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CONGESTION MANAGEMENT AGENCY

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July 13, 2009
Agenda Item 4.3.3

Date: June 30, 2009

To: Plans and Programs Committee

From: Diane Stark, Senior Transportation Planner

Subject: Transportation for Livable Communities (TLC): Guidelines

Action
It is recommended that the Board review and comment on MTC's attached draft guidelines for the upcoming Transportation for Livable Communities (TLC) program. The TLC Guidelines will be used for MTC's regional TLC Call for Projects, which is expected to be issued the end of this calendar year. ACTAC is scheduled to consider this item on July 7th.

Next Steps
The CMA Board will review the draft TLC Guidelines at their July meeting. Staff will forward the comments to MTC.

Discussion:
Background
MTC has funded the Transportation for Livable Communities (TLC) Program since 1998. The purpose of the program is to fund projects that support the connection between transportation and concentrated land use. During the last funding cycle, in 2006, MTC approved $16.7 million in capital TLC projects in the region. Of this amount, $6.6 million, or 39%, funded capital TLC projects in Alameda County. In addition to the regional program, a local TLC program was administered by the County CMAs. In 2006, the CMA Board programmed $7.312 million in Alameda County Transit Oriented Development (TOD) projects through the locally administered TLC program.

Guidelines
MTC evaluated the previous TLC program and guidelines. The evaluation included obtaining input from the counties and project sponsors. Based on their evaluation, MTC recommended four changes to the TLC guidelines, which are summarized below, and discussed in detail in the attached memo from MTC.

1) Use TLC funds to provide incentives to develop in Priority Development Areas (PDAs) (Twenty-five planned and potential PDAs are in Alameda County),
2) Increase the amount of TLC grants from a maximum of $3 million to a maximum of $6 million,
3) Provide a large range of TLC program categories, including streetscapes (currently eligible) and new categories such as transportation demand management, non-transportation infrastructure and density incentives such as land banking or site assembly, and
4) Maintain the TLC funding split between MTC's regional program and the local CMA program as 2/3rds MTC and 1/3 administered at the county level by the CMAs.

The CMA Directors reviewed the recommended changes to the TLC Guidelines at their meeting on June 26, 2009. They had the following comments:

1) Make sure that both planned and potential PDAs are considered for TLC capital grants and that PDAs are neither too complicated nor restrictive to implement.
2) It is helpful to raise the maximum amount of single grants.
3) Spending transportation dollars on non-transportation items (e.g., land use banking and non-transportation infrastructure) is of concern and should be done cautiously if at all.
4) The MTC/CMA funding split should be reversed—2/3rds should go to the local CMA TLC program and 1/3rd to MTC's regional TLC program. The TOD/PDA projects lend themselves to decisions and community input at the local level.

They also questioned how the TLC program fits into implementing recent climate change legislation, SB 375.

Funding

MTC is requesting that TLC projects be programmed with STP/CMAQ funds. The new federal authorization required to fund the program has not been approved. MTC is also currently reviewing programming policy for the new federal authorization (agenda item 4.2).

Schedule

The draft TLC Guidelines will be reviewed by MTC's Planning Committee for their input in July and September, 2009, followed by a recommendation for approval by the Commission October 2009. Following approval of the TLC Guidelines, MTC is expected to issue a Call for TLC Capital Projects the end of the 2009 calendar year.

Attachment

Item 5

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Memorandum

TO: Bay Area Partnership

DATE: June 23, 2009

FR: Doug Johnson

RE: Proposed New Transportation for Livable Communities (TLC) Program Guidelines – "TLC 2.0"

Background

For the past ten years, the Transportation for Livable Communities program has served as one of the Bay Area's primary tools for fostering smart growth. MTC and its partner agencies define smart growth as development that revitalizes central cities and older suburbs, supports and enhances public transit, promotes walking and bicycling, and preserves open spaces and agricultural lands. By promoting compact, mixed-use development in existing communities, smart growth aims to accommodate a growing population while providing affordable options, reducing automobile dependency, and protecting open space and farmland.

