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U.S. Department of
Transportation

Joint Development

A Handbook for Local Government Officials

September 1983

The cover photo shows development planned in the area of the Washington METRO's Bethesda station. The projects include (clockwise from the left)

1. A 355-room hotel
2. A proposed office building adjacent to WMATA land
3. A post office building--17 stories, 268,000 square feet
4. Another office building adjacent to WMATA land
5. A retail arcade--3 levels, 33,000 square feet
6. A plaza with escalator to the station itself; bus and kiss-and-ride on the first level below plaza, and 4 levels of underground parking.

Note that buildings 2 and 4, since they are not on WMATA land, are not part of the joint development package.

This photo is provided courtesy of the Washintgton Metropolitan Area Transit Authority (WMATA).

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Final Report
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PREFACE

The purpose of this handbook is to promote joint development by providing local officials and transit managers with guidance on how the process works, including what steps need to be taken by the public sector and what types of issues and problems may emerge during the process. Because there is great variety in the types and scale of possible joint development projects, the handbook can not identify any one best system but can point to the techniques that are available and note those procedures and approaches that many local officials involved in joint development agree are important to a successful project.

The handbook is based on information drawn from five sources. As part of this project, sponsored by the Urban Mass Transportation Administration (UMTA), Public Technology, Inc., (PTI) has prepared a series of case studies on joint development projects underway throughout the United States. These studies, which are included in the Appendix, form the basis for much of the handbook. PTI is grateful to the local project managers for their help in preparing the case studies. In 1978 and 1981, PTI sponsored Joint Development Marketplace Forums, and the Proceedings from those meetings have provided useful material for this document. The third source has been interviews with consultants and officials involved in joint development. Also, material has been drawn from the growing body of literature on joint development. Finally, the handbook includes short descriptions of the practices of a major transit system operator that has a strong commitment to joint development, the Washington Metropolitan Area Transit Authority (WMATA). PTI is grateful to the members of the WMATA staff, particularly Mr. John Greene, who contributed both time and effort to preparing material for the handbook. PTI hopes local officials and transit managers will benefit from these reports that are based on UMTA's extensive experience in joint development.

JOINT DEVELOPMENT HANDBOOK

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Chapter 1

INTRODUCTION

WHAT IS JOINT DEVELOPMENT?

In the public transportation field, the term joint development refers to a private real estate development that is closely linked to public transportation services and station facilities. It can be an office tower built in the air rights of a subway station or a retail mall with a direct entrance to a transit terminal. Regardless of the form it takes, joint development is a pairing of public and private resources to achieve a project or a product that will benefit both sectors. Usually, the development would not take place without this public-private cooperation; because the developer requires the improved accessibility and expanded market created by the transit improvement, and the transit agency needs the financial resources and entrepreneurial skills of the private sector. Also, joint development projects often require contractual agreements between the developer and a public agency and close planning and cooperation among several public agencies.

In conjunction with its METRORAIL and METROBUS systems, the Washington Metropolitan Area Transit Authority (WMATA) has planned and implemented a number of joint development projects. Throughout this Handbook, information contributed by the WMATA staff will be utilized to illustrate active joint development policies, work programs, and staff activities. The Authority's definition of joint development explicitly considers the integration of transit facilities with real estate development, which usually incorporates WMATA-owned or controlled real property interests including air rights:

> These are property interests which, because of their close proximity to station facilities, have significant potential for commercial, residential, or related development, alone or in combination with adjoining real property interests to further the Authority's development-related goals and objectives.

WHAT ARE THE BENEFITS OF JOINT DEVELOPMENT?

"Transit Means Business," a slogan of the American Public Transit Association, speaks to the inherent link between the private sector and transit. Joint development is an excellent example of how this linkage can benefit both entities. From the standpoint of the local public transit agency, joint development offers the opportunity to:

- Increase ridership by building residential, commercial, and institutional projects that attract transit riders.
- Produce revenue from the sale or lease of agency real estate. The Denver Regional Transit District estimates that over the next 15 years it will receive over $55 million from a commercial office building built in air rights above a new transit terminal in downtown Denver.

- Enhance or improve the environment around the transit facility with amenities added by the private sector.

- Share with the private sector some of the land acquisition and construction costs of new facilities.

- Improve intermodal connections and connections between public and private transportation systems.

The Washington Metropolitan Area Transit Authority (WMATA) realizes many of these opportunities from its joint development projects (see pages 3-4). In revenue terms, WMATA expects to receive over $9 million annually from its projects by 1990. In addition, the new facilities generated by these developments--such as bus bays and kiss-and-ride spaces--improve the value of transit stations and make them more attractive to the public. In fact, WMATA anticipates significantly higher ridership on the METROBUS and METRORAIL lines that serve these facilities than on other routes.

In addition to the direct benefits to the transit agency, the public sector, as a whole, benefits from successful joint development projects. Among the rewards are:

- The expansion of job opportunities.

- An opportunity to increase the local property and sales tax base.

- An opportunity to implement regional planning policies and or the revitalization of the central city.

- An opportunity to recapture some of the value added to private property by a major public improvement, such as a transit terminal.

The private sector is attracted to joint development ventures for a variety of reasons including:

- The opportunity to share expenses and risks with a public agency or to avoid land acquisition and site preparation costs.

- The chance to capitalize on the market for various types of land use created by the linkage with the transit facilities.

- The opportunity for improved internal circulation and other amenities that can give the project a competitive advantage.

WHAT FORM CAN A JOINT DEVELOPMENT VENTURE TAKE?

Joint development projects come in many different shapes and sizes. Generally, downtown joint development projects consist of office and retail uses, and they may include a major activity center, such as a convention center or downtown market. The project may consist of a single office tower, built above a transit terminal, or it may be a major mixed-use redevelopment project located at the intersection of two subway lines. Joint development ventures outside the central city, where land is cheaper, can accommodate residential and less intensive commercial uses.

BENEFITS TO WASHINGTON METROPOLITAN AREA
TRANSIT AUTHORITY (WMATA) FROM JOINT DEVELOPMENT

WMATA summarizes the major benefits it achieves from joint development in nine words: revenue, facility construction, ridership, and good station area planning.

- Revenue

As of mid-1983, WMATA has been a partner in four major joint development projects: the Rosslyn Center, 1101 Connecticut Avenue, the Van Ness Station, and the 1400 Eye Street project. Two are under construction, the Chevy Chase Metro Building and the Bethesda Metro Center. Four of these, excluding Rosslyn Center and the Chevy Chase Metro Building, involve long-term, 99-year leases between WMATA and the developer. In fiscal year 1983 WMATA received nearly $1.5 million in leasing revenue from the four projects. In fiscal year 1990 leasing revenue will have doubled to $3.04 million. Revenue from other joint development projects--now in the planning or negotiation stages--are expected to produce an additional $6.28 million in 1990 making a total of $9.32 million in that year.

- Facility Construction

Facility construction refers to Metrorail or Metrobus facilites constructed by the station area developer for WMATA as part of the joint development agreeement. For example, the developer is constructing bus bay facilities at the Van Ness Station, the Chevy Chase Metro Building, and the Bethesda Metro Center projects. Kiss-and-ride spaces are being built at the developers expense at the Van Ness and Bethesda stations. The value to WMATA of these 23 bus bays and 56 kiss-and-ride spaces is estimated to be $1.5 million.

- Modal Split

WMATA estimates that transit will capture between 25 and 50 percent of the new trips generated by the six joint development projects. The projects comprise approximately 1.3 million square feet of office space and .5 million square feet of hotel and rental space. When the projects are completed and leased in 1986, they will generate about 2.5 million Metrorail and Metrobus trips annually.

- Good Station Area Planning

The good station area planning benefit is most evident in its absence. Joint development typically combines two nodes of activity: high density real estate development and transit stations. More, not less, planning and design is necessary for both to function adequately and for one to enhance the other. At Bethesda Metro Center, the Montgomery County (Maryland) government, the Maryland-National Capital Park and Planning Commission, and WMATA began detailed planning for the Bethesda Central Business District in the mid-1970's. Conceptually, a sector plan was prepared that allocated the highest densities to the nearest planned Metrorail station. Urban design guidelines were adopted and applied to the Bethesda Metro Center project and two adjacent projects. This effort resulted in a cohesive pedestrian and vehicular circulation system plan, the programming of necessary capital improvements, and the provision for a "sense of place" in the heart of the business district. The planning process, which was long but constructive, involved substantial citizen participation and resulted in the addition of many public amenities.

Joint development projects may be built around new fixed rail systems, such as in Washington, D.C., or in the renovation or improvement of an existing fixed rail facility as has been done in Philadelphia. Light rail systems can create joint development opportunities, as they are doing in Buffalo and Pittsburgh. Also, transitways and pedestrian malls can concentrate market forces and attract private investment. Denver's 16th Street Transitway Mall was, in part, responsible for the successful office project built in the air rights above a transit terminal located at one end of the transitway.

The appendix includes five case studies that illustrate the variety of possible joint development projects. The following is a brief summary of each.

- Market Center Development Project, Baltimore, Maryland.
  The Market Center joint development project is a key component in a major undertaking to upgrade the retail district in the heart of downtown Baltimore. The joint development project involves the redevelopment of three-quarters of a square block directly adjoining the entrance plaza leading to the Lexington Market Metro Station. The station is part of the first eight mile segment of the Baltimore regional transit system, which is scheduled to begin operating in late 1983. Project plans call for the construction of a new retail office, and parking facilities, and the development of a network of internal pedestrian ways. The developer with whom the city has entered into an agreement, the David H. Murdock Development Company, is required to provide at least 100,000 square feet of retail space; 500,000 square feet of office space; a 400-space parking garage; and several pedestrian public facilities. The maximum development permitted on the project site is one million square feet of office and 350,000 square feet of retail space.

- Civic Center Transit Terminal Development Project, Denver Colorado.
  The Denver Regional Transit District (RTD) is constructing the Civic Center terminal, a new express bus facility, at the southern end of the 14-block Denver Transitway Mall. The RTD has leased air rights above the terminal to a private developer, the J.W. Galbreath Company, which is constructing a 600,000 square foot commercial office building. The lease agreement guarantees the RTD an estimated $55 million in revenue over a 15-year period. At the end of 65 years, the RTD will own the building.

- Overtown Transit Area Redevelopment Project, Miami, Florida.
  The Overtown Transit Redevelopment Area plan calls for the revitalization of four blocks within one of Miami's oldest neighborhoods. Once a vibrant and viable black community, Overtown is currently characterized by a rapidly declining residential population, deteriorating structures, a dwindling economic base and a high percentage of land that is vacant or in marginal uses. The construction of the Overtown Rapid Rail Station, one of the 20 under construction as part of the Miami Metrorail System, is expected to stimulate new private investment in the area. The four-block transit area project is immediately west of the metro station. Redevelopment plans call for high density mixed uses, including 200,000 square feet of new office space, 670,000 square feet of residential development, 60,000 square feet of retail construction, and a 160-room hotel. A goal of the Overtown Redevelopment project is to provide existing

black property owners with an opportunity to participate in the potential benefits of the redevelopment process.

- Gallery II Redevelopment Project, Philadelphia, Pennsylvania.
  Gallery II is the second step in a three-phase revitalization program for the Market Street East section of center city Philadelphia. It is an outstanding example of how public transportation improvements can arrest the decline of an area by increasing its accessibility and creating attractive investment opportunities. Located above a new commuter rail terminal, Gallery II will develop the north side of Market Street between 10th Street and the Reading railroad terminal, replacing an obsolete commercial strip with over 330,000 square feet of new retail space and three office towers. The project will feature an extension of Gallery I, the highly successful 4-story enclosed retail mall that opened in 1977 at 9th and Market Streets.

  Private investors are attracted to Gallery II chiefly because of its regional accessibility. In addition to being situated above a new center city commuter rail terminal, Gallery II is easily accessible from three renovated subway stations, street-level bus lines, and two garages containing 1,500 parking spaces. A reinforced pad over the commuter tunnel and station will support programmed office and retail development. Gallery II is expected to be completed by late 1983.

- Santa Ana Transportation Center, Santa Ana, California.
  The Santa Ana Transportation Center project, jointly planned by the Orange County Transit District and the Community Redevelopment Agency, is designed to improve public transportation facilities and service in Santa Ana and to stimulate the revitalization of the downtown area. The Transportation Center is strategically located in the triangular block between Santa Ana Boulevard and Fifth Street, across from the newly opened Civic Center Plaza. The centerpiece of the Transportation Center is a new transit terminal for intra and intercity buses. It is expected to be completed in early 1984. In the air rights above the terminal, plans call for the construction of apartments or a commercial office tower. The pad to support this development is being financed by an UMTA Urban Initiative Program grant. A third component of the project is a recently completed four-story parking garage that will connect, via an elevated walkway, with the future air right development.

WHAT IS THE FUTURE OF JOINT DEVELOPMENT?

Joint development is a relatively new phrase for an old process. Both the streetcar suburbs of the 1920s and the sprawling subdivisions of the 1950s show the effects different forms of transportation can have on urban land use and development schemes. In the 1980s, it should be possible to make this connection between transportation and land use work for the benefit of both the public and the private sector.

From the perspective of local government, the potential for joint development is open-ended. Given an appropriate opportunity and a willingness to explore options, the public sector can reap many of the benefits mentioned earlier. Increasingly, transit agencies in metropolitan areas that have or are constructing fixed rail systems are involved in promoting joint development, but there are all-bus or light rail systems that may not yet have thought in terms of creating or capitalizing on joint development opportunities.

Since the passage of the Young Amendment to the Urban Mass Transportation Act of 1964, UMTA has helped to fund local joint development projects. UMTA's role was expanded in 1978 by amendments to the Act that created the Urban Initiatives Program. Under this program, UMTA sought to attract private investment to link transit projects by granting local governments funds to cover the costs of site acquisition and preparation, relocation, and infrastructure construction. Although the Urban Initiatives Program last received appropriations in 1981, funds to support joint development projects will be available from UMTA under Sections 3 and 9. Locally, the public sector share of joint development can be funded by a variety of techniques. Depending on the nature of the project, these may include industrial revenue bonds, block grant funds, the capital improvements program, and the creation of special tax districts.

Chapter 2

THE JOINT DEVELOPMENT PROCESS

PRINCIPAL PLAYERS--WHO DOES WHAT?

This section describes the principal players and many of the typical steps taken in joint development projects. Although each project is highly individual, the cast of characters and the sequence of events are often similar.

Public Sector Players

In most cases, the joint development process requires the cooperation and direct or indirect participation of many different players--from both the public and private sectors. On the public side, local authority to carry out joint development often lies within several agencies. In fact, one of the major constraints of joint development is that throughout the United States, local jurisdictional authority remains divided, with no single mechanism in place for overseeing effective coordination of transportation system planning and land use. Therefore, most projects must integrate the activities of several public and private entities.

Public Transit Agency. Since the planning and construction of a transit facility creates the opportunity for joint development, the local public transit agency is always an actor in the process, although the extent of its role may vary. Typically, a transit agency plays one of three basic roles.

1. The Public Entrepreneur. Some transit agencies have the authority and staff capability to plan and carry out joint development projects single-handedly, without the direct involvement of other public groups. Using their own staff and the expertise of consultants, these agencies have initiated successful negotiations with developers, and coordinated the construction of projects. For example, in Denver, the Regional Transit District (RTD) was responsible for planning and negotiating a deal with a private developer for the construction of an office tower in the air rights over a new downtown transit terminal. The RTD was able to accomplish this, in part, because it owned the site, and there was a strong market for office uses in central Denver.

2. The Cooperating Agency. Most transit agencies participate in joint development projects in cooperation with other public agencies because they lack the authority or expertise to perform all the tasks usually required for successful real estate development, such as condemnation, relocation, deal packaging, and negotiating. Frequently, transit systems enlist the cooperation of the local urban renewal agency, as well as the economic development and local planning agencies. It is not unusual for a downtown transit station site to be designated as an urban renewal area. This gives the local renewal agency authority to acquire additional land and gives the project access to additional sources of public funds. For example, the South Station Transit Redevelopment project in Boston

represents a cooperative venture involving the Massachusetts Bay Transportation Authority, the Boston Redevelopment Authority and the Federal Railroad Administration.

3. The Minor Player. In some cities, the local transit agency plays a very limited role, usually restricted to design and construction of the transit facility and the station entrances and exits. Although the Maryland Mass Transit Administration supports the concept of joint development around station areas, it concentrates on system design and construction, leaving the station area development to Baltimore's Department of Housing and Community Development.

Redevelopment Authority. Frequently, the local redevelopment authority or local agency with responsibility for urban renewal is actively involved in joint development projects, especially when they are located in designated renewal areas or in areas with the potential to be so designated. Renewal agencies have the advantage of experience dealing with real estate development--often they have staff expertise in this area. In addition, they have the authority to invoke the powers of eminent domain and to tap nonlocal funding sources. Gallery II and III in Philadelphia is an example of a joint development project that was initiated and managed by the redevelopment authority, with the transit authority playing a secondary role. The redevelopment authority negotiated with the private developers, coordinated project improvements made by other public agencies, and assumed the role of master builder and lessor of the retail mall component of the project.

Joint Development Corporation. Some local governments are establishing special purpose public or quasi-public corporations to plan, coordinate and implement joint development projects. In Baltimore, the Market Center Development Corporation staff has successfully completed negotiations with a developer for a joint development project encompassing three blocks adjoining a new downtown station. In addition to having the authority to plan, negotiate, and market the joint development parcels, the MCDC controls the capital improvements planning and urban renewal activities in the area. Unless a project is large, a local jurisdiction may not want to spend the time and money to set up a new corporation, however.

Other Local Public Players. Because joint development projects can have a significant impact on a community's land use and circulation patterns and utility requirements, frequently agencies with responsibilities in these areas are brought into the joint development process to approve or coordinate plans, to extend services, or to construct facilities. Those agencies most frequently involved include planning and zoning, public works, economic and community development, housing, and manpower.

Roles of Public Agencies

Regardless of where the authority lies within the public sector, to implement a joint development project, the public agency, public corporation, or combination of agencies should possess specific powers and resources to:

- Influence the design of the transportation facility.

- Enter into agreements and contracts with private entities, including buying, selling and leasing real estate.

- Develop staff expertise in real estate economics and law.

- Effect and enforce intergovernmental and interagency pacts and agreements.

- Market real estate projects.

- The authority to influence the design of the transportation policy.

Private Sector Players

Developers. Without the private developer, there can be no joint development. The developer brings the resources of the private money market, managerial and marketing know-how, and supervisory experience. In most cases, the developer's assessment of the strength of the local real estate market determines his willingness to become involved and the level of financial commitment he is willing to make. In strong market situations, where there are outstanding development opportunities, developers buy or lease transit related property and build projects. But in weak or uncertain market situations, if developers are to participate, they often require the local jurisdictions to provide land writedowns, bonuses, Federal grants, and other incentives. In the case of Gallery I, for example, the market was very weak, and to induce a developer to participate in the project, the RDA had to agree to become the prime contractor and construct the shell of the retail mall.

Lenders. Construction financing and long-term mortgages are as essential to joint development projects as they are to private ventures. In many cases, lenders are more skeptical or cautious about underwriting joint development projects because often they are in weak market areas or involve more complex contracts with more participants and stipulations than conventional developments.

Owners. If all or part of the joint development project site is privately owned, the owner may want to sell outright to the public agency, but increasingly, land owners are interested in participating in the long-term appreciation of the property and sharing in the revenue generated by the joint development. For example, the black property owners in the Overtown Transit Area Redevelopment Project are demanding that the local government adopt policies that will increase their ability to redevelop their own property or invest in private redevelopment projects.

Other Players

Federal and State Agencies. State and Federal funds have played a major role in getting many projects started. In the past, Federal grant programs such as Urban Initiatives from UMTA have provided local agencies with funds to finance land acquisition, site preparation, and some phases of construction, such as pads to support air rights development. These funds have been spent to make projects more attracive to private developers and lenders.

Some States have participated in fostering joint development. In Iowa, the State Department of Transportation financed a research program to identify sites where new intermodal terminals could become catalysts for joint development and urban revitalization.

Local Elected Officials. The support of local elected officials can be a great asset to a joint development project. They can help build public support and illustrate to developers and lenders that the city or county government is behind the project. In Baltimore, the Mayor and the Housing Commissioner made a strong commitment to seek both traditional and joint development to revitalize the city's downtown area. The Mayor was available to talk with all those developers seriously interested in the Market Center Joint Development project, about how the city could help them put together a feasible project. The Mayor of Cedar Rapids spearheaded the drive to use an intermodal transit terminal as a focus for a major central city redevelopment project. The project was managed out of his office, and he devoted many hours to promoting it to citizens and developers.

Also, local elected officials can play an important role in setting the stage for joint development by adopting land use plans and amendments to zoning ordinances that encourage mixed land use and or high density around transportation facilities. There are risks for elected officials because usually, joint development requires expenditures of public funds, and positive results from the project can not be guaranteed.

Community Leaders. An important catalyst in many successful joint development ventures has been a group or an individual that has galvanized public support or has been instrumental in attracting developers or lenders for the project.

PUBLIC POLICYMAKING AND PLANNING--HOW TO START A PROJECT

Regardless of the scale or complexity of a joint development project, the role of the public sector agency, be it a transit or renewal agency or a development corporation, is usually divided into three phases: 1) policy-making and planning, and 2) developing a marketable project, and 3) dealing with developers. These three phases, illustrated in Table 1, occur whether a jurisdiction is renovating an old terminal to include retail and office space or developing a multimillion dollar center city project. Of course, the development process is affected by many variables including who owns the site, the age of the transportation facility and the characteristics of the local neighborhood.

In most cases, local governments, not the private sector, initiate joint development ventures because they own the land and see the need to build the new transportation facility. Usually, it is the role of local government to package the project so that it is acceptable to the public and attractive to potential developers. To accomplish this, the public sector first must set the stage by doing some necessary groundwork. The following is a discussion of the steps most local governments must take before they prepare a specific plan or negotiate with a private developer.

Table 1

TYPICAL JOINT DEVELOPMENT STEPS FOR A PUBLIC AGENCY

FIRST PHASE - PUBLIC POLICYMAKING AND PLANNING

- Identifying joint development opportunities
- Defining joint development goals and policies
- Coordinating with other public agencies
- Building public support

SECOND PHASE - DEVELOPING A MARKETABLE PROJECT

- Preparing a project budget
- Assembling a project team
- Preparing a market analysis and concept plan
- Resolving public issues related to:

  --Intergovernmental coordination
  --Special studies
  --Legal authority
  --Capital improvement
  --Regulatory changes
  --Additional land assembly
  --Accessibility between the transit facility and the private development
  --Funding and financing
  --Public information

THIRD PHASE - DEALING WITH DEVELOPERS

- Locating interested developers
- Selecting a developer
- Negotiating an agreement
- Specifying the role of a developer
- Monitoring the developer
- Renegotiating with the developer
- Adhering to commitments and schedules

Source: Compiled from data collected by PTI.

Identifying Joint Development Opportunities

Because of the national publicity about successful joint development projects in cities like Washington, D.C. and Atlanta, most systems with fixed rail facilities under construction or proposed, such as Los Angeles and Miami, are taking a very careful look at the opportunities for joint development. Both Los Angeles and Miami have undertaken indepth studies of joint development opportunities and evaluated how best to maximize the benefits for the public.

In Washington, D.C., the Washington Metropolitan Area Transit Authority identifies appropriate joint development sites through a set of criteria that include site characteristics, revenue projections, and political considerations as shown on page 15.

Joint development opportunities exist in all-bus systems, too. In Denver, Colorado, Santa Ana, California, and Cedar Rapids, Iowa, multimodal transfer stations have become the focal points of joint development projects. During the 1980s, the renovation of central city train terminals offer opportunities for joint development, including air rights projects or interior renovations to accommodate office or retail uses.

As simple as the assessment step may appear, joint development opportunities can be overlooked. Denver's RTD might not have seen the potential for the commercial office tower in the air rights above its Civic Center Terminal if a local blue-ribbon panel had not been set up to investigate alternative means by which RTD could generate local revenue. Cedar Rapids might not have initiated a project if the State DOT had not identified it as one of several cities in the State that had the potential for joint development in conjunction with a new bus terminal.

Defining Joint Development Goals and Policies

In most successful projects, the local agency has set forth its project goals and established supporting policies. Sometimes, project goals evolve during the course of the planning phase or as the result of intragovernmental discussions and public hearings. Some jurisdictions, such as Atlanta, Washington, D.C., and Miami established their policies early. Although its Metro system will not open until late 1983, Miami has published policies to encourage the private development on both publicly and privately-owned land adjacent to subway stations. The cities of Toronto and Montreal also have clearly stated goals concerning joint development. The basis of their growth policy is to concentrate new development into nodes, and the public policymakers have used the transit system as one means of implementing this policy.

The goal-making process is simplest for a single project and most complicated for a series of projects extending into several jurisdictions. For instance, the goals of the transit agency and other units of local governments may differ, and goals may vary among jurisdictions.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
WAYS TO IDENTIFY JOINT DEVELOPMENT OPPORTUNITIES

Criteria used by WMATA to designate stations for joint development planning include:

- Market factors
- Construction/operational status
- Physical characteristics of site
- Jurisdictional balance
- Community/neighborhood attitudes
- Adequacy of supporting infrastructure/facilities
- Revenue to WMATA
- Ridership impact
- Revenue and other benefits/costs to local government
- Level of effort required
- Contribution to station area planning.

Coordinating With Other Local Agencies

Because a joint development project can rarely be completed without the cooperation or compliance of numerous public agencies, it is important to achieve a mechanism for this cooperation early. This issue may be complicated by the need for interjurisdictional coordination, as in the case of Washington, D.C. and Miami, where city and county agencies must interact. In Miami, both the city and county have signed a cooperative agreement that sets out what responsibilities each jurisdiction has for the joint development of the Overtown Station area.

