Transportation Authority (VTA).³³ They have pioneered best practices that MTS can also choose to adopt. The remainder of this report identifies existing barriers to TOD on MTS real estate, and recommends policies that have proven to work in other regions.

A good portion of this report focuses on underutilized parking assets. Empty and underutilized parking lots are a stark and visible demonstration of public lands being underutilized. However, there are substantial real estate assets MTS already considers available for development which are not parking lots. The recommendations in this report should apply to all of the lands MTS has for joint development, not just the empty parking lots.

ACTIVE REQUESTS FOR PROPOSALS

Current MTS Policy: The current MTS joint development program is governed primarily by Policy 18. That document allows for projects to be developed on MTS land either through MTS issuing a request for proposals on a particular real estate asset, or as a response to an unsolicited proposal. As a practical matter, only the unsolicited proposal option has been used because MTS has not issued a request for proposals in the last ten years.

While it is true that MTS has managed to develop some properties without issuing any specific solicitation, that practice has clear drawbacks. Proposing development on a parcel takes time, money, and opportunity costs. Developers are less likely to propose uses of an MTS parcel if they do not have any clear sense that MTS is ready to develop that parcel, or if they do not know what MTS is seeking from such development. Issuing a request for proposals would be a signal to the market that MTS is ready to take action on a parcel and it would encourage more developers to invest in competitive proposals.

An RFP process is also more likely to result in MTS receiving the best value for their assets. If only one developer makes an unsolicited proposal for any particular piece of land, then the agency has limited information about how the market may actually value that development opportunity.

Policies in Peer Transit Agencies: All three peer transit agencies, LA Metro, BART, and VTA, utilize requests for proposals to develop their land holdings. BART operates a solicitation process,³⁴ and does not have a policy for unsolicited proposals.³⁵ LA Metro establishes an RFP and request for qualifications (RFQ) process for each development opportunity.³⁶ An earlier version of the LA Metro policy actively discouraged

³³ Other transit agencies outside of California also operate joint development programs, including in cities like Seattle, Washington. See, Transit Center, “Affordable Housing: A Next Frontier for Transit?” Transit Center Blog, February 6, 2018, available at <http://transitcenter.org/2018/02/06/a-next-frontier-for-transit>. This report chooses to examine only peer transit agencies to MTS that are located in California, because they represent the most similar types of entities, operating under similar legal frameworks.

³⁴ BART, Transit Oriented Development Guidelines (May 2017), page 29, available at https://www.bart.gov/sites/default/files/docs/BART_TODGuidelinesFinal2017_compressed.pdf.

³⁵ Email from BART to Circulate San Diego, on file.

³⁶ LA Metro, Joint Development Program: Process (Updated January 2017), page 5, available at https://media.metro.net/projects_studies/joint_development/images/jdprocess_2016-1201.pdf.

unsolicited proposals.³⁷ However, now the policy removes active discouragement and provides details for how unsolicited proposals will be considered.³⁸ VTA explicitly requires the creation of a “Joint Development Priority Schedule,” from which to issue RFPs or RFQs.³⁹ VTA also allows unsolicited proposals in parallel to its active RFP process.⁴⁰

“We recommend that MTS adopt a prioritization of its land holdings that are promising candidates for joint development and to schedule a series of RFPs or RFQs to develop them.”

Circulate Recommendations: We recommend that MTS adopt a prioritization of its land holdings that are promising candidates for joint development and to schedule a series of RFPs or RFQs to develop them. This will commit the agency to action and signal to the development community that MTS is ready to move forward with development partners. MTS may still consider unsolicited proposals, as it currently does. A schedule for RFPs is crucial for spurring MTS to act on the development of its land holdings. The current process incentivizes inaction and what amounts to land banking by the agency. Land banking may look good to the agency’s balance sheets, but it does not benefit the public or the operation of the transit system.