Staff conducted a TLC evaluation beginning in summer 2007, which included TLC planning, Housing Incentive Program and TLC capital grants that have been constructed. It did not include TLC projects funded through the county CMAs. Staff presented findings to the Planning Committee in April 2008. The memo to the Planning Committee is attached, and contains a summary of the evaluation findings.

Related to the evaluation, Reconnecting America's Center for Transit Oriented Development (CTOD) completed a white paper (a copy of the Executive Summary is attached) detailing various options and strategies for financing transit-oriented development in the Bay Area. The paper made several recommendations for revising the TLC program, including creating a flexible financing program that responds to different market conditions within the region. Staff presented these materials to the Planning Committee and CMA staff in September 2008.

Program Considerations

Picking up from where the TLC evaluation and TOD white paper left off last year, staff has been discussing proposed program changes with a small working group of Commissioners. Staff and Commissioners believe the current program of spreading the funds around to various smaller streetscape and bicycle/pedestrian projects has served a useful purpose over the past 10 years by promoting infill growth in the region; however, we think the time has come to change the program so that it can have a greater positive impact in those

communities that have a demonstrated ability to plan and construct high intensity/quality development and that have taken on increased housing production numbers through the latest Regional Housing Needs Allocation process. Based on these discussions, we have identified four elements that we propose changing in the new TLC guidelines for the next funding cycle, which we plan to present for initial comment to the MTC Planning Committee at its July 10, 2009 meeting. The four program elements are as follows:

(1) Use of TLC funds to incentivize development in Priority Development Areas – Tighten the connection between the TLC program and projects that directly support infill housing and transit-oriented development throughout the region by targeting TLC funds for locally-designated Priority Development Areas (PDAs) under the FOCUS program.

Staff recommendation: Only projects in planned or potential PDAs will be eligible for TLC funds. There are over 120 PDAs representing over 60 jurisdictions throughout the Bay Area.

(2) Grant size – Based on the TLC evaluation and feedback from local jurisdictions, larger grants at more frequent intervals are desirable.

Staff recommendation: Increase grant awards from the current $500,000 - $3 million to a maximum of $6 million; we propose there be no grant minimum. Local communities would be expected to participate to their maximum extent possible in the funding of all projects.

(3) Menu of eligible program categories - The menu of eligible program categories, developed with input from city staff from planning, redevelopment, and public works, as well as market rate and non-profit developers, were recommended for consideration in the TOD White Paper previously reviewed with the MTC Planning Committee in September 2008. These include streetscapes (current program eligibility), as well as several new categories: non-transportation infrastructure, transportation demand management, and density incentives such as land banking or site assembly, and are illustrated on Attachment A. Not all of these options are eligible for federal funding available through the TLC Program. Funding exchanges would need to be arranged.

Staff recommendation: Build flexibility by allowing all categories included in Attachment A to be eligible for funding, with a goal of selecting the highest impact projects, based on intensity of existing and proposed adjacent development, proximity to transit service, and based on local needs. Project selection would also depend on project eligibility for STP/CMAQ funding or the availability of non-federal or other funding exchanges that could deliver the project.

(4) Program Structure: Given the increase in program size, distribution between geographic splits should be reassessed; the program is currently administered jointly by MTC (2/3) and the CMAs (1/3). Based on the above recommendations, we would

view the new TLC 2.0 as a pilot program, at least for Cycle 1 funding. It may be the case that after getting more experience with the proposed expanded program that we will want to revisit program structure and content.

The current TLC program includes several program elements: HIP, Station Area Plans and TLC Planning. The TOD evaluation recommended that these elements be combined or eliminated.

Staff recommendation: Keep the current split – 2/3 of the program administered regionally by MTC and 1/3 administered at the county level by the CMAs.

Fold the HIP program into elements of the proposed new TLC capital program; fold the TLC Planning program into the Station Area Planning; and create a new technical assistance program for TOD, fashioned after the current PTAP program.