It is best if overall authority for the joint development project can be delegated to one public agency, such as the transit authority, redevelopment authority, or special purpose corporation. In Philadelphia, the functional and financial complexity of the Gallery I and II projects was simplified institutionally because primary authority to administer, manage, and oversee the project was vested in the redevelopment authority.

Building Public Support

Even before individual projects are identified, local governments can begin developing support of the concept of joint development and publicizing the benefits of linking public transportation and private development. Since the early planning stages for their fixed rail systems, Atlanta, Miami, and Los Angeles have promoted joint development as one of the goals of their systems. This has alerted government agencies and the public to the idea that such public-private ventures are coming.

DEVELOPING A MARKETABLE PROJECT

Local officials and managers may be convinced of the merit of a joint development project, but unless they can present developers with a project that makes sense to them, it will not be built. Therefore, the public sector has to develop or package a marketable project. To do this, the agency needs to establish a project budget, assemble a staff, prepare preliminary studies and plans, and resolve key public issues.

Preparing A Project Budget

Developing a joint development project that is attractive to private developers requires knowledgeable staff, time, and money. Public agencies experienced in joint development consider it important to get budget approval early for additional staff or consultants, as well as for displays, publications, travel, and special studies. If it is an agency's first venture into joint development, the budget officers may be reluctant to approve spending public funds for these types of project items. They may need to be convinced that long-term benefits will flow from this seed money.

Assembling A Staff Project Team

The size and type of staff will depend on the scale and complexity of the project, the role of the public agency, and the policy on the use of consultants. If the public agency is to play a strong role in designing and implementing a complex project, it will want staff competency in the following areas:

- Real estate law.
- Real estate financing.
- Urban design.
- Transportation facility design.
- Project administration.

A competent and knowledgeable staff can provide leadership and continuity to a project that may take many years to complete.

Preparing a Preliminary Market Analysis and Concept Plan

The preparation of a market analysis and concept plan are important steps that the public sector needs to take before investing large amounts of time and effort in a project. The market analysis, done in-house or by a consultant, gives the public agency a feel for what is feasible and what is the realistic range of uses and densities given the economic climate of the region. The agency will then have a better understanding for what type of bonuses may be needed to attract a developer or what type of leasing contract would be reasonable to pursue. By meshing the market information with the project goals, public planners can prepare a concept plan to use as a starting point for discussions with other local and regional agencies and developers. The concept plan would illustrate the potential links between the public transportation facility and the proposed private development and identify appropriate types of land use. Also, the concept plan would set out guidelines for densities, vehicular circulation, the streetscape, and other items particularly relevant to the project.

The staff can use the concept plan as a mechanism to open up public discussion with civic and neighborhood groups. Baltimore has used this technique successfully. Miami has incorporated the concept plan into its goals and planning process. Based on public reaction to three alternative plans, the county is in the process of approving a final concept plan for each station area.

Resolving Public Issues

Joint development projects have been delayed and some have failed because the public sector did not solve its own problems or assemble necessary information about the project. Therefore, a key step in developing a viable project is to resolve public issues and have necessary groundwork done before presenting the proposal to developers. The following are some of the issues and tasks that local agencies should look at before approaching developers.

- Coordination Among Governmental Agencies Over Project Goals and Responsibilities. For instance, there may be a conflict between the transit agency and the local redevelopment authority over the type and density of uses proposed in the concept plan. The transit operator may place high priority on generating revenue quickly from the project while the redevelopment authority may want to promote a long term goal, such as the provision of moderate cost housing. There may be no clear policy on what project tasks are the responsibility of the city, the county, or the regional government. These issues are frequently resolved through the establishment of joint committees, intergovernmental agreements, through the charter of public corporation, or the leadership of the area's chief executives or elected officials.

- The Need for Environmental Impact and Other Special Studies. Often public improvement projects, particularly those receiving Federal or State funds, require environmental impact studies. These studies, which usually involve extensive data gathering and public hearings, can take many months to prepare. During the process, new issues may emerge, and old ones may gain public support, creating the demand for more specialized studies. As part of the environmental impact analysis for the market center project, Baltimore devoted almost two years to an architectural study of the retail buildings in the project block. The issue of black equity participation was clarified during community meetings held in Miami as part of the Overtown Joint Development environmental impact study. Because these issues are important to the community and take time to resolve, the public sector should try to deal with them before the developer becomes involved.

- The Need for Additional Legal Authority. In some cases, public agencies have found they need new types of authority to become active participants in joint development or to implement innovative financing techniques related to joint development. These may include the authority to negotiate and enter into contracts with private developers, to acquire land, to dispose of excess property, or to issue revenue bonds or establish tax increment financing districts. Since time is of the essence in many joint ventures, the public sector needs to assess its legal authority and, if needed, request additional powers early in the project time table.

- The Need to Program Capital Improvements. Based on the concept plan and an inventory of the project area, public planners can identify the public improvements that will be necessary to implement a project plan. The improvements may be moving sewer lines, street construction and closings, streetscape improvements, or renovations to public buildings. In many cases, these items will have to be reviewed by several agencies before they can be included in the current capital improvements program. The improvements may be routine and easily programmed, but in the case of Gallery II in Philadelphia, the improvements included a multi-million dollar transit station renovation and the construction of new station entrances.

- The Need to Initiate Zoning and Other Regulatory Changes. To allow the high density or mixed uses that are appropriate and necessary to make many joint development projects work, local zoning ordinances and maps may need to be modified. Since this is a public process that may take considerable time, the lead agency should begin the necessary studies early, so that the regulatory changes can be made by the time the site is ready for development.

- The Need to Assemble Additional Land. Sometimes a more marketable joint development project can be created if the public agency can acquire additional land and expand the site area or straighten its boundaries. This may require acquiring the remainder of a block or even a space across the street that can be connected by a skywalk or tunnel.

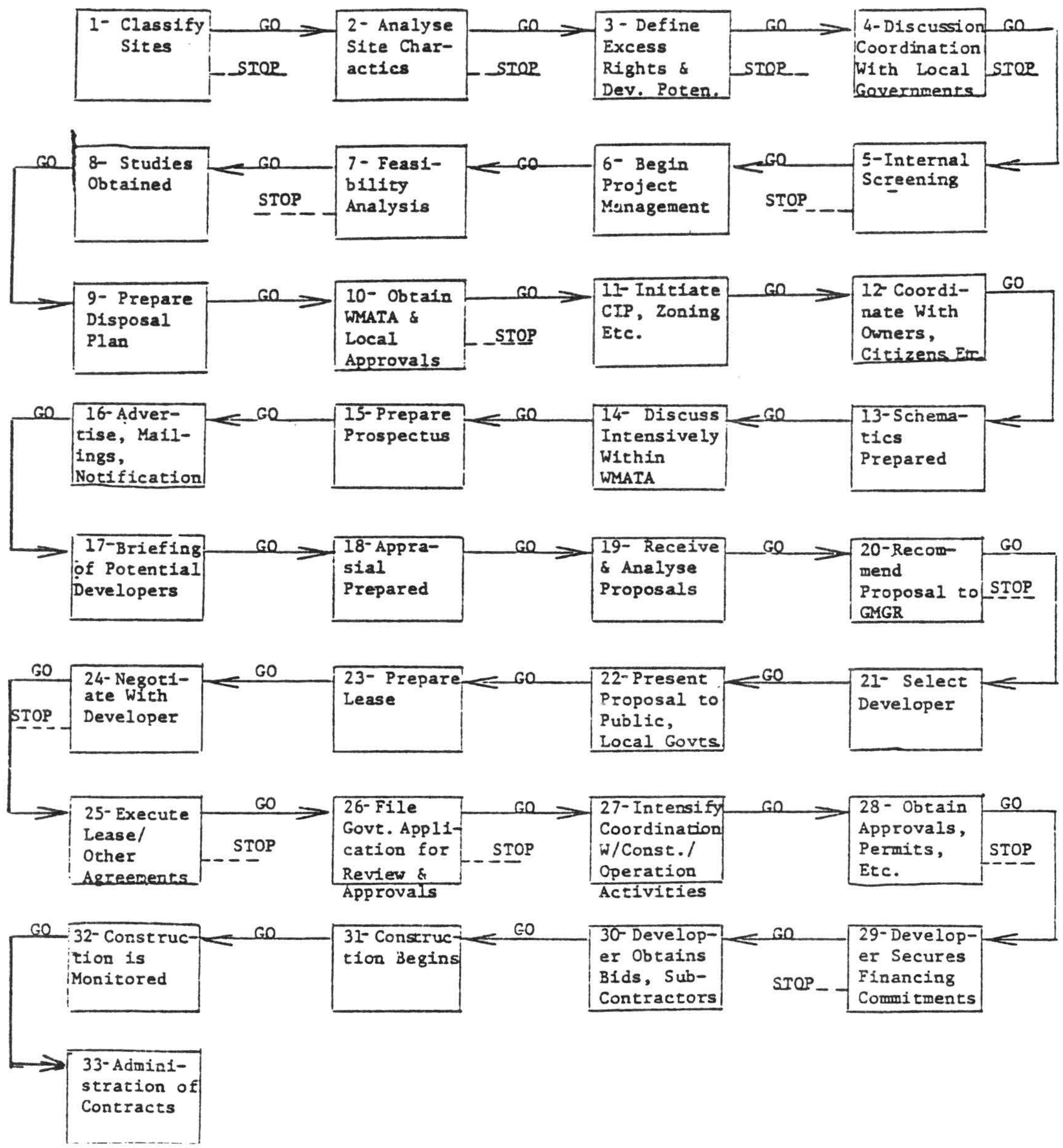
- Accessibility Between The Transit Facility and the Private Development. Joint development thrives on the improved accessibility provided by a transit facility, but unless convenient connections are planned between the public facility and the private development, neither sector will benefit fully from the joint venture. Therefore, when designing the transportation facility, public planners must provide good access to the private development.

- The Need to Investigate Funding Alternatives and Financial Strategies. Often joint development projects, especially those involved with central city revitalization, are eligible for Federal programs, including grants from UMTA, HUD, and the Department of Commerce. These funding sources need to be explored, because they can make the difference between a project the community can afford and one it can not. Some States can help finance joint development projects. In Santa Ana, for example, a parking garage built to service a joint development project was financed by State sales tax revenue. Locally, public improvements can be financed by the issuance of industrial development or revenue bonds. Several cities including Miami, Atlanta, and Los Angeles, foresee the use of tax increment funds to finance public improvements in a joint development project area. The Embarcadero office complex in San Francisco was the first joint development project to use this financing technique. The source and level of local public funding should be known before the public agency begins dealing with developers.

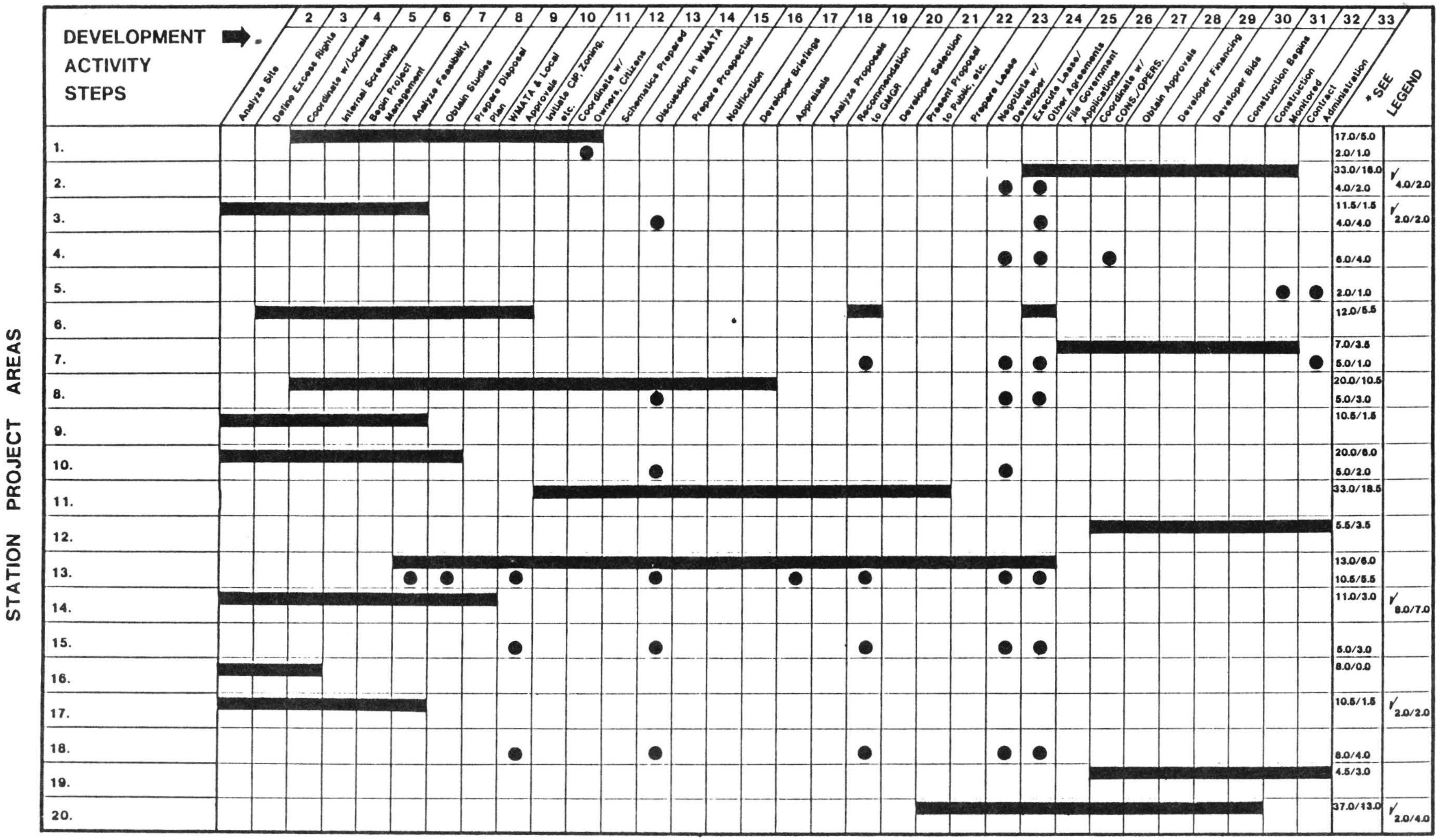
- The Need to Inform the Public About the Project. A project may run into trouble because public opposition emerges at a late stage and the issues can not be resolved in time to meet the developer's time table. Early in planning for the Market Center project in Baltimore, the local staff initiated a campaign to inform civic groups, community decision-makers, and local residents and property owners about the proposed redevelopment plan. Potential problems were resolved, and the plan gathered widespread support. The Denver Civic Center Terminal project ran into difficulty during delicate negotiations with the developer, because citizens, at this late date, questioned basic assumptions about the transit agency's role in the project.

To insure that all of these concerns are addressed, local officials and transit operators should prepare a conceptual flow chart of the joint development process before it begins. The Washington Metropolitan Area Transit Authority (WMATA) has identified 33 major steps, starting with initial planning and analysis and ending with construction and contract administration (see page 20). The first 14 steps in WMATA's flow chart are primarily planning-oriented, while the remaining 19 are more development or implementation-oriented. Potential "stops" in the process are noted on the chart. They indicate that some proposed projects will not be feasible or will be blocked by opposition, either temporarily or permanently. Page 21 demonstrates how these steps can be used to set up a comprehensive work program for the entire system.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY'S
JOINT DEVELOPMENT PROCESS



BASIC 20 STATION FY82 WORK PROGRAM
IN WORK-WEEKS



LEGEND

JOINT DEVELOPMENT ▬ *SYSTEMWIDE ACTIVITIES √

SYSTEM INTERFACE ● *DEVELOPMENT BRANCH/SUPPORT WEEKS, e.g. 17.0/5.0

Source: WMATA staff.

Note: Illustrative Only/1981

DEALING WITH DEVELOPERS

While many of the steps described in this guide are familiar to public agencies, dealing with private developers may be a new experience--one that transit or other local officials are not entirely comfortable with. Nevertheless, it is a critical step because it will determine if the joint development is built and the extent to which the public benefits. Depending on the nature of the project and the local real estate market, locating and negotiating with a developer can be a lengthy process. The following reviews the contacts an agency will usually have with developers during the preparation of a joint development deal.

Locating Interested Developers

Once a public agency has developed a project package, including the elements already discussed, it must locate a private partner. In many cases, the local government will have established procedures for soliciting advertising for developer proposals, but in some jurisdictions the transit or local government agency will have to devise its own. Often major projects are advertised in the local papers and the Wall Street Journal and the New York Times. Local developers can be invited to briefings on proposed projects. In Denver, the transit agency sent over 100 letters to potential developers throughout the country, describing the opportunity for an air rights project and requesting proposals. Disappointed by the initial response, officials had better luck when they directed a second search to nationally known developers who had had successful experience in joint development. National organizations like the Urban Land Institute can supply lists of developers to local agencies.

Sometimes developers have to be sought out personally. This is especially true in weak market areas. Gallery I in Philadelphia, acknowledged to be a risky project, was ignored by developers until a retail merchant, involved in the project, brought in the Rouse Company, a development company he had worked with on other projects. In Baltimore, planners for the Market Center Project talked to over 100 developers before they convinced Robert Murdock of the project's potential. The local manager of the Overtown project in Miami is planning a sophisticated marketing program to locate interested developers.

Selecting a Developer

Depending on the economy, the local market, and the attractiveness of the project package, the local government may have many interested developers to choose from or only one. Also, the selection process will depend on what ground rules the local agency chooses to use. There are at least four ways a solicitation and selection process can be structured.

1. An agency may opt for a non-price competition and negotiation. Developers interested in the project compete on the basis of project design, development program, contribution of facilities, benefits to the community, and other factors important to the public sector. Selection may be made by juries of outside experts. Once a developer has been selected, based on non-price factors, the public agency and the developer negotiate a price for the sale or lease of the property. This approach is most appropriate for projects where

cost recovery is not the public's prime concern. A public hearing is usually required.

2. An agency may use a variant form of the non-price competition--fixed price competition. In these cases, the agency sets a price for the land and developers compete on non-price factors.

3. An agency may decide to award a developer a consulting contract with an option for development. The public agency requests proposals from developers to serve as consultants in the preparation of a development plan. When the plan is completed, the developer has the option to acquire the site at either a negotiated or fixed price.

4. Where land cost recovery is a major objective, and where the market is strong, an agency may want to have competitive bidding for a site. In addition to the price the developer offers, the agency will also consider the proposed design and the experience of the developer.

5. When only one developer is interested in a project, public agencies often rely on direct negotiations rather than the submission of a proposal. The RLA in Philadelphia used direct negotiations to work out the deal with the Rouse Company for Gallery I and II. Although private negotiating sessions are not always appropriate for the sale or lease of public property, it may be the only feasible way to complete a deal.[1]

The choice of the method by which the developer is selected will usually depend on the marketability of the site, the degree of control the public wants to maintain, the importance of revenue to the agency, and the legal restrictions on negotiations and competition.

The Washington Metropolitan Area Transit Authority (WMATA) generally starts the developer selection process by issuing a prospectus for the proposed joint development project. The proposals received in response to the prospectus are evaluated by WMATA against a set of criteria, shown on pages 24 and 25. This evaluation usually is completed within 60 days after the closing date of the prospectus.

Regardless of what selection process is used, the following items are usually important considerations for the public:

- The experience of the developer, especially in joint development.
- The financial capability of the developer to complete the project.
- The types of land use and amount of development proposed by the developer.
- The commitments in terms of capital improvements or write-downs the developer requires.
- The willingness of the developer to meet the economic goals of the agency.

1. Urban Land Institute, Making the Transit Connection, pp. 201-202.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
DEVELOPER SELECTION AND CRITERIA

SELECTION PROCEDURE

A. WMATA carefully analyzes each proposal and selects the one that it considers most advantageous to WMATA.

B. WMATA reserves the right to make its selection based on the initial submission of those responding to this Prospectus, or to conduct negotiations should WMATA deem negotiations to be warranted or useful.

C. WMATA RESERVES THE RIGHT TO REJECT ANY OR ALL PROPOSALS.

D. WMATA tries to have completed its evaluation of all proposals and to have taken all necessary action to conclude its selection within sixty days following the closing date for receipt of proposals.

SELECTION CRITERIA

WMATA uses the following criteria to evaluate developer proposals:

A. Compliance with the requirements set forth in the Prospectus.

B. Adequate financial return to WMATA.

C. Compliance with the criteria for development as contained in appendix for the Prospectus.

D. Development of the land and air rights, in conformance with the Joint Development Plan submitted as part of the proposal.

E. Acceptability of the Minority Business Enterprise Plan.

F. The probability that the proposed development will meet the income projections made in the proposal.

G. Capability of the developers, based on financial qualifications and development experience, to undertake and complete the project within a reasonable and specified period.

H. Completeness and clarity of proposal preparation. Precise conformance to all the details specified in the Prospectus is not required because WMATA encourages innovation when it is in the best interest of WMATA.

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Proposals that have passed the above review will be evaluated further based on a pre-established, weighted formula, including the following factors listed in order of their relative importance:

- Financial return to WMATA.
- Joint Development Plan Features.
- Minority Business Enterprise Plan Features.
- Developer capability and experience.

WMATA is not liable for any cost incurred by the selected developer prior to execution of the required lease documents.

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The lack of competitiveness at certain station locations or other circumstance may limit or preclude a Prospectus selection process. Consequently, WMATA may use direct negotiations, competitive negotiations, joint solicitations (with adjoining owners) or other techniques to pursue development opportunities.

- The willingness of the developer to adhere to other community goals such as, inclusion of plazas, residential units, and street level retail space.

WMATA reviews developer proposals using a two-step process. The first step evaluates the proposals against a set of general criteria, shown on page 24. Proposals that pass this first review stage are analyzed further according to a weighted formula that emphasizes financial return to WMATA (see pages 24 and 25).

Negotiating an Agreement. The negotiation of a final agreement between a public agency and a developer is another critical step in the joint development process. Depending on the nature of the project and the developer selection process, negotiations may cover a wide variety of topics or be limited to a few. Items frequently negotiated include:

- Land sale or lease terms.
- Automatic lease increments or public participation in project revenue.
- Land use mix and density of development.
- Responsibility for the construction of utilities.
- The developer's responsibility for the completion of the project.
- The design and construction of project amenities.
- The design and construction of access ways to the public transit facility.
- The scheduling of public and private sector construction.
- The architectural design of the building and the streetscope treatment.
- The penalities and sanctions the developer will incur if he defaults or falls behind schedule.

Although there are other important variables, the success of the negotiations from the public point of view depends to a large extent on the expertise of the negotiating team. Regardless of whether the project is in a weak or strong market area, the public agency needs specialized legal and economic advice to present its case effectively and to strike the best deal. Developers have definite advantages when they enter negotiations. They have very specific goals, and they usually are experienced in negotiating. Also, they have developed market data to support their positions. Both the staffs of the RTD in Denver and the MCDC in Baltimore benefited from the assistance of specialized legal and economic consultants during their contract negotiations. Large transit agencies, such as WMATA in Washington, D.C., have over time developed highly skilled real estate development staffs, but they also use economic consultants to do special market studies.

Most agencies agree that the more thorough and specific the final agreement is, the fewer problems the project will have. Discussion and resolution of issues over the negotiating table will help avoid delays and controversy during the construction phase. But it takes time to negotiate a complex agreement. It took the RTD staff over a year to complete its developer contract, and that was not an unusually complicated project. Although the 162-page Market Center agreement is very specific, defining sidewalk widths and facade treatments, the public planners agreed to allow the developer some flexibility in the retail space required and the construction schedule.

Specifying the Role of the Developer. During the deal-making process, the public agency and the developer must agree on the developer's role. The decision will depend on the nature of the project, current market conditions and the style of the developer. The developer may want to assume major responsibility for the project because he envisions owning the project as a long-term investment. The Murdock Company is following this approach in Baltimore. It is committed to investing over $100 million in the Market Center Station area over the next ten years and has agreed to remain the principal developer. On the other hand, the Rouse Company never made an equity investment in Philadelphia's Gallery I or II and limited its project involvement to leasing interior retail space from the Redevelopment Authority and subleasing it to retailers. In other places, developers have organized and supervised projects for an owner on a fee basis.

Monitoring the Project. The lead public agency has the responsibility for monitoring the project's progress, making sure that both public and private participants live up to their commitments. The lead agency may convene regularly scheduled meetings between the developer and the other public sector agencies involved in the project to discuss potential or

existing problems. Generally, the problems revolve around work schedules and who is responsible for which project tasks or costs. The less specific the lease or disposition agreement, the more problems tend to occur.

Adhering to Public Commitments and Schedules. "Most projects that fail do so because the public sector fails to uphold their end of the bargain," said a local public agency official who has had extensive experience in joint development. Although he may be overstating the issue somewhat, the public sector needs to be conscious of its responsibility to adhere to its commitments and to maintain agreed upon schedules. In the public sector there is a tendency to move more slowly and deliberately than in the private sector. Also, there is the chance that the political climate will change, and a project's priority may be downgraded. To the developer who must put together a complex network of agreements between commercial banks, mortgage lenders, construction companies, and tenants, any delay can be a major problem. If a zoning ordinance amendment is not approved or a public accessway not constucted on time, it can unravel a project's delicate financial network. Therefore, the lead public agency may have to ensure that public policy it will
commitments are met, and public improvements are c is a critical step because
opment is built and the extent to which the public benefits. Depending on the nature of the project and the local real estate market, locating and negotiating with a developer can be a lengthy process. The following reviews the contacts an agency will usually have with developers during the preparation of a joint development deal.

Chapter 3

RISKS INVOLVED IN JOINT DEVELOPMENT

As well as the benefits of joint development, local public agencies must take into account the problems and risks that can accompany it. Problems stem from both the risky nature of most real estate developments and the time and complexity added by the involvement of the public sector. The risks are important for the public sector to consider so steps can be taken to avoid them or reduce their ill effects.

