



BOARD OF DIRECTORS' WORKSHOP MEETING

January 26, 2007

MINUTES

1. CALLED TO ORDER

The Workshop Meeting of the Santa Clara Valley Transportation Authority's (VTA) Board of Directors was called to order by Chairperson Chu at 9:38 a.m., Holiday Inn, Mediterranean Center, 1740 North First Street, San Jose, California.

2. ADMINISTERED OATHS OF OFFICE TO NEWLY APPOINTED BOARD MEMBERS

Maria Marinos, Board Secretary, administered the Oaths of Office to newly appointed Board Members Sam Liccardo and Chuck Reed representing Cities Group 1 from the City of San Jose and Alternate Member Kathleen King representing Cities Group 3 from the City of Saratoga.

3. ROLL CALL

Members Present

Nora Campos
Dean Chu, Chairperson
Don Gage
Breene Kerr
Liz Kniss, Vice-Chairperson
Sam Liccardo
Laura Macias
John McLemore, Ex-Officio
Chuck Reed

Alternates Present

Kathleen King
Pete McHugh

Members Absent

David Cortese
Dolly Sandoval
Greg Sellers
Forrest Williams
Ken Yeager, Ex-Officio

Alternates Absent

Dominic Caserta
Judy Chirco
Al Pinhiero

* Alternates do not serve unless participating as a Member.

A quorum was present

4. PUBLIC PRESENTATIONS

There were no Public Presentations

5. JOINT DEVELOPMENT PROGRAM AND POLICY

Michael Burns, General Manager, welcomed the new Board Members on behalf of VTA staff and noted the subject of the workshop is VTA's Joint Development Program. He stated that the program has evolved over the last four years and has the potential to provide a revenue stream to the VTA.

Mr. Burns commented that two projects, the West San Carlos Project and the Capitol Light Rail site, have gone through the current process. He also highlighted the status of each project and emphasized that the program is new to VTA.

Mr. Burns commented that VTA staff will look to the Board for policy direction in the following areas: 1) Overall direction of the Joint Development Policy; 2) Issues with criteria (i.e. Local Preference, Green Buildings, etc.); 3) Use of revenue generated from joint development projects.

Mr. Burns noted that in evaluating the policy the Board should take into consideration developer credibility with VTA, and VTA is the landowner and does not control the land use and development decisions of the site.

Mr. Burns introduced Chris Augenstein, Transportation Planning Manager, who presented a PowerPoint presentation titled "VTA Joint Development Program, A Cooperative Approach to Integrating Transportation and Land Use" highlighting the following: 1) Background; 2) Transit Oriented Joint Development 3) History of VTA Joint Development; 4) Approach to VT Joint Development; 5) Joint Development Program Actions to Date; 6) Successful Joint Development; 7) Unique Position of VTA; 8) Revenue Benefits; 9) Ridership Benefits; 10) Community Benefits; 11) Policy Statement; 12) How Potential Joint Development Sites are Identified; 13) Potential Joint Development Sites; 14) Regional Effort and Support; 15) Identification of Sites; 16) Solicitation/Developer Selection Process; 17) Project Joint Development Process; 18) Process Timeframe; 19) Evaluation Criteria; 20) Developer Qualification Evaluation Matrix; 21) Development Proposal Evaluation Matrix; 22) Current Proposals/Projects; 23) Development Sites; 24) Potential design outcomes of transit oriented development (TOD); 25) Considerations.

Mr. Augenstein introduced Dena Belzer from Strategic Economics (SE) who discussed the benefits of a joint development program and TOD. Ms. Belzer noted that SE is working with a number of transit agencies around the country who have joint development programs. She highlighted programs in the following transit agencies: 1) Washington Metropolitan Area Transit Authority (WMATA), 2) Metropolitan Atlanta Rapid Transit Authority (MARTA), and 3) Dallas Area Rapid Transit (DART).

Ms. Belzer noted that the three agencies were built around the same time as VTA. She stated that WMATA currently has 56 revenue producing projects that earn \$15 million annually through ground leases and have earned approximately \$129 million in total revenue from their joint development program. She added that WMATA has not done a

good job of community outreach and working with their communities. Lastly, she highlighted a noted WMATA corridor as one of the best examples of successful joint development and TOD.

