Everett Link Extension

Economic Development Considerations and Financial Tools

SOUNDTRANSIT

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1 INTRODUCTION

1.1 Model Code Partnership Overview

The Everett Link Extension (EVLE) project, which includes an Operations and Maintenance Facility North, was included in the Sound Transit 3 Plan approved by voters in 2016. The EVLE project will provide fast, reliable light rail service to regional residential and job centers in Snohomish County's growing urban areas. The OMF North is a light rail operations and maintenance facility needed to accommodate additional fleet capacity.

The EVLE project will operate on a 16-mile elevated and at-grade guideway and will add six stations to the light rail network, along with one provisional (unfunded) station, along a corridor through the City of Lynnwood, unincorporated Snohomish County, and the City of Everett. The EVLE project will extend Link service north from Lynnwood City Center to West Alderwood, Ash Way, Mariner, Southwest Everett Industrial Center, SR 526/Evergreen and Everett Station, with the provisional station at SR 99/Airport Road. The ST3 Representative Project also included parking facilities at two locations on the corridor — 550 parking spaces for transit riders at Mariner Park-and-Ride lot, and 1,000 additional parking spaces available for use by transit riders at Everett Station.

The EVLE project, which is currently in the early stages of the Planning phase, will include a unique component intended to implement consistent best practices along the corridor and streamline permitting in later stages of the project. This Model Code Partnership will be funded primarily by a $2M grant from the Federal Transit Administration Transit Oriented Development Pilot Program. Sound Transit is working with the three partner jurisdictions along the corridor, the cities of Lynnwood and Everett and Snohomish County, and the Puget Sound Regional Council to analyze the existing regulatory environment and develop potential code language to be considered for local adoption by 2024.

This collaborative effort will evaluate how local policies and regulations may impact the design, permitting and construction of light rail facilities but also incorporate considerations for the broader station areas. This includes regulatory language to facilitate TOD, multimodal transportation, economic development, infrastructure improvements, public/private partnerships, green building, affordable housing, and other topics supported by the jurisdictions and encouraged by the FTA.

The Model Code Partnership consists of four major components: Policy and Regulations Inventory, Gap Analysis, Case Studies, and Model Code Development. The policy and regulations inventory catalogs existing language from guiding documents for each of the three jurisdictions. The Gap Analysis identifies potential gaps and/or conflicts between policies and regulations within each jurisdiction, between jurisdictions, and between existing and best practices. The Case Studies Report focuses on exemplary planning and TOD efforts in peer cities, and model code development will provide options for policies and regulations that could close local gaps and implement best practices along the full EVLE corridor.

This Economic Development Considerations and Financial Tools Report builds on the best practices highlighted in the TOD Case Studies Report, focusing on the economic component of TOD. The partnership will culminate in local adoption of policies and regulations, customized for each of the jurisdictions.

1.2 Purpose

Moving from the physical and regulatory code aspects of transit-oriented development, this report reviews the most pertinent economic considerations when planning for TOD. This report also includes an inventory of local, state, and federal financial tools that can be used to support TOD implementation.

Section 2 of this report provides a broad overview of economic considerations and recommendations for planning, and highlights implementation activities from three projects in the TOD Case Studies Report.

Section 3 provides a detailed inventory of financial tools and addresses their applicability and limitations for consideration in the next stages of the Model Code Partnership.

2 ECONOMIC DEVELOPMENT CONSIDERATIONS

2.1 Market Dynamics in Response to Transit Projects

The accessibility that high-capacity transit projects provide has been shown in various studies to significantly increase the property values of land surrounding station areas for several reasons:

- The value potential that residents place on the accessibility to jobs, services, and entertainment, particularly when travel time, parking costs, and the need for household vehicles are reduced;
- The convenience that high-density mixed-use neighborhoods focused on station areas provide; and
- Public amenities (urban design, walk/bike accessibility, green/recreational spaces) provided in well-planned station areas.

When the public sector articulates a clear vision-- and provides supporting regulatory and physical infrastructure -- the private real estate market can respond, creating desired transit-oriented communities. The commitment of a local jurisdictions to guide and facilitate development at a certain location helps reduce developer risks on individual projects and provides an assurance to each individual developer that its investments will be accompanied or followed by other projects of similar quality and focus. But other market forces, property owner desires, lender requirements, and community expectations can create barriers to a new development format, thereby encouraging previous development patterns to continue. Regulatory efforts can break those patterns by requiring minimum densities, parking maximums, more walkable site configurations, and so on -- but incentives must often be paired with requirements to achieve that vision.

For-profit developers are attracted by vision, but projects must also be economically viable and result in adequate returns for investors. Non-profit developers may be led by mission more than profit, but still must have projects that “pencil out” to be financially feasible. All developers understand the economics of their pursuits thoroughly and will be attracted to projects that:

- Reduce risk of unanticipated project delays, which can increase overall costs .
- Have adequate infrastructure and “clean” sites to support their project.
- Have public sector and community support.

- Have potential opportunities to reduce either their construction or operating costs through direct contributions or tax/fees/assessment offsets.
- Align with current or expected market demand for the scale and product type being proposed.

TOD frequently has development risk inherent to development of transit projects. The first TOD projects delivered in an area are often a test of the market. The development program and mix of uses and the housing or commercial product being offered may be very different than what has been developed at that location in the past. Station areas may be adjusting to the "mode shift" from automobile dependency to transit and may be cautious about having fewer places to park and shifting modes to access transit stations.

Existing residents and businesses may be concerned with higher densities, taller buildings, traffic congestion, and more people in the area. The street network and public utilities may not support the needs and level of activity generated by higher density. For the first developers to deliver TOD in new station areas, those adjustments translate to risk that may, in turn, lead to greater development costs. In some cases, those departures from prior norms may make traditional financing impossible without more equity or other added security for lenders and investors. To achieve the vision established for station areas, local jurisdictions must understand those additional risks and how best to partner with the development community to mitigate those them.

2.1.1 TCRP Research Report 190: Guide to Value Capture Financing for Public Transportation Projects

This report by the Transit Cooperative Research Program (TCRP) explored these dynamics and provided recommendations for transit agencies, local governments, and developers about how to assess real estate market dynamics and deploy a range of value capture tools (ranging from special assessment districts to tax increment financing) to support transit-oriented development. This guide recommends that partners carefully assess the project context, the characteristics of the transportation network, and the local market in determining which value capture tools to use in each context. The report explains how both regulatory considerations and financing tools can be used to mitigate real estate development risks and urges local jurisdictions to clearly articulate the business case to facilitate implementation of TOD visions.

The full report can be accessed on Transportation Research Board's website at: https://www.trb.org/Main/Blurbs/175203.aspx

The case studies explored in the previous MCP report illustrate how addressing infrastructure concerns, developing partnerships, and preparing detailed implementation plans are foundational elements to TOD success.

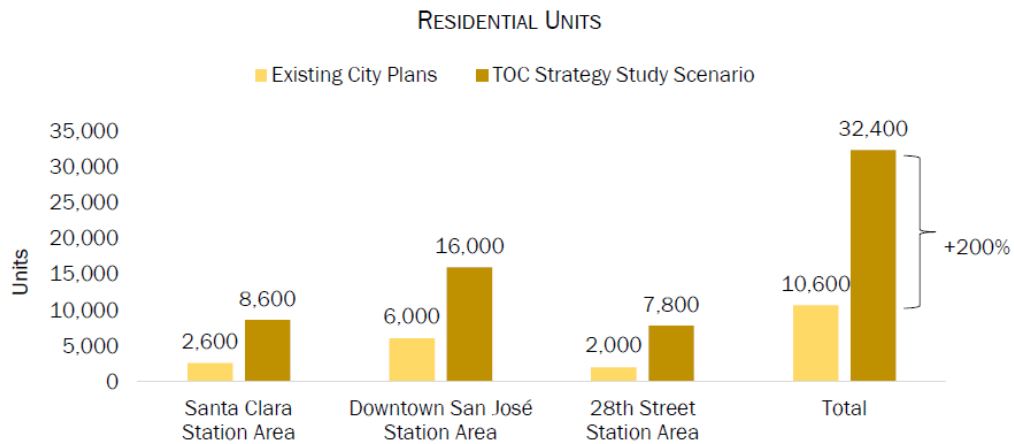
2.2 Case Studies

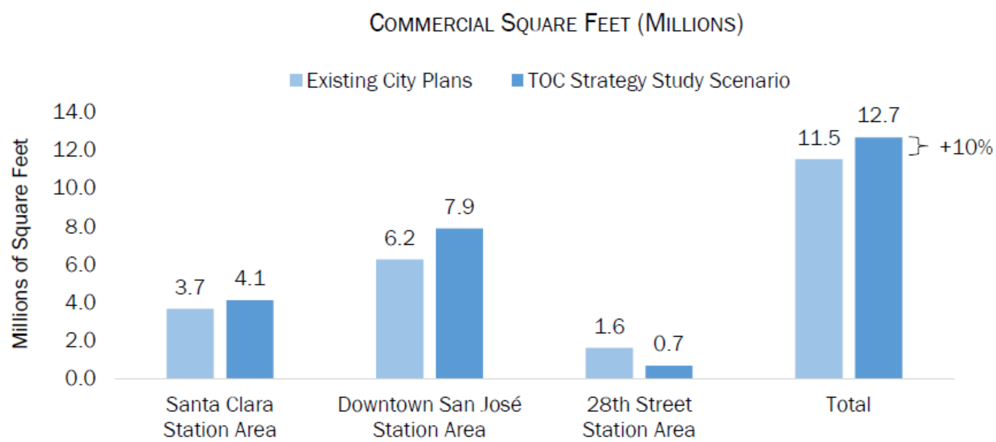
2.2.1 Silicon Valley BART Phase II Transit Oriented Communities Strategy Study

In 2030 BART plans to expand service through San Jose and Santa Clara, adding four new underground stations in one of the richest job markets in the region. The $2.3 billion project, like

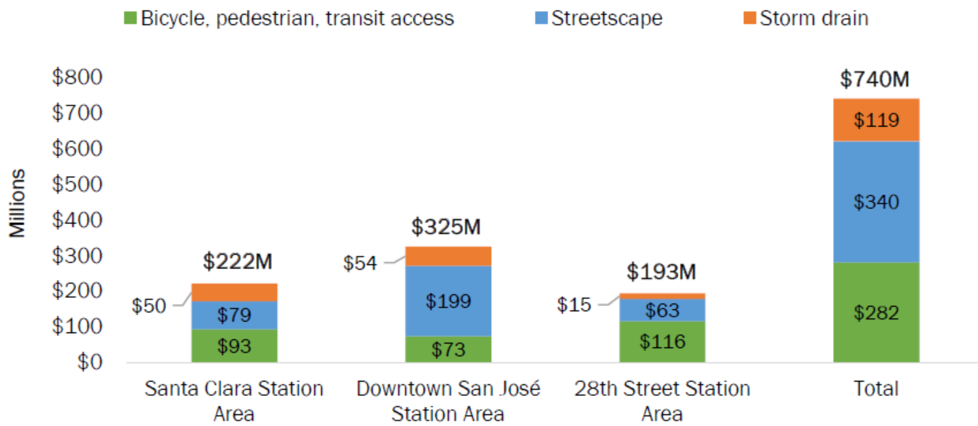
Phase I, is being managed and delivered by Santa Clara Valley Transportation Authority. In preparation, VTA has been working closely with the cities of San Jose and Santa Clara to lay the groundwork for successful transit-oriented development around the future stations. Funded by an FTA TOD grant, VTA and the jurisdictions developed playbooks for three of the station areas – Diridon Station in San Jose is undergoing a different planning process as part of Google's new headquarters. The playbooks focus on four main policy priorities: improving infrastructure and amenities; mitigating displacement risk and producing new affordable housing; supporting local economic development; and managing parking efficiently and enhancing multimodal access.