THE UNPREDICTABILITY OF THE REAL ESTATE MARKET

The inability of the local real estate market to support the type or scale of joint development desired by the public sector can be a serious problem. During a period of high interest rates and economic recession, it may be almost impossible to find conventional financing for a project located in an uncertain or weak market area. This was true of many joint development ventures planned in the late 1970s. Long-term financing was either unavailable or too expensive for all but the strongest projects.

The volatility of the market creates a variety of problems for public agencies managing joint development projects, particularly those that in the best of times are risky. First, it is harder to interest developers. Since real estate development is inherently a risky business, many developers are reluctant to participate in joint developments because they believe the public involvement will increase their risk above acceptable limits. Second, since the implementation of a joint development can be a lengthy process, there is always the possibility that the market will soften or the money market will tighten and the designated developer will be forced to withdraw. In this case, the agency has the problem of finding a replacement.

A public agency can adjust to a volatile market in several ways:

- It can delay the search for a developer in hopes that market conditions will improve and proceed with the public portion of the project.

- The agency can increase its efforts to market the project by widening its search for developers, targeting those most experienced in the type of development proposed for the project.

- It can absorb a larger share of the developer's risks by allowing land cost write-downs, public financing of infrastructure, loan guarantees, or a reduction in amenities required of the developer.

- It can increase the developer's potential profits by adjusting the amount of required residential or retail space or by increasing the allowed density of development.

PROJECT DELAYS AND THEIR CAUSES

Under both optimal and marginal market conditions, and regardless of careful preplanning, problems may arise that can delay a project. Since time represents money to the private developer, delays can endanger a project's delicate financial balance. The following are the types of problems that agencies can experience. They are caused by many factors including lack of experience on the part of the agency and sometimes just bad luck.

- Despite an agency's efforts to build public support, a project may become controversial. The RTD Civic Center terminal air rights development was threatened by public debate over the public's role in the project. Cities experienced in public-private participation are usually successful in defusing public controversy during the early planning phases.

- The planning and impact studies required for the funding or approval of some projects can take much longer to complete than anticipated. The original study and revisions of the Civic Center terminal in Santa Ana took almost two years to complete. The Market Center Joint Joint Development project in Baltimore was delayed two years because an extensive architectural study of building facades was required.

- Legal issues may arise that cause delays. The delaying issues may revolve around the question of the public agency's authority to participate in joint development, the developer selection process, or disagreements between the public agency and the designated developer over interpretations of the contract.

- New issues may emerge and have to be resolved before the project can proceed. The issue of black equity participation in the Overtown project in Miami is an example of an issue that arose because of the possibility of joint development. Action on the overall project was halted until studies and recommendations were made concerning this issue.

- Staff changes within transit or other public agencies can interrupt the timing of a project. The planning and implementation of the Denver Civic Center project was set back because the RTD had two high level staff turnovers.

- Anticipated funding from State and Federal sources may not materialize or take longer than anticipated to be approved. In Boston, the South Station Joint Development project has been waiting for approval of a $2 million Economic Development Administration grant for over a year.

- Natural disasters may occur. A major fire destroyed several historic buildings that were to be incorporated into the Market Center Joint Development Project. Clearing away the rubble from the fire and the need to revise plans cause delays. Also, the fire cost the developer a 25 percent investment tax credit.

The Van Ness Station, part of WMATA's METRORAIL system, is an example of how unforeseen problems can add years to the original project completion date. Planning for the Van Ness Station started in early 1977, ground-breaking for construction occurred in 1981, and the project was dedicated in May 1983, six years after the first planning sessions were held with the District of Columbia (see pages 32-34). WMATA faced citizen opposition to certain aspects of the project and several legal suits, all of which had to be resolved before the project could be completed.

Many of these problems and risks can be overcome or compensated for if the public agency has the authority and expertise to be flexible and to adjust to changing conditions.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

VAN NESS STATION CHRONOLOGY: IT TAKES TIME, EVEN WHEN THINGS GO RIGHT

A joint development project combines energy, determination, patience, compromise, coordination, and when successful, achievement. Following is a chronology of activities leading to the construction and completion of the Van Ness Station joint development project. The development consists of 162,500 square feet of office space, 41,500 square feet of retail space, 250 parking spaces, 5 bus bays, and 24 kiss-and-ride spaces.

- Initial coordination with the District of Columbia's Office of Planning and Development in early 1977.
- Preparation of Disposition/Screening Plan as authority for pursuing joint development.
- Briefing of the WMATA Board of Directors.
- Meeting with local (Area Neighborhood Committee ANC).
- Coordination with WMATA Offices of Engineering and Construction to modify design.
- Notice filed to submit application to D.C. Zoning Commission for preliminary project approval under the Planned Unit Development (PUD) process.
- D.C. Zoning Commission to consider WMATA's application.
- Consultant retained to perform Traffic Impact Analysis.
- Submission of Planned Unit Development (PUD) application to D.C. Zoning Commission.
- Public Hearings held by the D.C. Zoning Commission.
- Continuation of Hearings by the Zoning Commission to permit WMATA to obtain graphic sketches and preliminary design as to feasible development scheme.

- WMATA selected an architectural consultant to satisfy the Zoning Commission's requirements.
- University of the District of Columbia (UDC) filed its opposition to any commercial development of the WMATA site.
- Public Hearings by the Zoning Commission - formal presentations by WMATA, architectural and traffic consultants. Need to resolve concerns of both UDC and neighborhood realized.
- Decision by Zoning Commission approving WMATA's initial application for proceeding with PUD. (Such a process requires a minimum of two hearings). The decision contained nine provisions.
- Prospectus issued. Solicitation of proposals via advertising and direct mailing.
- Six proposals received for joint development.
- Developer selected: Prudential Insurance Co.
- Series of challenges by one of the non-selected proposers ending in a legal suit (favorable to WMATA).
- Lease executed between WMATA and Prudential (50 years, 49 year renewal option).
- Second step of PUD application submitted by Prudential.
- Citizen opposition expressed not only to planned joint development, but to previously approved on-site bus and kiss-and-ride facilities.
- Series of meetings held with citizens.
- WMATA's reaffirmation of the need for the previously planned and approved on-site Meter facility.
- Final approval of the PUD application.
- Continued plans submission by the developer and review by WMATA.
- Construction documents completed.

- Developer's need to modify plans of below ground levels to seek financial relief due to exhorbitant construction contractor demands.
- Groundbreaking for construction of Van Ness Station project held March 1981.
- Lease amendment necessary to fund construction of street improvements.
- Inspection and coordination meetings to address field conditions, change orders and acceptable plan changes (more than 25 meetings).
- Construction completed except tenant work.
- Retail areas leased and occupancy underway.
- Office leasing activity slowed due to changed market conditions.
- Project dedication May 1983.

Chapter 4

FIVE WAYS TO PROMOTE SUCCESSFUL JOINT DEVELOPMENT

Transit and other public agencies interested in starting a joint development program will have a better chance of success if they follow these recommended principles.

ESTABLISH A CLEAR PUBLIC POLICY

Public sector planners and developers agree that an essential ingredient of a successful project is a clear public policy favoring joint development. The larger and more complex the project the more important this is. When a transit or other public agency has a well thought out development policy that is supported by the local government, chances for success are much improved. The agency will have less difficulty getting the authority it needs to carry out a project, and it will have the advantage of better intergovernmental coordination and acceptance of the project by the public. Also, a clear public policy statement indicates to potential developers that the city or county is serious about joint development and will adhere to its commitments.

ASSEMBLE EXPERTISE IN REAL ESTATE DEVELOPMENT

Chances for a successful project are enhanced if there are personnel within or available to the public agency who are experienced in the legal and financial aspects of real estate development. The public sector must arm itself with up-to-date market information, knowledge of sophisticated financing techniques, and the nuances of real estate law, if it is to plan a project wisely and then negotiate it shrewdly. Some large transit and redevelopment agencies have developed this type of specialized staff. Other public agencies fill this need by hiring consultants. Baltimore, Denver, and Miami have made effective use of consultants.

CONSOLIDATE PROJECT RESPONSIBILITY IN ONE AGENCY OR DEPARTMENT

The joint development process is simplified and rationalized when the public sector delegates project responsibility to one lead agency within the local government. That agency can prepare special plans and studies for the project, pursue nonlocal funding, coordinate with the other agencies involved in the project, and serve as the ombudsman for the developer. The developer has the advantage of "one-stop shopping," and the public benefits from the expertise and centralized control of one responsible agency. Baltimore has created a quasi-public corporation, the Market Center Development Corporation, to perform this role, for the Market Center Transit area project. A special real estate division has been established at WMATA with authority to administer its joint development projects (see page 36). The RLA in Philadelphia performed very effectively as the "lead agency" in the successful development of the Gallery I and II, a complex project that required strong leadership and coordination of numerous public sector agencies.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY'S ORGANIZATIONAL APPROACH

WMATA reorganized its joint development operation in 1981 by transferring that function from its Office of Real Estate into a newly-created Office of Planning and Development. Managers did this for two reasons. First, they decided to expand development-related activities at WMATA and wanted to establish a clearly defined focal point, a "one-stop office", for the development community and local governments (there are eight in the WMATA transit zone). Second, the managers realized that station area development, including joint development, is a process, and that the first steps are planning in nature. Therefore, they decided to extablish one group to plan as well as to develop transit-related projects.

An eight-member Development Branch, within the Office of Planning and Development, has prime responsibility for the planning and implementation of the Station Area Development Program which includes joint development; system interface, direct transit-development connections between WMATA facilities and privately owned, adjacent developments; and zone development, encouragement of higher density development within transit impact zones, usually within 3,000 feet of a Metrorail entranceway.

WMATA's Development Branch has extensive experience in development, real estate, planning, urban design, finance, and related fields. The eight-member staff has a combined 127 years of experience, almost evenly divided between public and private organizations.

The Branch depends on support services from other WMATA offices that have expertise in engineering, architecture, construction, and transit operations. Local governments' planning and economic development offices also contribute significantly to WMATA's program.

Private consulting firms are retained regularly to perform joint development feasibility studies at Metrorail stations. These studies typically include elements such as land use and design, traffic and transportation, market, financial, and fiscal analysis. Athough WMATA has staff capability in each of these areas, it is often more efficient to use consultants for special studies.

SET THE TABLE FOR THE DEVELOPER

The developer community will be much more receptive to partnerships in projects where the public sector has done a good job of "setting the table," a developer's expression for resolving the public issues and having pertinent information available about a project. If the public meets these conditions, the developers can concentrate on developing a financing package and construction schedule. For example, the uncertainty of a project is increased greatly if zoning changes and capital improvements related to the project have not been approved or if the local agency can not provide adequate maps and layouts of utilities. The fewer uncertainties a developer has to deal with, ultimately, the better deal the public will be able to make. Chapter 2, pages 18-21, contains a discussion of important steps necessary to "set the table."

ANALYZE THE REAL ESTATE MARKET

Public planners need a realistic appraisal of the local real estate market and its potential. Obviously, a project is much more likely to be successful if there is a strong local market for the proposed uses. The office market in Denver was booming in 1980 when the RTD negotiated its deal with the Galbreath Company to build an office tower. On the other hand, the office market in Santa Ana weakened just at the time when the Redevelopment Authority was hoping to close a deal on an air rights office development. As a result the prospective developer lost his long-term financing and the deal fell through.

A few developers have the capability to modify the local market. In Baltimore, the designated developer of the Market Center project has the resources to take a chance on creating his own market. By programming the redevelopment of several blocks adjacent to a new Metro station, the Murdock Company hopes to build up an office and retail complex that will change the area's image and generate the demand for additional development. This approach is also being taken in Miami and other cities where local officials hope joint developments will create new markets for other uses and revitalize declining central city areas.

Market studies prepared in-house or by consultants can provide public agencies with the type of information they need to decide whether it is feasible to promote a certain type of development now, to wait, or to rethink the project. When the Rouse Company market specialists looked at the official plans for Gallery I, they advised local officials to delay their plans to build an office complex because of market weakness and to concentrate on developing a first-class retail area. This proved to be good advice.

Although joint development projects in uncertain or weak market areas can succeed, the public agency will have to absorb a larger share of the project's risk. With good market data, the public can assess the extent of the potential risk and make its plans accordingly.

Chapter 5

CONTACTS

U.S. DEPARTMENT OF TRANSPORTATION

- Office of Planning Assistance

Provides a variety of technical assistance and general information on joint development to State and local governments.

Contact: Paul Verchinski
Urban Mass Transportation
Administration (UGM-22)
Room 9314
400 7th Street, S.W.
Washington, D.C. 20590
(202) 426-2360

LOCAL

The following local contacts provided information and assistance in the preparation of the case studies.

- Baltimore, Maryland - Market Center Redevelopment Project

Contact: Robert Tennenbaum
Senior Vice President
Market Center Development Corporation
118 N. Howard Street
Baltimore, Maryland 21201
(301) 752-5400

- Boston, Massachusetts - South Station Redevelopment Project

Contact: Marc Older
Boston Redevelopment Authority
1 City Hall Square
Boston, Massachusetts 02201
(617) 722-4300

- Denver, Colorado - Civic Center Transit Terminal Development

Contact: Legal Counsel
Regional Transit District
1600 Blake Street
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Chapter 6

ANNOTATED BIBLIOGRAPHY

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The proceedings are a compilation of the speeches, project presentations, issue papers, and panel and workshop discussions from the Joint Development Marketplace held in 1978. The purpose of the Marketplace was to provide a forum for developers, local and Federal officials to share their ideas and experiences about joint development, and for local managers to promote their projects.

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APPENDIX A

MARKET CENTER JOINT DEVELOPMENT PROJECT
CASE STUDY
BALTIMORE, MARYLAND

PROJECT DESCRIPTION

The Market Center joint development project is a key component in a major undertaking to upgrade the retail district in the heart of downtown Baltimore. As shown in Figure 1, the joint development project involves the redevelopment of three-quarters of a square block directly adjoining the entrance plaza leading to the Lexington Market Metro Station. The station is part of the first eight-mile segment of the Baltimore regional rapid transit system, which is scheduled to begin operating in late 1983. Figure 2 illustrates the project's regional location.

Project plans call for the construction of new retail, office, and parking facilities, and the development of a network of internal pedestrian ways. The developer with whom the city has entered into an agreement, the David H. Murdock Development Company, is required to provide at least 100,000 square feet of retail space; 500,000 square feet of office space; a 400-space parking garage; and several pedestrian public facilities. The maximum development permitted on the project site is one million square feet of office and 350,000 square feet of retail space.

Murdock's investment is expected to reach over $100 million during the next decade. Land acquisition, demolition, and site improvements have been financed by two Urban Mass Transportation Administration (UMTA) Urban Initiative grants totalling $12.5 million.

This project is but one piece of an ambitious plan to redevelop or make substantial improvements within the retail district. Murdock will also develop office, retail, and parking facilities in three blocks adjoining the joint development site.

IMPETUS FOR THE PROJECT

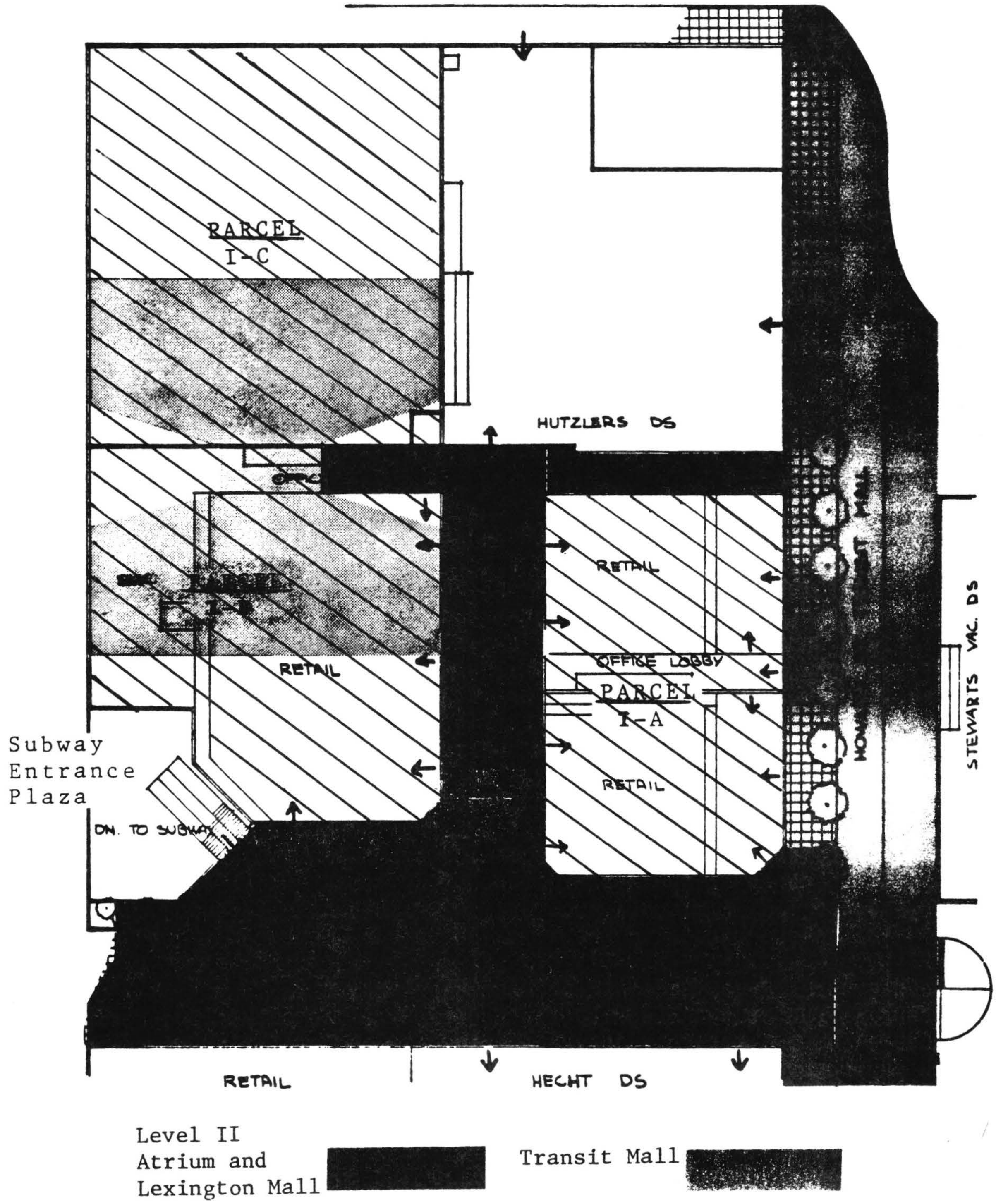
Historical Background

Baltimore's downtown retail district has been the subject of numerous planning studies and redevelopment proposals since the late 1950s. However, there has been relatively little private investment in the area in the postwar period.

Major retail activity within the district is centered around the intersection of Howard and Lexington Streets, where the city's remaining two downtown department stores and numerous small retailers are located. Two other department stores at this location have closed within the past five years. There have been other signs of decline in recent years: a diminishing percentage of metropolitan retail sales, an increase in the vacancy rate, a decline in the quality of merchandise, and deterioration of many of the buildings.

Figure 1

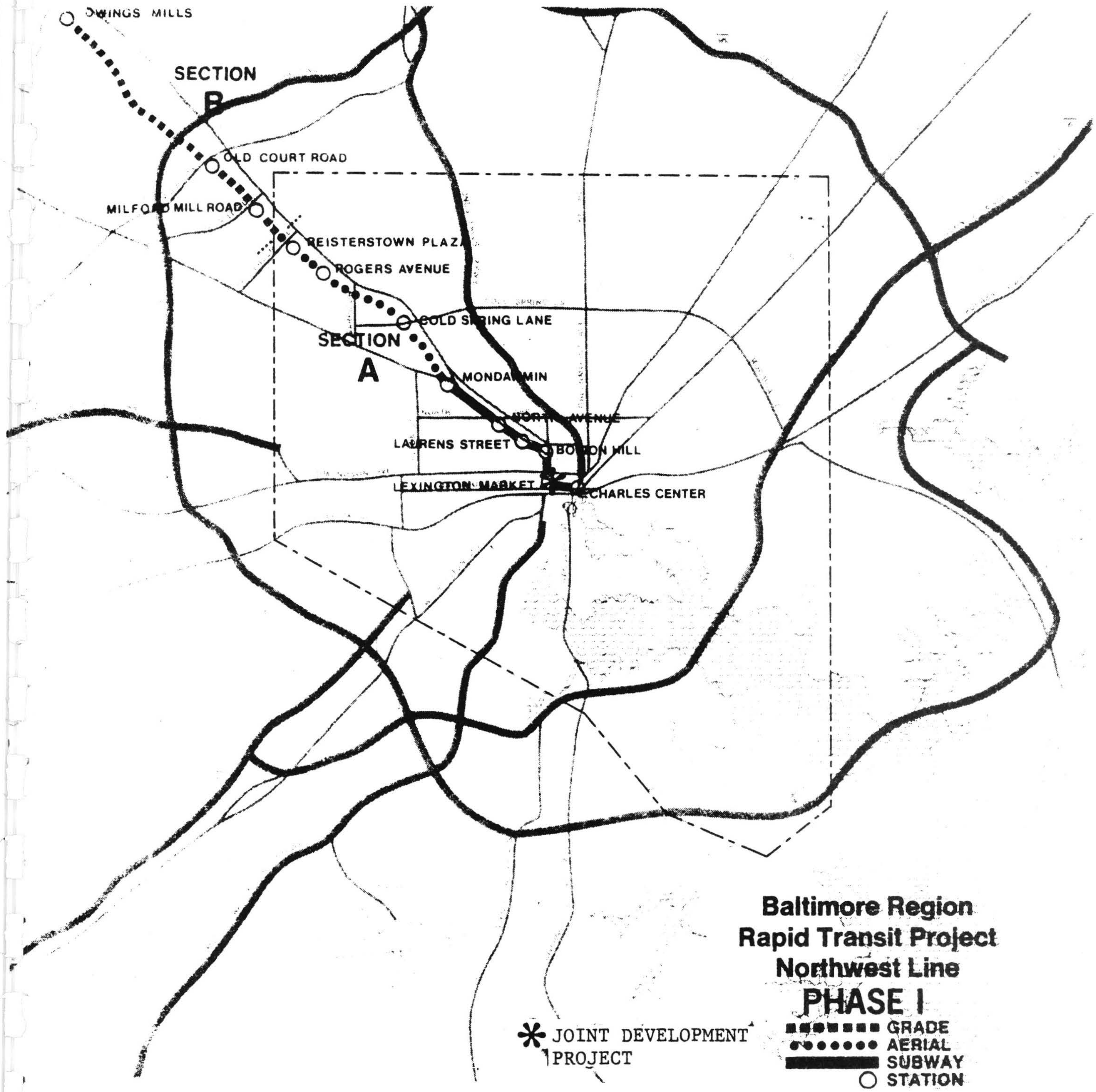
MARKET CENTER JOINT DEVELOPMENT PROJECT



Source: Market Center Development Corporation.

Figure 2

REGIONAL LOCATION OF MARKET CENTER



Source: <u>Environmental Impact Statement: Lexington Market Station Joint Development Project</u>. Prepared by the City of Baltimore.

While some of the initial redevelopment proposals dealt with the entire downtown retail district, the decision by the Maryland Mass Transit Administration (MTA) to locate a subway beneath Eutaw Street next to the Lexington Market's East building focused attention on the block directly east of the Market and adjacent to the proposed station. At least six urban design concepts for this block were prepared between 1968 and 1975. While the concepts differed significantly in detail, they all envisioned expanded and upgraded retail facilities and improved pedestrian connections between the Lexington Market, the proposed metro station, and the department stores on Howard Street.

In 1977, the Mayor and City Council approved the Retail District Urban Renewal Plan Ordinance. The principal goals of the ordinance were to ensure proper coordination between the public and private sectors in the redevelopment of the retail district and to put together a joint development project on the block east of the Market. A number of properties within this block, which is bounded by Lexington, Eutaw, Saratoga, and Howard Streets, were authorized for acquisition by the city. The ordinance also required that the city review and approve all plans for new development, exterior rehabilitation, and demolition within the 30-block Retail District Urban Renewal Area.

In 1980, the Mayor and City Council amended the Retail District Urban Renewal Plan to authorize acquisition by the city of additional properties in blocks adjacent to the joint development project site and to change some of the permitted and required land uses. Figure 3 shows the Retail District boundaries and a conceptual design plan for the area.