Ms. Belzer noted the joint development program at MARTA and stated that it has been less successful in achieving its ridership goals. She stated that they are generating approximately \$3 million in annual revenue and expect that number to grow through the sale of air rights above rail stations and the sale of land.

Ms. Belzer noted that DART has been effective at leveraging private investment.

Member Kerr inquired about how the referenced agencies deal with the issues of environmental sustainability (i.e. green building) and local preference. Ms. Belzer responded that none of the systems have addressed either issue. She noted that while the agencies do not address these issues, the evaluation criteria for each of the agencies is a reflection of the local values of each community.

Vice-Chairperson Kniss left her seat at 10:01 a.m.

Ms. Belzer noted the unique aspects of VTA's joint development program as the following: 1) Enabling legislation that provides flexibility and control over joint development; 2) VTA's Board of Directors is composed of elected representatives from local governments who better understand land use decisions and transportation investments; 3) Metropolitan Transportation Commission (MTC) Resolution 3434 requires that certain projects meet TOD thresholds; and, 4) VTA has 10-15 opportunity sites that have the potential for joint development.

Ms. Belzer highlighted the potential benefits of a joint development program as the following: 1) The first four projects will generate up to \$5 million in annual ground lease revenue; 2) All potential sites can generate in excess of \$24 million in annual ground lease revenue; 3) The revenue will help enhance transit investments; 4) People within a ½ mile radius are more likely to ride transit; 5) VTA will more effectively leverage funding from other sources; 6) VTA will stay on the cutting edge of encouraging good development near transit stations; and, 7) VTA will help transform communities who are struggling to provide housing and employment centers.

Member Kerr referenced a \$30,000 fee provided by applicants to VTA and inquired about the basis of the fee and asked if it precluded innovative, smaller applicants from participating in the process. Mr. Augenstein replied that the fee is standard and noted that it applies to the final deal if an applicant is selected.

Member Macias queried about a developer agreement and asked if it supercedes any city agreements. Mr. Augenstein responded that it does not supercede any city agreement and spells out the roles of VTA and the roles of the developer.

Member Gage stated that the VTA should look at a city's development criteria to determine the desired level of density at a particular site before an agreement is reached.

Alternate Member King asked for clarification on the definition of air rights and whether VTA is working with the Association of Bay Area Governments (ABAG) on its current housing requirement efforts for each city in Santa Clara County. Ms. Belzer from SE defined air rights as selling the right to develop in the air above a transit facility. Mr. Augenstein added that VTA is currently working closely with ABAG on this effort.

Member Kerr commented that he wants the lease or sale of public property to accomplish the following two goals: 1) Proceeds are reinvested in the community, to include the purchase of other private property that might be used in the future; 2) Set examples of responsible development and planning for the long-term future of the community.

Member Macias left her seat at 10:30 a.m.

Ross Signorino, Interested Citizen, referenced the slide entitled “History of VTA Joint Development” and noted that the VTA should consider the lack of success with other projects as it evaluates the current Joint Development Program. He added that a newly elected Congressman is considering bringing BART to other areas and wondered how this will impact VTA’s effort to acquire state and federal funds to build BART to Santa Clara. Lastly, Mr. Signorino referenced the slide entitled “Curtner Light Rail Station-Transit Oriented Development” and asked why VTA would want to construct light rail versus bus in the area.

Member Liccardo inquired about Developer Disposition Agreements (DDA) and asked if they specify a particular density or set a minimum floor for density prior to going through the city process. Mr. Augenstein responded that the DDA does set a minimum density or floor area ratio.

Ex-Officio McLemore noted that the City of Santa Clara offers a good example of the potential for TOD development on land not currently owned by VTA. He added that the city has not modified the zoning to allow such development and encouraged VTA to work with the city to change its zoning to support future developments.

Member Campos asked where VTA incorporates community and city involvement into the process. Mr. Augenstein noted that the VTA works with the community during the Exclusive Negotiating Agreement (ENA) and DDA phases of the process. He added that the goal of the process is to move forward a project that will succeed and is supported by the city and community.

Chairperson Chu read a note from Member Macias that stated the following: 1) The City of Mountain View has experience with TOD around the Caltrain site; 2) VTA should consider good revenue sources and supporting environmental incentives; 3) She has a concern with displacement of the working class and wanted to know the housing components to what is developed.