As a first step, the consultant team projected future market demand and estimated the capacity for new development in "opportunity sites" for each of the three stations. The team projected a total of 12.7 million commercial square feet and 32,400 new residential units by 2040. This represented a modest 10% increase over what San Jose and Santa Clara had previously planned for commercial growth, but a massive 200% increase in residential growth over existing City plans achieved by assuming much higher levels of density in stations areas.



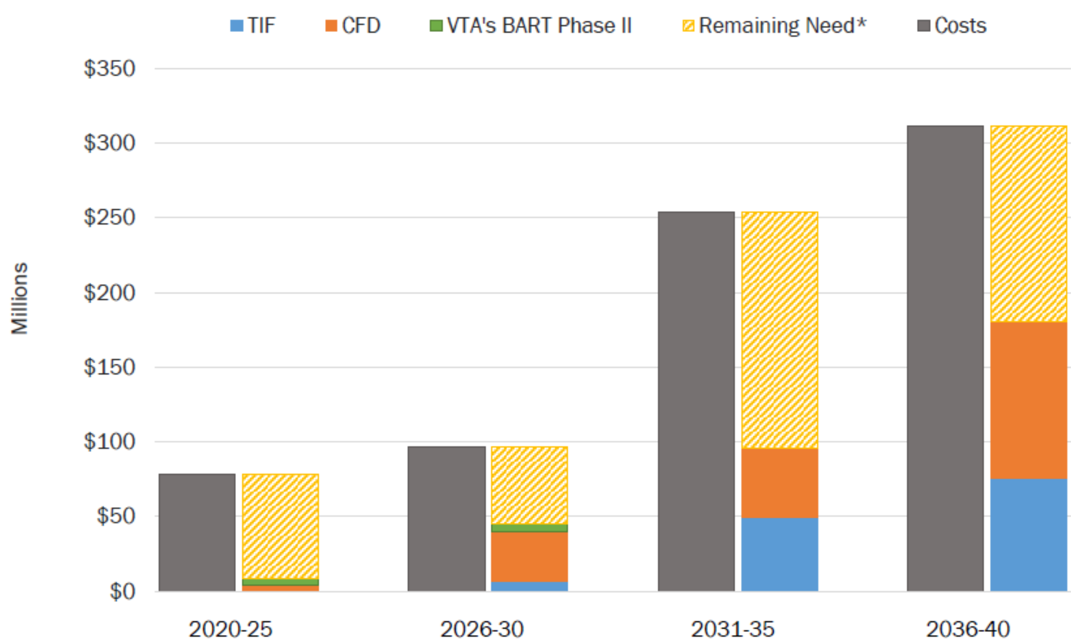


Next, the consultant team estimated the cost of the infrastructure and public amenities needed to enable the scale of development projected. The projected infrastructure needs were broken into three main categories: bike, pedestrian and transit access improvements including upgraded sidewalks, signals, and curbs; streetscape enhancements such as street trees, benches, and bike racks; and storm drain improvements to reduce impacts of 10-year storm events. The consultant team estimated these improvements would total $740 million through 2040 with the majority of costs coming from streetscape enhancements totaling $340 million. Bicycle, pedestrian and transit access and storm drain improvements would cost $282 million and $119 million through 2040 respectively. The team also identified $175 million in high priority projects that should be implemented prior to or concurrent with the opening of the BART extension.



Not included in this assessment are the costs of new open spaces and improvements in water and sewer capacity. Project lists for these facilities were developed but were not the focus of the implementation strategy because they have existing dedicated funding streams through connection fees and open space requirements for new development.

In order to fund the necessary improvements, the consultant team considered a variety of funding sources and estimated their projected capacities through 2040. The team estimated three potential funding sources: community facilities districts, a special taxing district in California that can finance public facilities; tax increment financing; and VTA contribution. Combined, these sources are projected to generate $330 million by 2040. This is a substantial sum but is still $410 million short of the projected need. In addition, much of this funding capacity will not be available up front to finance improvements needed before the development that will drive growth in community facilities and TIF district funding.



The next step in the implementation of the TOD strategy is to identify funding to close this gap through grants, developer contributions, and capital improvement programs. The report ends with eight implementation strategies to guide the next phase of the project:

- Establish community facilities districts.
- Implement tax increment finance districts.
- Work together to identify grants and other upfront funding sources.
- Engage with local partners to expand community and economic development activities.
- Create dedicated staff positions within the cities to lead implementation.
- Establish a framework of ongoing collaboration between the cities and VTA.
- Partner to increase production of affordable housing.
- Establish shared mobility districts to manage parking and transportation demand.

2.2.2 Saint Paul Green Line

The Central Corridor Funders Collaborative was an innovative partnership supported by 14 local and national foundations. The Funders Collaborative was founded with a belief in light rail's potential for benefiting the people and places closest to the line, focusing particularly on minority, immigrant and low-income populations. The collaborative envisioned stable, thriving neighborhoods throughout the corridor that reflect community identities and link all people to regional opportunities and local amenities.

Building shared solutions through corridor-wide working groups and community partnerships focused on outcomes in four major investment areas: access to affordable housing, a strong long-term economic strategy, vibrant transit-oriented places and effective communication/collaboration. Fourteen national and local foundations provided funds to staff and operate the initiative. Since 2008, the Catalyst Fund has been awarded more than 160 grants, totaling nearly $12 million and leveraging more than $54 million of additional investment.

2.2.3 RTD Alameda Station - Dakota Outfall Project

RTD's partnership with D4 Urban, a local mixed-use developer, to redevelop Alameda Station is a case study in how a public-private partnership can jumpstart TOD. In 2010, RTD was interested in redeveloping the area surrounding Alameda light rail station with TOD, but the sites had environmental and physical constraints. The area had been redeveloped in the 1990s as a car-focused shopping center with large block sizes. The area also suffered from regular flood events from the nearby Platte River, limiting redevelopment potential.

RTD worked with developer D4 Urban and the Denver Urban Renewal Authority to construct a new street connecting the station to the grid and a massive outfall pipe that could handle drainage for the whole station area. The $21.5 million project was funded with a combination of special property tax assessment district established by station area property owners, and an extension of the TIF authority that had funded the previous redevelopment. These public investments allowed D4 to deliver projects across the station area, creating over 1,000 apartments and 30,000 square feet of retail near high-capacity transit.

2.3 Sound Transit TOD

In addition to delivering and operating transit infrastructure, Sound Transit has become increasingly involved in developing TOD in its station areas. The agency's TOD policy includes a priority to offer surplus property for the development of affordable housing. In 2015, the Washington State Legislature passed RCW 81.112.350, which requires Sound Transit to transfer at no cost or long-term lease 80% of the surplus property the agency sells off to an entity that will develop affordable housing. So far, this program has already resulted in numerous successful affordable housing TOD projects including one site in Lynnwood that is planned to be developed by 2025. The state statute also requires Sound Transit to establish a revolving loan fund to support equitable development and affordable housing near ST's transit stations. The details of this fund have not been yet finalized but when combined with other sources of funding, it has the potential to support TOD projects across the region.

2.4 Recommendations for EVLE Corridor Communities

Identify clear, coherent and feasible station area visions for the EVLE corridor. To the degree possible, these visions should identify a clear focus for each station area (e.g., job center, residential with retail/services, a true mixed-use center) and yet allow for shifts in the real estate market. The vision should articulate the appropriate scale for new development and clearly identify which existing station area assets (parks, historic buildings, natural features, community identity) should be preserved and/or enhanced. Each vision should articulate how the jurisdiction and its partners will support the development community in achieving this, with the support of the surrounding community. Each vision, if backed by reliable commitments from the local jurisdiction, can play a key role in reducing real and perceived risks for the development community.

Actively seek out development partners to engage on key parcels, listen to their needs, and be clear about how the jurisdiction can or cannot support them in their efforts.

Adopt an implementation plan well in advance of service opening to assess and plan for economic development considerations, infrastructure improvements, and financial tools needed to achieve the station area vision. The implementation plan should provide a clear assessment of existing conditions and cost estimates of improvements needed to support the vision, articulate realistic timelines and funding sources to complete those improvements and identify the entities responsible for seeing those improvements are completed.

Timing is an important element of planning. If the jurisdiction plans to utilize a value capture mechanism, it should understand that early land speculation before project construction may drive up land costs and erode value capture potential. However, the real estate market in some station areas may need to mature before the developers are ready to partner to build the future TOD within a station area. Monitoring of the real estate market and adjusting the station area objectives may be necessary over time to achieve station area goals.

Key Implementation Plan Elements

1. **Evaluate current state of infrastructure versus what will be needed to support the vision.**
    - Does the existing street network support anticipated traffic volumes, operational needs, building services (i.e.,loading, garbage collection), fire/emergency access, walkable block sizes, multi-modal needs and sidewalk capacity? What is the condition and life expectancy of existing roads?
    - Does the area contain natural, attractive, and direct walking routes to the station? If not, the jurisdiction should identify those routes prior to development and implement tools to secure and ensure construction and maintenance of pedestrian routes.
    - Do existing utilities provide sufficient capacity to serve the anticipated types and densities of development?
    - Do existing streetscaping, parks and trails reflect the quality of development desired?
2. **Consider risks or barriers to organizing parcels for the type of development desired.**
    - Do parcels need to be assembled or subdivided?
    - What constraints (transmission towers, railroads, utility easements, zoning) limit parcel shape or size? How can those be addressed?
    - Is there any contamination present that would limit the type of development feasible?
3. **Consider potential public opposition to growth and development**
    - How can meaningful engagement facilitate community and stakeholder support?
4. **Assess risks inherent in the desired development that would make private financing of the project difficult**
    - How can those be mitigated?
5. **Develop a comprehensive mobility strategy.**
    - What parking programs/strategies should be in place (parking management, TDM, district wide parking, shared parking, right-sizing parking, etc.) to optimize parking in the station areas?