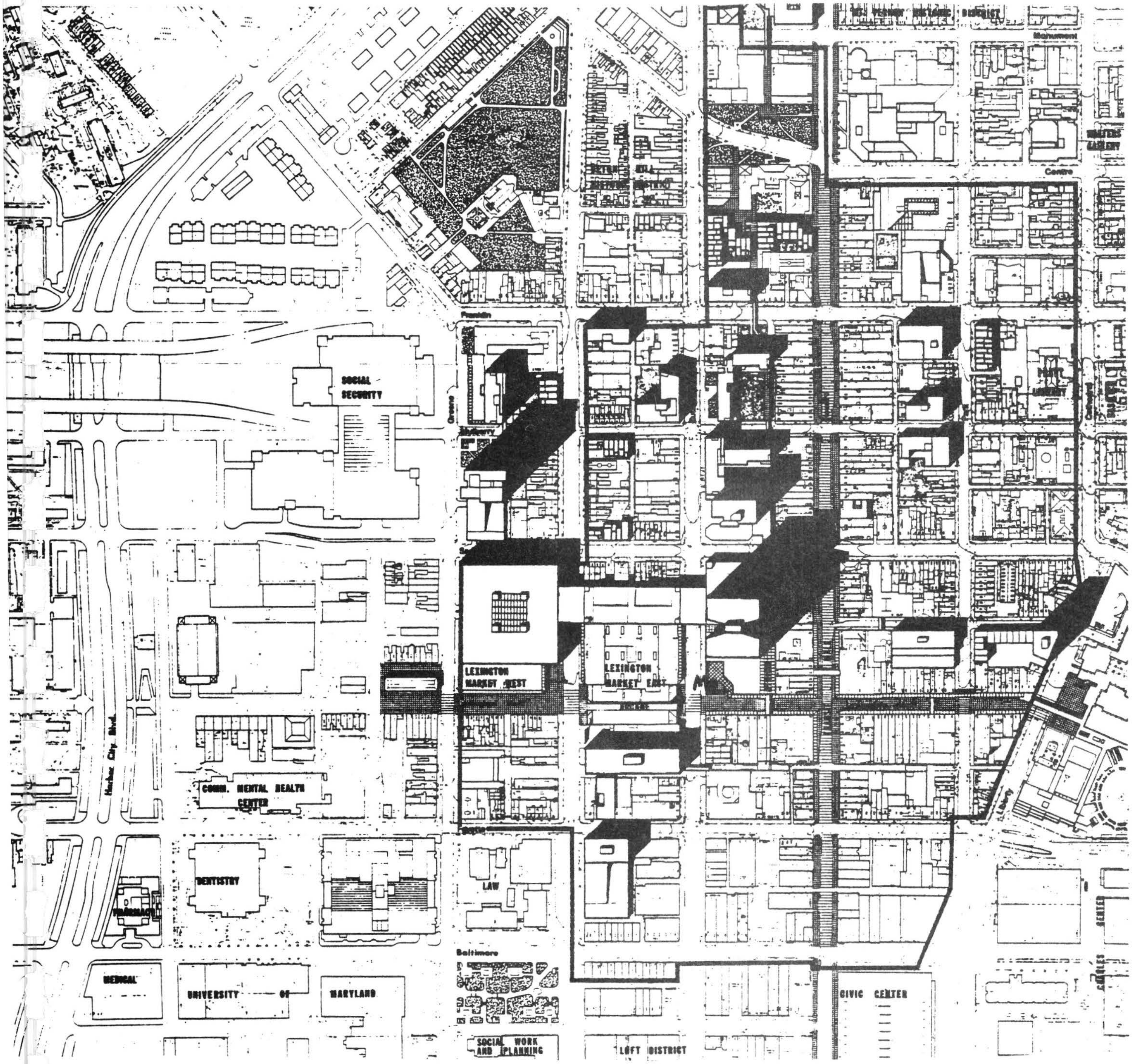
Transit Access

The project site is well served by an extensive network of bus lines operated by the MTA. Twenty-one of the region's 35 routes pass by the project block or within two blocks of it. A 1975 analysis conducted by the Maryland State Department of Transportation indicated that fully 90% of the system's daily ridership, which at the time was approximately 300,000, passed through this area. On the eastern edge of the project site, Howard Street is one of the city's major bus routes and within the next few years, the city hopes to transform a two-block portion of the street into a transit mall.

Important as the bus access is, the key transportation facility that made possible the joint development project is the Lexington Market Metro station. The station will open in 1983 when the first segment of the regional rapid transit system begins revenue service. Initially, the Metro will run from the extreme northwest corner of the city to Charles Center, the heart of the central business district. The MTA projects that 83,000 people will use the system on an average weekday, and it estimated, prior to knowledge of the joint development proposal, that 9,400 persons would use the Lexington Market Station during both the morning and evening peak travel periods. Although it ultimately may have four public entrances, the Lexington Market Station will open with two--a northeast and a southeast entrance, the latter to be incorporated into the joint development project.

Figure 3

RETAIL DISTRICT RENEWAL AREA



Source: Market Center Development Corporation.

COMPONENTS OF THE PROJECT

Planning Concept

The impetus for the joint development project comes from the construction of a Metro station across from the famous Lexington Market. The market, shown in Figure 3, is the oldest publicly owned market in the country. For generations, Baltimoreans and tourists have frequented the one-story market to buy fresh produce, meats, and seafood from the many independent merchants who operate stalls there. Although two major department stores, located one block east, have closed and two have reduced their retail floor space, the Lexington Market has expanded and has continued to attract customers from all parts of the metropolitan area.

With the added accessibility provided by Metro, planners saw the opportunity to redevelop the block southeast of the station and to use the market as a focal point for the rejuvenation of that section of the Retail District Urban Renewal Area. Planners were optimistic that the market and the subway station would be strong enough attractions to generate a market for new office development, to encourage the retention and improvement of existing retail uses, and to provide the setting for new residential development northwest of the station. Although the demand for new construction was very uncertain, planners proposed that new office development would provide an influx of pedestrian activity needed to support the retail stores and the market, and that the market would be an attraction for office workers and a positive locational symbol that would be helpful in renting the new office buildings.

Initially, planners recommended the wholesale clearance and redevelopment of the blocks surrounding the market and the joint development project. These blocks contained many small, retail establishments--some serving the downtown population and some providing specialty products to customers from all over the city. The retailers, many of whom had been in business for fifty years or more, objected strenuously to the idea of clearance, saying that they had survived the decline of the area during the 1960s and 1970s and deserved the opportunity to benefit from the accessibility of Metro and the public investment in the expanded Lexington market and the joint development block. As a result of their opposition, the plan was changed, and the city adopted a policy of minimal clearance. A goal of the renewal plan became the upgrading of exteriors of the existing buildings in the area, especially those along Howard and Lexington streets, the principal retail corridor in downtown Baltimore.

Basis for the Project Design

The design for the joint development block was influenced by many factors--some of which were controversial. The following are among the most significant:

- The city wanted to promote street-level retail uses on Lexington Street west of Howard Street, creating an extension of the successful Lexington Street Retail Mall. The mall would end at the Lexington Market. To achieve this, the joint development plan proposed retail uses along the northside of Lexington Street and the construction of a sunlite atrium and shopping arcade to connect Lexington Street to

Howard Street. The atrium was conceived as an exciting and functional design feature that would attract pedestrians, provide an attractive setting for retail uses, and provide internal circulation.

- Another objective was to encourage office development in the joint development block in order to increase the daytime population and pedestrian activity, which would in turn support additional retail floor space and upgrade the area's quality of development.

- The plan had to accommodate the required preservation of the Hutzler's Department Store Palace building and the facade of the main Hochschild-Kohn building. In the course of early planning for the joint development project, the Palace was determined to be eligible for listing in the National Register of Historic Places. The Hochschild's building at the corner of Howard and Lexington Streets was designated "locally significant." Much controversy centered around these preservation decisions. The planning process was delayed two years while architectural studies were made and experts and local citizens haggled over the merits of the buildings.

- The exact location of the Lexington and Eutaw Streets Metro entrance was a major project design consideration. In the original joint development plan, the Metro entrance was located in the middle of Lexington Street in front of the market. As planning proceeded, some local officials became convinced that it would be preferable to move the entrance out of the Lexington Street Mall and make it an integral part of the project block. Accordingly, the city requested that the MTA relocate the station entrance. The entrance, now completed, is several floors below street level, and it opens onto a large open plaza that occupies the southwest corner of the project block. Escalators connect the sunken plaza to the street-level. Now, those interested in the project's retail potential consider the relocation of the entrance in a sunken plaza a mistake, because it precludes street-level retail development on a corner that would have had maximum pedestrian activity. Planners believe the loss of the retail frontage can be compensated for in the design of the building proposed for Parcel I-B. They propose that a diagonal walkway and retail space be incorporated into the proposed office building, where it cuts across the corner of the site above the sunken terrace.

Private Investment in the Project and Surrounding Blocks

Within the project block, the Murdock Development Company, the designated developer, will invest over $100 million during the next ten years in the construction of office buildings, retail space, and parking facilities. The company is to construct 100,000 square feet of retail space, .5 to 1 million square of office space, and a 400-space parking garage on the development site.

Despite a major fire in February, 1983, that destroyed the Hochschild-Kohn building which was undergoing rehabilitation, the first phase of the project, the Atrium at Market Center, located in Parcel I-A, is underway. The developer has cleared the site of the debris left from the fire in preparation for construction of the Atrium complex that will include 115,000 square feet of office and approximately 25,000 square feet of retail space plus the atrium and the rehabilitated Hutzler's Palace Building. The complex is scheduled for completion in 1984.

The second site the Murdock Development Company plans to develop will be Parcel II. As shown in Figure 4, it is located south of the market outside the project block. The company plans to construct between 200,000 and 400,000 square feet of office space, a 200-space parking garage and street-level retail linked to the market. Murdock plans to develop parcel 1-B and I-C, in the project block, and parcels III and IV when the first two projects are completed or when the real estate market improves.

Other Private Investment

Since the Murdock Development Company's commitment to the joint development block, other significant private investments have been made in the area. The Hecht Department Store, located on Howard Street south of Lexington Street, has invested $3.5 million to rehabilitate the interior of its eight story building. The top three floors have been converted to office space.

The first floor of the long-vacant Stewart's Department Store, located on the northeast corner of Howard and Lexington Streets, has been renovated and the Lexington Street frontage rented to small retailers. The building owner is redesigning the interior to accommodate a mall and a group of small shops. The mall will connect with elevators to the office space on the upper floors.

Owners of 190 properties along Howard, Lexington and Saratoga Streets in the Retail District Urban Renewal Area, have been required to rehabilitate the facades of their properties. Over ninety percent have been completed. Rehabilitation of 340 properties in the remainder of the renewal area must be completed by July, 1984.

The Market Center Subway Station, constructed by the MTA, will open in late 1983. It is a two-level underground station located below Eutaw Street between Lexington and Saratoga Streets. Between 14,000 and 20,000 transit trips are expected to start and finish each day at the station.

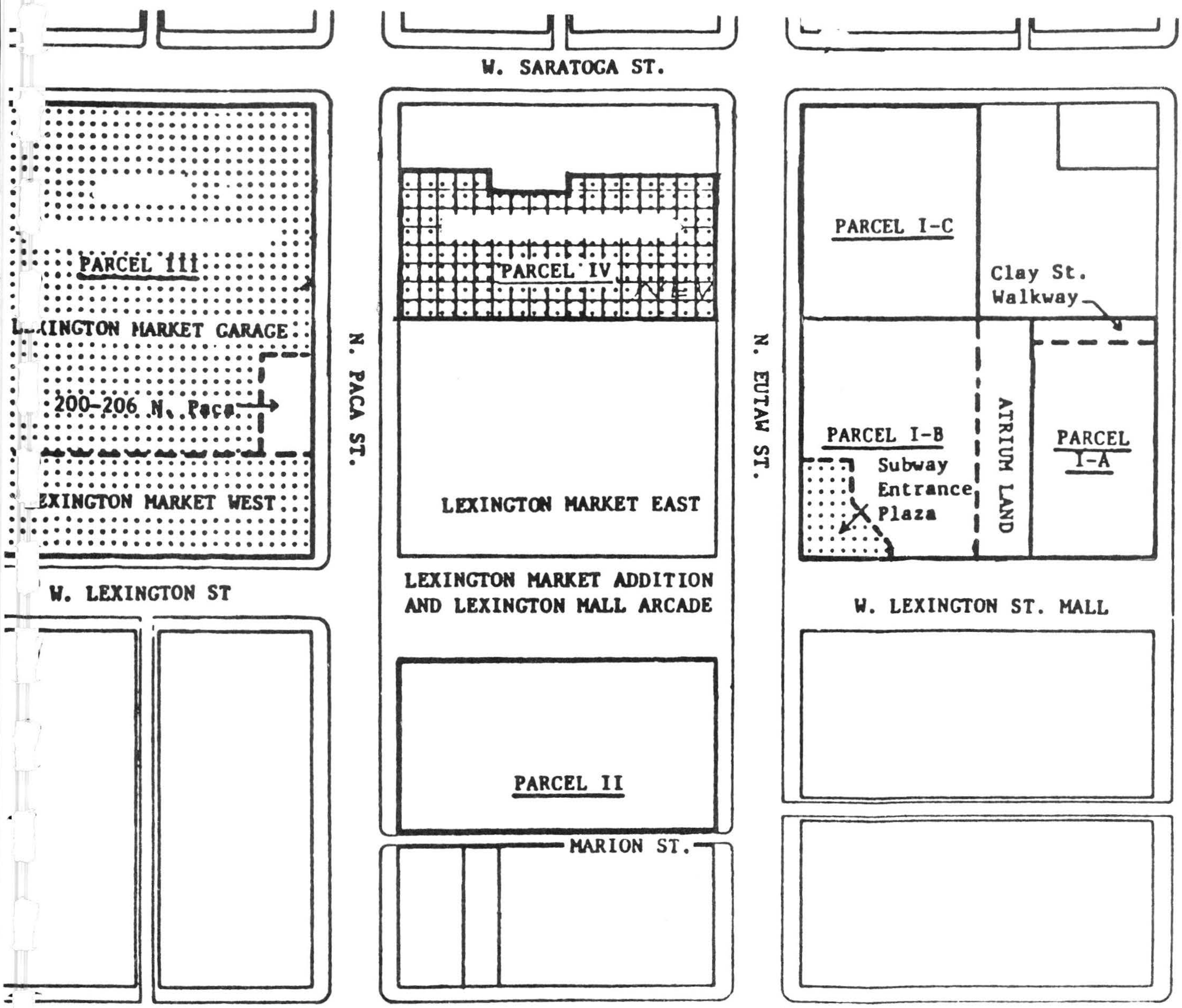
The Lexington Market underwent a $2.5 million renovation in 1981-82. Also, in 1982, the city opened a $6 million arcade addition on space created by closing Lexington Street between Eutaw and Paca Streets. The arcade accommodates 25 tenants. Funding came principally from an EDA grant, Community Development Block Grants, the sale of revenue bonds, and UMTA.

The Lexington Street Mall, a two-block pedestrian shopping area, is being extended across Howard Street up to the entrance of the Lexington Market arcade. The mall, which will form the southern boundary of the joint development site, will provide an attractive entrance to Metro and a mechanism for attracting shoppers. The brick pavers and plantings will be financed by a $1 million UMTA grant.

In close proximity to the Market Center project, the city has invested $250,000 in public improvements for Howard Street and the existing Lexington Street Mall. Design plans are underway to convert the two blocks of Howard

Figure 4

MURDOCK COMPANY'S DEVELOPMENT PROGRAM



Source: From information supplied by the Market Center Development Corporation.

Street that border the project into a transit mall and to upgrade ten or more blocks of Howard Street through utility and surface reconstruction.

THE JOINT DEVELOPMENT PROCESS

Role of the MCDC

The joint development process officially began in the fall of 1979, when the city received a $10 million grant from UMTA's Urban Initiatives Transit Development Program to foster public-private cooperation in the development of the Market Center Station. To administer the UMTA grant and to do the planning and manage the development, the Mayor and City Council created the Market Center Development Corporation (MCDC). The nonprofit corporation reports to the Commissioner of Housing and Community Development and serves as his specialized staff for this project. MCDC is also responsible for the administration, planning, and management of the 30-block Retail District Urban Renewal Area.

The first job of the MCDC staff was to prepare a project concept plan and review it with city officials, department heads, and a long list of business and community groups. Once the plan had the support of the city, business and other groups, MCDC began to search for developers interested in the project site. At least 150 developers looked at the plans, but none were interested. Despite the accessibility to Metro, the proximity to the his toric market, and the Urban Initiative grant, developers interested in working in Baltimore were attracted to opportunities in other highly publicized, growing areas, such as the Inner Harbor and Charles Center. They saw Market Center as a fading central city retail area, out of the flow of Baltimore's economic resurgence. The few available market studies were equivocal about the office market and showed retail demand stable but not necessarily growing. While the developers appreciated the value of the Lexington Market and the planned public improvements, they were reluctant to risk investing in this area of the city.

Enter Murdock Development Company

The future of Market Center improved dramatically in the winter of 1979 when city officials encouraged David Murdock, president of the Murdock Development Company, to take a look at Market Center. Murdock had come to Baltimore to investigate developing an Inner Harbor site, but it had already been committed. Although he was not familiar with the Lexington Market area, after he talked with MCDC staff, walked through the project, and ate lunch in the market, he became excited about the MCDC plan. He was impressed with the concept of using the Lexington Market as a focal point for the redevelopment of the project block and the other blocks bordering the market. He indicated a willingness to buy the surrounding blocks and even offered to buy the market from the city.

The city was delighted by Murdock's interest in the project. He had a reputation as a successful office developer, and he had amassed a personal fortune estimated to be over $400 million. He was the sole-owner of the Pacific Holding Company of Los Angeles, a large conglomerate that operates companies that produce a wide variety of products. The Murdock Development Company, the real estate branch of his company, had done successful office projects in Omaha, Akron, and the New York region.

Based on Murdock's expression of interest, the city, following normal procedures, advertised the Market Center project and requested proposals from developers. The Murdock Company submitted a brief, descriptive project proposal, including a statement of the company's ability to finance the project. The city was surprised when, a few hours before the deadline, it received a second proposal. In many respects the two were similar, but the second proposal was from a large, midwest shopping center developer, and it included significantly more retail space. Although the prospect of additional retail development was very attractive, the city selected the Murdock Company. Three factors influenced the decision. First, the Murdock Company required only those public improvements, the market expansion and the Lexington mall construction, the city had already programmed, whereas the other developer required a UDAG grant, as well as other bonuses. Second, since the company was owned solely by David Murdock, it had access to an almost unlimited line of credit, an important consideration for a project that involved substantial risk. Third, the MCDC staff was impressed with the whole-hearted commitment and enthusiasm Murdock had shown for the project.

Developing the Disposition Agreement

In November 1980, the city and the Murdock Company representatives began to negotiate the disposition agreement. This process took over a year to complete. Based on the successful outcome of other public private development projects in Baltimore, city officials wanted the agreement to be as detailed and precise as possible. The objective was to work out potential problems at this stage and to set forth very clearly what was expected from both parties. The city hired a private attorney who specialized in real estate development as a negotiator because the city attorney did not have the expertise nor the time to devote to such a complex deal. Two high level staff members represented Murdock's interests, but they often referred to the Los Angeles headquarters for final decisions.

The 162-page agreement includes such details as specifications for pavement widths and facade treatments. On the other hand, because reliable office and retail market information was not available, the city and Murdock agreed on a minimum and maximum amount of development for each parcel.

The following summarizes some of the major provisions of the agreement.

- From the time the agreement was signed in 1981, Murdock has a 12-year option to buy Parcels I-A, I-B, and I-C at a flat price of $20 per square foot.

- The agreement requires Murdock to construct at least the minimum but not more than the maximum land uses described in Table 1.

- The City agreed to clear the land and make some utility improvements.

- The agreement requires Murdock to remain the principal developer and to manage the project for at least 12 years. He may enter into joint

Table 1

LAND USE REQUIREMENTS OF
MARKET CENTER JOINT DEVELOPMENT PROJECT

PARCEL TO BE DEVELOPED	PERMITTED USES	REQUIRED USES	MAXIMUM DEVELOPMENT
IA	Retail shopping; Retail commercial; Office; Public facilities; Residential	Clay Street Walkway; Retail shopping and retail commercial consisting of an allocated portion of 100,000 square feet of net leaseable retail floor area required in the aggregate on Parcels IA, IB and IC, to be allocated among the Parcels with submission of Plans to Department (See Section 2.10); Covered IA Walkway.	Allocated portic [illegible] c 380,000 square [illegible]eet of net leaseable retail floor are[illegible] i the aggregate on Parcels IA, IB, and IC; allocated p[illegible]-tion of 450 res[illegible]n-tial units in the aggregate on Par[illegible]l IA, IB and IC.
IB	Office; Retail shopping; Retail commercial; Hotel; Public facilities; Residential	Atrium (See Section 2.3(b)(ii)); Office: 250,000 square feet of gross floor area; Retail shopping and retail commercial consisting of an allocated portion of 100,000 square feet of net leaseable retail floor area required in the aggregate on Parcels IA, IB and IC, to be allocated with submission of plans to Department (See Section 2.10); Enclosed IB Walkway; Covered IB Walkway	Allocated portic [illegible] c 1,000,000 square [illegible]e of gross office fl[illegible] area in the agg[illegible]a on Parcels IB an[illegible] allocated portion [illegible] 450 residential [illegible] in the aggregate [illegible] Parcels IA, IB a[illegible] IC; allocated po[illegible]-tion of 380,000 square feet of n[illegible] leaseable retail floor area in t[illegible] aggregate on Par[illegible]l IA, IB and IC.

Table 1 (Continued)

PARCEL TO BE DEVELOPED	PERMITTED USES	REQUIRED USES	MAXIMUM DEVELOPMENT
II	Office; Parking Garage; Retail shopping; Retail commercial; Public facilities	Retail shopping and retail commercial (See Section 2.3(c)(i)); Office: 200,000 square feet of gross office floor area; Service area for Lexington Market Addition and Lexington Market (See Section 2.3(c)(ii)); Parking garage: 200 spaces	Office: 400,000 square feet of gross office floor area (exclusive of Lexington Market Service Area on Parcel II)
III	Office; Retail commercial; Public facilities	Office and retail commercial: 300,000 square feet of gross floor area in the aggregate	Office and retail commercial: 1,000,000 square feet of gross floor area in the aggregate on Parcel III
IV	Parking Garage; Public facilities and parking decks over Eutaw and Paca Streets	Parking Garage: 500 spaces; Elevated Pedestrian Walkways between Parcels IV and III and between Parcels IV and IC	

Source: Disposition and Development Agreement between David H. Murdock Development Company and the Mayor and City Council of Baltimore.

ventures with other developers as long as he remains responsible for the project.

- The agreement stipulated that Murdock preserve Hutzler's Palace Building and retain the Hochschild-Kohn building facade and incorporate the rehabilitated structure into the project.

- The agreement called for the development of Parcel I-A first, followed by the construction of an office building on Parcel II, Parcel I-B or any other parcel in the overall project where there was a lease or lease commitment for 300,000 square feet of space.

- The timetable, built into the agreement, was tied to the completion of various segments of the project.

- The city agreed to rehabilitate and expand the Lexington Market and to construct the Lexington Street Mall extension.

Although the price of the land, the required land uses, specific design features, and scheduling were subject to intense negotiations, the provisions that took the most time to resolve were provisions dealing with ownership in case of Murdock's death and guarantees that he would remain the principal developer. Since David Murdock was the sole owner of the company, the city was concerned about the outcome of the project if he died. Also, the city wanted specific assurances included in the agreement that Murdock would not transfer the property without the city's approval.

Despite its specificity on some issues, the agreement has flexibility because the market was uncertain and because many of the provisions dealing with physical improvements were dependent on completion of other projects, located outside the joint development block, such as elevated walkways and parking garages.

CURRENT STATUS OF THE PROJECT

Preparations are underway for the development of the Atrium at Market Center on Parcel I-A. The 115,000 square foot office and retail complex is expected to open in the spring of 1984. The developer is behind his expected timetable for the overall project. He underestimated the time required to hire local engineers and architects and to do the necessary studies required for a project of this scale and complexity. Also, the Hochschild-Kohn fire delayed progress on the Atrium. In addition to preserving the facade, Murdock had planned to rehabilitate the original structure and integrate it into the new complex. The fire precluded this, and currently the developer is demolishing and clearing the remains of the building--a step that had not been anticipated. Because of the fire, the developer lost a 25% investment tax credit to be granted for preserving the building's exterior.

The remaining parcels I-B and I-C on the joint development block will be developed after the completion of Parcel I-A. MCDC is developing ideas for interim uses for Parcels I-B and I-C. Concerned about the depressing aspect of a vacant lot or unimproved surface parking lots, MCDC would like to place a public attraction or create an activity center on at least part of the undeveloped parcels.

According to Murdock's plan, he will develop Parcel II, the site south of the Lexington Market, next. The project will include an office building with retail uses and a 200-space parking garage.

PROJECT STRENGTHS AND WEAKNESSES

The Role of the Murdock Development Company

The unusual characteristics of the Murdock Development Company set this project apart from most joint development projects. First, it is very unusual for one developer to undertake a redevelopment project of this size and complexity. Normally, developers proceed cautiously in a market where demand is uncertain and commit themselves to one project at a time. The MCDC was surprised but very pleased to find one developer with the financial capability and the courage to take on the joint development block as well as initiate other projects in the area. The Murdock Company could attempt a development project of this scope because the immense resources of the parent holding company made it substantially immune to the problems most developers have arranging long term financing and the need to generate revenue from a project quickly. Second, the Murdock Company required less in the way of public contribution than many developers would have demanded. Although it can be argued that having the option to acquire the joint development block parcels for a flat $20 a square foot was a good deal, it was the only major incentive the company required in addition to the Market and Lexington Mall improvements, which had been programmed by the city.

Third, the Murdock Company may be able to make their project successful while other less visionary and less well-financed developers might have failed. Because of the vast resources available to it, the Murdock Company can acquire and invest in the redevelopment of multiple parcels in the project area, creating a synergistic situation where each element of the investment program enhances the other's potential for success. In other words, the company has the ability to create its own market demand. The office development will increase pedestrian activity, which in turn will help boost retail sales and improve the ambiance of the area and the real estate market for more office development. The commitment of the Murdock Company has already had a favorable impact on private investment in the retail district. Boosted by Murdock's involvement, the Hecht Company and the owners of the Stewarts Building have made substantial investments in rehabilitating their buildings.

Another feature that distinguishes this project is its use of an historic public market as a focal point for an office redevelopment project. Although successful projects in Boston and New York have centered around historic areas, this is a departure from the recent successful redevelopment pattern in Baltimore. Charles Center and the Inner Harbor were clearance projects.

Other Strengths

The support of city officials has been a very positive factor for the Market Center Redevelopment project, as well as other redevelopment projects in Baltimore. The Commissioner of Housing and Community Development and the Mayor actively promote redevelopment and meet with all developers seriously interested in Baltimore projects. When Murdock could not get the site in the Inner Harbor he wanted, the Commissioner referred him to Market Center. City officials made it clear they wanted to work with him and would help him. Officials suggested they would try to get a UDAG grant approved for the project, if he needed it. Although the city was enthusiastic about attracting developers, when it came time to negotiate the final disposition agreement, the city hired a private attorney who specialized in development and real estate law to head the negotiating team. The attorney's knowledge and experience in city redevelopment was a key to a balanced deal.