Alternate Member McHugh stated that the focus should be on collaboration and noted his support for incorporation of a green building criterion in the process.

Member Reed inquired as to the possibility of VTA processing the entitlements for a particular site in order to eliminate some of the development uncertainty. He recommended that VTA provide City Councilmembers with the tools, information and data (i.e. parking, traffic and walking studies) necessary to address the concerns and objections of a project proposal. He added that green building elements are important. Lastly, he asked if VTA has ridership projections that might come out of the developments.

Jim Lawson, Government Affairs Manager, referenced Member Reed's comments about entitlements and noted that the Board could direct staff to take the lead on processing entitlements. He also referenced the comments on tools for Councilmembers and noted that VTA staff is available to work with individual Councilmembers and community groups.

Member Gage stated that the VTA should make this a regional policy. He noted that the VTA could possibly work with the Santa Clara County Cities Association to share the goals of the joint development program.

Alternate Member McHugh left his seat at 10:50 a.m.
Vice-Chairperson Kniss took her seat at 10:51 a.m.

Ex-Officio McLemore highlighted the efforts of other Bay Area transit agencies and noted that they are trying to create a similar program as VTA. He added that San Mateo County has had success city by city working with SamTrans. Ms. Belzer of SE supported Mr. McLemore's comments and noted that SamTrans is working on its own version of best practices for future development.

Alternate Member McHugh took his seat at 10:53 a.m.

Chairperson Chu noted that the Grand Boulevard Task Force in San Mateo County is looking at TOD along El Camino Real near Caltrain stations. He added that the City of Sunnyvale recently held a workshop on sustainable and green building standards and noted that there is no Leadership in Energy and Environmental Design (LEED) standards for single-family residential or retail developments. He recommended that any revisions to the policy should reference best practices versus standards.

Michael Burns, VTA General Manager, noted the following considerations and staff recommendations before the Board of Directors:

- 1) Should VTA continue the joint development program? Staff supports moving forward with the joint development program.
- 2) Are there any significant or major modifications to the joint development policy? Staff wishes to formalize local jurisdiction participation input at all levels and early in the process. Included in this discussion is who should take the lead on the entitlement process.
- 3) Should the criteria include local preference? Staff does not recommend local preference because of its potential to reduce competition.

- 4) Should the criteria include green building requirements? Staff will evaluate other properties to determine how to formulate a criterion with green building as part of the evaluation process.
- 5) Should the VTA look at the other criteria for any additional modifications? Staff will not modify existing criteria and will add the additional criteria as determined by the Board.
- 6) How will VTA use the funds generated from joint developments? Staff recommends that one-time funds are deposited into a special account to support the cost of operating a joint development program. Ongoing funds would go to support operating costs of program and into the Enterprise Fund.

Alternate Member King recommended that the VTA incorporate a Councilmember or VTA Board member into the process. In reference to local preference she added that the criteria should include a reference to a developers experience (i.e. have they met their deadlines) in the area. Lastly, she recommended that VTA not sell land and only lease it.

Alternate Member King read Board Member Dolly Sandoval's comments and stated the following: 1) She does not support local preference; 2) The VTA should look to a city's green building criteria instead of developing new criteria.

Member Campos referenced working with cities and stated that VTA should determine if it will work with the City of San Jose Department of Transportation or the Redevelopment Agency as the lead agency of this effort. Carolyn Gonot, Chief Development Officer, supported Ms. Campos' comments and noted that VTA must cater and develop each community participation plan, as well as local jurisdiction coordination efforts, to each site. Member Campos added that she also supports the incorporation of green building standards.

Member Gage commented that the VTA should have the flexibility to use local preference only if it works. The evaluation of the contractor should focus on where the majority of its work is located. He added that revenue from the projects should go toward sponsorship of new programs and projects.

Vice-Chairperson Kniss referenced the PowerPoint slide that noted "some of the best TOD companies are located across the country" and asked if these companies would relocate and open a local office. Mr. Burns responded that a company will typically open a local office and hire local contractors. He stated that of the five pre-qualified developers, three are based in San Francisco and two are based in San Jose. Vice-Chairperson Kniss added that she does not support selecting contractors outside of the region or from other parts of the country.

