

EQUITABLE TRANSIT ORIENTED DEVELOPMENT

Defining ETOD

In a May 2010 speech to the Congress for New Urbanism, Secretary of HUD Shaun Donovan invoked the idea of “equitable, inclusive neighborhoods, with opportunities for people of all ages, income, races, and ethnicities... diverse, inclusive communities offer the most educational, economic, and employment opportunities....Hidden costs like transportation put families over the edge into financial vulnerability.” Quoted in “Sustainable Communities” Vol 1, No 1, Jan/Feb 2011.

LOS ANGELES CURRENT CONDITIONS

Expanding Public Transit More than Anywhere

- City to have 71 operating light rail/bus rapid transit stations by end of 2012 (with more throughout the County) and is adding another 42 stations.
- **Housing** –15,000 Affordable Units with covenants expiring 2012-17
- **Health** – Parks initiative responding to fact that 2/3 of children do not live within walking distance of a park or playground 3
- **Economic Development/Holistic Planning Initiatives** – Sept. 2012
 - Council approves study to identify partners & funding, set goals & targets and have economic development department implement ideas to carry “redevelopment”
 - Metro, California Community Foundation & The California Endowment agree to fund study with goal of creating Equitable TOD fund

DEFINING EQUITABLE TOD

Criteria for Investment (Hollywood CRA/LA)

To increase ridership, accessibility, social connectedness, public health environment justice, regional economic development with these elements:

- Catalytic with significant economic impact
- Transit-oriented development
- Supports economic growth in local core industry
- Provides education/job training
- Creates living wage jobs
- Provides affordable housing
- Promotes energy-efficiency
- Involves historic preservation
- Creates parks or open space
- Collaborates with non-profit social service provider

CALIFORNIA PUBLIC FINANCE OVERLAY

Facilitating Balance, Liquidity, Opportunity

- Structural Budget Deficit & congested governance in that new taxes require a supermajority in legislature (think US Senate & Civil Rights pre-1964) or a proposition – Reform California!
- Props 1A, 1B, 1C passed in 2007 – 1A stabilized transportation revenue by closing the loophole by which State took \$2.5B intended for transportation projects (county road repair, highways, and public transit) from gas tax revs to balance budget, and secured \$500 m in federal matching funds. 1B provides \$20B (\$4B for transit) thru bonds to battle traffic congestion/pollution. 1C (Housing & Emergency Shelter Act/SB 1689) provides \$2.85B thru bonds to finance housing including TOD
- State Pension Funds – CALPERS – SB 955 requires prioritization of California infrastructure projects and separately CALPERS & CALSTRS target investment programs that generate risk adjusted returns with collateral public benefits.
- California Air Resource Board's Cap-and-Trade program: \$1B per annum to grow to \$2B (SB 375)- SCAG to increase funding from \$1.8B to \$6B, mandating 51% of new homes be near transit, aiming for 53% of new jobs near transit.
- Dissolution of RDA's in 2011 with long list of orphaned properties
- NSP1, 2 & 3 Fund Deployment to cycle out in 2013 yet Foreclosure Crisis remains

RESPONSES

Gaps and Market Conditions

- “Preventing displacement is an important equity issue, ensuring that rising land values and economic opportunity in TOD areas are channeled into effective community revitalization.”
- Generally rental rates do not support investor model unless one builds with an 88% efficiency rate and at 100 units per acre, Type V construction OR there’s some equalizer/govt. subsidy
- “in the context of TOD these gaps may feel more acute due to higher expectations and visibility, the complexity of projects and the sense of urgency for development... often desired or expected to include mixed-use and mixed-income elements, public uses, green space, connectivity and infrastructure elements, which are desirable from a planning and community development perspective, but challenging to finance.”
- Mitigating Factors – 2012: Improved pricing for tax credits, most highly competitive in decades. 4% market climbs as Fannie, Freddie, FHA re-emerge to compete for private placement market share, exaggerated by expiration of 9% fixed rate (unless made permanent by Congress), which adds to sense of urgency.
- Era of foreclosures – 2009 til ?: Banks seeking recovery markdown land and even convert debt to equity to facilitate development/recovery

INITIATIVES

Pulling Together Public-Private Partnerships

- Build broad coalition/workgroups to cope with distressed assets, public health, education, housing
- Effectuate strong public sector partnerships: LA/HUD is largest administrator of trust funds (\$100M) in the nation. Identify staff, rules, and strategy fn1
- Engage large corporate & institutional players with sites/resources/clout: Metro, DWP, hospitals, universities & leverage local industry: trade, tourism, technology, media, avionics.
- Enter into DDAs/OPAs with public & institutional players to forge assistance with construction of public improvements and parking or remediation of hazardous materials, help with assemblages and expediting entitlements to reduce risk and enable projects to come to fruition by including agreements to finance public improvements, loans to assist with affordable housing development, rehabilitation of commercial buildings, create overlay zoning districts at TODs
- Pursue Opportunity Sites
- Attract capital that has a high tolerance for risk coupled with philanthropy grants/PRI's to blend down rates and/or to stake a guarantee pool to leverage LTVs, enlarge funding, generate returns that fund operating capital.

CREATING A SENSE OF PLACE

The Next Los Angeles, The Struggle for a Livable City* circa 2006

- Establish a Regional Economy Approach through Forward-thinking by the few intergovernmental agencies that serve significant parts of the region as a whole is required to provide coherence and positive change within five counties: MTA, SCAG, SCAQMD, MWD to help address lack of investment and disparities in political power. “[Uniquely, these] agencies have significant influence over resource and planning decisions involving air pollution and water use, which, in Southern California, constitute crucial development decisions, but these agencies refuse to address the land-use implications of those decisions, such as whether and where to build housing.” p. 73.
- “It was not inevitable that the region would grow by sprawling, but that’s what occurred, fostered by real estate interests seeking cheaper land and abetted by politicians who sponsored the roads and other infrastructure that made sprawl possible.” p. 75, and at page 99, a call to arms: “families who live in Los Angeles face pressures large and small that conspire against livability. Spiraling housing costs. Outdated transportation planning still closely wedded to the losing cause of adding more highways to fight traffic gridlock. Troubled and underfunded public schools. Distrust between law enforcement and some communities that the police are charged to protect. Food insecurity just miles from what had been some of the world’s richest agricultural land. A toxic legacy of industrial waste mixing with the sea of vehicular emissions. A shortage of parks and a desperate need for urban oases.”

*Written by Robert Gottlieb, Mark Vallianatos, Regina M. Freer, and Peter Dreier, University of California Press, 2005