The MCDC has played a constructive and important role in the progress of Market Center. Set up in 1979, the nonprofit city corporation has responsibility to plan and manage the development. The corporation reports directly to the Commissioner of Housing and Community Development and in effect serves as his specialized staff or extension of his department. The quasipublic development corporation has organizational advantages for the city and the developer. The corporation helps cut through the bureaucracy for the developer. The developer can deal almost exclusively with the MCDC, and the corporation handles many negotiations with the city departments. Second, MCDC has a highly qualified staff with the necessary expertise in real estate development, architecture and design, and project management. The value of this cannot be underestimated. Third, the corporation provides continuity for the project. It has been an active participant in all the project phases, including searching for a developer and participating in the negotiation process. Although the corporation represents the interests of the city, it is also keenly aware of the factors and considerations that affect private developers' decisions.

In addition to managing the urban renewal plan and the capital improvements in the area, MCDC maintains continuous contact with area merchants and property owners through meetings and a newsletter. The fact that the MCDC can use its urban renewal authority to require private improvements in the neighborhood and to make additional parcels available to the Murdock Company for redevelopment has been an advantage.

The Murdock Company's commitment to remain the principal developer is another important strength of the project. In such a complex and multistaged project, it is desirable to have financial and management responsibility centralized, with one developer in charge of all aspects of the project. This is particularly true when the developer can finance much of the project, if the need arises.

APPENDIX B

DENVER CIVIC CENTER TRANSIT TERMINAL JOINT DEVELOPMENT PROJECT CASE STUDY DENVER, COLORADO

PROJECT DESCRIPTION

The Denver Regional Transportation District (RTD) is constructing the Civic Center terminal, a new express bus facility, at the southern end of the 14-block Denver Transitway Mall (see Figure 1). The RTD has leased air rights above the terminal to a private developer, the J.W. Galbreath Company of Columbus, Ohio, which is constructing a 600,000 square foot commercial office building. The lease agreement guarantees the RTD an estimated $55 million in revenue over a 15-year period. At the end of 65 years, the RTD will own the building.

A $765,000 grant from the Urban Mass Transportation Administration (UMTA) Urban Initiative Program financed the incorporation of the foundation support for the office building into the construction of the transit terminal.

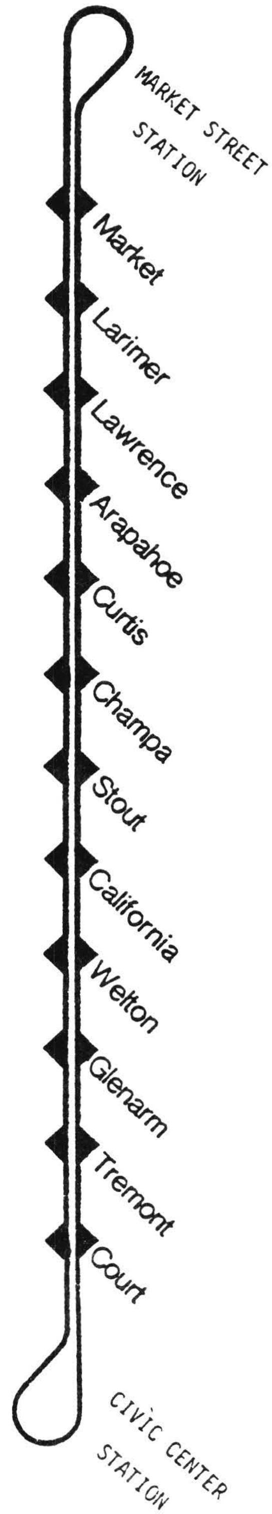
IMPETUS FOR THE PROJECT

The impetus for the Civic Center Terminal joint development project was the need for a new downtown transit terminal and the RTD's desire to generate revenue from its real estate holdings. The RTD became interested in joint development and other value capture techniques as early as in 1975, when it was preparing an application for Federal assistance to construct a regional subway system. The District convened a blue ribbon panel of local officials and businessmen to study the value capture concept and how it could be applied by the RTD to help finance the subway system. The RTD hoped UMTA would respond favorably to a proposal that sought to minimize the need for Federal operating assistance by tapping new, local sources of revenue. The panel investigated the potential for selling or leasing excess property as well as air rights. At about the same time value capture was being discussed, the RTD bought the downtown block located at 16th and Broadway Streets, now the site of the joint development project. The property was available, and the RTD considered it an ideal location for a new regional bus terminal that would be needed whether the subway was built or not. The RTD paid $2.6 million for the lot.

In 1976, UMTA rejected Denver's application for funds, and the RTD abandoned the subway program and joined with Downtown Denver, Inc. and the City and County of Denver in support of a proposal for a downtown transit-mall. Proposed in the early 1970s as a means of reducing mounting downtown congestion, the mall idea had been sidelined until a decision was made on the subway. The concept of the mall included transforming 14 blocks of 16th Street, Denver's main shopping street, into a pedestrian mall. RTD shuttles would carry passengers to and from transit terminals located at each end of the mall. Express buses would bring passengers to the terminals, where they

Figure 1

DENVER TRANSITWAY MALL



Source: The Regional Transportation District.

would transfer to the mall shuttles. By intercepting express buses at the edges of the retail-office core, downtown and crosstown traffic congestion could be reduced. Since commuter buses would not traverse the most congested part of downtown, they could get in and out of the city much faster, enabling them to make more trips during rush hour.

The RTD, using UMTA funds, financed the urban design and traffic engineering studies for the transit mall. While the studies were underway during 1977, an interagency task force was formed, comprised of representatives of the Denver Planning Office, Denver Department of Public Works, Denver Division of Traffic Engineering, the Colorado Department of Highways, and the RTD. The group developed planning policy for the mall and plans for the necessary street changes to accommodate the closing of 16th Street. In 1978, the mall plan was completed, and a city charter amendment was passed that provided for the establishment of a special maintenance district requiring downtown property owners to pay for annual maintenance costs of the mall project during its first ten operating years.

The construction of the transit mall began in July 1979, and the completed mall opened in 1982. The $57 million project was partially financed by UMTA grants.

In 1978, in conformance with the transit mall plan for the construction of two express bus terminals, the RTD prepared plans for a terminal on the block it had acquired at 16th Street and Broadway, across from the Civic Center. Its potential as a joint development site was confirmed when engineering studies showed the terminal facilities could be accommodated in a two-level structure on the southern portion of the block. The RTD saw the opportunity to develop the space above the terminal and participate in the strong downtown real estate market.

COMPONENTS OF THE JOINT DEVELOPMENT PROJECT

This successful joint development project has two principal components, the terminal and the 22-story office building being constructed above it. The following summarizes the design and function of each.

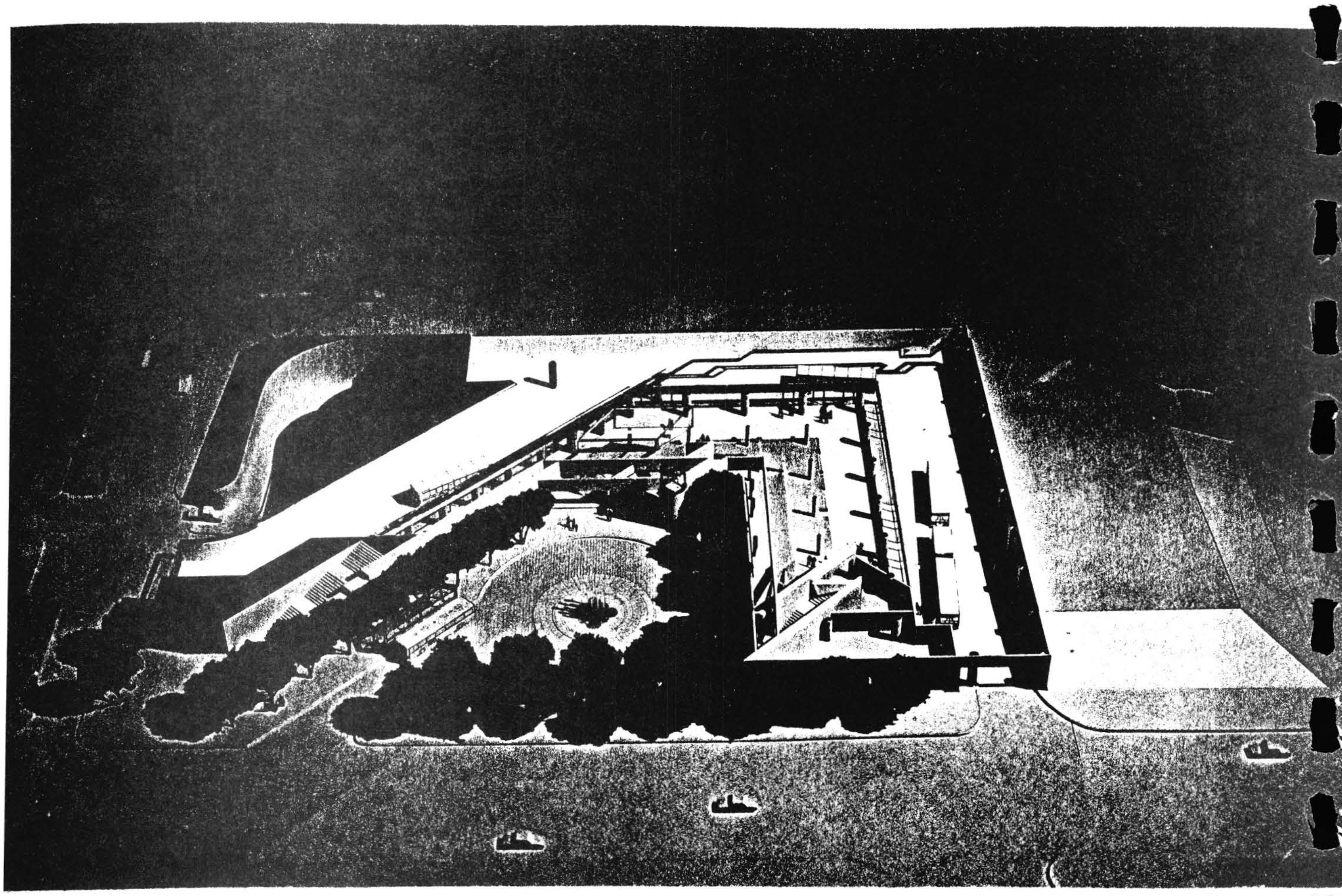
The Terminal and Transit mall

The Civic Center Terminal, scheduled to open in the spring of 1984, will have two levels. Since the project block slopes down from the north to south, most of the terminal functions will take place on the Broadway Street level, as shown in Figure 2. This is the transfer area, where riders get off the express buses and board the mall shuttle buses. This level accommodates nine bus berths, ticket booths, a waiting area, and 5,000 square feet for retail uses. The upper level, on Lincoln Street, is primarily a landscaped plaza area serving as an extension of the transit mall and an entrance for the office building. There is a below ground 240-space parking garage. One hundred spaces are reserved for the office building tenants.

The structural supports necessary for the office tower have been incorporated into the design and construction of the terminal. The terminal is estimated to cost $21.5 of which $3.9 is for the additional structural reinforcement.

Figure 2

THE CIVIC CENTER TRANSFER TERMINAL



Source: The Regional Transportation District.

The mile-long transit mall has been in operation since 1982, and the Market Street terminal, located at the mall's northern end, opened in March 1983. Express buses coming from north and west of the city use this facility. The RTD operates 19 shuttle vehicles on the mall. They run at one minute intervals during rush hours.

The Hamilton Oil Building

The 600,000 square foot office building, known as the Hamilton Oil Building, has its main entrance on the Lincoln Street and occupies the northern half of the project block. On the first floor, approximately 10,000 square feet has been reserved for retail uses. As shown in Figure 3, the building is designed in tiers with the highest tier, 22 stories, on the north side and the two lower tiers, 13 and 11 stories, on the south side. This design was required to prevent the office building from interfering with the view of the Capitol Building from the mall. Denver has a scenic easement requiring preservation of the view.

The initial plan for the project block was to construct two towers, an office building on the north and a hotel to the south. Although the southern site has not been scheduled for development, the RTD included the structural reinforcement necessary to support both structures in the construction of the Civic Center terminal.

THE JOINT DEVELOPMENT PROCESS

Selecting the Developer

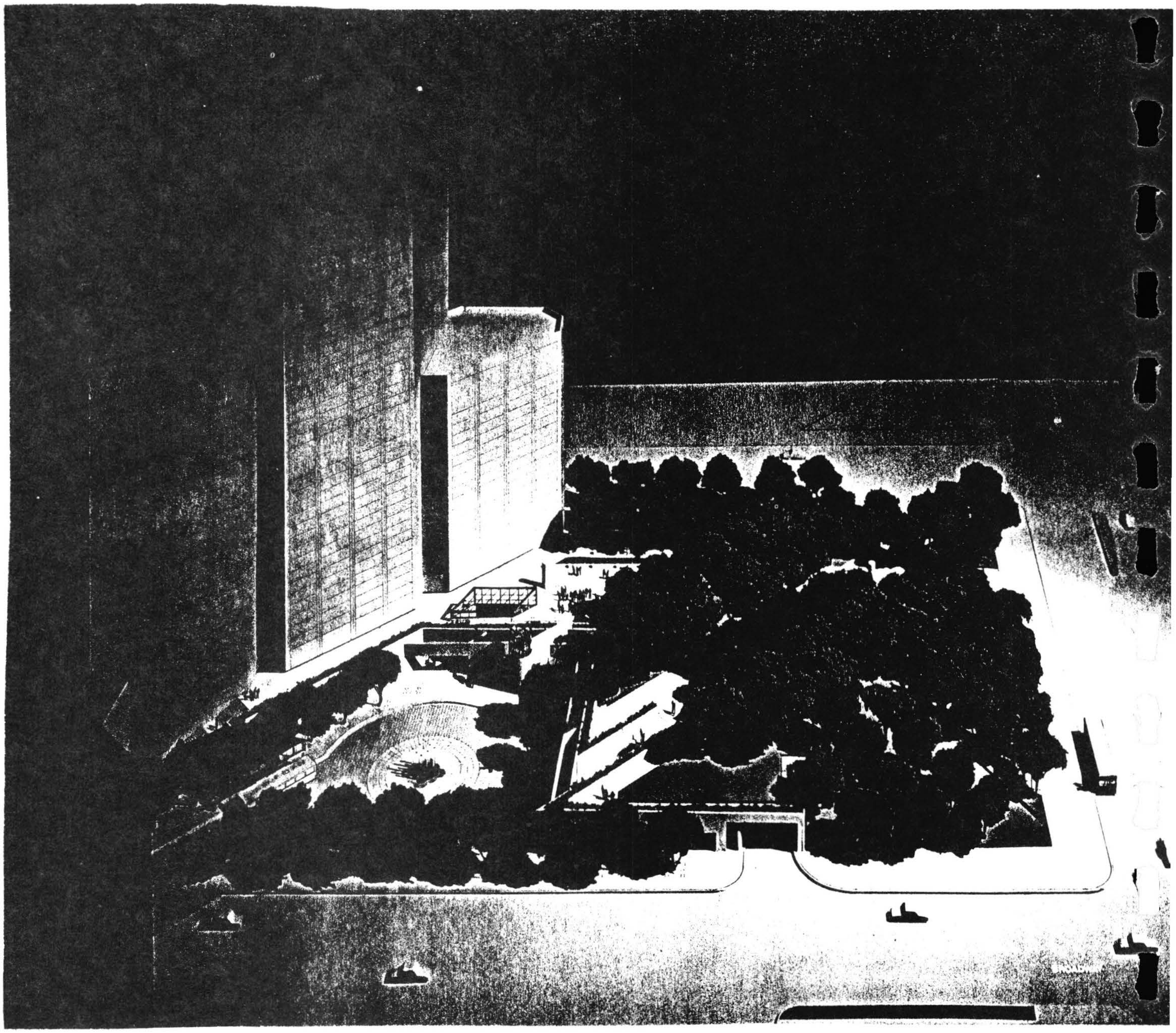
In 1978, the RTD sent out a request for proposals for the development of the air rights above the Civic Center terminal to over 100 developers. The request included a description of the site, the location and functions of the terminal, the zoning and height restrictions, and suggested uses for the air rights, including an office building and a hotel. The RTD stated in the request that it was interested in leasing air rights and that it wanted to participate in the long-term profits of the venture. Although the RTD had not done any formal market studies for these block, the blue ribbon committee that investigated value capture established that there was a strong market, particularly for office space, in this area of downtown Denver.

Although the RTD received some responses from developers, it was disappointed that so few saw the benefits of integrating a private development into the terminal facility and the transit mall. Some developers even stated that the location above the bus terminal was not an advantage and that the proximity to the terminal was a deficit to the development of the site.

Not satisfied with the results of the initial search, the RTD began a second, more intensive search for developers, particularly for those who had experience in joint development. This time the RTD received a better response, and the staff narrowed the field down to six potential developers. Of these, the District ranked Galbreath first and gave it the status of the preferred developer. The Galbreath proposal offered the best financial deal for the RTD, and Galbreath had a reputation for having participated success-

Figure 3

THE CIVIC CENTER TRANSFER FACILITY
AND AIR RIGHTS BUILDING



Source: The Regional Transportation District.

fully in other public-private ventures. As the preferred developer, Galbreath had the exclusive right for 90 days to negotiate with RTD over the specific terms of a lease agreement.

The Negotiation Process

The negotiations between the RTD and Galbreath that were expected to take 90 days lasted almost eighteen months. Several factors extended the negotiation process. First, although RTD staff was knowledgeable about and committed to the idea of joint development, they had no experience in real estate projects and were cautious about negotiating with Galbreath, an experienced developer who had participated in other joint venture projects. RTD's inexperience was complicated by the fact that it had a series of top-level staff changes during negotiations. The executive director, who initiated the project, left for a new job in July, 1979. The new executive director worked on the agreement with Galbreath during the rest of 1979, but he left the RTD in 1980. Needless to say, these changes set back negotiations.

Despite the executive director turnover, the RTD was not without an able negotiating team. It had an in-house legal staff capable of handling the legal aspects of the negotiations and the services of a consulting economist who specialized in real estate and market studies. The RTD staff found the economist's advice valuable. He was familiar with the real estate market in Denver and could evaluate the economic impact of proposed financial provisions of the agreement, advising the RTD on what were reasonable demands to impose on the developer and what payback the RTD could realistically expect from Galbreath.

During the negotiation process, the scope of the project changed. At RTD's request, Galbreath's proposal included the construction of two buildings above the terminal. This plan fell through when Galbreath could not arrange financing for the construction of a proposed hotel on the south section of the site. Height restrictions to preserve the Capitol view limited the height of any proposed structure, which reduced the marketability of the site.

Contents of the Lease Agreement

From the outset, the RTD's prime objectives were to generate revenue from the air rights development and increase ridership. The office market was strong, and the RTD, confident of the value of the location, wanted to end up with a financial package that would be advantageous over the long term. Based on the final agreement, signed in 1983, the RTD expects to receive an estimated $55 million in revenue from the project over a 15-year period. The revenue package has two principal parts, a guaranteed flat annual payment, plus a share in the building's profits. The profit sharing will vary depending on the building's success, but the RTD anticipates that its share of the profits will provide the RTD with a substantial annual income. For example, between 1986 - 1990, the building is expected to generate $3.1 million a year for the RTD.

The following summarizes the main financial provisions of the lease agreement:

- Galbreath agreed to lease the air rights above the terminal for $400,000 per year. Galbreath agreed to pay $100,000 a year during the construction phase.

- Galbreath agreed to be responsible for the construction and management of the office building.

- Galbreath agreed to pay the RTD 38% of all building profits after it deducted 13.5% to cover the return on its cash investment.

- At the end of 65 years, the RTD will own the building.

- The RTD agreed to incorporate foundation support for the office tower in the terminal building.

In addition, the lease agreement contained provisions relating to scheduling of construction, responsibility for the extension of utilities, and the use of the underground parking facilities.

The agreement has been successful in anticipating most problems and providing for methods of handling them. As proof of the effectiveness of the document, construction is on schedule.

Basis for the Financial Provisions of the Lease

The 15-year guaranteed lease payment was calculated to cover the $2.6 million RTD paid for the site, plus the $3.9 million the RTD invested in structural reinforcements in the terminal.

After lengthy negotiations, the RTD and Galbreath agreed that RTD's share in the profits of the building would be based on the building's net income, which is the revenue from rents, minus a 13.5% return on the developer investment in the project. (Galbreath initially insisted on a 15.5% return.) The use of the net income figure was controversial. Some citizens argued that this allows the developer to manipulate operating expenses so that its net income and, thus, lease payments can be minimized. RTD argued that the lease agreement provides RTD with substantial control over the building's operating expenses. According to the agreement, the tenant would be in default of the lease if he did not lease the office space for its fair market value and operate the building in a business-like manner with the purpose of maximizing cash flow. In addition, the lease requires that the level of of all expenses incurred in operating, managing, and leasing the building shall be reasonable when compared to that experienced by comparable building operationss in the central business district of Denver. Also, RTD has the right to investigate and audit the records of the tenant at any time.

The following table illustrates the income projections for the RTD from the project. The RTD expects to receive a 25% return on its investment during the building's first full year of operation and to recoup its total investment between the fourth and fifth year. However, this projection assumes that the building can increase its net income by at least 6% annually.

Table 1

RTD INCOME PROJECTIONS FROM OFFICE BUILDING

Year	Income Per Year
1985	$1.6 million
1986-1990	3.1 million
1991-1995	5.1 milliion
1996-2000	7.6 million

Source: Rice Center, A Guide to Innovative Financing Mechanisms For Mass Transportation.

Players In The Process

Unlike most joint-development projects, the Denver project involved only two principal players, the developer and the RTD. No other local or State agency has played a major role. The RTD bought the land, sought out developers, managed the negotiations, and designed and built the transit terminal. City officials and departments did not oppose the project, but they did not make any effort to encourage or smooth the way for the joint venture. Galbreath did not make special requests in the way of zoning changes or financial participation from the city that would have required its active participation.

Having only two principal players simplified the development process and avoided the coordination problems other joint development projects have had when multiple agencies and developers have participated in a project.

Public Participation In The Process

Although the city did not have any direct financial involvement in the venture, the RTD had discussed it fully with city officials and departments. During the planning phase, the press and the public were informed about the project, but they showed little interest in it. However, when negotiations began with the developer, the public became very interested and involved. The press and local leaders expressed concern about the propriety of a public transit agency becoming involved in entrepreneurial activities. They wanted detailed information on and questioned the merits of lease provisions that were under negotiation. Public controversy arose over the provision to allow Galbreath to deduct a guaranteed percentage of the building's profits to cover interest on its investment. The intense public scrutiny made negotiations with Galbreath more difficult than anticipated. A local group went to court to require the RTD to make public the market projections it was using as the basis for negotiations. The court eventually required the disclosure, but by that time, the negotiating issue had been resolved.

Future of The Project

The construction of the Civic Center terminal and the Galbreath office building is on schedule, and both are expected to open in the spring of 1984.

The office building has at least one major tenant, the Hamilton Oil Company, that is participating in its financing. Although the demand for office space has weakened somewhat since 1979 when the project was started, planners expect that by 1984 the demand will have strengthened.

The south site on the project block remains undeveloped. Galbreath has a 90-day option to submit a development plan to RTD before it can select another developer.

PROJECT STRENGTHS

After a lengthy and sometimes difficult negotiation period, the RTD has parlayed a $6.5 million investment in a new transit terminal into a long-term share in a major downtown office complex that is expected to pay the RTD $55 million over the next 15 years. The potential to develop the other half of the project still exists. Undoubtedly, the strength of the office market in Denver and the construction of the transit mall have contributed to the success of the project.

In an inflationary period, it is to the RTD's credit that it negotiated a long-term profit sharing commitment from the developer. Although the base used for the profit sharing was an issue, it is important that the RTD revenues will increase as the building generates more income. However, the risk exists that revenue will fall below projections if there is an unexpected drop in demand for office space.

The RTD broke new ground in Denver. It pursued the joint development idea and successfully negotiated an agreement with a major private developer without the participation of other local agencies in the funding or packaging of the deal.

SOME OF THE LESSONS LEARNED

There is no substitute for experience. The RTD officials are confident that the experience they have gained from this first joint development venture will be invaluable in planning and negotiating future projects. This was the RTD's first venture into the complex area of real estate and finance, and it had few guides. Although no major changes have been made in the agreement, and RTD officials think it is working well, they believe it could have been more specific in some areas and anticipated some types of problems that have come up. For example, the agreement requires the RTD to provide utilities to the development, but the RTD and the developer differ on exactly where on the site the RTD's responsibility ends. Since the issue involves $200,000 in utility construction costs, it is a significant issue for both parties. Also, the RTD believes the lease agreement could have been more specific on who pays the difference between estimated and actual costs when the higher actual costs are due to project delays. In future air right lease agreements, the RTD will pay more attention to worker safety provisions and the type of liability insurance held by the air rights builder. Safety became an issue because the emloyees of the air rights contractor consistently worked above the employees of the terminal contractor. The two contractors have avoided problems by adjusting the work schedules.

The RTD staff is strongly convinced that if it undertakes more joint ventures, it must educate the public and sell the project to the community leaders and the press early in the process in order to avoid the harrassments and delays that accompanied the Galbreath negotiations. The RTD believes it must convince the public of the legitimacy of its entrepreneurial role and also of the need for confidentiality during negotiations with prospective developers.