Funding
The Transportation 2035 Plan recommended a doubling of the current TLC program (about $27 million/year to about $60 million/year annualized over the life of the plan) including both Surface Transportation Program/Congestion Mitigation Air Quality (STP/CMAQ) and anticipated, unspecified new revenues. Funding levels for the program in the early years of programming will likely be lower due to de-escalation and other programming constraints. Actual TLC funding levels will be determined by federal STP/CMAQ Cycle programming (see agenda item 4).

Next Steps
Staff will be reviewing these proposals with our advisory committees and other partner agencies. We will seek MTC Planning Committee input at their July and September 2009 meetings, and intend to have final guidelines approved by October 2009 to solicit Cycle 1 funding projects by the end of this calendar year.

Attachments: Attachment A: TLC 2.0 – Program Options
Memo to Planning Committee dated 4/11/08
Executive Summary of CTOD white paper dated August 2008

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ATTACHMENT A: TLC 2.0 – Program Options

Program Option	Streetscapes (current program eligibility)	Non-transportation Infrastructure Improvements	Transportation Demand Management (TransLink®, carshare, TOD parking, etc)	Density Incentives (Direct TOD funding Land Banking / Site Assembly
Grant or Loan	Grant	Grant or Loan	Grant or Loan	Grant or Loan
CMAQ /TE /STP	Yes	No	Yes	Only via transit operator joint development program
Example	Strengthen connection of existing program to new development in need of millions in new streetscapes such as San Jose midtown, Santa Rosa Railroad Sq.	San Leandro: sewer upgrades required for substantial TOD; fee structures do not appear capable of covering full expense.	TransLink® for TOD program expansion pending study results or support for a carshare vehicle for new or recent TOD residents) MacArthur BART: project replaces 300 of 600 surface spaces for BART in a priced parking structure that creates site for 675 new housing units	Richmond approves 5-story, 60+ units/acre project (230 units) adjacent to BART & the transit village; developer unable to finance above 25 unit/acre project. City under pressure to deliver "something" on critical site San Bruno is interested in securing land near the re-located Caltrain station but is unable to fund the transaction. Similar stories to be found at numerous future transit stations.
Notes	Demand appears strong for this program element	Funding compatibility, high demand	Parking management is a critical barrier to TOD.	Holding title to land and land re-sale. Critical time to preserve key sites for future development.

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Memorandum

TO: Planning Committee

DATE: April 11, 2008

FR: Deputy Executive Director, Operations

W. I.

RE: Transportation for Livable Communities (TLC) – Program Evaluation and Recommendations

Background

For the past ten years, the Transportation for Livable Communities (TLC) program has served as one of region's primary tools for fostering smart growth. After the adoption of the Transportation/Land Use Connection Policy in 1996, the Commission began funding the TLC planning program in 1997. The program was expanded in 1998 to include a TLC capital grant program and in 2001 to include the Housing Incentive Program (HIP). Since then the program has remained largely unchanged, though a 2004 evaluation prompted changes in the TLC goals and the structure of HIP.

The TLC program is funded with federal Congestion Mitigation and Air Quality (CMAQ) and Transportation Enhancements (TE) dollars at a total of $27 million annually consistent with the Transportation 2030 Plan. This amount includes $9 million for each of the following: TLC Capital administered by MTC, TLC Capital administered by the CMAs, and HIP administered by MTC. A timeline of agency policy and funding decisions are outlined in Attachment A.

Staff conducted an evaluation of the TLC programs beginning in summer 2007 (this included TLC planning, HIP and TLC capital grants that have been constructed. It did not include TLC projects funded through the county CMAs). A copy of the report, *Ten Years of TLC: An Evaluation of MTC's Transportation for Livable Communities Program* is included with this memo.

