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Creative Approaches to Land Acquisition





TOD Projects

Result From

Creative Approaches to Land Acquisition

It should not surprise anyone familiar with the San Mateo County Transit District (SamTrans) to learn that ingenuity and creative business thinking constitute the underpinnings for its successful transit-oriented development (TOD) program.

(SAN MATEO COUNTY TRANSIT DISTRICT)

After all, since its creation in 1974, the District has been at the forefront of many innovations resulting from forward thinking by its management team and board, including:

- A door-to-door paratransit program, Redi-Wheels, launched more than a decade before the *Americans with Disabilities Act*;
- Leadership in acquiring, together with its transit partners, the Santa Clara Valley Transportation Authority and the City and County of San Francisco, sizable portions of the land holdings of the former Southern Pacific Transportation Company for future commuter rail, light rail and rapid transit rail extensions on the San Francisco Peninsula;
- A growing program of shuttle connections between major employment centers and commuter rail and rapid rail stations.

In keeping with its tradition of innovation, the District also has plowed new ground in redeploying excess property into successful TOD projects. In this article we will illustrate how excess property can be used for innovative TOD through two case studies—one involving a fully constructed TOD project adjacent to the San Francisco Bay Area Rapid Transit (BART) station in Colma, California, and the other involving a TOD project currently being processed through the entitlement phase in San Carlos, California. These two projects

have a common denominator: TOD has been facilitated by the retention of real estate that had been acquired to support major transportation projects and otherwise would be deemed surplus once the projects were completed.

COLMA TOD PROJECT

The La Terrazza Project is located in Colma, just to the west of the Colma BART Station. La Terrazza is the result of a public-private partnership under which the District leases the land to the developer as part of a ground lease with a 75-year base term. The developer constructed and owns the buildings on the site, manages the facility and pays the District an annual ground rent payment of approximately \$380,000, with annual increases based on the Consumer Price Index and periodic adjustments to match market conditions. Because the District's interest in the property is not subordinated to any other parties, the income stream is virtually guaranteed.

The project consists of 153 residential units and approximately 3,000 square feet of transit-supportive retail. The units range in size from one bedroom/one bath to three bedroom/two bath and include six live-work lofts. The project includes 31 units (20 percent) reserved for very low income tenants. To maximize transit accessibility, the project features a direct connection to the adjacent BART station by means of Nevin Way, a pedestrian pathway that connects El Camino Real

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and the station property. Residents of La Terrazza can stroll from their apartment to the door of a BART train in less than five minutes.

The La Terrazza project was the outgrowth of the District's ambitious "Century Plan," which laid out a program of significant transit improvements, including the purchase and operation of the Caltrain commuter rail line linking San Francisco to San Jose and Gilroy and the extension of BART's rapid transit rail system beyond Daly City. The Comprehensive Agreement negotiated with BART to implement the Peninsula extension designated the District as lead agency for all real estate acquisitions. The Colma Station Extension was the first project implemented under the BART/District agreement. One of the 29 properties needed for that project was the former Millett Motel, a roughly 210,000-square-foot parcel that had been slated for residential development. After negotiations failed to result in the voluntary transfer of the needed land, the District filed eminent domain action to acquire the property.

Among the differences that arose was the land owners' contention that the District's plans called for using only half the parcel—rendering about half the remaining land, about 102,000 square feet, less valuable for development. The owners contended that this amounted to a taking of their property and they claimed about \$500,000 in "severance" damages. They also held an elevated opinion of the value of the property.

These differences gave rise to an innovative settlement strategy—the negotiated acquisition of the remainder parcel that was unnecessary for the station project. This approach facilitated an agreement to a reduced unit price for all of the land and completely avoided severance damages. The Federal Transit

Administration, in turn, approved the entire package with the understanding that the District would pay 100 percent of the cost of the remnant parcel and in turn would obtain sole ownership unencumbered by any federal interest. As a result of this arrangement, the District obtained 2-1/2 acres of valuable property, with frontage on a major thoroughfare and immediate proximity to a transit station, with significant potential for future TOD.