AFFORDABLE HOMES REQUIREMENTS

Current MTS Policy: MTS currently does not have a policy for requiring affordable homes as a part of residential development on its properties. Fortunately, past TOD projects on the Grossmont Transit Station site and the development at the Encanto/62nd Street Station both included affordable homes. However, other recent projects like the Morena/Linda Vista Station included residential units without any affordable set-asides.

Policies in Peer Transit Agencies: Each of the peer transit agencies in California require certain amounts of affordable homes as a part of any residential development on their property. LA Metro does not require that each residential development include affordable homes, but instead sets a standard of 35 percent for the entire portfolio it allows to be developed.⁴¹ BART has both a portfolio-wide target of 30 percent affordable,⁴² and a requirement that every residential development include at least 20 percent affordable.⁴³ VTA sets a portfolio-wide target of 35 percent affordable, and a requirement that every individual residential development include at least 20 percent affordable.⁴⁴

37 LA Metro, Joint Development Program: Policies and Process (February 2016), page 8, (“Metro does not encourage unsolicited proposals”), available at https://media.metro.net/projects_studies/joint_development/images/JDP_Policy_0225_2016.pdf.

38 LA Metro, Joint Development Program: Process (Updated January 2017), Attachment A, page 11, available at https://media.metro.net/projects_studies/joint_development/images/jdprocess_2016-1201.pdf.

39 VTA, Joint Development Policy, (Updated April 2009), page 5, available at http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA%20Joint%20Development%20Policy.pdf.

40 VTA, Joint Development Policy (Updated April 2009), pages 21-22, available at http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA%20Joint%20Development%20Policy.pdf.

41 LA Metro, Joint Development Program: Policy (Updated January 2017), page 4, available at https://media.metro.net/projects_studies/joint_development/images/jdpolicy_2016-1201.pdf.

42 BART, Transit Oriented Development Policy (Updated June 2016), page 2, available at https://www.bart.gov/sites/default/files/docs/BART%20Board%20-%20TOD%20Policy%20Draft%206-9-16%20Adopted%20FINAL_0.pdf.

43 BART, Affordable Housing Policy (Updated Jan 2016), page 1, available at https://www.bart.gov/sites/default/files/docs/Affordable%20Housing%20Policy%20Adopted%201-28-16_0.pdf.

44 VTA, Joint Development Policy (Updated April 2009), page 18, available at http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA%20Joint%20Development%20Policy.pdf. Note that this VTA policy suggests that the agency will adopt an “in lieu fee” to allow joint development projects to pay a fee instead of building affordable homes on-site. However, that policy has not been formalized, and instead, the agency has stated a willingness to consider in lieu fees on a one-time basis for a joint development opportunity near the Milpitas Transit Center. That fee would only be available if sized “at least equivalent to the funding required to build the necessary affordable units at an off-site location near the Milpitas Transit Center.” VTA, Board Memorandum on Approval of RFP for Milpitas Transit Center Joint Development Site (February 1, 2018), available at <http://santaclaravta.iqm2.com/Citizens/FileOpen.aspx?Type=30&ID=15899&MeetingID=2719>.

Circulate Recommendations: MTS should adopt a policy that requires that a percentage of any residential projects developed on their land include set-asides for affordable homes. A 35 percent portfolio-wide standard and a 20 percent requirement for each individual project would be in line with the majority of peer transit agencies. This policy would ensure that low income families would have access to new homes near transit.

“A 35 percent portfolio-wide standard, and a 20 percent requirement for each individual project would be in line with the majority of peer transit agencies.”

The policy should require deed-restricted homes to be rented to people who make no more than 60 percent of area median income. The 60 percent area median income requirement is in line with the affordability level of many subsidy programs, including the federal Low Income Housing Tax Credit. Moreover, since lower income people are more likely to ride transit than affluent residents, this affordable policy will ensure that MTS as an agency sees greater ridership as a result of its joint development activities. This affordability requirement would also not preclude developments from deed-restricting additional units, including to take advantage of proposed middle income housing bonuses.⁴⁵

Finally, the MTS joint development policies should also be updated to include protections for existing tenants who might otherwise be displaced by new development. Few if any properties owned by MTS have existing residential uses, so those anti-displacement rules would likely only impact future acquisitions.