3 TOD ECONOMIC AND FINANCIAL BEST PRACTICES INVENTORY

The tools in this document are organized into three categories: public funding, private incentives, and public-private partnerships. Public funding tools include grants and direct financial assistance that local governments can apply for and receive as well as funds that local governments can set up for specific purposes, such as affordable housing trust funds. Private financial incentives include fee reductions, tax breaks, or other benefits that local governments can provide to the private sector to incentivize development. Public-private partnerships are longer-term joint ventures between public and private entities.

The icons to the right of each tool represent general themes of applications for the tool.

Transportation Facilities/Amenities

Infrastructure Development

Housing

Commercial Development

Green Building/Infrastructure

3.1 Summary

Below is a summary of the tools detailed in this report. The tables show what a tool can be applied to where it is currently in use in the MCP jurisdictions. More details for each tool, including examples, recent developments, and sources are available in Section 3.2.

√	**Currently implemented**
X	Not implemented
-	Not applicable or not available for jurisdiction

Asterisk (*) indicates tool is not available or is pending implementation by Washington State or Sound Transit.

3.1.1 Public Funding Mechanisms: Local

Tool	Application	Lynnwood	Everett	Snohomish County
Tax Increment Financing		X	X	X
Housing Benefits District*		-	-	-
PDA		X	X	X
LCLIP		X	X	-
Affordable Housing Trust Fund		X	✓	✓
TOD Bond Allocation		X	X	X

3.1.2 Public Funding Mechanisms: Regional

Tool	Application	Lynnwood	Everett	Snohomish County
Revolving Loan Fund*		-	-	-
REDI Fund		X	X	X
Community Loan Funds		X	X	X
Infrastructure Bank*		-	-	-

3.1.4 Public Funding Mechanisms: Federal

Tool	Application	Lynnwood	Everett	Snohomish County
CMAQ		✓	✓	✓
Transportation Alternatives		✓	✓	✓
CDBG		-	✓	✓
HOME		-	✓	✓
LIHTC		✓	✓	✓
TIFIA		X	X	X

3.1.5 Financial Incentives and Tools to Support Private Development: Tax and Fee Abatements

Tool	Application	Lynnwood	Everett	Snohomish County
Opportunity Zones		✓	✓	✓
MFTE		✓	✓	-
Neighborhood Revitalization Tax Credit*		-	-	-
New Market Tax Credits		X	X	✓
Impact Fees Flexibility		✓	✓	✓
Connection Fee Reductions		X	✓	X

3.1.6 Financial Incentives and Tools to Support Private Development: Reducing or Offsetting Development Risks

Tool	Application	Lynnwood	Everett	Snohomish County
Density Bonuses		✓	✓	✓
Zoning		✓	✓	✓
Planned Action Ordinance		✓	X	X
First Movers Advantage Incentives		✓	X	X

3.1.7 Green Building Incentives

Tool	Application	Lynnwood	Everett	Snohomish County
C-PACER		✓	✓	✓
Energy Design Assistance		✓	✓	✓
Energy Efficiency as a Service		X	X	X

3.1.8 Partnership Strategies

Tool	Application	Lynnwood	Everett	Snohomish County
P3s		X	X	X
Community Renewal Area		✓	✓	✓
BIAs and Special Assessment Districts		-	✓	✓
Local Improvement District		-	✓	✓
Land Banks and Land Trusts		✓	✓	✓
Joint Development		X	X	X

3.2 Public Funding Mechanisms

3.2.1 Local Funding Mechanisms

3.2.1.1 Neighborhood Revitalization Tax Credits

Application	
Lead Agency	State
Utilized in MCP Communities	No, not available in Washington currently

Neighborhood Revitalization Tax Credits are designed to foster the revitalization of distressed neighborhoods. In New Jersey, the state provides businesses with a 100% tax credit for funds provided to nonprofits carrying out revitalization efforts in eligible areas. Non-profit entities submit their plans to the state for eligibility and once approved, may seek private investors. In Paterson, NJ, this program has been used to rehabilitate a rundown building into a community center, complete mixed-use development projects, and build a new preschool in an underserved area.

Sources

New Jersey Community Development Corporation. ND. *NRTC Program.* https://www.njcdc.org/nrtc/

3.2.1.2 Tax Increment Financing

Application	
Lead Agency	City or County
Utilized in MCP Communities	No

Tax Increment Financing is a mechanism to allow improvements to be funded based on the expected increase in property values after the improvements. Typically, bonds are issued and backed by the “increment” (increase) in property taxes in the TIF district above the baseline year. TIF funds can be used for streetscape and utility improvements, among others, that make the district more desirable for economic development. Utilizing Tax Increment Financing allows jurisdictions to capitalize on the improvements made by private developers and incentivize private development that may not have otherwise occurred. Thousands of TIF districts exist across the country in cities of varying sizes, most used to promote housing, economic development and redevelopment.

In 2021, Washington State passed the TIF for Jobs Act, which enabled cities and counties to create TIF districts for the first time. TIFs enabled by the act are more limited than in many other states; each sponsoring jurisdiction may only have two active TIFs at once. These two areas cannot have an aggregate assessed value greater than $200 million or 20% of the jurisdictions assessed property value and TIFs must sunset after 25 years. The sponsoring jurisdiction must also justify that the tax increment generated would not be present without the improvements funded through the TIF district. TIF districts can fund a variety of improvements such as streets, sidewalks, sewers, community facilities, parks, affordable housing, childcare facilities, historic preservation, and mitigating brownfield sites. Another key aspect is that improvements do not have to be within the geographic limits of the TIF district if they serve the community there.

TIF districts are new to Washington State and the current limited scope may be adjusted after some districts are piloted. Jurisdictions around the country have years of experience implementing TIF districts. In particular, Maryland and Dallas, TX have innovative TIF structures for capturing the increment created by transit investments.

- In 2009 the State of Maryland enabled local governments to utilize TIF in areas with Maryland DOT designated TOD. The state amended its regulations to allow TIF and special district bonds to support TOD infrastructure, capital costs, and operations and maintenance costs. The law also allowed for the use of Maryland Economic Development Corporation bonds for TIF and special taxing districts, allowing local jurisdictions to lean on MEDCO's bonding authority rather than coordinating their own. In 2013 the State expanded TIF authority further through the Sustainable Communities Tax Increment Financing Designation and Financing Law. This broadened the eligibility of TIF investments to cover historic preservation and rehabilitation, environmental remediation and site preparation, parking facilities, highways and transit services that support sustainable communities, schools, affordable or mixed income housing, and stormwater management and storm drain facilities. Maryland has three TODs utilizing TIF as a part of their financial packages. In one case, TIF bonds supported a 700-space parking structure at a metro rail TOD site. Another TIF allotment is funding infrastructure improvements around a metro rail center, and a third is utilizing TIF for a mixed-use TOD project including 75,000 square feet of retail, a hotel, over 550 apartment and condominium units, 250 townhomes and two commuter parking garages.

- The City of Dallas has an innovative TOD TIF District that spreads investment across multiple corridors along the DART Red and Blue lines. Created in 2008, the District covers 1,642 acres across four sub-districts. This approach allows increment created along the corridor to be distributed in areas with the greatest need. For example, 40% of the increment generated at one station is redistributed to the district most in need, while 20% is designated for the overall TOD TIF District's affordable housing fund.

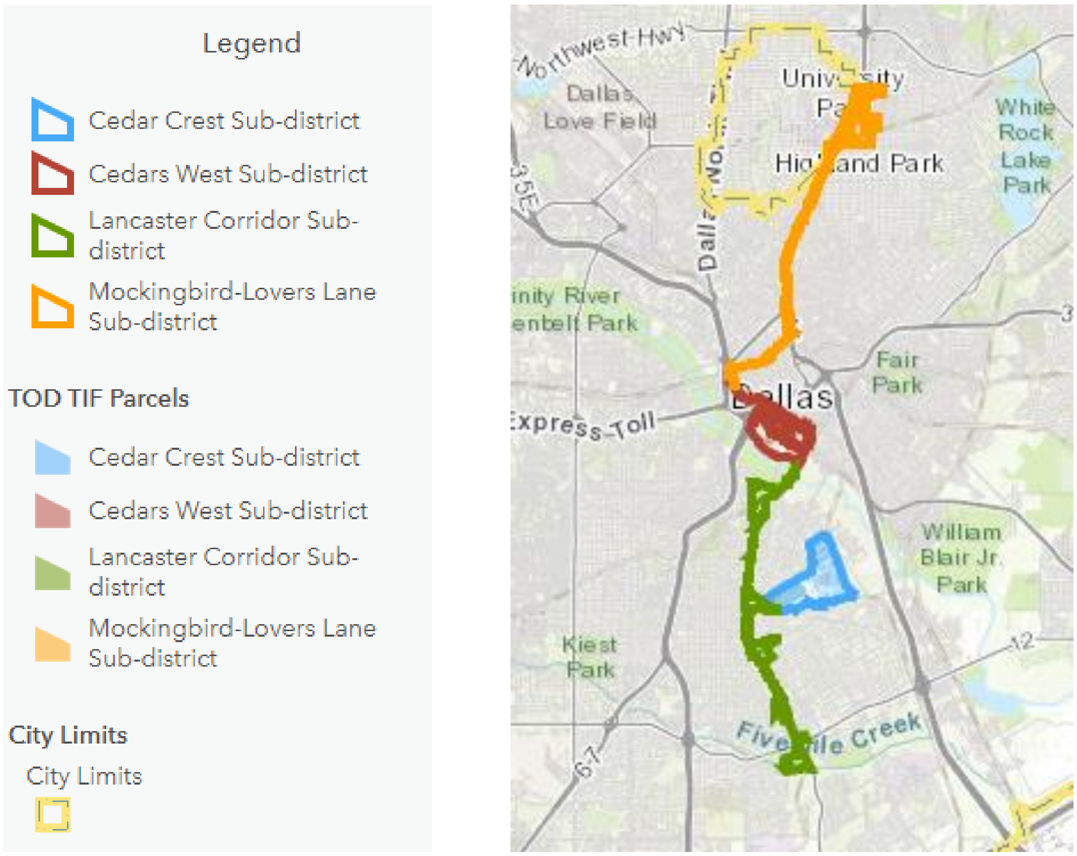


Figure 3-1 TOD TIF Districts in Dallas, TX

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3.2.1.3 Housing Benefits District

Application	
Lead Agency	City
Utilized in MCP Communities	No, bill has not passed legislature

Housing Benefits District (HBD) is a taxing district that can raise funds from local sales and use tax to fund affordable housing. Incorporated cities in Washington do not yet have the authority to form HBD's but the Washington State legislature is considering a pilot program that would allow four cities, including Everett, to form an HBD. Backed by the non-profit Sound Communities, the bill as currently written would establish a program similar to the existing transportation benefits district. The pilot cities would be able to establish a district coextensive with the city's boundaries and collect a .025 percent sales tax and bond against the revenue to fund acquiring, land banking, predevelopment contracting, selling, improving, funding, and leasing land for the creation of 30% affordable low-income and 30% moderate-income housing; community development projects.