The District then solicited interested developers to submit proposals to develop the remnant parcel. A substantial feature of the advertised development opportunity was the fact that the District, along with the County of San Mateo (which exercises the land use authority over the property) and the City of Daly City (within whose sphere of influence the property was located) had funded the preparation of the Colma Station Area Specific Plan, a land use tool that authorized increased densities in the vicinity of the new BART station. This action meant that the La Terrazza project did not require a separate discretionary zoning approval and made the land more valuable.

In addition to increased riders for BART trains and SamTrans buses, the District now receives regular rental payments from the project and, as a result of specific terms negotiated as part of the deal, also will participate in any profits resulting from sales or refinancings of the project.

SAN CARLOS TOD PROJECT

The proposed San Carlos Transit Village Project will be located on approximately eight acres of property adjacent to the San Carlos Caltrain commuter rail station. Of these eight acres, four acres are vacant land of optimal size and width for development, while approximately

two acres are currently used for transit parking, and another two are too narrow to support potential development. The development itself will include approximately 280 residential units and approximately 35,000 square feet of commercial space.

The focal point of development will be a pedestrian plaza directly in front of the San Carlos Caltrain Station building, which is listed on the National Register of Historic Places. This plaza will be a public gathering space and will be flanked by the majority of the commercial space, which may feature one or more destination restaurants that will use the plaza for outdoor dining. The frontage of the project will be a series of courtyards and widened sidewalk with streetscapes designed to provide a connection between the station and downtown San Carlos, creating a vital link between Downtown San Carlos and its Caltrain station, effectively bridging the gap across the wide roadway artery of El Camino Real, itself a critical transit corridor.

The property on which the development will be constructed is comprised of the San Carlos Caltrain Station parking lots, plus six acres of property that were purchased from Union Pacific Railroad to support the construction of a grade separation project at Holly Street. In order to keep the railroad operating during the construction of the grade separation, the designers rerouted railroad traffic off the main line onto a "shoofly" located on the property now slated for development. The railroad operated on this shoofly for three years while the new railroad bridge was constructed over Holly Street. At the completion of construction, rail traffic was re-routed back to the new grade-separated mainline tracks, freeing the property for development.

Typically when a transit agency requires property during construction for

a defined, temporary period of time, the agency will rent the property from the property owner or will acquire temporary construction easements. In this case, while planning for the grade separation, the District also decided to take into account its long-range vision for the Caltrain corridor, which included an expanded right of way to accommodate the potential for additional tracks.

Initially, the agency considered the minimal property requirements for the grade separation, including the potential expansion of the rail operation, and concluded this would require the purchase of an approximately one-acre strip along the back of the development site and a five-year temporary construction easement over the entire remaining property. After considering the overall costs of such an acquisition, including the potential for severance damages being asserted in the context of a partial land take, the District decided to recommend the purchase of the entire property. As a result, upon the completion of the grade separation project, a vacant site suitable for development and located on prime property proximate to both a rail station and El Camino Real, was in public ownership.

Following a formal public solicitation process, the District selected Legacy Residential Partners, LLC to develop the project and entered into an agreement to exclusively negotiate a transaction with that firm. Anticipated benefits from the proposed project include a healthy economic return on investment for the

District, as well as enhanced transit system ridership (both bus and rail). The project, along with planned improvements to El Camino that will be funded by both the project and by other grants, will serve to create a pedestrian linkage between downtown and the development. In addition to bringing the agency approximately \$1 million per year in rental revenues, it is anticipated that with approximately 500 people living at the door of a transit stations, ridership on Caltrain and SamTrans will increase significantly. The District also will participate financially in the gross profits of the project and in events such as sales and refinance. It is anticipated that 15 to 20 percent of the project will provide affordable housing.

CASE STUDIES SERVE AS INSPIRATION

The District is excited about its transit-oriented development program and is hopeful that the success of the program to date will inspire similar projects at other locations within its service area. In addition, the District hopes these examples will encourage other public agencies to seek innovative opportunities to use acquired land that previously may have been regarded as surplus, suitable only for disposal. As always, the District will continue to look for new and creative ways to maximize its resources and to increase the level of service to its community. 📍

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