APPENDIX C

OVERTOWN TRANSIT REDEVELOPMENT AREA PROJECT
CASE STUDY
MIAMI, FLORIDA

PROJECT DESCRIPTION

The Overtown Transit Redevelopment Area plan calls for the revitalization of four blocks within one of Miami's oldest neighborhoods. The addition of two more blocks to the Redevelopment Area has been proposed. Once a vibrant and viable black community, Overtown is currently characterized by a rapidly declining residential population, deteriorating structures, a dwindling economic base, and a high percentage of land that is vacant or in marginal uses. The construction of the Overtown Metro Station, one of the 20 under construction as part of the Miami Metrorail System, is expected to stimulate new private investment in the area. The transit project is an important component of the city's efforts to redevelop the 16-block Southeast Overtown/West Park redevelopment area.

The four block transit area project, shown in Figure 1, is immediately west of the metro station. The redevelopment concept calls for high density mixed uses, including 200,000 square feet of new office space, 670,000 square feet of residential development, 60,000 square feet of retail construction, and a 150-room hotel. A market development opportunities analysis is underway to determine the optimum uses for the transit redevelopment area. The redevelopment is being aided by a $6.9 million Urban Initiatives grant from the Urban Mass Transportation Administration (UMTA). The successful redevelopment of these blocks is expected to provide an attractive and safe setting for the metro station and to stimulate investment in the neighboring blocks.

A goal of the Overtown Redevelopment project is to provide existing black property owners with an opportunity to participate in the potential benefits of the redevelopment process.

Although the Overtown Redevelopment Project is still in an initial phase, it has evolved as a distinct yet integral part of a comprehensive regional program, initiated by the City of Miami and the Dade County Transportation Administration (DCTA), to develop public and private property around the rapid rail stations. In addition, the city is hoping to capitalize on the accessibility of the area in order to help revitalize this central city neighborhood.

PROJECT BACKGROUND

<u>Overtown's History</u>

Overtown, one of the oldest neighborhoods in Miami, was developed in the 1890s by Henry Flagler, President of the Florida East Coast Railroad, to provide housing for black railroad employees. It grew into a thriving black community, famous as an entertainment center. Second Avenue, the neighborhood's main street, was known as "Little Broadway" because of its many theatres and nightclubs.

Figure 1

OVERTOWN STATION REDEVELOPMENT AREA

Source: Environmental Impact Statement. Prepared by the City of Miami and Dade County.

Overtown's population peaked in the mid-1960s at 40,000. Since then the neighborhood has declined as a residential and commercial center because of the combined impacts of unsuccessful urban renewal efforts, dispersion of the black community, and the division of the neighborhood by two major expressways--I-95 and I-395. By the end of the 1970s, Overtown had Miami's highest concentration of low income residents. Over 55 percent of the structures in the neighborhood were dilapidated, and 30 percent of the land was vacant. There was little or no private investment because of the blight and functional disuse of the area. In May 1980, Overtown was the site of a major civil disturbance as were many of the predominantly black neighborhoods in the northwest section of Dade County, including Miami.

Neighborhood Designated Redevelopment Area

During the 1970s city officials and Overtown residents, concerned about continuing deterioration of the neighborhood, began to organize and set the stage for revitalization. In 1979, the City of Miami designated Overtown as a Community Development Target Area and formed the Overtown Ad Hoc Planning Committee, a group of community residents, businessmen, and local officials interested in the renewal of the area. The goals of the committee included:

- Providing a unified, action-oriented guide for the revitalization of the area;
- Improving quality of housing, business opportunities, jobs and services available to area residents;
- Restoring the area as an historical focal point for Miami's black community;
- Serving as a marketing document to private investors and public officials; and
- Updating the 1971 Redevelopment Plan.

Overtown's Metrorail Station

The Dade County Transportation Administration (DCTA) became involved with the future of the neighborhood when Overtown was designated as a site for one of 20 rapid rail stations to be built along the 21-mile route. The first stage of the Metropolitan Dade County rapid transit system is under construction and scheduled for completion in late 1984.

From the outset, DCTA has been interested in encouraging new investment, including joint development ventures, around the rail stations. As part of the construction phase, DCTA has acquired more than $80 million worth of real property along the 21-mile alignment with the intent that after construction needs were met, some of the property could be used for joint development ventures. Where DCTA does not own adjoining property, it has prepared concept plans designed to guide property owners and local decisionmakers in the future use of the land.

In 1981, the DCTA became an active participant in Overtown's redevelopment when it received a $6.7 million Urban Initiatives grant to help finance property acquisition, clearance, and relocation in the four key blocks around Overtown station.

Market Potential of Overtown

Despite the depressed neighborhood economy and the blighted housing stock, both city and county planners believe Overtown has good potential for redevelopment because of its proximity to strong growth areas and the improved accessibility provided by a new transit system. As shown in Figure 2, to the southeast of Overtown is a massive 30-acre Government Center that will house the major governmental functions of Dade County, the City of Miami, and the regional offices of the State of Florida. In addition, the Metro-Dade Cultural Center and three parking garages will be developed in that general area.

To the west of Overtown, the Curee Center Complex is programmed for expansion as is the nearby Miami-Dade County Community College campus. The development of a major conference and convention facility in the central business district is also proposed. It will increase tourism and the demand for hotel space. Because Overtown is strategically located on the rail line between these growth areas, planners and economists believe that it can become a viable neighborhood again, providing space for uses needed to support the activities in the contiguous growth areas.

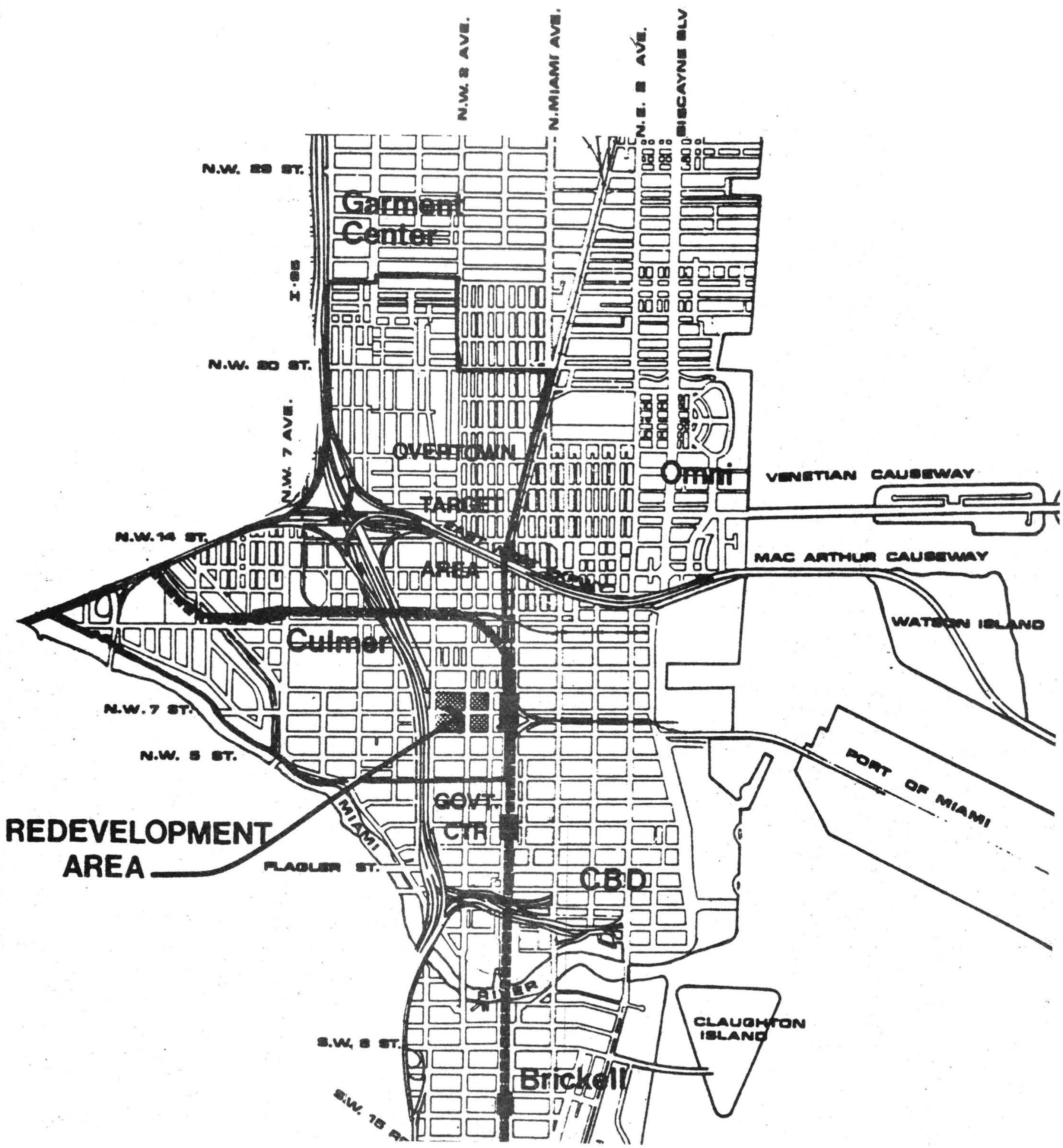
Planning For The Metrorail Station Areas

One of the most successful aspects of the DCTA's rapid rail program has been the process it has used to develop station area concept plans. Realizing the immense impact that the rail system would have on land development, DCTA and other local officials resolved to follow the example of other jurisdictions that had successful joint development programs, such as Washington, D.C. and Toronto, and prepare plans and policies for the station areas well before the stations opened. To accomplish this task, DCTA devised the Station Area Design and Development (SADD) program. Its objectives were to prepare station area concept plans that were realistic from a market standpoint, reflected local aspirations, and fit into a comprehensive regional plan.

The SADD program, funded by an UMTA grant, consists of an extensive research and analysis effort for each Metrorail station that culminates in three reports. The first report is a profile of the area, including analysis of existing conditions, unique characteristics, community goals, and an assessment of market opportunities. The second report presents alternative concept plans, and the third report is the plan option selected by the DCTA with the advice of the local citizens. Figure 3 outlines the steps in the SADD process. The final SADD concept plan recommends the density and types of land use for each station area and proposes implementation strategies. Each local jurisdiction has a responsibility for carrying out its own station plans, all of which are being developed within the framework of the county's master plan. For example, the City of Miami will develop the Overtown stations located inside the City's boundaries within the framework of the City's master plan.

Figure 2

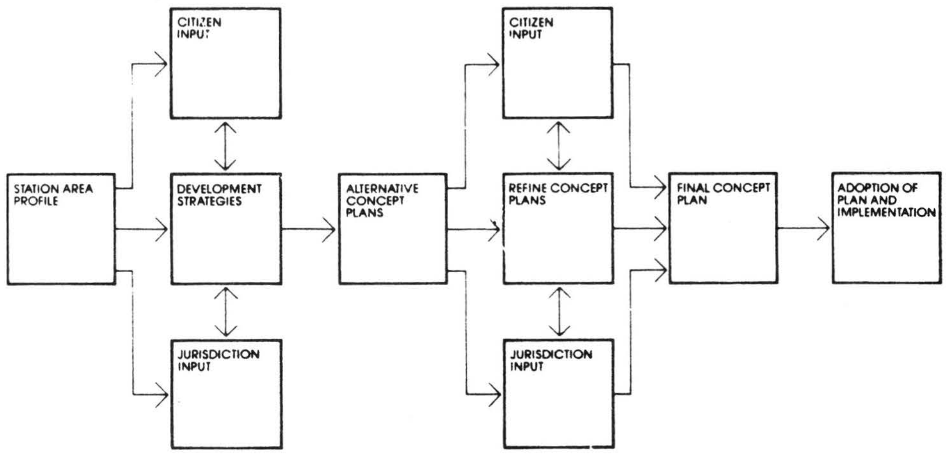
REDEVELOPMENT SURROUNDING OVERTOWN



Source: <u>Environmental Impact Statement</u>. Prepared by the City of Miami and Dade County.

Figure 3

STATION AREA DESIGN AND DEVELOPMENT PROGRAM



Source: Dade County Department of Transportation

One of the chief functions of the SADD process is to promote local support for and investor interest in land use changes and community facility improvements recommended for each station area. During the planning process, a concerted effort was made to consult and involve local citizens, land owners, and potential investors. Also, each plan strives to maintain the individuality of each station area neighborhood. Some plans, such as Overtown's, call for almost total redevelopment because of severely blighted conditions and the availability of vacant land. Other station plans recommend only minor changes, to be accomplished through rehabilitation.

COMPONENTS OF THE PLAN

The Metrorail Station

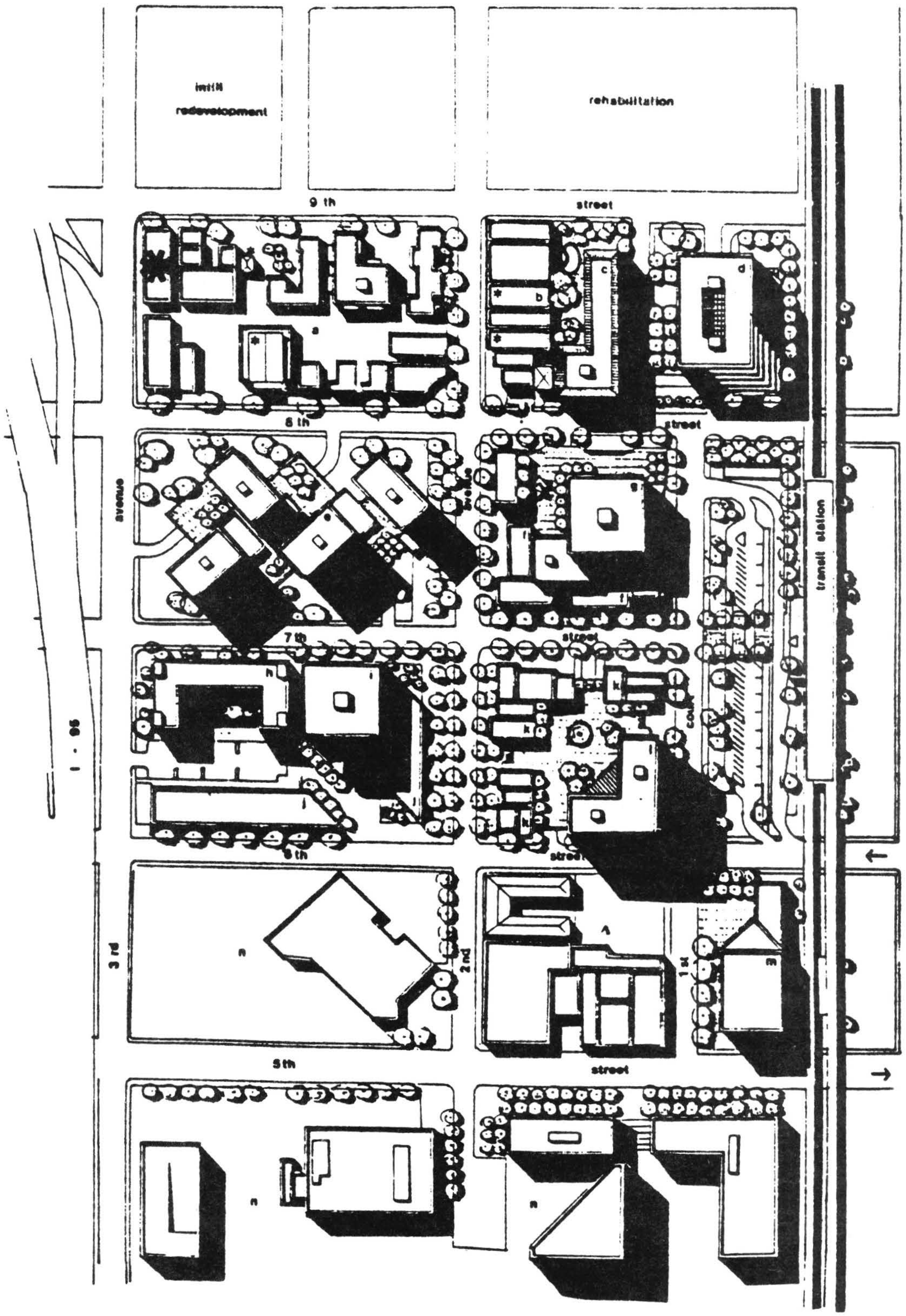
The station is a two-level facility designed to handle over 8,000 passengers daily. Most patrons--over 56 percent--are expected to walk, and 27 percent will come by feeder buses. No long-term parking will be provided at the station, but there will be 38 kiss-n-ride spaces. Six slips will be provided for local buses. The station is designed to be attractive, well-lighted, and appealing to potential transit riders. The major pedestrian access will be from N.E. 7th Street.

The Station Redevelopment Project Area

Figure 4 illustrates a concept plan for the four block joint development project area, most of which is recommended for clearance and redevelopment. This plan suggests construction of two office buildings south and southeast

Figure 4

OVERTOWN CONCEPT PLAN



Source: Environmental Impact Statement. Prepared by the City of Miami and Dade County.

of the station to provide space for activities related to the Government Center. Approximately 670,000 square feet of residential construction has been proposed within the project area, primarily for rental apartments and market rate condomimiums. Space is allocated to retail uses to serve the local residents and employee populations. The plan also includes a 150-room hotel that will serve the demand generated by the Government Center for a moderately priced chain hotel.

A consultant firm is currently preparing a development opportunities analysis to determine the best use of the original four-block area as well as the proposed two additional blocks.

There are several proposed street improvements scheduled for the project area and the nearby neighborhoods. Of particular importance to the DCTA is the improvement of both pedestrian and vehicular access to the Overtown station and the provision of needed public and private off-street parking facilities. The recommended improvements include:

- Improve streets adjacent to the Overtown Station (N.W. 7th Street and N.W. 1st Court).

- Improve pedestrian access to the station.

- Develop a pedestrian plaza in conjunction with private development in the vicinity of N.W. 2nd Avenue and 7th Street.

- Expand public parking facilities and residential parking. Develop at least one parking structure along N.W. 3rd Avenue between 7th and 8th Streets in conjunction with the redevelopment of the block.

- Upgrade the overall pedestrian environment through landscaping and widening sidewalks, especially on N.W. 7th Street--the main access to the station.

THE PUBLIC ROLE IN THE DEVELOPMENT PROCESS

Although actual redevelopment has not yet begun in Overtown, it is useful to look at the roles of public agencies and community groups have played, as well as to review the key issues that have emerged so far.

Role of the City and the County

The Overtown project requires more intergovernmental coordination than typical of many joint development projects. This is because the DCTA, a county agency, has responsibility for planning and construction of the stations and is the recipient of the Urban Initiative grant, while the city is charged with implementing most aspects of the redevelopment plan. Although both jurisdictions have a long run commitment to the revitalization of the neighborhood, the DCTA and the city have sometimes differed on short term goals. The DCTA, primarily a transit system operator, is interested in generating ridership at the station. Therefore, it places high priority on easy access to the station and the safety and attractiveness of the area. The city is committed to the speedy elimination of the deteriorating housing stock and commercial facilities in the project area, and it is also concerned about creating job opportunities. Both the City and the County are committed to providing black landowners with the chance to benefit from redevelopment.

In order to avoid conflicts between the jurisdictions and to set out specific areas of responsibility, the Metropolitan Dade County Board of County Commissioners approved an intergovernmental cooperation agreement with the City of Miami for the Overtown Urban Initiatives Project in December 1982. The agreement, written by the Overtown Project Management Committee, assigns the following responsibilities to the City of Miami:

- Prepare land disposition guidelines and procedures and project marketing materials which must be approved by the Miami City Commission and the Board of County Commissioners.

- Dispose of land in accordance with federal guidelines and applicable state laws.

- Provide administrative support to the Overtown Advisory Board.

- Coordinate County and City involvement with the community.

- Develop implementation schedules and timetable for all project activities.

- Monitor the implementation schedules and timetable.

- Sumbit regular progress reports to the County, the Project Management Committee and the community.

Property owners in the Urban Initiatives Project Area will have the privilege initially of acquiring their own developer; however, the developer must be approved by both the City and County Commissions. If the property owners are unable to acquire an interested developer, the County Commission, with input from the City Commission, will select a developer. After the developer is selected, the County Commission will convey the acquired land to the City of Miami at no cost. The City will release the land to the developer.

The Overtown Advisory Board

The Overtown Advisory Board is the principal vehicle for community participation in the Overtown Project. The Board, first organized in 1979, is composed of sixteen members including two residents, four property owners, two community based organization representatives, and two business persons. The Board has responsibility to:

o Review, evaluate and make recommendations on all policies, plans and programs affecting the area.

o Monitor the development phases of the project, including land acquisition, relocation, land disposition guidelines, and urban design.

Recently, the jurisdiction of the committee has been expanded to include Park West, the redevelopment area east of the Metrorail station.

Project Employment Coordination Team

Because of the high priority the residents and the city placed on increasing employment opportunities in Overtown, the county formed an Employment Coordination Team, made up of the 16 public agencies that are involved in employment and training. The purpose of the team was to identify the jobs that are anticipated to be created by the redevelopment, the existing labor pool, and the training that will be required to fill the newly created jobs.

The Overtown Project Management Committee

To maintain a high level of coordination between the city and county operating agencies providing services to the project area, a committee has been formed in accordance with the Intergovernmental Cooperation Agreement and consisting of all appropriate department heads and division chiefs, including community and economic development, housing, planning, and transportation.

The Black Equity Participation

At community meetings, held in conjunction with the preparation of the Environmental Impact Study, black residents of Overtown expressed concern that the public acquisition and clearance of the 4-block project area would take the property out of the hands of the original black owners and eliminate their opportunity to benefit from the increased property values expected over the long term. To assure black property owners in the Overtown Area that the redevelopment plan was adopted solely for the purpose of eliminating blight and did not constitute an acquisition strategy with racial implications, both the county and city have included policy statements in their area plans to restate the opportunity for black property owners to participate in future development activities. This is an innovative policy approach toward guiding public-private redevelopment in a project area where there are numerous small landowners who are interested in redeveloping their property but who lack the financial resources and expertise to accomplish the task.

The city and county are in the process of developing the guidelines by which they can carry out their commitment to the black landowners. A consultant study, prepared in 1982, set forth a number of operational and enforcement options that both jurisdictions are reviewing. The options included:

- Guaranteeing existing black property owners a safety period in which they have the first right, if they want, to develop their properties. An 18 month safety period was suggested. At the end of the safety period, the property may be condemned if the owner has failed to remove the blighted conditions on the parcel.
- Guaranteeing existing black owners the right to invest in any development that takes place on the property acquired from them through eminent domain.
- Allowing two or more property owners to form an investment group for the purpose of investing in redevelopment projects in the project area.

- Encouraging existing property owners to develop their holdings, independently or in joint ventures with developers, by providing them with marketing and financial feasibility studies and other forms of technical assistance.

It is agreed that the black equity participation will not be easy to achieve. The participation of the private sector--local banks, development groups and other permanent financing institutions--is seen as a critical component of the equity plan because they must provide a major share of the long term project financing. Financial incentives for private developers who assist in accomplishing equity participation have been suggested, as well as grants or loans to black property owners to assist in the demolition and relocation place of redevelopment.

Financing

In addition to the $6.7 million Urban Initiatives Grant used for project administration, the public portion of the Overtown project will be financed by Community Development Block Grant funds, in the form of a loan from Miami (85%) and the remaining 15% for project administration from Dade County.

Impacts

Although it is difficult to estimate the impact of a long term project like Overtown, a recent study prepared for UMTA's office of Planning Assistance estimated that development of the Overtown Project would generate 3,618 weekday transit trips, create approximately 1,000 new jobs, and provide the City with an additional $500,000 a year in property taxes.

CURRENT STATUS OF THE PROJECT

Expansion of the Project Area

In 1983, Dade County proposed the expansion of the project area to include two blocks south of the rail station. To finance this and to cover land acquisition costs that have escalated significantly in the original four blocks, the county requested a supplemental Urban Initiatives grant of $6.8 million. Local planners believe the acquisition of the two blocks is necessary to maximize the potential redevelopment generated by the expansion of the Government Center and the transit station. The 3.1 acres, which currently are 30 percent vacant, would be redeveloped for office uses--approximately 400,000 square feet. This is considered a prime development site because of its accessibility to Government Center and the transit station. Having a major office complex in this location will be an advantage for the overall project because it will strengthen the functional linkage between the Government Center and the transit station.

Incorporating Overtown Into A Larger Renewal Area

The city, which has responsibility for marketing and managing redevelopment, has integrated the transit area project into the larger Southeast Overtown/Park West Community Redevelopment Project. City officials believe the joint approach will improve the redevelopment potential of both areas, but they understand that redevelopment may be slow. They anticipate that it will take 10 to 12 years to complete the overall project. To assist the marketing efforts, the city is preparing to undertake a detailed market study of the redevelopment area and to develop a comprehensive design plan.

The county, which has responsibility for acquisition within the 4-block Overtown Redevelopment Area, has authorized assessors to establish current values of property and improvements within the station area. Also, the county Department of Housing and Urban Development has notified property owners by letter that it is interested in acquiring their land. As yet, it is unknown how many property owners will elect to sell to the County and how many will pursue some form of equity participation.

PROJECT ASSESSMENT

Although the Overtown project will not be easy to implement, it has several strengths that will help promote a successful outcome. Despite its current depressed condition, Overtown is strategically located within Miami's growth corridor. If all or most of the proposed new investment in central Miami occurs, Overtown will be an excellent location for the development of residential and commercial uses to service the high density developments nearby. Its locational advantages will be increased with the added accessibility provided by the Metro. The high level of commitment by both the county and the city to joint development along the Metro route is an asset for this project, as well as for the other station areas. The county-sponsored SADD process that culminates in an area plan and implementation strategy requires that each station area be studied carefully by public agencies and that alternatives be reviewed and discussed with local citizens and officials. The outcome is a local plan that fits within a regional framework but reflects the strong individuality of the local neighborhoods within Miami.