3.2.1.4 Public Development Authority

Application	
Lead Agency	City or County
Utilized in MCP Communities	No

Public development authorities are quasi-public municipal corporations authorized under RCW 35.21.730. PDAs can be used for a variety of economic development purposes such as historic preservation, developing a specific piece of real estate, or managing cultural assets like museums, and generally focus on a specific project. PDAs are created and overseen by cities or counties and can receive public money and tax-deductible donations, take on debt, and own and sell property. The advantages of setting up a PDA as opposed to direct city management is that the PDA can take on more risk and work closely with the private sector as board members or partners.

Pike Place Market in Seattle and the Bellevue Meydenbauer Convention Center were both built and operated by PDAs. The town of Twisp created a PDA to purchase and revitalize a former ranger station campus as a community asset. Community Roots Housing was founded as a PDA in Seattle in 1976 and maintains over 50 apartment buildings across the city. The organization also established the Capitol Hill EcoDistrict and is currently developing a 118-unit apartment building as part of Sound Transit's TOD program.

<u>Sources</u>

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3.2.1.5 Landscape Conservation and Local Infrastructure Program

Application	
Lead Agency	City
Utilized in MCP Communities	No

Landscape Conservation and Local Infrastructure Program (LCLIP) provides additional property tax funds to cities accepting transfer of development (TDR) credits. Washington State allows landowners in agriculture or resource areas to sell development rights to developers who can then trade them for additional density in participating cities. LCLIP allows cities that receive development credits to receive some of the additional property tax revenue generated by the development that would otherwise go to the county.

So far, although 35 cities are eligible for LCIP, only Seattle and Tacoma have functioning programs, though other cities such as Shoreline have studied implementation. Seattle's program will raise $27.5 million over 25 years, provided the city meets targets for accepting credits, which will be used to fund infrastructure projects in the Downtown and South Lake Union neighborhoods. Shoreline estimated that a potential program could provide $13.9-18.9 million over 25 years for infrastructure around the future light rail stations in that city. Everett's Metro Everett Subarea Plan recommended considering LCLIP as a funding tool for infrastructure in the Everett Station District neighborhood.

In the 2022 session, the Washington State legislature is considering changes to LCLIP backed by the land conservancy Forterra to increase its scope. The bill under consideration would expand the amount of tax revenue going to cities and it would allow cities to spend LCLIP funds on affordable housing in the receiving area.

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3.2.1.6 Affordable Housing Trust Funds

Application	
Lead Agency	City or County
Utilized in MCP Communities	Everett, Snohomish County

Snohomish County funds an Affordable Housing Trust Fund by collecting a surcharge on City document recording fees. Cities and towns within the county form an AHTF Consortium, and the County’s Office of Housing, Homelessness, and Community Development administers funds on the Consortium’s behalf. Fifteen percent of funds are set aside for shelter operations across the county and 21% of the remaining funds are designated for housing activities within the City of Everett. Other eligible activities include development or maintenance of affordable housing units and rental assistance vouchers. Everett’s AHTF also receives CDBG and HOME funds.

Seattle, though it does not have a trust fund structure, has continuously approved levies to fund affordable housing since 1981. The current version, passed in 2016, provides $290 million in funding over seven years, at a median annual cost of $122 per Seattle homeowner. Among other programs, the levy funds production and preservation of affordable rental units. The funds are administered by the Seattle Office of Housing and are projected to produce and preserve over 2,000 affordable apartments and support operations for hundreds more.

<u>Sources</u>

City of Everett. ND. *Affordable Housing Trust Fund (AHTF) 2060 Funds.* https://everettwa.gov/2328/AHTF-2060-Funds

Snohomish County. ND. *Affordable Housing Trust Fund.* https://snohomishcountywa.gov/861/Affordable-Housing-Trust-Fund#:~:text=The%20Affordable%20Housing%20Trust%20Fund,surcharge%20on%20certain%20document%20recordings.

Seattle Office of Housing. ND. *Seattle Housing Levy Administrative and Financial Plan: Program Years 2019-2020.* https://www.seattle.gov/Documents/Departments/Housing/Footer%20Pages/Data%20and%20Reports/2019-2020%20Administrative%20and%20Financial%20Plan.pdf

3.2.1.7 TOD Bond Allocation

Application	
Lead Agency	Cities and County
Utilized in MCP Communities	No

King County, Washington, administers a TOD Funding Bond Program, which is used to promote affordable housing near BRT and Light Rail stations. In 2015, the state legislature approved the County to bond against its hotel/motel tax revenue, creating an estimated $87 million total for investment in affordable housing. Housing must be within one-half mile of a transit station and designated as income-restricted housing.

Hennepin County, Minnesota (the county that includes Minneapolis) has a more extensive program that provides approximately $2 million in funding per year to developments near eligible transit stops. This money can support development directly or be used to construct infrastructure improvements. Grants are awarded annually based on a competitive process. Since 2003 the County has awarded $40 million in grants, supporting more than 8,300 new or retained housing units. Washington laws are more restrictive of economic development which may preclude this type of program.

<u>Sources</u>

Hennepin County Economic Development. ND. *Transit Oriented Development.* https://www.hennepin.us/economic-development/programs/transit-oriented-development

King County Department of Community and Human Services. 2016. *Transit-Oriented Development Bond Allocation Plan.* https://kingcounty.gov/~/media/depts/community-human-services/housing-homelessness-community-development/documents/housing-finance/tod-bond-allocation-plan-final-sm.ashx?la=en#:~:text=As%20identified%20in%20the%20Washington,for%20a%20family%20of%20four.

3.2.2 Regional Funding Mechanisms

3.2.2.1 Sound Transit Revolving Loan Fund

Application	
Lead Agency	Sound Transit
Utilized in MCP Communities	Pending implementation by Sound Transit

The Sound Transit Revolving Loan Fund will provide support for affordable housing (for residents at or below 80% of the area median income) in transit accessible areas across the Puget Sound region. The fund is meant to leverage other affordable housing funding in the region.

Sources

Sound Transit. ND. *Revolving Loan Fund.* https://www.soundtransit.org/system-expansion/creating-vibrant-stations/transit-oriented-development/revolving-loan-fund

3.2.2.2 Infrastructure Banks

Application	
Lead Agency	Cities, County, State
Utilized in MCP Communities	No, limited implementation in Washington State

Infrastructure banks are revolving funds for investment in surface transportation infrastructure. While some cities have explored establishing infrastructure banks, generally they are administered by states. The federal government has also debated implementing a national infrastructure bank but so far that idea has not been implemented. Infrastructure banks help fund projects that would otherwise be difficult to finance, through loans with flexible terms or below market interest or credit enhancements, including credit lines, bond insurance, and loan guarantees. Because they are revolving, any loans paid back are recirculated into the pool for future borrowers.

The National Highway System Act of 1995 allowed 10 states to create State Infrastructure Banks and the program was expanded to 39 states in 1997, including Washington. Though Washington has made limited use of its infrastructure bank, other states such as Pennsylvania, California, and Virginia have made more extensive use of their banks to provide low-interest loans for a variety of transportation projects. The Washington State Legislature has for a number of years debated establishing a public bank that could provide credit for counties and municipalities for infrastructure and housing.

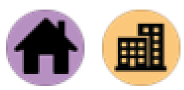
Sources

FHWA. 2016. *State Infrastructure Banks (SIBs) 101.* https://www.fhwa.dot.gov/ipd/pdfs/finance/sibs_101_presentation.pdf

Longbrake, W. and Marlowe, J. 2018. *Evaluation of the Benefits and Risks of a State-Chartered, Public Cooperative Bank – Status Report. https://publicbankinginstitute.app.box.com/s/isbevvjy22dqy41w5tscznl6iy4g9ezo*

Puentes, R. and Thompson, J. 2012. *Banking on Infrastructure: Enhancing State Revolving Funds for Transportation. https://www.brookings.edu/wp-content/uploads/2016/06/12-state-infrastructure-investment-puentes.pdf*

3.2.2.3 Community Loan Funds

Application	
Lead Agency	Community Development Financial Institution
Utilized in MCP Communities	No

Community loan funds provide affordable loans from a revolving fund to support local businesses and community. Funds that are certified as Community Development Financial Institutions (CDFIs) are supported by the CDFI Fund, a program of the Treasury Department. CDFIs can receive several types of funding from the CDFI Fund, including Financial Assistance awards; these awards can be used for lending capital in the community and must be matched with non-federal funding. There are a number of large CDFIs operating in Washington State including groups like Impact Capital, LISC, Enterprise Community Loan Fund, and Craft3. These organizations provide a variety of financial services and contribute funding to regional initiatives such as REDI and other smaller programs.

Prior to the opening of the original Link Light Rail line, Sound Transit created a $50 million transit oriented development fund for the Rainer Valley community. In 2017, the Rainer Valley Community Development Fund was certified as a CDFI, opening up additional funding and grant opportunities. The fund has provided loans for the development of affordable housing and community facilities as well as loans for small businesses.

Sources

Rainier Valley Community Development Fund. ND. *Mission and History. http://rvcdf.org/mission-and-history/*

US Department of Treasury. ND. *Community Development Financial Institutions Fact Sheet.* https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi7205_fs_cdfi_updatedfeb20.pdf

3.2.2.4 Regional Equitable Development Initiative

Application	
Lead Agency	PSRC
Utilized in MCP Communities	No

In 2016, PSRC established the Regional Equitable Development Initiative (REDI) Fund to finance affordable TOD projects and mixed-use development across the region. The fund came out of PSRC's Growing Transit Communities Partnership and is spearheaded by two CDFIs, Impact Capital and Enterprise Community Loan Fund, with additional funding from a number of public sources such as the King County Housing Authority, Regional Coalition for Housing, and the City of Seattle. The program funded nearly $12 million in loans in its first three years for projects around the region.