*Palamar Ave Station
Photography by Colin Parent*

⁴⁵ Office of Mayor Kevin Faulconer, State of the City Fact Sheet (January 11, 2018), available at <https://www.sandiego.gov/mayor/news/releases/2018stateofthecityfactsheet>, last visited March 24, 2018.

PARKING REPLACEMENT AND MAINTENANCE

Current MTS Policy: Policy 18 does not specify how much parking must be replaced or maintained when a development uses an existing MTS parking lot. MTS staff has represented to Circulate San Diego that site-specific parking analyses are done to determine the amount of replacement parking required for each joint development project.

The most recent project approved for development on MTS lands is the affordable project adjacent to the Encanto/62nd Street Station. That project was approved by the MTS board in June 2014. As discussed in the prior section, MTS required the developer to maintain 100 spaces, to replace the 160 that previously existed. The 100 space requirement was based on a projection of a 50 percent growth in parking demand, even though the author of the parking study for the project assumed only a 35 percent growth was foreseeable. The assumption for 50 percent demand growth is not in Policy 18. Moreover, current parking demand has declined in some areas because of competition from ride-share companies,⁴⁶ and the introduction of dockless bike share may help solve the first and last mile problem for more transit riders.



Encanto/62nd Station
Photography by Colin Parent

⁴⁶ Jeanette Steele, "Ace Parking says Uber, Lyft have cut parking business up to 50% in some venues," San Diego Union Tribune, February 22, 2018, available at <http://www.sandiegouniontribune.com/business/growth-development/sd-fi-ace-parking-uber-lyft-competition-20180222-story.html>.

The preexisting 160 spaces were only used at a 41 percent rate, meaning that with similar ongoing demand, the new lot will only be 67 percent occupied. The 100 space requirement meant that land which could have been dedicated to affordable home construction was instead diverted to maintain a level of parking above what standard planning disciplines suggest for full utilization.

Policies in Other Transit Agencies: The policies for parking replacement are fairly different between each of the peer transit agencies in California. LA Metro contemplates different parking requirements for every site for which it issues an RFP.⁴⁷ The agency is currently undergoing the development of a Supportive Transit Parking Program Master Plan, which has not yet been adopted.⁴⁸ BART also allows for variable parking rules for different projects, stating that the agency will “strive for no or limited parking replacement” at urban stations, and pointing to certain models to determine parking replacement at others.⁴⁹ VTA policy is somewhat like the informal practice by MTS, requiring a site-by-site analysis to determine the appropriate level at which existing parking should be replaced.⁵⁰

Circulate Recommendations: Unlike the RFP and affordable housing policies, there is less agreement between the peer transit agencies on best practices for parking replacement, so there is not a clear set of consensus policies that can be incorporated by MTS. We suggest that MTS adopt its own standard. Circulate San Diego recommends that no global policy should require parking to be replaced or maintained when a lot is converted to a better use like a job center or affordable homes.

Certain circumstances may require parking maintenance, especially where parking demand is already robust. MTS should adopt a policy that if any RFP is to suggest parking replacement, it may call for only as much parking as would bring a station to full utilization at existing rates, which is 90 percent. Proposals should also be entitled to demonstrate why they should be allowed to provide less replacement parking, because of shared parking opportunities or other circumstances.

“Circulate San Diego recommends that no global policy should require parking to be replaced or maintained when a lot is converted to a better use like a job center or affordable homes.”

For example, if an existing parking lot had 100 spaces, and was utilized during peak periods at only 35 percent, then a new joint development project could only be required to replace approximately 40 of the prior parking spaces. That would allow the existing parking demand to be satisfied, without requiring the construction of more parking than demand justifies. Additionally, the developer could propose shared parking agreements with nearby parking lots to justify a lower parking requirement.

⁴⁷ LA Metro, Joint Development Program: Process (Updated January 2017), page 5, available at https://media.metro.net/projects_studies/joint_development/images/jdprocess_2016-1201.pdf.