Vice-Chairperson added that the criteria should include a green building standard and the process should involve cities from the beginning of the process.

Mr. Burns referenced Vice-Chairperson Kniss' comments and noted that he does not believe the VTA can exclude companies because they are not local and will have to review the issue further. Mr. Lawson added that part of the process is to pre-screen

developers so that VTA has a group of contractors that they have a level of confidence in and that staff believes will be able to do the job.

Member Gage commented that he believes if two developers (one local and one outside the area) have very similar scores, the VTA should have the flexibility to choose the local developer. He clarified that he does not want to see a policy that places a lot of weight on local preferences or that automatically excludes companies that are not in the region.

Ex-Officio McLemore referenced the slide titled “Potential Joint Development Sites” and noted that six or seven of the sites relate to BART. He added that the VTA should use these sites and the resultant revenue as an example of the viability of the project when it goes to the MTC to argue for additional revenue.

Member Liccardo referenced the issue of local preference and stated that he is less concerned with the location of a company’s headquarters and instead prefers that they routinely complete work in the Bay Area or County. He also expressed his support for a green building policy. Lastly, he noted that community participation is critical and stated that the cities should serve as the lead agency for community outreach efforts, particularly at sites located in sensitive areas.

Member Reed expressed his support for staff’s recommendation to “formalize local jurisdiction participation input at all levels” and noted that VTA should seek community involvement early in the process. He also referenced local preference and stated that local experience and local successes are important. He added that a developer should have the ability to work with the community and involve them in the process.

Member Reed referenced a slide titled “Considerations, Modifications to Joint Development Criteria?” and highlighted the criterion labeled “Land use/Neighborhood goals” and asked why it only has a 1 point weight given that it will likely control the outcome. Mr. Augenstein responded that other criterion serve as proxies for land use and neighborhood goals and noted that the criteria are not mutually exclusive. He added that the criterion is almost a yes or no question because the VTA takes into account the neighborhood goals and determines if the proposal meets those goals.

Alternate Member McHugh stated that the policy should be flexible enough to give consideration to local preference and green standards but they should not be given undue weight. He also expressed his support for a regional plan through the cities association.

Member Kerr referenced slide #41 titled “Considerations, Use of Funds” and inquired about where the proceeds from the sale of land will go if the VTA does not use it for transit improvements. He also asked if the policy will include firewalls for capital accounts. Mr. Burns responded that proceeds from the sale of land will go into a fund that will help purchase other properties for transit purposes or to purchase property for future projects. He added that lease revenue will first help pay for the expenses necessary to operate the joint development program and the remaining funds will go the Enterprise Fund.

Member Kerr inquired as to whether lease revenue should also go into a capital account to acquire other potential sites versus merely directing it toward operating expenses. Mr. Burns noted that the Board of Directors needs to make this decision and at a minimum the proceeds should first go toward the operating cost of the program. He added that one recommendation to incorporate into the policy is to define how the proceeds from the sale or lease of a piece of land will be distributed on a property by property basis.

Alternate Member McHugh noted his opposition for an earlier comment about a potential prohibition on the sale of land. He stated that the VTA should have the flexibility to pursue a sale if it represents the most prudent course of action.

Alternate Member McHugh left his seat at 11:40 a.m.

Mr. Burns noted that staff will gather the input from the Board and develop changes to the policy. He added that the proposed changes will go through the Committee structure to the full Board. He summarized the following modifications to the policy: 1) Community participation early in the process; 2) Determine who should take the lead on the entitlement process; 3) Incorporate local preference and green building standards into the existing criteria; 4) Incorporate the use of funds into the joint development policy.

Vice-Chairperson Kniss referenced a recent trip by the Administrator of the Federal Transit Administration (FTA) and suggested that the VTA hold a public meeting with the FTA. Mr. Burns responded that he was not aware of past public meetings and noted that FTA would probably agree to such a meeting.

On order of Chairperson Chu, there being no objection, the Joint Development Program and Policy was discussed.

6. **ADJOURNMENT**

On order of Chairperson Chu, there being no objection, the Board of Directors Workshop Meeting was adjourned at 11:45 a.m.

Respectfully submitted,

Daniel Murillo, Assistant Board Secretary
VTA Board of Directors