<u>Sources</u>

Growing Transit Communities Partnership. 2014. *Central Puget Sound Regional Equitable Development Initiative (REDI) Fund Business Plan Framework.* https://www.psrc.org/sites/default/files/redifundframework.pdf

Puget Sound Regional Council. 2019. *Tacoma Housing Authority gets REDI.* https://www.psrc.org/whats-happening/blog/tacoma-housing-authority-gets-redi

3.2.3 Federal

The federal government has a variety of grant programs available to cities and counties that can be used for redevelopment and transportation investments. Often, these funds are distributed via the region's Metropolitan Planning Organization. There are also a number of tax credit programs funded by the federal government that can fund a variety of public and private projects.

3.2.3.1 Congestion Mitigation and Air Quality Improvement Program

Application	
Lead Agency	Puget Sound Regional Council
Utilized in MCP Communities	Lynnwood, Everett, Snohomish County

CMAQ funds are available to support transportation projects or programs that improve air quality and relieve automotive congestion, primarily in areas experiencing poor air quality. CMAQ funding frequently supports bicycle and pedestrian improvements, transit and travel demand management projects to help encourage mode shifts away from single occupancy vehicle use. CMAQ funding could support any number of infrastructure investments surrounding TOD, as long as the project is identified in an MPO's current transportation plan and Transportation Improvement Plan (TIP).

Sources

US Department of Transportation. 2017. *Federal Programs Directory: Congestion Mitigation and Air Quality (CMAQ) Improvement Program*
https://www.transportation.gov/sustainability/climate/federal-programs-directory-congestion-mitigation-and-air-quality-cmaq

3.2.3.2 Transportation Alternatives

Application	
Lead Agency	Puget Sound Regional Council
Utilized in MCP Communities	Lynnwood, Everett, Snohomish County

The Transportation Alternatives set-aside of Surface Transportation Block Grant (STBG) Funding reserves a certain amount of each state's STBG apportioned funding for smaller transportation projects, such as bicycle and pedestrian facilities, trails, and community improvements, including as part of larger community development efforts. The 2021 Infrastructure Bill increases the amount available through this program by more than 60% over previous years. Each MPO receives an allocation of this funding and must then set up a competitive process through which it funds projects submitted by local municipalities. Eligible projects would apply through the Puget Sound Regional Council selection process. PSRC's 2022-2024 allocation for the region is $13.5 million with a limit of two applications for projects no more than $2.5 million per sponsor.

Sources

Federal Highway Administration. 2020. *Transportation Alternatives*
https://www.fhwa.dot.gov/environment/transportation_alternatives/

PSRC. 2021. *Call for Projects for Transportation Alternatives Program.*
https://www.psrc.org/whats-happening/blog/call-projects-transportation-alternatives-program#:~:text=PSRC%20is%20now%20accepting%20applications,assets%2C%20environmental%20mitigation%20and%20others

3.2.3.3 Community Development Block Grants

Application	
Lead Agency	County or entitlement city
Utilized in MCP Communities	Everett, Snohomish County

Community Development Block Grants (CDBG) are administered by the Department of Housing and Urban Development (HUD) to help municipalities develop viable urban communities by providing housing and expanding economic opportunity. CDBG funds are allocated on a formula basis to eligible communities (cities with a population over 50,000 or urban counties with populations of at least 200,000). Municipalities may then use the funding for eligible activities such as purchasing property for redevelopment, constructing public infrastructure, and rehabbing buildings. In 2021, the City of Everett received approximately $850,000, while Snohomish County received over $3 million. The City of Lynnwood is not eligible for formula funding but may compete for federal CDBG funding as a “non-entitlement” entity. Based on population growth, Lynnwood may become eligible for CDBG funding in the next ten or so years.

Sources

City of Everett. ND. *Community Development Block Grant (CDBG)* https://everettwa.gov/423/Community-Development-Block-Grant-CDBG

City of Everett. 2022. *Annual Action Plan.* https://everettwa.gov/DocumentCenter/View/31232/2022-Annual-Action-Plan-Draft

US Department of Housing and Urban Development. 2022. *Community Development Block Grant Program* https://www.hud.gov/program_offices/comm_planning/cdbg

City of Everett. 2022. *Annual Action Plan.* https://everettwa.gov/DocumentCenter/View/31232/2022-Annual-Action-Plan-Draft

3.2.3.4 HOME Investment Partnerships Program

Application	
Lead Agency	County or City
Utilized in MCP Communities	Everett, Snohomish County

HOME Investment Partnerships Program is a HUD administered program that distributes funding to cities and counties for affordable housing. Snohomish County and the local municipalities have a consortium agreement to receive HOME funds for the County. Through a separate agreement, Everett receives 21% of these funds to allocate directly.

<u>Sources</u>

City of Everett. ND. HOME Investment Partnership (HOME) Program https://everettwa.gov/2337/HOME-Investment-Partnership-HOME-Program

US Department of Housing and Urban Development. 2021. *HOME Investment Partnership Program.* https://www.hud.gov/program_offices/comm_planning/home

3.2.3.5 Low Income Housing Tax Credit

Application	
Lead Agency	State
Utilized in MCP Communities	Yes, awarded on project level to developers

The Low-Income Housing Tax Credit provides tax credits for the acquisition, rehabilitation or new construction of low-income rental housing units. The federal program gives state and local agencies the authority to allocate tax credits or tax-exempt bonds (the "9% program" and "4% program," respectively) to eligible developments. In California, the state LIHTC program awards additional points to projects in proximity to transit stops and stations. In Washington, projects in King County within a 10-minute walk of fixed transit, including light rail, ferry, streetcar, BRT, and major bus transit centers receive higher prioritization for LIHTC credits.

<u>Sources</u>

California State Treasurer. 2022. *California Tax Credit Allocation Committee Application Information* https://www.treasurer.ca.gov/ctcac/2022/application.asp

HUD.Loans. 2022. *Exploring the Low-Income Housing Tax Credit (LIHTC) Program.* https://www.hud.loans/hud-loans-blog/lihtc-program-hud-multifamily-loans

Washington State Housing Finance Commission. 2021. *9% Competitive Housing Tax Credit Policies.* https://www.wshfc.org/mhcf/9percent/2021application/c.policies.pdf

3.2.3.6 Infrastructure Bill Funding

Application	
Lead Agency	Metropolitan Planning Organization
Utilized in MCP Communities	No, pending implementation

In late 2021 the federal government passed the Bipartisan Infrastructure Law (or Infrastructure Investment and Jobs Act), a once-in-a-generation level of funding for infrastructure. The BIL includes funding for existing programs and new ones, with several funding types directly or indirectly related to TOD.

- Carbon Reduction Program (Formula) - The purpose of this program is to fund projects that reduce transportation emissions or the development of carbon reduction strategies. Funds are apportioned to states, and 65% of funds are dedicated to high-population sub-areas of states.

- Congestion Relief Program – States, MPOs, and cities or municipalities are eligible to receive this funding. Congestion management systems or programs that incentivize nonhighway travel are eligible.

- Metropolitan Planning Program (Formula) – The BIL includes several updates to the Metropolitan Planning Program related to housing. These include a requirement for transportation plans to address planned housing and economic development, and to incorporate connections between housing and jobs. Based on previous updates to the program, projects and plans must consider the role of transit in reducing congestion, pollution, and peak hour Vehicle Miles Traveled.

- Pilot Program for Transit-Oriented Development (Competitive) – This program provides grant funding on a competitive basis to projects that promote economic development, mixed-use development, and multimodal connectivity in partnership with the private sector. Projects must be associated with an eligible transit project that has received or will receive CIG funding. $13 million in funding is available in FY 2022 and 2023 and $14 million annually through 2026.

- Safe Streets and Roads for All – A new program that funds comprehensive safety action plans or planning, design, and implementation of strategies identified in those plans. Funded projects should significantly reduce serious injuries and fatalities for road users. Funding is available for MPOs, local governments, and tribal governments.

<u>Sources</u>

FHWA. ND. *Bipartisan Infrastructure Law (BIL) Overview of Highway Provisions.*

https://www.fhwa.dot.gov/bipartisan-infrastructure-law/docs/bil_overview_20211122.pdf

FHWA. 2017. *Fixing America's Surface Transportation Act or "FAST Act" Factsheet.* https://www.fhwa.dot.gov/fastact/factsheets/metropolitanplanningfs.cfm

FTA. 2022. *Fact Sheet: Pilot Program for Transit-Oriented Development Planning.* https://www.transit.dot.gov/funding/grants/fact-sheet-pilot-program-transit-oriented-development-planning

3.2.3.7 Transportation Infrastructure Finance and Innovation Act

Application	
Lead Agency	Cities and County
Utilized in MCP Communities	No, Sound Transit has utilized for light rail financing

The Transportation Infrastructure Finance and Innovation Act (TIFIA) program provides financial assistance for large surface transportation projects in three forms: secured loans, loan guarantees, and standby lines of credit. Like infrastructure banks, TIFIA offers these financial services at more favorable terms than the market would provide for projects that are difficult to fund. State governments, local governments, and private firms are among those eligible for the program, and TOD is specifically included in eligible project types. Sound Transit received nearly $2 billion in TIFIA loans to support the Northgate, Lynnwood, and Federal War Link Extensions as well as OMF East.

Sources

Sound Transit. 2016. *Sound Transit signs $1.99 billion U.S. Dept. of Transportation master loan agreement spanning four light rail projects. https://www.soundtransit.org/get-to-know-us/news-events/news-releases/sound-transit-signs-199-billion-us-dept-transportation*

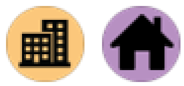
US Department of Transportation. 2021. *TIFIA Credit Program Overview.* https://www.transportation.gov/buildamerica/financing/tifia/tifia-credit-program-overview

3.3 Financial Incentives and Tools to Support Private Development

3.3.1 Tax and Fee Abatements

Tax abatements allow private property owners to forego a portion or all of their taxes for a period of time, with the goal of incentivizing investment that will help a municipality meet TOD, economic development, housing or job growth goals, among others. Tax abatement can be used to incentive development and redevelopment in TOD areas and can be realized through a number of different funding structures.