City officials are placing a high priority on integrating the Overtown area back into the mainstream of the Miami economy. By linking Overtown with an economically stronger neighborhood to the northeast, officials hope to improve the overall area's redevelopment potential. Additional economic feasibility and design studies are programmed for the project area, because officials are convinced of the need to prepare a well-documented development program and marketing campaign if they hope to attract developers and investment capital.

The major liability of the Overtown project is the neighborhood's low tax base and reputation as a blighted, economically depressed area and site of civil disturbances. It will be difficult to change the public perception of the neighborhood and to convince investors of its long-term potential. This image problem is compounded by the large number of attractive investment opportunities within Miami--some of which are also related to the opening of the Metro system--that will compete with Overtown for scarce investment capital. In addition, the black equity participation policies to be incorporated into Overtown development plans may discourage investors and developers. Such policies may make development projects more complex and add to the developers' risks. Public guarantees or incentives to developers could neutralize this issue.

At one time, coordination between the many city and county agencies involved in Overtown posed problems for the project, but the local governments have taken steps to remedy this by signing a cooperative agreement. High-level officials in both the City and County have been assigned to implement the plan and coordinate with each other.

APPENDIX D

GALLERY II JOINT DEVELOPMENT CASE STUDY
PHILADELPHIA, PENNSYLVANIA

PROJECT DESCRIPTION

Gallery II is the second step in a three-phase revitalization program for the Market Street East section of center city Philadelphia (see Figure 1). It is an outstanding example of how public transportation improvements can arrest the decline of an area by increasing its accessibility and creating attractive investment opportunities.

Located above a new commuter rail terminal, Gallery II will redevelop the north side of Market Street between 10th Street and the Reading Railroad terminal, replacing an obsolete commercial strip with over 330,000 square feet of new retail space and three office towers. The project will feature an extension of Gallery I, the highly successful four-story enclosed retail mall that opened in 1977 at 9th and Market Streets.

Private investors are attracted to Gallery II chiefly because of its regional accessibility. In addition to being situated above a new center city commuter rail terminal, Gallery II is easily accessible from three renovated subway stations, street-level bus lines, and two garages containing 1,500 parking spaces. The Urban Mass Transportation Administration (UMTA) Urban Initiatives Program funded elements of Gallery I and currently is financing the construction of the overbuild or reinforced pad over the commuter tunnel and station that will support programmed office and retail development. Gallery II is expected to be completed by late 1983.

IMPETUS FOR THE PROJECT

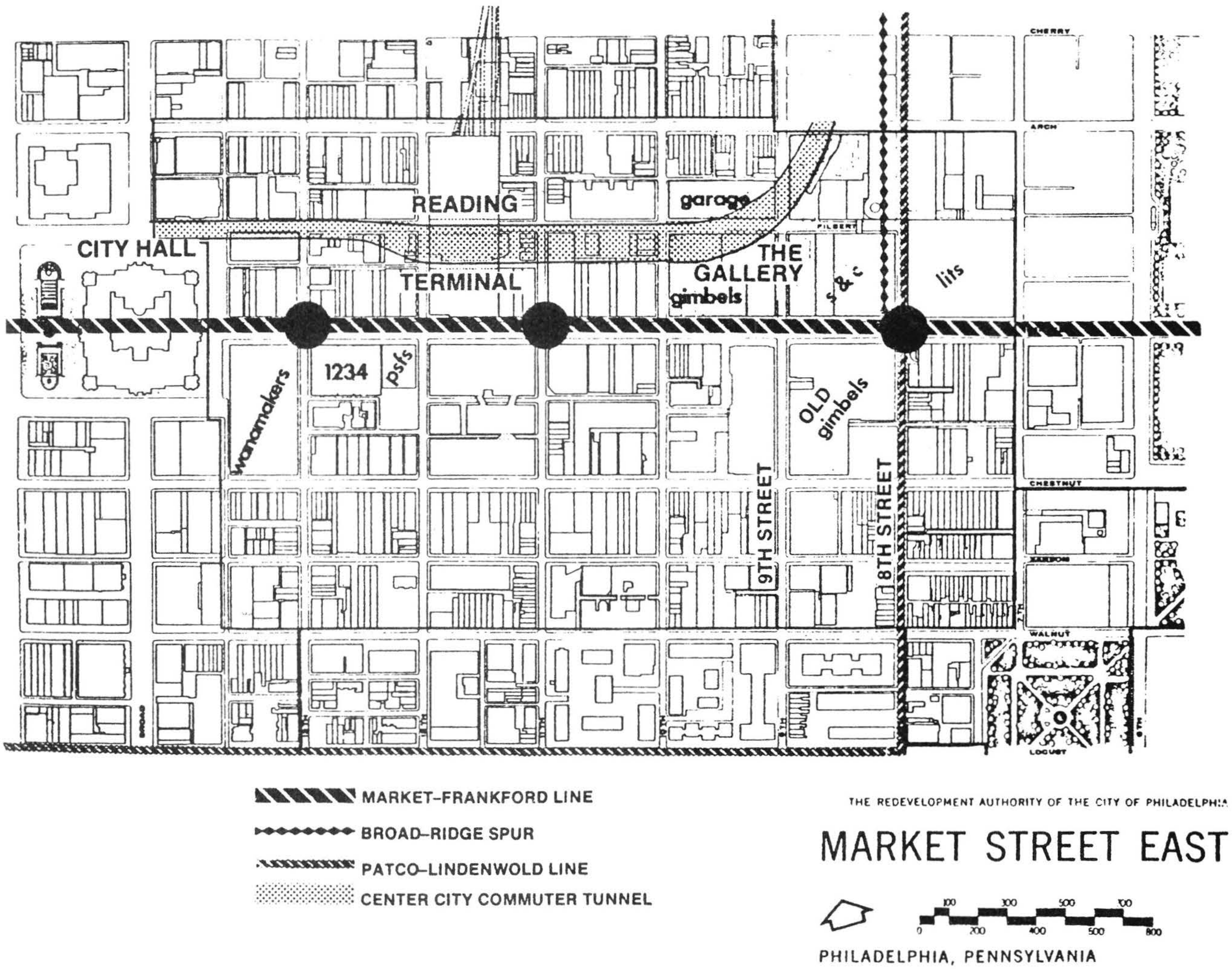
Historical Background

The concept for Gallery II dates back to 1947 when planners first proposed a tunnel to connect the two suburban rail lines that serve downtown Philadelphia. The planners' vision included a new commuter rail station and a mixture of shops, offices, department stores, and hotels to replace the deteriorating commercial strip along East Market Street. During the 1950s and 1960s local support built up for the plan, but its implementation was stalled in the late 1960s because of changes in Federal policies and regulations regarding the eligibility of redevelopment projects for funding.

By the early 1970s prospects for Market Street East redevelopment brightened. The Redevelopment Authority (RDA), the urban renewal agency for Philadelphia, received a Neighborhood Development Program grant from the Department of Housing and Urban Development (HUD); and Gimbel's, one of the three major downtown department stores, made a commitment to remain in the Market Street area and to build a new flagship store across from its old location. The store's commitment was made on the condition that the new store would have direct access into the 8th Street subway station on the Market Frankford line and that the aging facility would be modernized.

Figure 1

VICINITY OF THE MARKET STREET EAST REDEVELOPMENT AREA



(Courtesy of Market Street East Development Corporation.)

Source: Market Street East Development Corporation.

The 8th Street station also serves (PATCO) Port Authority Transit Commission of Pennsylvania and New Jersey's high-speed Lindenwold line to suburban New Jersey. Gimbel's had studies showing a majority of its customers arrived by transit.

To satisfy Gimbel's condition, the RDA began negotiations with the Southeastern Pennsylvania Transit Authority (SEPTA), owners of the station, and supported its request for an UMTA Rail Modernization grant to help finance the station renovations. Between 1972 and 1975, UMTA approved grants of more than $6 million for the renovation and extension of the station. The city and the State provided one-fifth of the renovation costs. In addition to improved subway facilities, the Philadelphia Parking Authority agreed to construct an 850-space parking garage linked to the new Gimbel's by a pedestrian bridge.

Once Gimbel's had made its commitment and the transportation improvements were programmed, the missing link in the development program was the 2.2 acre mid-block area between the new Gimbel's and the Strawbridge and Clothier department store. Plans called for the construction of high density offices and a hotel and later for the development of a retail mall, but to date no developer had come forward with a proposal. Concerned about the vacant mid-block area, Strawbridge and Clothier invited a nationally-known developer, with whom they had worked in suburban shopping centers to look at the project. The developer, the Rouse Company, recommended delaying plans for the office and hotel components because of the weakness of the market and proposed instead the creation of a new regional retail center that would capitalize on the area's improved transit connections and retail tradition.

In 1974, the RDA, Strawbridge and Clothier, Gimbel's, and Rouse agreed on final plans for the first phase of the Market Street East redevelopment, called Gallery I. The principle element was a four-level 400,000 square foot glass covered retail mall with space for 125 shops and numerous eating places. The mall was accessible from the street, the department stores, and the parking garage, and it had direct connections with the modernized 8th Street subway station. The mall bridged 9th Street, connecting Gimbel's with Strawbridge and Clothier and forming a two-block long retail center. At a time when the natonal trend was toward retail decentralization, Gallery I represented a bold plan. Table 1 summarizes the major components of the project.

Because of the high risk of the retail project, the RDA agreed to retain ownership of the property and to assume the role of general contractor for the construction of the mall shell. The retail developer agreed to pay for finishing the interior of the retail space and for the leasehold rights as well as to pay an annual rent. Despite great difficulty both in obtaining long-term financing and in leasing the retail space, the Rouse Company opened Gallery I in 1977. It was an immediate success. In 1978, the developer reported that the retail mall was generating better than $40 million in sales a year, more than $200 per square foot, or twice what might be expected from a suburban shopping center. Table 2 shows the positive impact of the project on the area's economy. Public transit also benefitted from Gallery I. PATCO reported in 1978 that weekend trips to the 8th Street station had set new highs, and weekday trips were well above 1977 levels.

Table 1

PRINCIPAL COMPONENTS OF GALLERY I

<u>New Private Investment</u>	
Gimbel's New Department Store	247,000 square feet
Gallery I Retail Mall	200,000 square feet
Gallery I Public Mall Area	200,000 square feet
Renovations to Existing Strawbridge and Clothier Store	
<u>Public Improvements</u>	
New Parking Structure	850 spaces
Modernization of 8th Street Subway Station	

Source: From data supplied by Market Street East Development Corporation.

Table 2

CHANGE IN JOBS AND TAX REVENUES
RESULTING FROM GALLERY I

	BEFORE THE GALLERY 1973	AFTER THE GALLERY 1977
Jobs	944	2,175
Wage Taxes	$311,520	$835,400
Real Estate Taxes	$442,363	$1,852,500

Source: From data supplied by Market Street East Development Corporation.

COMPONENTS OF THE GALLERY II PLAN

In 1978, less than a year after Gallery I opened, the RDA acquired the land for Gallery II, and developers were committed to move ahead with the second phase of the project. Investors' confidence was bouyed by the success of Gallery I and the commitment by UTMA to fund the construction of the rail connector tunnel and the new commuter terminal between 10th and 11th Streets. Figure 2 shows the alignment of the tunnel under Gallery II.

The Design Concept

The concept of the Gallery II plan was to extend the Gallery I retail mall west from Gimbel's through a new J.C. Penney department store and across 11th Street to the Reading terminal. The retail uses would have direct access to the new commuter terminal located below Penney's. Three office towers were also proposed, two in air-rights above the mall. To further improve the project's accessibility, the plan called for the renovation of the 11th Street subway station and the construction of a 750-space parking garage at 11th and Filbert Streets.

The plan expanded the Gallery I theme and implemented design concepts that were part of the original 1947 redevelopment scheme, namely:

- A linear retail spine extending west from Strawbridge and Clothier toward City Hall (at Broad and Market).
- The physical and functional interrelationship of the regional transportation system with the new development.
- The commercial development of underground levels as well as air-rights.

Private Investment

As Table 3 shows, Gallery II will generate almost $270 million in private investment.

- Retail Uses

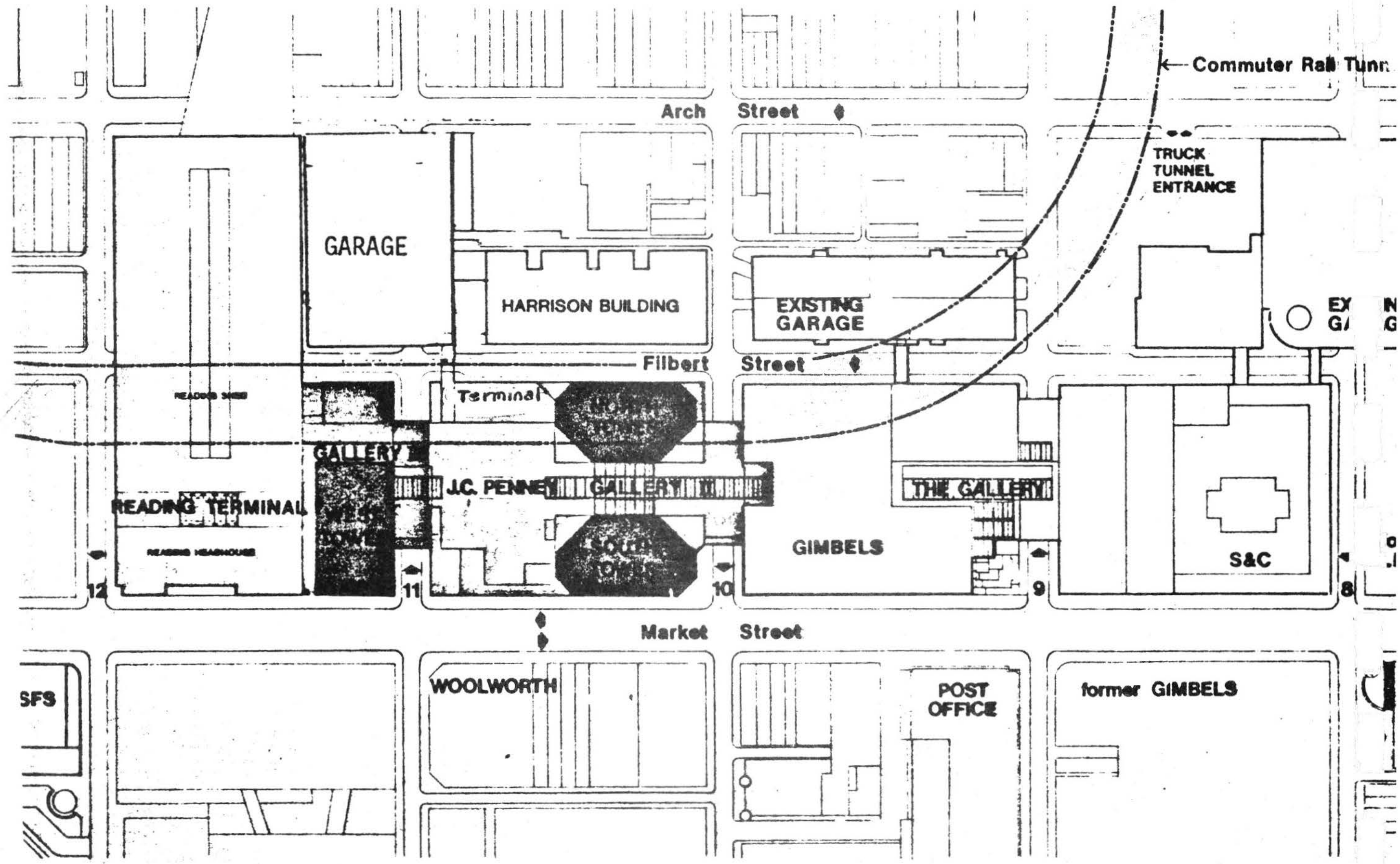
  The 170,000 square foot retail mall component of Gallery II will extend from Gimbel's west across 10th Street, through the lower level of the new J.C. Penney's store and across 11th Street. The mall will have four levels, one below the street on the same level as the commuter station. Design features include:

  -- A skylit court.
  -- Open escalators to give a sense of movement and to visually link the four levels.
  -- Numerous pedestrian walkways and seating areas to create an inviting atmosphere for shoppers and sightseers.
  -- Generous landscaping and special design features such as banners and fountains.

  The new 160,000 square foot J.C. Penney department store, currently under construction, will be the retail anchor of the Gallery on the

Figure 2

COMMUTER TERMINAL AND
TUNNEL ALIGNMENT



Source: Market Street East Development Corporation.

west. A six-story building, it will open onto the retail mall from four levels and will feature a skylit atrium similar to Gallery I.

Table 3

GALLERY II COMPONENTS

Private Investment	Square Feet	Estimated Construction Cost $ Millions
Retail Mall	170,000	30
J.C. Penney Department Store	160,000	13
Twin Office Towers (2)	880,000	80
One Reading Center	800,000	75
Reading Terminal Rehabilitation	320,000	70
		$268
Public Improvements		
Connector Tunnel and New Market East Station	1.7 miles	315.0
11th Street Subway Station Improvements		11.0
Parking Garage	750-spaces	9.4
Overbuild above station and commuter tunnel		11.5
		$346.9

Source: From data supplied by Market Street East Development Corporation.

- Commercial Office Buildings

  An 800,000 square foot commercial office tower, One Reading Center, is under construction on the northwest corner of 11th and Market Streets. The project is a joint venture that includes the Reading Company, the owner of the site.

  When market conditions permit, twin 440,000 square foot office towers will be built in the air-rights above the commuter terminal and the retail mall on 10th Street between Filbert and Market Streets. The infrastructure and support systems for the 22-floor towers are currently under construction as part of the pad or overbuild above the commuter terminal and tunnel areas. A $9.5 million

UMTA Urban Initiative grant is funding the construction of the pad.

- The Reading Terminal Reuse

Once trains begin to use the new commuter rail terminal in 1983, the Reading terminal, headhouse, and trainshed will offer outstanding opportunities for redevelopment. Originally, planners recommended that the Reading buildings be converted into a mixed office-retail project. As part of its agreement with the RDA, the Reading Company has agreed to complete the rehabilitation of the Reading headhouse within five years of the opening of the commuter station.

Public Improvements

- The Connector Tunnel

The catalyst for Gallery II was the connector tunnel and the new commuter terminal.

The connector tunnel, to be completed in 1984, will link the Reading and the Penn Central lines and create a continuous 500-mile system. The connection will eliminate the operational inefficiency of the two dead-end terminals. Its relationship to Gallery II retail and office use is shown in Figure 3.

- The Market East Commuter Station

The new underground station at 11th and Market Streets will be completed in 1984, and planners forecast that over 80,000 commuters will use it each peak hour. The station will provide easy access for commuters to the three major department stores, to the Gallery I and II shops and restaurants, to the three office buildings, and the 11th Street subway station. Also, the station will have entrances leading to Filbert and 11th Streets and to the new parking garage.

- The Overbuild

A pad or overbuild, currently under construction over the tunnel and terminal area, will support future retail and office uses in Gallery II. The pad has reenforced piers and girders to bear the weight of future development, and space has been provided for elevators and utilities.

- The 11th Street Subway Station

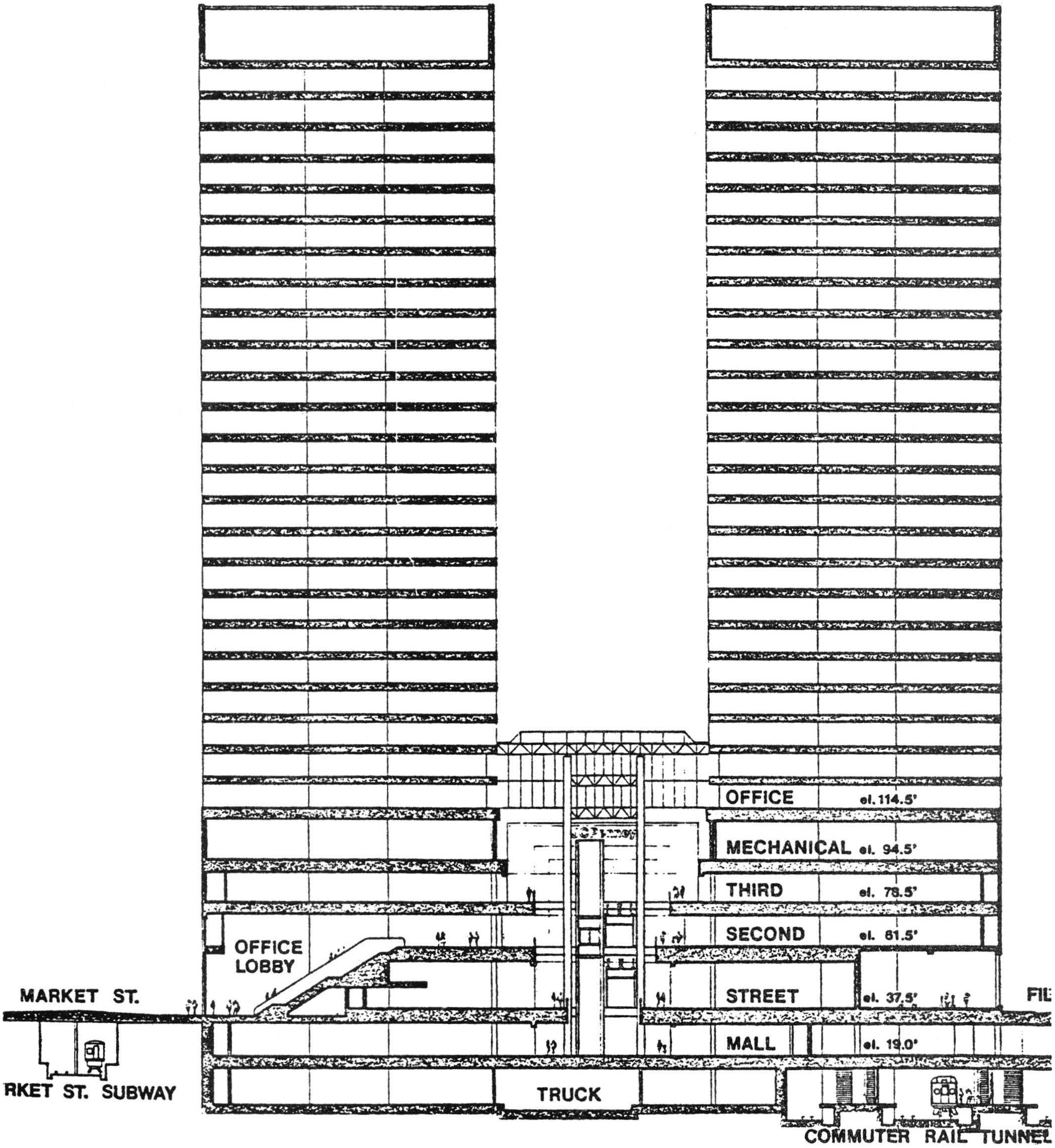
As part of a major renovation program to improve the appearance and efficiency of the 11th Street subway station, SEPTA is redesigning the station's entrances into Gallery II.

- The Parking Garage

The 750-space parking garage will be constructed on the northside of Filbert Street and will span 11th Street. A pedestrian bridge will link it to Penney's and the mall. Although a parking garage was an element in the original Gallery II plan, the RDA and the retailers disagreed over the size of the facility. The RDA proposed 400 parking spaces, whereas the retailers maintained there

Figure 3

CROSS SECTION OF GALLERY II



Source: Market Street East Development Corporation.

would be a demand for 1200 spaces. After negotiations, they compromised on 750 spaces.

THE JOINT DEVELOPMENT PROCESS

Public Participants and Their Roles

Gallery II is a complex project in which numerous and private groups have a part. The principal participants include:

- The Philadelphia Redevelopment Authority (RDA). The RDA assembled the land for Gallery II and is functioning as the developer for the project with responsibilities for construction and leasing. The Market Street East Development Corporation (MSEDC), acting as staff and agent for the RDA, has day-to-day responsibility for carrying out the overall project. Its functions have included supervising relocation, negotiating with developers and city departments, and serving as the general contractor for construction.

  The role of the RDA as the landowner-developer is unusual for a joint development project. But this pattern follows the one established in Gallery I in which the RDA accepted a larger role and absorbed more of the costs than normal in order to obtain private sector participation.

- SEPTA

  SEPTA is supervising the renovation of the 11th Street subway station and funding a portion of the project's $11 million cost.

- The Parking Authority

  The Authority has responsibility for the construction and management of a 750-space parking garage at Filbert and 11th Streets. The garage construction is financed by revenue bonds.

- Urban Mass Transportation Administration

  Through the Urban Initiative and the Rail Modernization Programs, UMTA has contributed almost $19 million to Gallery II. The overbuild or pad above the commuter tunnel and station is financed by a $9.2 million Urban Initiative grant. An additional $1.0 million in Urban Initiative funds went toward the design for the rehabilitation of the 11th Street subway station. It is anticipated that UMTA will fund an additional $7 to $8 million for the actual renovation work.

  UMTA provided $9.5 million in Rail Modernization funds for the construction of intermodal connections, including concourses, elevated walkways, and escalators, between the 11th Street station, Gallery II, and the commuter rail terminal.

- Department of Housing and Urban Development

  HUD, through the Urban Development Action Grant Program, has contributed over $19.7 million toward the construction of the shell of the Gallery II retail mall and Penney's department store.

- The Economic Development Administration (EDA)
  EDA has provided $3.3 million toward the construction of the pad for one of the twin office towers.

Private Participants and Their Roles

- The J.C. Penney Company, Inc.
  Penney's has been an active participant in Gallery II since 1977 when the RDA decided to go ahead with the second phase of the revitalization project. The RDA and Penney's agreed to the following contract provisions:

  -- J.C. Penney will pay the RDA for construction of the department store shell; $60 per square foot for the mall, street, second and third levels, and $30 per square foot for the truck and mechanical level.
  -- J.C. Penney will lease the department store space from the RDA for an initial 30 years with seven successive five-year option periods.
  -- J.C. Penney will pay for finishing the interior of the building to their own specifications.
  -- J.C. Penney will pay the RDA $.50 per square foot during the second and third option periods; $.60 per square foot during the fourth and fifth option period; and $.65 per square foot during the sixth and seventh option periods.