⁴⁸ LA Metro, Board Report: Introduction of the Supportive Transit Parking Program Master Plan (November 15, 2017), available at <https://boardagendas.metro.net/board-report/2017-0640>.

⁴⁹ BART, Transit Oriented Development Policy (Updated June 2016), page 2, available at https://www.bart.gov/sites/default/files/docs/BART%20Board%20-%20TOD%20Policy%20Draft%206-9-16%20Adopted%20FINAL_0.pdf.

⁵⁰ VTA, Joint Development Policy (Updated April 2009), page 4, available at http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA%20Joint%20Development%20Policy.pdf.

Other Policy Areas to Consider

The above three recommendations are crucial to establishing a more effective joint development program for MTS. There are also a variety of other policy areas that MTS could consider as a part of an update to their policies and practices.

LEASING OR SALE

Public agencies seeking development on their land have several options. They can sell the land outright to developers. They can also choose to require long term leases including up to as long as 66 years, where the developer owns the buildings while paying rent to the agency on the land. Transit agencies have a good reason to try to maintain ownership over the land adjacent to their stations, which is why long term leases are favored in the policies of peer transit agencies.⁵¹

LABOR STANDARDS

Each of the three peer transit agencies in California cover at least some of their joint development projects with certain local hire and labor standards.⁵² Given the change of makeup and leadership on the MTS board after the adoption of Assembly Bill 805, MTS is also likely to consider its own requirements for labor standards.

PRIORITIZATION AND COORDINATION WITH LOCAL GOVERNMENTS

As this report explains, current policy from MTS limits the amount of development that occurs on agency property. However, it is also true that land use rules in each of the jurisdictions that are a part of MTS can create their own barriers to good TOD. Peer transit agencies have addressed this in different ways.

BART limits the properties it prioritizes for development to those within jurisdictions or planning areas that have adopted supportive land uses and parking requirements.⁵³ The City of San Diego's recent planning effort around the Grantville Station is an example of a local jurisdiction preparing land use rules

51 BART, Transit Oriented Development Policy (Updated June 2016), page 1, ("Favor long-term ground leases of no more than 66 years, rather than sale of property, as the standard disposition strategy for joint development projects"), available at https://www.bart.gov/sites/default/files/docs/BART%20Board%20-%20TOD%20Policy%20Draft%206-9-16%20Adopted%20FINAL_0.pdf; VTA, Joint Development Policy (Updated April 2009), page 1, available at http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA%20Joint%20Development%20Policy.pdf; LA Metro, Joint Development Program: Process (Updated January 2017), page 7, available at https://media.metro.net/projects_studies/joint_development/images/jdprocess_2016-1201.pdf.

52 LA Metro, Joint Development Program: Policy (Updated January 2017), page 9, available at https://media.metro.net/projects_studies/joint_development/images/jdpolicy_2016-1201.pdf; BART, Board Resolution no. 5182 "In the Matter of a Policy Requiring Project Stabilization Agreements (PSA) With Local Hire Provisions on Transit-Oriented Development" (Updated Nov 2011), page 2, available at https://www.bart.gov/sites/default/files/docs/J-%20TOD%20Project%20Stabilization%20Policy%20Adopted%2011-17-2011_0.pdf; VTA, Community Workforce Agreement Policy (Updated September 2016), page 1, available at <http://www.vta.org/servlet/Servlet.FileDownload?file=00P1200000oqG58EAE>.

53 BART, Transit Oriented Development Guidelines (May 2017), pages 12-13, available at https://www.bart.gov/sites/default/files/docs/BART_TODGuidelinesFinal2017_compressed.pdf.

on and around MTS property for smart TOD.⁵⁴ LA Metro takes a proactive approach and even offers grants to jurisdictions that plan for TOD.⁵⁵ These planning grants are similar to the San Diego Association of Governments Smart Growth Incentive Program planning grants.⁵⁶

As MTS considers which properties to prioritize for joint development, it can and should prioritize opportunity sites with existing land use rules that will accommodate smart development. MTS should also consider requiring minimum development sizes or densities for the RFPs or RFQs it issues. That will ensure that the proposals that are made meet the standards the agency expects, and maximize the benefits from TOD on these publicly owned sites. Finally, MTS may consider other factors in prioritization including potential revenue to the agency, which developments will lead to more ridership, and projects that are more likely to catalyze nearby development.