3.3.1.1 Opportunity Zones

Application	
Lead Agency	Internal Revenue Service
Utilized in MCP Communities	Everett, Lynnwood, Snohomish County

Opportunity Zones are part of a specific federal program that effectively functions as a tax abatement structure. Qualified Opportunity Zones are designated by the Internal Revenue Service as low-income census tracts in need of additional investment. The program offers tax incentives for investors who put capital into Opportunity Funds to support businesses operating in one or more Qualified Opportunity Zones, by reducing or eliminating capital gains tax on the sale of those investments. Because the program is relatively new, it's unclear how successful OZs are at catalyzing investment. However, an early assessment indicates that the incentives provided may lead to a more equitable development framework, especially by elevating the visibility of neighborhoods that investors might not have considered otherwise.

The City of Everett has two Opportunity Zones and has found the funding support to be a strong incentive for development, especially in multi-family housing. The incentives are significant for equity investors, and essentially unlimited in that there is no pool of funds to use up. In total, there are three opportunity zones currently in effect around future Everett Link Extension station areas: one in Lynnwood near Lynnwood City Center, one encompassing Paine Field and part of the SR 99/Airport Road and SW Everett Industrial Center station areas, and one in the tract covering most of the Everett Station area.

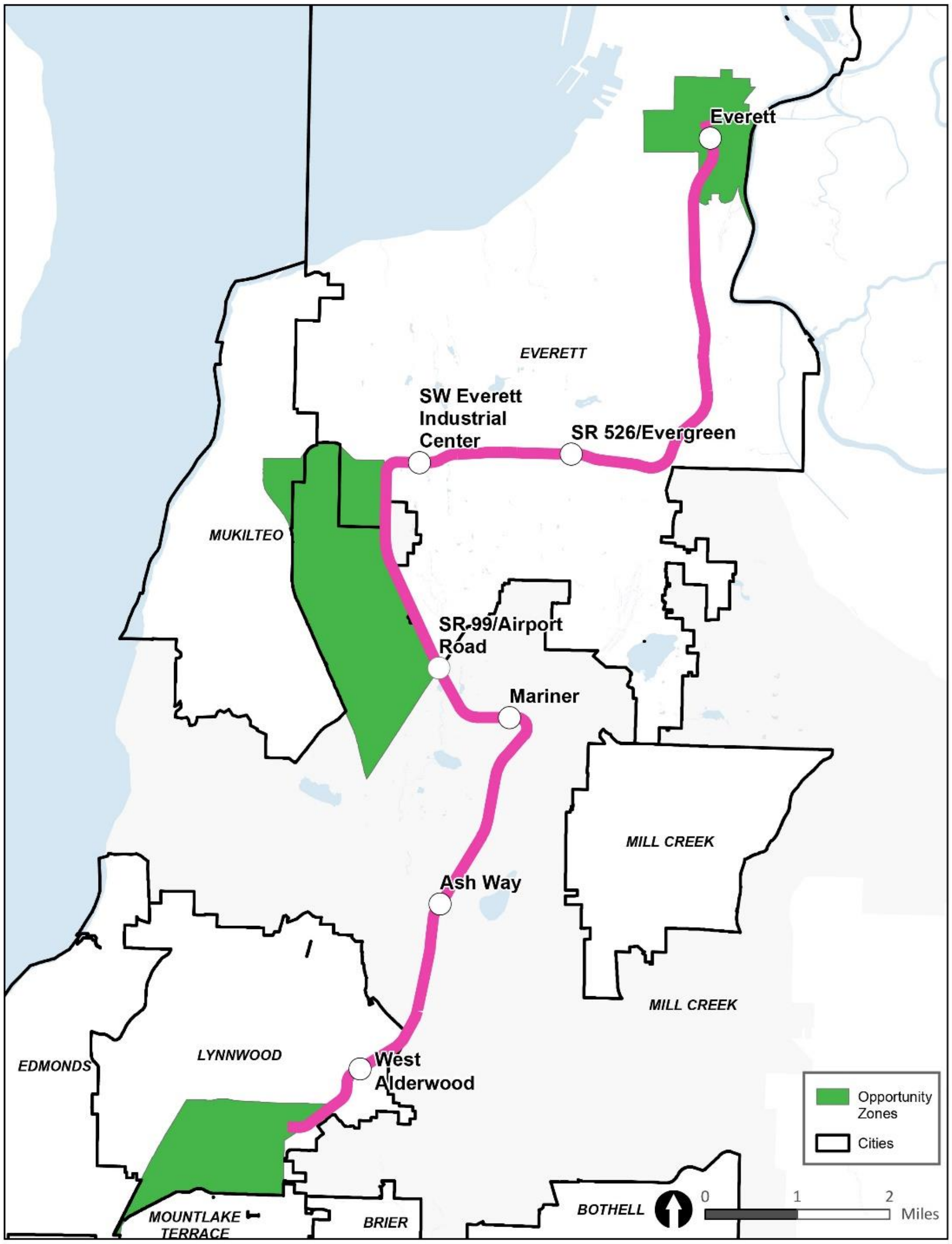


Figure 3-2 Opportunity Zones in the Everett Link Corridor

Sources

Economic Alliance Snohomish County. ND. *Snohomish County Opportunity Zones.* https://everettwa.gov/DocumentCenter/View/27721/Opportunity-Zone-Handout

IRS. ND. *Opportunity Zones Frequently Asked Questions.* https://www.irs.gov/credits-deductions/opportunity-zones-frequently-asked-questions

3.3.1.2 Multi-Family Tax Exemption

Application	
Lead Agency	City or County
Utilized in MCP Communities	Everett, Lynnwood – Snohomish County may be eligible under new rules

Multi-Family Tax Exemption is a Washington State program that allows eligible cities to provide tax incentives in exchange for offering income- and rent-restricted units for a limited period of affordability. Exemptions last for 8 years with no affordability requirements, or 12 years for buildings that commit at least 20% of units as affordable. Under this program, over 34,000 new housing units have been created, mostly in Seattle, Tacoma, Spokane or Renton. Incorporated cities within urban grown areas are eligible to take advantage of the program. Everett has some MFTE development, and Lynnwood recently utilized the program for funding affordable housing at Lynnwood City Center Station (Kinect @ Lynnwood project), including LEED Silver certification, contributions to park and transportation impact fees, and sidewalk improvements on adjacent Alderwood Mall Boulevard. Another development in Lynnwood City Center (Ember) of 361 apartments and 9,000 square feet of retail/commercial is under development using MFTE with an opening date of 2024.

<u>Sources</u>

City of Lynnwood. 2020. *Development Agreement by and between the City of Lynnwood and American Property Development, Inc., for the Kinect @ Lynnwood Development.* https://www.lynnwoodwa.gov/files/sharedassets/public/city-clerk/public-hearings/kinect-lynnwood/a2.-development-agreement.pdf

MRSC. 2021. *Affordable Housing Funding Sources.* https://mrsc.org/Home/Explore-Topics/Planning/Housing/Affordable-Housing-Funding-Sources.aspx

3.3.1.3 New Markets Tax Credit

Application	
Lead Agency	Community Development Entity
Utilized in MCP Communities	Everett

The New Market Tax Credit (NMTC) program incentivizes private development in distressed areas through tax credits. Investors can access these federal tax benefits when they make investments in intermediaries known as Community Development Entities, or CDEs. The program, which began in 2000, is not permanent but has been extended several times and is currently funded through 2025 though the Biden administration has proposed making the program permanent and increasing its allocation to $5 billion annually. According to the CDFI, 68 CDEs serve Washington state including one operated by Everett that received a $25 million award in 2009. One recent example of the use of the NMTC program is Community Housing Capital in Decatur, GA who received a $30 million allocation from the tax credit which it plans to use to fund homeownership programs.

Sources

Community Housing Capital. 2021. Annual Report FY 2021. https://mydigimag.rrd.com/publication/?i=739231

NOVOGRADAC. 2021. *Biden Administration Releases $6 Trillion FY 2022 Budget Request; Treasury's FY 2022 Greenbook Contains Details on American Jobs and Families Plan Tax Proposals, Including $55 Billion for LIHTC.* https://www.novoco.com/notes-from-novogradac/biden-administration-releases-6-trillion-fy-2022-budget-request-treasurys-fy-2022-greenbook-contains#:~:text=The%20Greenbook%20proposes%20to%20raise,year%20that%20occurs%20in%202022.

US Department of Treasury. ND. *New Markets Tax Credit Program.* https://www.cdfifund.gov/programs-training/programs/new-markets-tax-credit

3.3.1.4 Impact Fees Flexibility

Application	
Lead Agency	City or County
Utilized in MCP Communities	Everett, Lynnwood, Snohomish County

Developers are charged impact fees on new development to help defray the increased costs to the municipality of supporting public services to the development. These are one-time fees tied directly to increased public infrastructure needs such as new roadways or utilities to serve the site. Local municipalities can utilize impact fees to cover increased infrastructure costs, or they can reduce the fees to incentive strategic economic development. Reductions or elimination of fees may be tied to development in certain areas, or due to the project meeting certain affordability or density targets.

The City of Hillsboro, OR allowed the developer of the Platform District at Orenco Station to pay impact fees (system development charges as they're known in Oregon) in installments and allowed the use of the fees to support park programming at the new plaza within the development. Since 2018, The City of Sacramento has reduced or eliminated impact fees for buildings that include affordable housing. Rate reductions are applied proportionately to the project according to the number of affordable units in the project.

Washington State allows jurisdictions to implement impact fees to fund a variety of purposes including transportation, parks, schools, and other public service facilities. Washington is generally less flexible in impact fee structure, though state law allows for cities to accept land in lieu of fees and fees on single-family residential units can be deferred. Washington State law allows for exemptions to impact fees for low-income housing, early learning facilities, and other facilities with "broad public purposes" under RCW 82.02.060, but requires that exempted fees be replaced with public funds.

Everett just began collecting park impact fees in 2022 and allows developers to dedicate land for credit against the fees at fair market value. Lynnwood and Snohomish County both employ park impact fees as well and offer credit in exchange for dedicated land. Everett received a grant from the Washington State Department of Commerce to study housing development incentives and will have more insights on the impact of these programs and which to carry forward beyond 2022.

3.3.1.5 Utility Connection Fees Reductions

Application	
Lead Agency	City or Utility District
Utilized in MCP Communities	Everett

Cities under RCW 35.92.370 and utility districts under RCW 54.24.080 are authorized to waive connection charges for low-income housing. Everett and Lynnwood provide water and sewer utility service to their cities. Much of the EVLE project area in Snohomish County is serviced by the Alderwood Water and Wastewater District. In 2017, Everett began waiving 80% of system development fees for projects provided by nonprofit entities serving households making at or below 50% AMI but the program expired at the end of 2021.