Program Evaluation Key Findings

Staff contacted project sponsors, community groups associated with projects, as well as end users for the five case studies to survey their impressions of TLC projects and programs. Response rates for project sponsors and community groups were high, though it proved difficult to get many end-user surveys for the case studies. While specific TLC projects were challenging to evaluate due to their limited size and the way different jurisdictions collect information, it is possible to understand key trends in the program. The following key findings are a subset of those in the complete evaluation report:

TLC Planning Program

- The maximum size of a TLC Planning Grant is $75,000 and the average has been roughly $40,000.
- Pedestrian improvements have been the most popular form of capital improvements planned for (87%), while design standards (60%) have been the most common forms of policy changes pursued in TLC planning grants to date.
- TLC planning grant recipients described the community participation aspects of TLC planning grants as one of the most important benefits of the program.
- More than 55 percent of all proposed policy changes identified in TLC plans have also been implemented by the sponsoring jurisdictions.
- Given increased costs over the last ten years, TLC planning grants have more recently been viewed as too small to undertake significant planning processes that require substantial public involvement and project preparation.

Housing Incentive Program

- HIP has provided $27 million in funding associated with 38 housing projects across 20 jurisdictions in two funding cycles. This translates into rewards for the construction of 11,600 new housing units of which just over one-third are affordable.
- The availability of the HIP grant—according to surveyed sponsors—acted as an incentive in 37% of the projects.
- Roughly 70 % of the proposed housing projects qualified for HIP grants by issuing building permits on the project, the remaining 30 percent failed to meet the HIP deadlines.
- In those cases the grant did not act as an adequate incentive to approve the project, key challenges that could not be overcome include: market forces (35%), developer commitment (32%), developer financing (29%), city permitting (38%) and environmental review (22%).

TLC Capital Program

- TLC Capital projects encompass a wide variety of project types including bike lanes and paths, enhanced sidewalks, street trees, pedestrian scale lighting, bulb-outs, street furniture, bicycle parking, wayfinding signage, and traffic calming. Project sponsors rated TLC capital projects most effective at improving the one TLC goal that is most difficult to quantify – a community's sense of place and quality of life.
- While a majority of project sponsors and co-sponsors also noted that their grants helped improve a range of transportation choices, it was rated the lowest of the five TLC program goals.
- Historically TLC project sponsors have not been asked to provide before and after data that would allow for project evaluations. However, the most successful TLC capital projects appear – at least anecdotally – to have increased local pedestrian activity, created positive impacts on local businesses (as evidenced by lower vacancy rates and higher retail sales volumes in some TLC project areas), and served to facilitate nearby land use

changes such as new housing and commercial development.

- Local jurisdictions – required to provide a minimum 11.5 % match under federal law – ultimately provided local funds from numerous sources averaging a 76% local match across all projects surveyed. It is significant to note that TLC funds are often some of the first funds on the table and thus allow local staff to subsequently generate funding from other sources

Recommendations

Given the results of the TLC program evaluation, staff seeks input from the Committee and key stakeholders on the following recommendations:

(1) Tighten the connection between the TLC program and projects that directly support infill housing and transit-oriented development throughout the region by targeting a portion of TLC funds for locally-designated Priority Development Areas under the FOCUS program.

(2) Discontinue the TLC Planning Program and focus on larger land use planning grants through the Station Area Planning Program, combined with smaller, quick-response technical assistance grants to assist local jurisdictions with specific TOD-related challenges.

(3) Discontinue the Housing Incentive Program while still incorporating incentives to approve new housing by linking TLC awards to the planning and construction of new transit supportive development.

(4) Broaden TLC grant eligibility to include other infrastructure improvements including parking garages and local land parcel acquisition in order to maximize future development at key smart growth locations throughout the region.

(5) Provide larger TLC capital grants at more frequent intervals.

Next Steps

Staff is seeking the Committee's preliminary input on the above recommendations, recognizing that the overall program structure and funding levels for the TLC program will be the subject of the Commission's deliberations on the Transportation 2035 Plan in the coming months. Pending the Transportation 2035 Plan outcomes, staff will revise the TLC program goals, objectives and criteria for Commission approval later this year.