DISCOUNTS FROM FAIR MARKET VALUE FOR AFFORDABLE HOMES

Generally, transit agencies attempting to develop their real estate assets seek to receive the highest amount of sale or lease income. However, some agencies have adopted policies that allow for 100 percent affordable developments to receive a discount from the fair market value of a property. Currently, BART has no policy for discounting land,⁵⁷ and VTA explicitly does not allow it.⁵⁸ LA Metro allows for up to a 30 percent discount from market value.⁵⁹ Recent changes to federal policy allow these affordable housing discounts on property acquired with federal funds.⁶⁰ MTS may want to consider following the example of LA Metro to put a thumb on the scale for 100 percent affordable projects to be built on agency property.



Massachusetts Ave Station
Photography by Colin Parent

54 David Garrick, "Grantville plan could be SD's future," San Diego Union Tribune, October 13, 2014, available at <http://www.sandiegouniontribune.com/business/growth-development/sdut-grantville-housing-climate-develop-density-condo-2014oct13-story.html>.

55 LA Metro, Metro TOD Planning Grant Program Webpage, available at <https://www.metro.net/projects/tod-toolkit/metro-tod-planning-grant-program>, last visited February 25, 2018.

56 SANDAG, TransNet Smart Growth Incentive Program and Active Transportation Grant Program Webpage, available at <http://www.sandag.org/index.asp?classid=12&projectid=491&fuseaction=projects.detail>, last visited February 25, 2018.

57 Email from BART to Circulate San Diego, on file.

58 VTA, Joint Development Policy, (Updated April 2009), page 19, available at http://vtaorgcontent.s3-us-west-1.amazonaws.com/Site_Content/VTA%20Joint%20Development%20Policy.pdf.

59 LA Metro, Joint Development Program: Policy (Updated January 2017), page 7, available at https://media.metro.net/projects_studies/joint_development/images/jdpolicy_2016-1201.pdf.

60 Federal Transit Administration, Circular FTA C 7050.1A, Guidance on Joint Development (December 29, 2016), page III-6, available at <https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/FTA-161221-001%20Joint%20Development%20Circular.pdf>.

Conclusion

MTS is the largest transit agency in San Diego, and one of the largest in California. It owns a substantial amount of land, mostly concentrated near our region's transit investments. MTS land is owned by the public, and it should be put to effective use to the benefit of the agency and the public.

A large amount of MTS land is dedicated to car storage as parking lots. Some of that parking may be appropriate given the current levels of demand. However, much of that parking is demonstrably not used. MTS has a substantial opportunity to leverage underutilized real estate for public benefit.


MTS policy and practices dictate how to make use of its land holdings. Peer agencies in Los Angeles, the Bay Area, and Silicon Valley all have policies that are more effective at developing transit agency real estate. MTS should look to these peer agencies and implement their successful strategies for the San Diego region.

Best practices for transit agencies that seek joint development of their land include a variety of tools to ensure that development benefits the public. Affordable housing requirements can ensure that low income people will be able to live in new homes, and have access to transit. Providing more transit access can help people reduce their amount of driving, benefitting greenhouse gas emission goals. Changing policy to allow more development near our region's transit investments will unlock the value created by transit to create jobs and benefit the local economy.

The elected officials on the MTS board are responsible for directing staff for how to prioritize the use of the agency's assets, including its substantial real estate holdings. With the new changes to the structure and leadership of MTS, now is the time to change course. Given the San Diego region's challenges with housing affordability and greenhouse gas emissions, MTS should seize the opportunity presented by its valuable and rare land near transit. With better public policy, MTS can make affordable homes and public transit available to more San Diegans.



*Spring Street Station
Photography by Colin Parent*



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