3.3.2 Reducing or Offsetting Development Risks

Being the first TOD project in an area can carry more risks than other potential projects and it's often necessary to reduce or mitigate risks to encourage redevelopment. Higher risks translate into higher project financing costs that can discourage development, but jurisdictions can offset higher costs with incentives or simplify approval processes to reduce risk.

3.3.2.1 Density Bonuses

Application	
Lead Agency	City or County
Utilized in MCP Communities	Everett, Lynnwood, Snohomish County

Density bonuses are incentive-based tools that permit a developer to exceed the maximum allowable development on site in exchange for meeting some stated goal. A common example of an improvement eligible for a bonus is the inclusion of affordable housing, though other factors may be eligible based on community goals. Density bonuses have often been applied in future TOD areas where there is anticipated market demand for density.

As part of the under-construction light rail program, the City of Honolulu established special TOD districts surrounding planned station areas. Density bonuses are specifically tied to TOD Special Districts if community benefits are provided through the Planned Development-Transit Permit (IPD-T). Examples of community benefits include affordable housing, streetscape improvements or public gathering spaces. If TOD projects can promote highly effective transit-enhanced neighborhoods, they are eligible for height and density bonuses that allow for additional flexibility.

In preparation for two light rail stations opening in 2024, Shoreline created the Deep Green Incentive Program. The program has three tiers of incentives for green development. Building development that exceeds current code standards for green development elements such as energy and water use, stormwater, and indoor air quality can qualify for benefits like a reduction in fees or exceptions from certain code regulations. These benefits are intended to offset cost and reduce barriers to green development.

Sources

City and County of Honolulu. ND. *TOD Special District.* https://www.honolulu.gov/tod/zoning-policies/zoning-special-district/tod-special-districts.html

City of Shoreline. 2019. *Council Expands Deep Green Incentive Program.* https://www.shorelinewa.gov/Home/Components/News/News/2840/

3.3.2.2 Zoning

Application	
Lead Agency	City or County
Utilized in MCP Communities	Lynnwood, Everett, Snohomish County

Successful transit-oriented development requires a robust mix of land uses; traditional zoning, which is intended to separate incompatible land uses, can work against this goal. Context-sensitive zoning, such as zoning overlays or special districts, can make strategic exceptions that facilitate co-locating housing, commercial uses, and transit. In addition, development regulations that give discretionary approval for high-density projects can reduce the uncertainty and risk of these projects.

California passed new legislation in 2018 (AB 2923) that updated California Public Utilities Code, requiring jurisdictions to update zoning on Bay Area Rapid Transit (BART) -owned property to better support TOD. This code change significantly increases the development potential of BART sites in a way that supports the agency's TOD priorities and brings in additional tax revenue. BART land is not subject to property tax, since it is owned by a public agency. However, developers of BART land pay property tax in the form of a "possessory interest tax," regardless of leasing status. With the projects currently in the development pipeline under the revised code, development on BART property could generate $22.3 million annually from property taxes for local, county and state governments. BART estimates its development projects could create $84.11 million in tax revenue annually by 2030.

As part of Honolulu's efforts to facilitate implementation of TOD around future rail stations, the City created the TOD Special District. The TOD Special District regulations are an overlay zoning district that can supplement or modify the underlying regulations to better support TOD. In many instances, TOD District regulations allow for additional density and/or height in exchange for community benefits provided with the development. If any regulation pertaining to the TOD Special District conflicts with an underlying regulation, the TOD Special District regulation takes precedence.

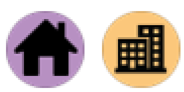
Snohomish County has already zoned the Mariner, Ash Way, and SR 99/Airport Road station areas as Urban Center, allowing for additional density, lower parking minimums, and a mix of uses, among other requirements. Everett has established mixed use zoning at Everett Station and along SR 99/Evergreen Way in addition to a height overlay allowing for more density in station areas. Lynnwood has long established City Center zoning districts around Lynnwood City Center, and the Alderwood Mall area allows for significant density under its Planned Regional Center zoning district.

<u>Sources</u>

Bay Area Rapid Transit. 2020. *BART's Transit-Oriented Development Program Work Plan.* https://www.bart.gov/sites/default/files/docs/BART%20TOD_Workplan_FINAL_Spreads_200814%20Reduced.pdf

City and County of Honolulu. 2021. *TOD Zoning, Policies, Regulations.* https://www.honolulu.gov/tod/zoning-policies.html

3.3.2.3 Planned Action Ordinance

Application	
Lead Agency	City or County
Utilized in MCP Communities	Lynnwood

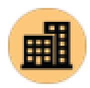
Many communities in Washington State have implemented Planned Action Ordinances to streamline the permitting process for new development. Planned Action Ordinances are authorized under the State Environmental Protection Act and involve an environmental review process for a defined geographic area as a part of a broader planning process rather than individual development permitting. This allows developers to simplify that step in the permitting process, saving time and money on projects that are in line with local plans.

Currently in Everett Link Extension corridor, only Lynnwood makes use of planned action ordinances. Lynnwood has a planned action ordinance around the Lynnwood City Center area and has a grant from the Washington State Department of Commerce for planning efforts around planned actions in the whole City Center and Alderwood Mall areas. While Everett and Snohomish County do not utilize planned action ordinances, both jurisdictions have opted to raise the threshold for SEPA review from 4 to 60 units for multifamily projects, exempting many projects from environmental review.

Sources

MRSC. 2021. *Planned Action.* https://mrsc.org/Home/Explore-Topics/Planning/Land-Use-Administration/Planned-Action.aspx

3.3.2.4 First Mover's Advantage Incentives

Application	 
Lead Agency	City or County
Utilized in MCP Communities	Lynnwood

First mover's advantage incentives are bonuses given to the first few projects in an area. The bonuses are intended to kick start development by reducing the costs for developers that take the risk of being the first in an area. Lynnwood gave several of the first projects in the City Center area exemptions from transportation impact fees

3.3.3 Green Building Incentives

While energy efficiency and green building can offer long term cost savings, it is often difficult for developers to benefit from that efficiency or teams lack the expertise to implement the latest energy saving techniques.

3.3.3.1 C-PACER

Application	
Lead Agency	County
Utilized in MCP Communities	No

Commercial Property Assessed Clean Energy + Resilience (C-PACER), is a King County program that allows property owners to finance building improvements for resiliency and efficiency. The program allows for building owners to apply for private loans backed by a lien on the property. This means that the loan stays with the property on sale, rather than following the initial owner. C-PACER loans can be used for a variety of improvements including energy and water efficiency, seismic hardening, flood management, energy storage, and renewable energy. Snohomish County is currently considering implementing a similar program.

Sources

King County. 2022. *King County C-PACER Program.* https://kingcounty.gov/services/environment/stewardship/sustainable-building/pace.aspx

3.3.3.2 Energy Design Assistance

Application	
Lead Agency	Utility
Utilized in MCP Communities	SnoPUD

The SnoPUD Energy Design Assistance program (launched in early 2021) provides technical assistance and performance-based incentives for reducing energy use in new commercial, industrial and multifamily development. The program is intended to spur energy efficient development and is open to developments that exceed the permitted energy code by 10 or more percent.

Puget Sound Energy operates a similar program, providing consultation and performance-based incentives to multifamily and commercial construction. In 2018, PSE contributed $92,000 in incentives to Continental Properties' Lux Apartments in Bellevue, for installing ductless heat pumps and efficient lighting, resulting in over $17,000 in annual energy cost savings.

Sources

Puget Sound Energy. ND. *Earn cash incentives when you build your new multifamily building.* https://www.pse.com/en/business-incentives/commercial-new-construction-programs/multifamily-projects

SnoPUD. ND. *Incentives for energy-efficient new construction.* https://www.snopud.com/save-energy/business/rebates/new-construction/commercial/

3.3.3.3 Energy Efficiency as a Service

Application	
Lead Agency	SnoPUD
Utilized in MCP Communities	No

Energy efficiency as a service is a way to structure utility payments to finance additional energy efficiency in new or existing buildings by passing the energy cost savings to the developer of the energy efficiency upgrades. Seattle City Light (SCL) recently launched a pilot program based on a prototype Seattle Public Utilities (SPU) ran with the Bullitt Center. The program works by charging tenants who receive efficiency upgrades for their current usage, plus the estimated cost of the energy saved via the upgrades. SCL would then pass the savings increment on to the developer of the upgrade. This program is aimed at addressing the “split incentive” problem where the financial benefits of energy efficiency upgrades do not accrue to the party who paid for the upgrade.

Sources

Seattle City Light. 2021. *Energy Efficiency as a Service Program Manual.* https://kingcounty.gov/services/environment/stewardship/sustainable-building/pace.aspx

3.4 Partnership Strategies

3.4.1 Public Private Partnerships

Application	
Lead Agency	City or County
Utilized in MCP Communities	No

Public agencies are able to partner with private sector entities for TOD projects to leverage each other's assets and resources. Typically, in PPP agreements the private sector developer or investor is able to provide upfront capital for project development that a public agency does not have access to. In return, the public agency may ensure that the private sector partner receives a minimum return on their investment, even if revenue from the project falls short of what was expected.

- In June of 2021 MARTA and Goldman Sachs joined together in a $100 million initiative to develop affordable housing units in transit accessible locations. The Atlanta Affordable Housing and Transit-Oriented Development Initiative is still under development, but it promises to support mixed-income TOD projects near MARTA's heavy rail and streetcar stops. The program does include geographic criteria to ensure that housing is distributed around the Metro. This initiative follows a $100 million bond funding measure passed by the City of Atlanta in early 2021 to produce and preserve affordable housing through a number of support programs.
- The Contra Costa Centre Transit Village is home to 2,700 residential units and 84 companies with 6,000 employees surrounding the Pleasant Hill/Contra Costa Centre BART station. The village came together as a partnership of 14 business property owners around 2.4 million square feet of office and commercial space. In 1989 the property owners contributed over $1.5 million to establish a robust employee TDM program. In 2002 the owners voted to establish a $200,000 annual tax assessment to support transportation programs by creating a new Assessment District.
- The White Flint Partnership is comprised of large landowners along MD355/Rockville Pike in Montgomery County, Maryland. In 2011 the group worked with the Montgomery County Council to establish a taxing district to support transportation infrastructure investments. The resulting tax, 10 cents per $100 of assessed value (exempting existing residential uses), supports roadway improvements for local grid access and pedestrian safety in suburban areas around rapid transit. The initiative aims to turn car-centric streetscapes into welcoming environments for existing and future residents.
- The Portland, OR metropolitan planning organization has a designated program for funding TOD across the region as part of their Metropolitan Transportation Improvement Program. The Transit-Oriented Development Program is part of the MTIP, which allocates federal transportation funding for regional transportation investments over a four-year spending window. Developers can apply to the TOD Program for assistance

with projects that further regional growth goals in transit accessible neighborhoods. Since the program began in 1998 it has invested or committed over $35 million in land and project support for TOD, resulting in $1.19 billion in housing, office and retail investments served by high quality transit.