Ann Flemer

SH:DJ

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Attachment A: MTC's Smart Growth Timeline

	Adopted Policy	Funding Programs
1996	• Transportation/Land Use Connection Policy adopted	
1997		• TLC Planning Program created
1998		• TLC Capital Program created
2000	• ABAG, MTC and partner agencies begin a two-year effort to develop the Bay Area Smart Growth Vision	• Housing Incentives Program (HIP) pilot cycle launched
2001		• 2001 Regional Transportation Plan triples TLC funding to $27 million annually for HIP, regional TLC, and county-level TLC
2005	• Transit-Oriented Development Policy adopted, requiring that jurisdictions receiving MTC funding for transit extensions plan a minimum number of housing units along new corridors	• Station Area Planning Grant program created to support TOD policy
2007	• ABAG, MTC and partner agencies launch Focusing Our Vision (FOCUS), en effort to prioritize infill, mixed-use development near existing transit and jobs	• Station Area Planning Grant program expanded to include areas under FOCUS program

Attachment B: Existing TLC Program Structure & Staff Recommendations

	Existing Program Structure	Staff Recommendation
TLC Planning Program	$500,000 per year	Discontinue/ fold into Station Area Planning Program
TLC Capital Program	$9 million per year distributed by MTC, $9 million per year distributed by CMAs	Continue TLC program, broaden grant eligibility
Housing Incentive Program	$9 million per year distributed by MTC	Discontinue/ fold housing emphasis into new elements of TLC capital program
Station Area Planning Program	2nd cycle of grants pending totaling $7.5 million – program funded through 2012	Continue Program through at least 2012 and re-evaluate
Technical Assistance	n/a	Start quick-response technical assistance program for local jurisdictions

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Financing Transit-Oriented Development in the San Francisco Bay Area

Policy Options and Strategies

Prepared for:

METROPOLITAN TRANSPORTATION COMMISSION

Prepared by:

RECONNECTING AMERICA

TRANSIT-ORIENTED

August, 2008

Executive Summary

Since its inception in 1997, MTC's TLC Program has achieved tangible transportation improvements that support regional livability in the Bay Area. The recent evaluation of the TLC program recommended "continuing to strengthen the land use connection within the TLC Program" by supporting transit-oriented development (TOD) and infill projects. TOD and infill are both critical to the continued healthy growth of the Bay Area, by reducing Vehicle Miles of Travel (VMT), reducing the combined costs of housing and transportation, and making more efficient use of transportation infrastructure.

There are, however, real challenges to TOD and infill development. Even after station area or downtown plans are adopted, TOD and infill development projects still face significant financial and regulatory barriers that impede construction. The financial barriers include higher land costs around transit stations, infrastructure upgrades needed to support increased density, the need to assemble small parcels of land to reach a critical mass, and the need to replace existing surface parking reservoirs with structured parking. Project implementation is often delayed because these barriers cannot easily be addressed through traditional funding and financing mechanisms available to local jurisdictions and developers.

MTC commissioned Strategic Economics and the Center for Transit-Oriented Development to explore various options for establishing a more flexible funding mechanism that includes the core strengths of the existing TLC Program, but does more to facilitate actual development. The intention of an expanded TLC Program would be to respond to changing regional demographics, provide needed affordable and accessible housing, reduce greenhouse gas emissions, and create local centers for community, through a collaborative program working together with regional and local agencies.

KEY FINDINGS

This White Paper has produced several key findings, including:

- There are many potential program approaches (outlined in the table on page 5) that would support TOD and infill implementation in the region, and there are some key questions that will help determine which approach or approaches are most appropriate for the Bay Area.
- Portland METRO and the Met Council in the Twin Cities both have successful model programs that address TOD and infill funding needs in different ways. Both incorporate involvement from a broad base of stakeholders coupled with professional expertise in evaluating grant proposals.
- There are critical funding needs in both urban and suburban communities, but the tools to overcome specific barriers may be different. Funding through the program should thus be flexible to respond to local needs and communities with different market dynamics.
- The stated goals of an expanded TLC Program will need to be linked to evaluation

- Cap individual project awards but allow projects to receive funding in multiple years.
- Do not cap awards for geographic subareas.
- Continue to implement a regular funding cycle, ideally on an annual, or even semi-annual basis.