<u>Sources</u>

Contra Costa Centre Transit Village. ND. *About.* http://www.contracostacentre.com/about-ccc/

Metro. ND. *Transit-Oriented Development Program.* https://www.oregonmetro.gov/tools-partners/grants-and-resources/transit-oriented-development-program

Metropolitan Atlanta Rapid Transit Authority. 2021. *MARTA and Goldman Sachs Asset Management Announce $100 Million Atlanta Affordable Housing and Transit-Oriented Development Initiative.* https://itsmarta.com/marta-and-goldman-sachs-tod-initiative.aspx

White Flint Partnership. ND. *About.* https://www.whiteflintpartnership.com/

3.4.2 Community Renewal Areas

Application	
Lead Agency	City
Utilized in MCP Communities	Everett

Washington law (RCW 35.81) allows cities to designate Community Renewal Areas to focus redevelopment resources in struggling or blighted areas, in the interest of the public good. A CRA designation allows cities to enact a wide range of tools to promote redevelopment, including partnership with private interests that would not otherwise be permitted under local policy.

The City of Shoreline created a Community Renewal Area at the Shoreline Place shopping center to facilitate economic redevelopment. Shoreline Place contained aging buildings and an inadequate street and lot layout. These and other conditions limited redevelopment, reinvestment, and the realization of the area’s economic potential. Shoreline implemented a number of physical and policy changes at the site, including a special signage district and a reworking of N. 160th St. for better accessibility. A former Sears property, the anchor of the shopping center, was sold to a private developer, who is now redeveloping it for mixed use.

Everett has established a CRA in the downtown core. This enables the City to define economic development as a public good, allowing more resources to be mobilized and providing political support for investments. Future light rail station areas could be designated as CRAs but it would require the areas meet the criteria for blight in the statute.

3.4.3 Business Improvement Associations and Special Assessment Districts

Application	
Lead Agency	Property owners
Utilized in MCP Communities	Everett

Business improvement areas, often called business improvement districts or parking and business improvement areas, allow businesses to form assessment districts to fund a variety of services. BIAs typically have a limited financial scope and focus on market, placemaking, and beautification efforts that require ongoing maintenance. In the Everett Link Extension corridor, currently only downtown Everett has a BIA. Currently, the Everett Station District Alliance, a non-profit organization of local businesses in the Everett Station area, is considering the formation of a BIA in that neighborhood. The current proposal is focused primarily on public safety and cleaning.

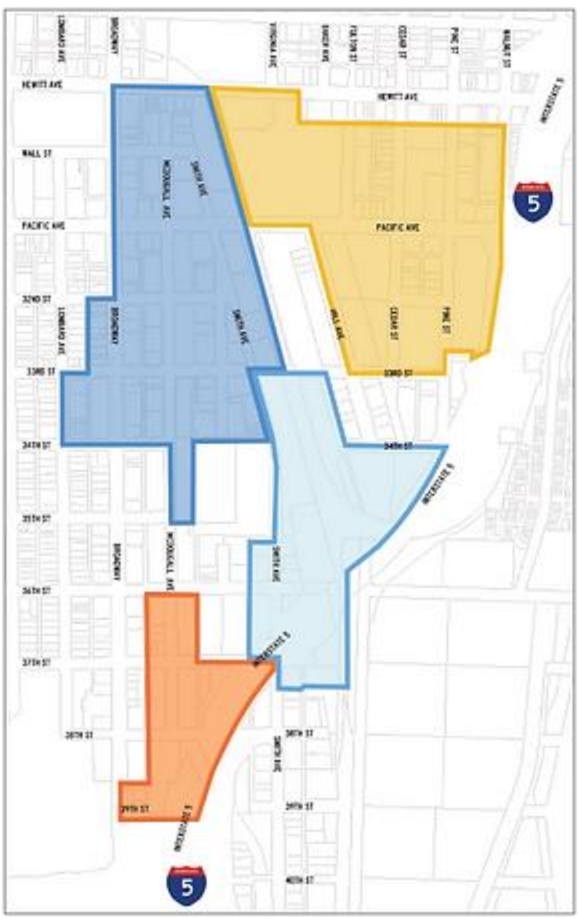


Figure 3-3 Everett Station District Alliance's proposed BIA zones

Sources

MRSC. 2021. *Parking and Business Improvement Areas.* https://mrsc.org/Home/Explore-Topics/Transportation/Parking-Management-and-Enforcement/Parking-and-Business-Improvement-Areas.aspx

Everett Station District Alliance. ND. *Business Improvement Area Proposal.* https://www.everettstationdistrict.com/bia

3.4.4 Local Improvement Districts

Application	
Lead Agency	City or County
Utilized in MCP Communities	Everett

Local improvement districts are a type of assessment district that municipal governments and counties in Washington can form to finance infrastructure improvements. LIDs can also be formed by local property owners petitioning their jurisdiction. LIDs allow for infrastructure to be paid for by bonds backed by property taxes and, in some cases, utility payments in the district. LIDs can be used to finance projects such as road paving, utility extensions undergrounding or relocating. Everett has used local improvement districts in the past and though both Lynnwood and Snohomish County have considered employing LIDs, they have not been used in those jurisdictions.

Sources

MRSC. 2021. *Local Improvement District.* https://mrsc.org/Home/Explore-Topics/Public-Works/Finance/Local-Improvement-Districts.aspx

3.4.5 Land Banks and Land Trusts

Application	
Lead Agency	City or County
Utilized in MCP Communities	No

Land banks and land trusts are both ways for the public or non-profits to acquire private property and ensure it is developed for the benefit of the community. Land banks typically are a vehicle to acquire and sell off distressed or vacant land for the purpose of redevelopment while land trusts are intended to hold land for community purposes in perpetuity.

Land banks are governmental or quasi-governmental bodies that acquire vacant or abandoned properties, often through the foreclosure process, to facilitate their conversion to productive use. They are often granted special powers by states to resolve issues associated with vacant properties, such as title issues and back taxes. Land banks are less common in the western US, but the City of Eugene, OR operates a program called Land Acquisition for Affordable Housing which has acquired 91 acres of land for affordable housing since 1979. The Housing Benefit Districts bill introduced in the Washington State Legislature, would allow Everett to establish a housing benefit district that could acquire and bank land for the purpose of affordable housing.

Land trusts are typically nonprofits that acquire property to preserve it as an affordable community asset in perpetuity. They can play an important role in creating equitable TOD by purchasing property before it becomes prohibitively expensive. Community land trusts often work in the affordable housing space by developing properties as affordable units and using various legal mechanisms to ensure they remain affordable even if ownership changes, to allow for long-term affordability for future residents. While not explicitly focused on TOD, the City of Lakes Community Land Trust has worked to develop numerous projects near rail transit in the Minneapolis/Saint Paul area.

<u>Sources</u>

Eugene Community Development. ND. *Affordable Housing Strategies – Land Acquisition to Increase Supply of Affordable Housing* https://www.eugene-or.gov/DocumentCenter/View/35383/Summary-of-Land-Acquisition-for-affordable-housing-program?bidId=

Hickey, R. 2013. *The Role of Community Land Trusts in Fostering Equitable, Transit-Oriented Development: Case Studies from Atlanta, Denver, and the Twin Cities* https://www.lincolninst.edu/sites/default/files/pubfiles/2243_1579_hickey_wp13rh1.pdf

Thaden, E., Graziani, K., and Strup, A. 2016. Land Banks and Community Land Trusts: Not Synonyms or Antonyms. Complements. *Shelterforce.* https://shelterforce.org/2016/11/09/land-banks-community-land-trusts-not-synonyms-or-antonyms-complements/

3.4.6 Joint Development

Application	
Lead Agency	Sound Transit
Utilized in MCP Communities	No

Joint development is a value capture mechanism commonly used by transit agencies, though it can take many forms. Joint development is a real estate partnership between a transit agency and one or more parties to develop sites near transit, often on publicly owned land. Partnerships can involve a private or non-profit developer building a TOD site owned by a local transit agency, or joint financing and development of a project that results in new public and private facilities. All parties share in the revenue and costs, but the extent varies by project. Below are two examples of joint development of TOD sites.

- Bay Area Rapid Transit in the San Francisco metro region partners with developers to build TOD on agency-owned land. BART owns over 250 acres of developable land around 27 stations, most of which is currently used for customer parking. The agency does not develop land on their own but contributes staff time to work with private and non-profit developers throughout the design, entitlement, finance and construction phases. Throughout the process BART involves staff from planning, real estate, maintenance and engineering, operations, and BART police and safety to ensure that proposed development meets agency TOD standards. As a result, developers have support through all phases of the project working with government partners, the public, and permitting processes.
- The Metropolitan Atlanta Rapid Transit Authority owns approximately 58 acres at Lindbergh City Center. Between 2000 and 2004, as MARTA's first TOD project, the agency invested $24 million in the Lindbergh/Morosgo Station and an additional $81 million into surrounding infrastructure for the Lindbergh City Center TOD complex. MARTA's station investment to accommodate increased ridership covered new station infrastructure (including escalators, concourse areas and fare gates), an improved bus transfer system, and a ground-level street plaza. Additional roadway, streetscape and parking investments set the stage for extensive private development on the site. As a result of MARTA's commitment in these Phase I investments, private developers created one million square feet of office space, 300,000 square feet of retail, and over 700 residential units in the TOD complex. In 2015 the agency took another look at the area and created an updated master plan for filling in the complex with additional high-density TOD in line with recent agency TOD guidelines.

Sources

FTA. 2017. *Joint Development: Partnering to Build Complete Communities Near Transit.* https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/funding/funding-finance-resources/joint-development/64731/joint-development-brochure.pdf

FTA. 2020. *Federal Transit Administration Guidance on Joint Development.* https://www.transit.dot.gov/sites/fta.dot.gov/files/2020-08/Joint-Development-Circular-C-7050-1B.pdf

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