Downtown Hayward BART
Photo: MTC

WHITE PAPER OUTLINE

The findings and recommendations in this report are intended to aid MTC staff and commissioners, as well as the Association of Bay Area Governments (ABAG) and other interested stakeholders in the consideration of additional approaches and strategies that could provide direct support for specific projects that further regional goals for transportation and land use over and above what the TLC Program is currently able to provide.

This White Paper has three parts:

- A definition of the funding needs and the barriers to infill and transit-oriented development in the Bay Area with several case studies of ongoing development projects in the region;
- A review of existing similar programs implemented by other regional planning agencies to understand lessons learned and potential options for structuring such a program; and
- An evaluation of the potential effectiveness and possible challenges of different approaches for MTC and ABAG to support transit-oriented development and infill development projects taking into account the Bay Area regional planning and development context.

Table 1: Direct Investment Program Approach Comparison

Use of Funds	1. Capital Improvements Adjacent to TOD	2. Parking Management Strategies	3. Direct Financing of TOD and Infill Projects	4. Land Assembly and Site Acquisition	5. Affordability and Accessibility
Description	Funding for off-site or adjacent capital improvements (such as streetscapes, bicycle and pedestrian facilities, transit station access routes) and/ or public utility and infrastructure upgrades (such as storm water, sewer, or gas/electric).	Financing for neighborhood parking strategies (e.g. carsharing or transit passes) that would allow for development to proceed with lower parking requirements elsewhere in the community or could provide replacement parking for parking lost through Joint Development	Funding for infrastructure-related portions of a development (e.g. storm water, sewer, or utility upgrades) or financing of costs as a result of density increases.	Financing for land assembly and entitlement of development projects with medium-term horizon (5-10 years).	Paying for the incremental costs of additional affordability or accessibility measures (e.g. units fully accessible for people with disabilities)
Funding Approach	➤ Grant to local jurisdiction	➤ Grant (potentially revolving loan) to local jurisdiction	➤ Grant (potentially revolving loan) to local jurisdiction (and/or developer)	➤ Grant (potentially revolving loan) to local jurisdiction (and/or developer)	➤ Grant to local jurisdiction (and/ or developer)
Case Study Examples	➤ MTC TLC Program ➤ Met Council LCDA	➤ Met Council LCDA ➤ Redevelopment Agencies	➤ Portland METRO ➤ Met Council LCDA	➤ NCTCOG Landbanking Program ➤ Met Council LCDA	➤ Redevelopment Agencies ➤ State programs (HCD)
Potential Benefits	➤ Similar to existing TLC program, but expanded to allow funds to be used on non-transportation infrastructure ➤ Helps "seed" TOD in older areas with infrastructure constraints	➤ Facilitates district-wide planning and implementation by creating shared pool of parking and managing it efficiently.	➤ Facilitates development by addressing added costs of developing in TOD and infill areas ➤ Helps projects that are almost feasible become feasible or increases development feasibility at critical TOD sites	➤ Prevents non-TOD development on key sites ➤ Reduces holding costs for site acquisition and assembly ➤ Can be used to encourage timely entitlement of projects	➤ Increases production of affordable and accessible units.
Potential Questions	➤ Is expanded TLC program sufficient to meet regional needs? ➤ Will funding be sufficient to address local needs?	➤ How do you ensure projects meet goals? ➤ Should parking be required to provide return to MTC if priced and managed well?	➤ Are strict criteria/ review needed to maximize public benefit?	➤ Can this type of funding source be patient enough to see results?	➤ Better to pursue statewide approach? ➤ Are there other funding sources for this purpose?
Program Scale	➤ Low to moderate cost ➤ Low to moderate impact	➤ Low to moderate cost ➤ Low to moderate impact	➤ Moderate to high cost ➤ Moderate to high impact	➤ Moderate to high cost ➤ High impact	➤ Moderate to high cost ➤ Moderate impact