- The Retail Mall Developers
  The Market Street East Joint Venture will lease the retail mall portion of Gallery II. The venture partners are Rouse-Philadelphia II, a subsidiary of Rouse Company and J.C. Penney Realty, Inc., a subsidiary of J.C. Penney Company, Inc. The contractual arrangements will be similar to those for Gallery I, although the specific terms will differ. The Gallery II contract provides that:

  -- The venture will pay the RDA $70 per square foot for the construction of the shell of the mall and for the placement of utilities. This is $20 per square foot more than the Gallery I payment.
  -- The venture will pay for finishing the interior space, including partitions, lighting, signage, and special design features.
  -- The developer will lease the mall space from the RDA for 99 years.
  -- The venture will sublease and manage the improved retail space.
  -- The venture will pay rent to the RDA according to the following schedule:

Year	Rental Payment
1 through 5	The greater amount of 1) equivalent tax on improvements, or 2) $1.30 per square foot.
6 through 35	The greater amount of 1) $1.45 per square foot, or 2) 7 1/2% of net cash flow less operating expenses and less debt service.
36	Base rent of $1.45 per square foot plus the greater of 1) average amount by which 7 1/2% of

	net cash flow exceeded $1.45 in years 30 through 35; or 2) a 10% increase of the base rent of $1.45.
37 through 99	Base rent in year 36 escalated at 2% per year plus 10% of net cash flow less operating expenses and less debt service.
1 through 99	The RDA will participate at the rate of 10% of any refinancing (unless such refinancing is for capital improvements to the project).

The Gallery I rental program was a flat rate of $0.72 per square foot for the life of the 99 year lease.

- One Reading Center Developers
  The office tower, located on the northwest corner of 11th and Market Streets, is being constructed and financed solely by ORC Associates, a joint venture group composed of the Reading Company and Scott Tombs and Associates. Retail uses will occupy the street and mall levels of the tower and will form Gallery III of the shopping mall. Figure 4 illustrates the relationship of One Reading Center (West Tower) to the Reading Terminal and Penney's. Under an agreement between UMTA, the City, and the development group, the City will be reimbursed $952,380 compounded at a rate of 5% a year beginning January 1, 1982 by the developers. The total payment to the City will be $9,180,396. This money must be used for transit purposes.

- Twin Tower Developers
  The twin office towers, planned for the air-rights above 10th Street between Filbert and Market Streets, will be built when market conditions improve. The pad for the towers is currently under construction; it is funded by an UMTA Urban Initiatives Grant. Negotiations with the developers resulted in an agreement by the developers to pay $3,698,979 ground rent for the South Tower and $2,843,279 for the North Tower. The lease runs from 1990 to 2061. In addition, payment by the developers to reimburse the public costs of the pad construction include:

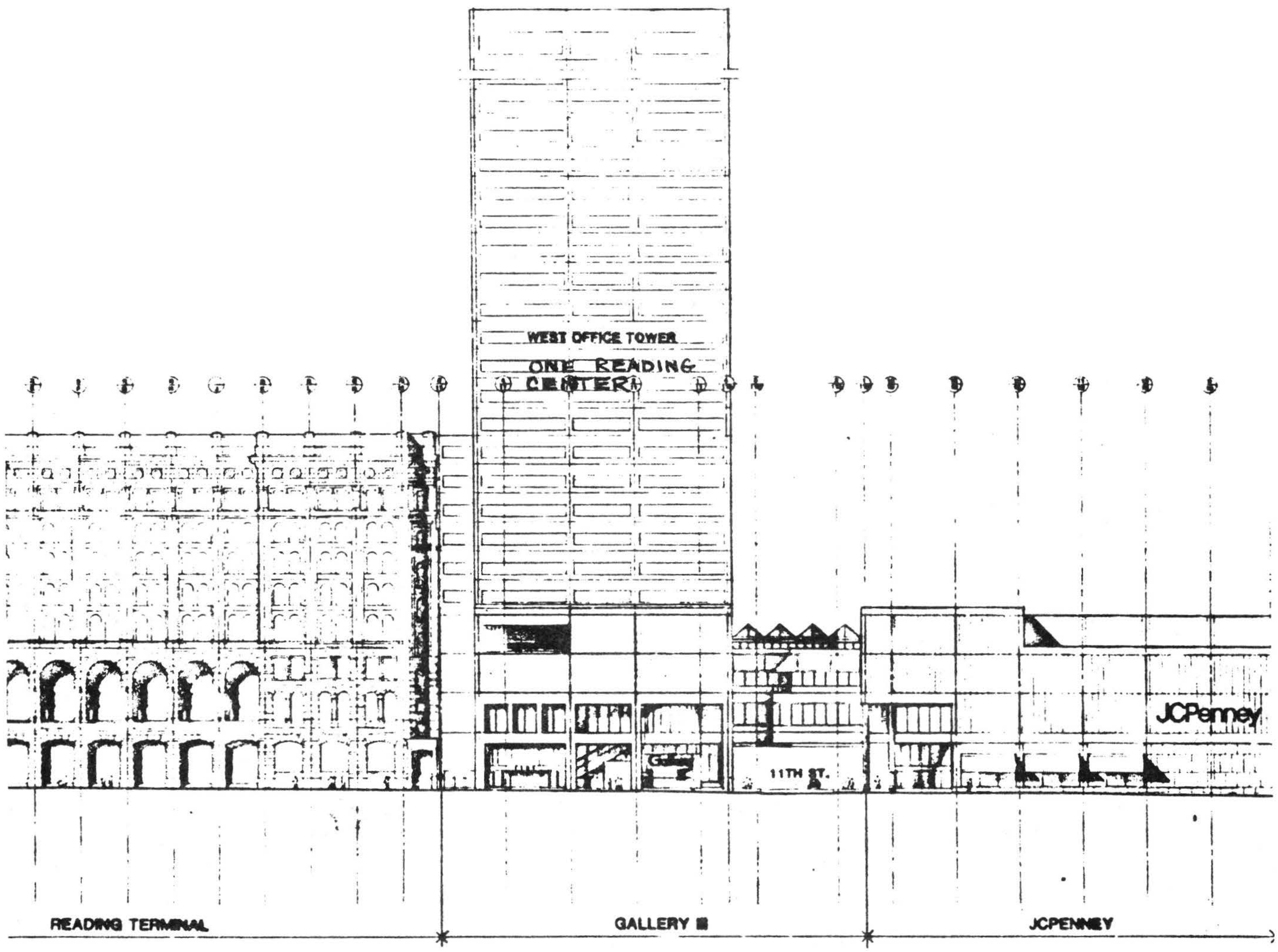
  - o $1,028,378 for the South Tower, made on December 1, 1985, discounted to December 31, 1981.
  - o $657,380 for the North Tower made December 31, 1988, discounted to December 31, 1981.

Sources of Project Funds

Table 4 lists the five public sources of funding for Gallery II and the amount of private investment that is firmly committed to the project. The north and south twin towers are not included, because of uncertainty about the timing of construction as this Handbook is completed. The substantial role played by UMTA in supporting Gallery II should be noted.

Figure 4

ONE READING CENTER



Source: Market Street East Development Corporation.

Table 4

GALLERY II FUNDING SOURCES
1981 ($000)

	UDAG	EDA	UMTA	STATE	CITY	RDA	PRIVATE	TOT
Land								
Gallery II Site					11,400			11,400
Reading Annex					1,300			1,3
Garage Site						1,800		1,80
Design & Engineering								
Initial Design					1,100			1,10
Working Drawings						2,000		2,000
Design Administration	500					500		1,00
Rouse Design							225	22
Station Redesign					1,400			1,400
Appraisal & Engineering (Misc. Consultants)					1,800			1,80
Administration								
MSEDC	450							45
Construction								
Overbuild and 11th Street Station Improvements			10,200			2,300		12,500
General Conditions and Construction Management	1,250					1,200		2,50
Gallery II, Penney's and Public Improvements	17,190		6,172	550		208	49,090	73,21
West Office Tower							36,000	36,00
Parking Garage							9,400	9,400
Reading Station Entrance			3,328			832		4,16
North Tower Pad						1,500		1,50
South Tower Pad		3,300				200		3,50
Interim Financing Costs	400					1,900		2,300
TOTAL	19,790	3,300	19,700	550	17,000	12,490	94,715	169,54

Source: Urban Mass Transportation Administration.

Community Involvement

From the outset, Gallery I and II have profitted from the support of the Old Philadelphia Development Corporation, a private, nonprofit corporation whose members include business and government leaders interested in reviving the economic vitality of center city Philadelphia. This group hasf helped rally financial and political support for the Market Street East Development project. The permanent financing for the retail mall portion o Gallery II will be provided by local institutions.

In a broader sense, by supporting Gallery I, the Philadelphia region gave its approval to this type of commercial revitalization and enabled plans for Gallery II to move forward.

ANTICIPATED IMPACTS ON THE ECONOMY AND TRANSIT

In the original proposal for Gallery II, which included only two office towers, planners estimated that the project would result in 6,323 new permanent jobs and an increase of over $7 million in annual tax revenues. Since then, a third office tower has been added to the project. Based on a study recently completed by UMTA's Office of Planning Assistance, Gallery II is expected to have the following impacts:

- It will generate an average of 18,935 weekday transit trips.
- It will produce a net annual property tax gain of $7.8 million.
- It will create approximately 10,000 permanent jobs.

UNUSUAL FEATURES OF THE PROJECT

The leading role played by the RDA sets Gallery II apart from most other joint development projects. It is not uncommon for the local renewal agency to be actively involved in the early phases of a project, but the continuing and dominant role of the RDA is unusual. In Gallery II, the RDA and its agent, the MSEDC, have assumed many of the responsibilities usually expected of private developers. For example, the RDA is the major land owner in Gallery II and leases interior space or air-rights to private developers. Also, the MSEDC, as agent for the RDA, is supervising the project. The RDA first agreed to such an active role in Gallery I in order to get private participation in what initially was considered a high risk venture. The RDA's role has been perpetuated because of the success of Gallery I and because of the unpredictability of obtaining full private sector financing at an affordable price. Also, based on the Gallery I experience, the MSEDC has developed expertise in orchestrating this type of complex joint development.

During the initial stages of the Gallery I project, the City set up the MSEDC as a separate entity with its own staff and board of directors so that project decisions could be made and implemented quickly. In 1981, the City dissolved the MSEDC board, and the corporation staff became part of the City's Development Management Corporation, which has responsibility for all redevelopment work in the City. This change occurred because the MSEDC had essentially completed its mission to design and supervise the Market Street East redevelopment, and the City wanted the management team to stay together and be available for other redevelopment projects.

LESSONS LEARNED

Both Gallery I and Gallery II demonstrate that bold and innovative institutional and financial arrangements may be necessary to move a project forward. If the RDA had been unwilling or unable to absorb a substantial share of the project's risk and to act as the general contractor, it is doubtful that construction would be underway now. Likewise, if UMTA had no funded the rail tunnel, the commuter terminal or the overbuild, Gallery II would still be a planner's dream since it is unlikely that sufficient local funds would have been available for these expensive projects.

Despite its progress toward completion, some of the pieces in the Gallery II plan are not yet in place. The twin office towers have been delayed until market conditions improve. Regardless of its many merits, Gallery II, like other large joint development projects, is sensitive to changes in national and international economic conditions. Many changes occur between the time a project is first put together and construction begins. Therefore, joint development ventures have a better chance for ultimate success if they have flexibility and can be adjusted as market conditions warrant or schedules change. In Gallery II, the support system for the towers is under construction and will be ready when the private developers decide the time is right for construction.

APPENDIX E

SANTA ANA TRANSPORTATION CENTER PROJECT
CASE STUDY
SANTA ANA, CALIFORNIA

PROJECT DESCRIPTION

The Santa Ana Multi-Modal Transportation Center project, jointly planned by the Orange County Transit District (OCTD) and the Community Redevelopment Agency (CRA), is designed to improve public transportation facilities and service in Santa Ana and to stimulate the revitalization of the downtown area. As shown in Figure 1, the Transportation Center is strategically located in the triangular block between Santa Ana Boulevard and Fifth Street, across from the newly opened Civic Center Plaza. The centerpiece of the Transportation Center is a new transit terminal for intra and intercity buses. It is expected to be completed in early 1984. In the air rights above the terminal, plans call for the construction of apartments or a commercial office tower. The pad to support this development is being financed by an UMTA Urban Initiative Program grant. A third component of the project is a recently completed four-story parking garage that will connect, via an elevated walkway, with the future air right development.

The Civic Center Plaza complex has already attracted new, private development and has begun the transformation of the area from a declining retail district into a law and banking center. The Transportation Center is expected to generate additional investor interest. As part of the project, the city is planning a system of small parks, walkways, and plazas to link the Center to nearby governmental and commercial areas.

Delays in obtaining funding for the terminal and air rights pad, coupled with high interest rates and investor caution have caused a number of private developers to withdraw their plans for the project area. In 1981, the CRA had a developer lined up to construct and lease the air rights project, but he withdrew, and currently project planners are looking for another developer.

IMPETUS FOR THE PROJECT

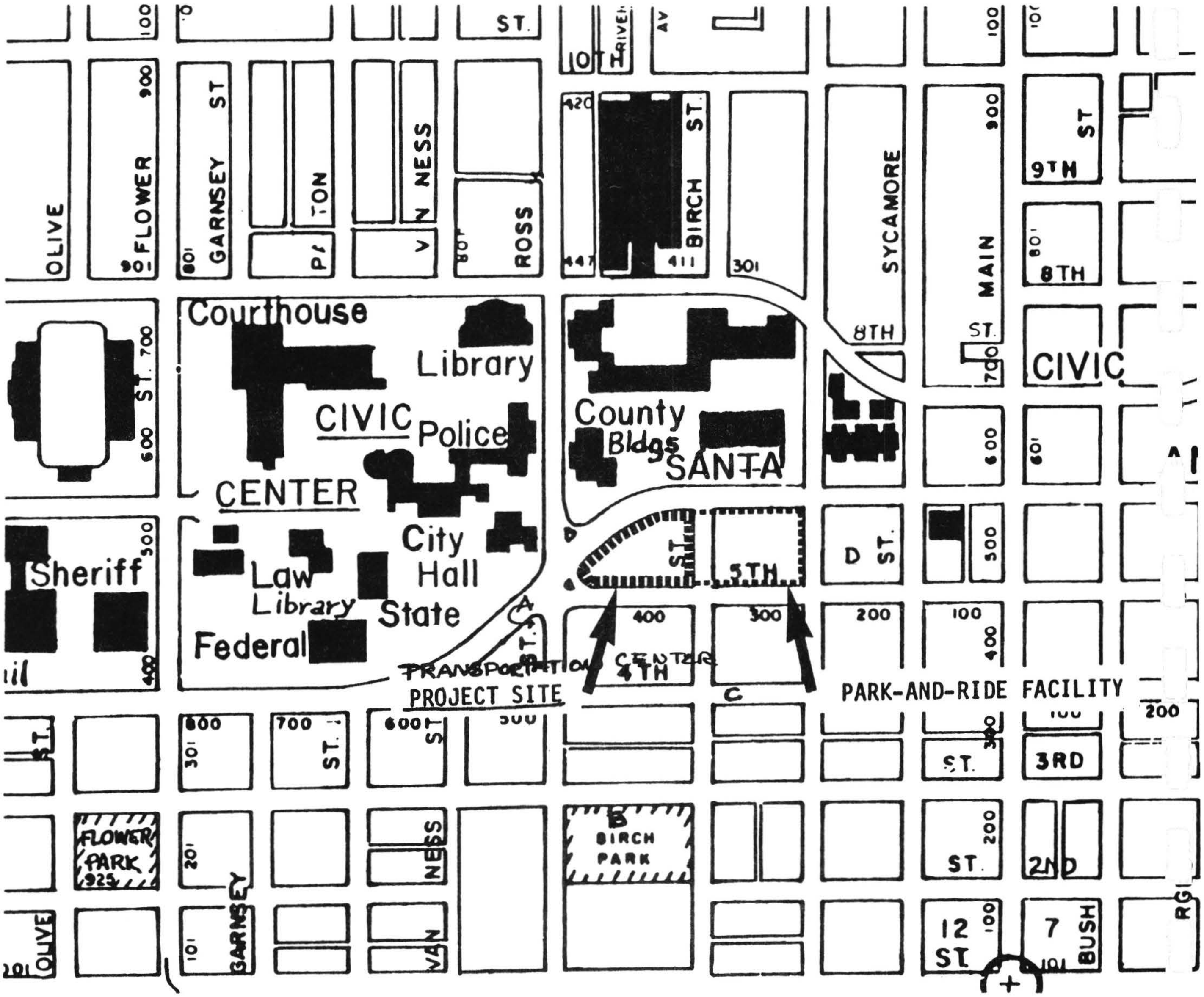
Need For A New Transportation Terminal

The impetus for the Transportation Center came from both the OCTD and the CRA. In November 1970, the voters created OCTD to provide a solution to transit problems in Orange County, and in August 1972, OCTD began revenue service. Since that time, it has built much of its service around the concept of the transfer center--a facility where a number of routes intersect, and passengers can make quick and easy transfers. The existing Santa Ana Transfer Center, located at 6th and Flower Streets, has been one of the system's busiest transfer points, but it also has had many problems.

- Limited off-street parking has meant that buses have to layover in the streets during peak periods, causing traffic congestion.

Figure 1

SANTA ANA TRANSPORTATION CENTER SITE



Source: Environmental Impact Statement. Prepared by the Orange County Transit District.

- Transferring passengers frequently have to walk long distances between buses.

- The passenger waiting area is small and can not be expanded.

The congestion and inconvenience of the Santa Ana Transfer Center intensified during the 1970s when the OCTD ridership was increasing steadily. The Mayor at one point demanded that OCTD "get your buses off my streets."

For some time, OCTD had been studying the feasibility of replacing local transfer centers with multi-modal transportation centers. Prompted in part by local political pressure, the OCTD gave Santa Ana high priority as a site for a new multi-modal facility. Also, the OCTD was influenced by the fact that public transit is more heavily used in Santa Ana than in any other Orange County community and that the City has the county's highest concentration of low income residents and youths--groups that tend to be transit dependent. Planners expect the new Transportation Center will be a major transportation hub for Orange County.

Stimulus For Downtown Redevelopment

Santa Ana's population, now stabilized at approximately 200,000, grew rapidly during the 1950s and 1960s. But since the mid-1970s, residential and commercial growth in Orange County has bypassed downtown Santa Ana, locating south of the City near the intersection of the Santa Ana and Newport Freeways and in the communities of Anaheim, Garden Grove and Fullerton. Santa Ana, which was once a major commercial center of Orange County, has suffered from the population growth shifts, competition from fourteen new regional shopping centers, and the physical deterioration of its older commercial buildings. Downtown vacancy and crime rates have risen, and local officials have been concerned that the downtown area would become an increasingly isolated and marginal section of the city.

As a step toward downtown revitalization, the CRA in 1974 recommended the construction of a multi-modal transportation center as part of its downtown redevelopment plan. A new Civic Center Plaza to house local, county, State, and Federal offices was also a key element in the revitalization program. Planners believed the proposed downtown Transportation Center was needed to serve the Civic Center work force and to encourage investment in the downtown by improving its accessibility via public transit and by reducing automobile congestion and parking problems. The development of the air rights above the terminal was seen as an excellent opportunity for private investment.

COMPONENTS OF THE PROJECT

The transportation complex has three components: a park-and-ride garage, the terminal facility, and the air rights development.

Park-and-Ride Garage

In June 1981, the OCTD completed construction of a four-level 475-space parking garage, located at the corner of Fifth Street and Broadway. The project was funded through sales tax revenues generated in Orange County and distributed as part of Orange County's Local Transportation Fund. When the terminal air rights project is completed, the upper two parking levels will be reserved for the use of the building's tenants. Currently, OCTD has only one Park-and-Ride route, but it is envisioned that the structure will serve passengers of the 42-mile Rapid Mass Transit system proposed for Orange County. The System's north-south and east-west lines would intersect in the downtown Santa Ana Civic Center.

The Transportation Terminal

The design of the terminal is intended to reinforce the image of OCTD as a modern, efficient transportation service and to enhance the appearance of the neighborhood. The one-story terminal will contain 17 bus bays and space for passenger waiting areas, ticket/pass sales, lost and found, information and restrooms. As shown in Figure 2, buses will enter from Santa Ana Boulevard and circulate in a counter clockwise direction and exit on Fifth Street and Santa Ana Boulevard. The principal pedestrian entrance will face the Civic Center on Santa Ana Boulevard.

Although OCTD buses will be the major users of the terminal, it will serve as a connection point for the Southern California Rapid Transit District buses. The terminal will also be accessible to the proposed Rapid Mass Transit lines that intersect near the terminal.

Air Rights Development

The roof of the terminal is being structurally reinforced to provide a pad to support a 60,000 to 70,000 square foot air rights building. Figure 3 is a schematic plan of the project. Space will be reserved for utility connections and elevators needed by the proposed development. A $.7 million grant from UMTA's Urban Initiatives Program has enabled the OCTD to build the pad and the terminal simultaneously, thereby avoiding a delay in the terminal opening or the need to close it at a later date in order to construct the pad.

The OCTD air rights plan proposes the construction of a six-story office building, although housing for senior citizens has also been considered. The OCTD is seeking a developer for the air rights project. As a condition of the UMTA grant, OCTD has three years from the date the terminal opens to execute a legally binding sale or lease of the air rights to a developer.

Pedestrian Improvements

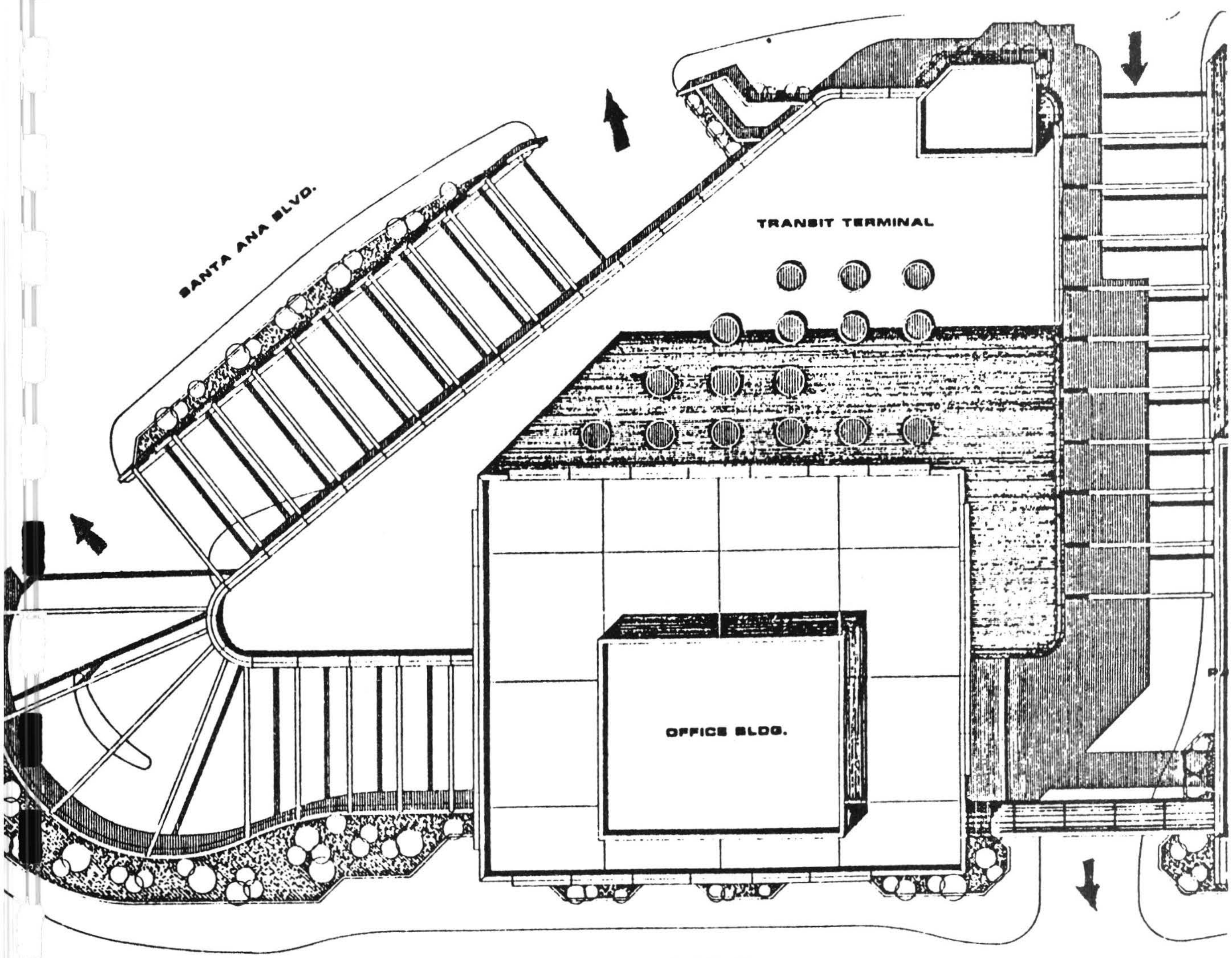
Also included in the Transportation Center plan is a series of public improvements designed to make walking around the project neighborhood easier, safer, pleasanter, and to link other commercial and residential areas. These improvements include the development of two parks, the expansion of another, and the construction of walkways and plazas.

Related Commercial Projects

In 1979, before the Transportation Center funding was certain, four developers had planned commercial developments on sites contiguous or near to the proposed Center. (See Figure 4.) But during the time needed to complete final plans and obtain funding, the original developers either amended their projects substantially or withdrew them.

Figure 2

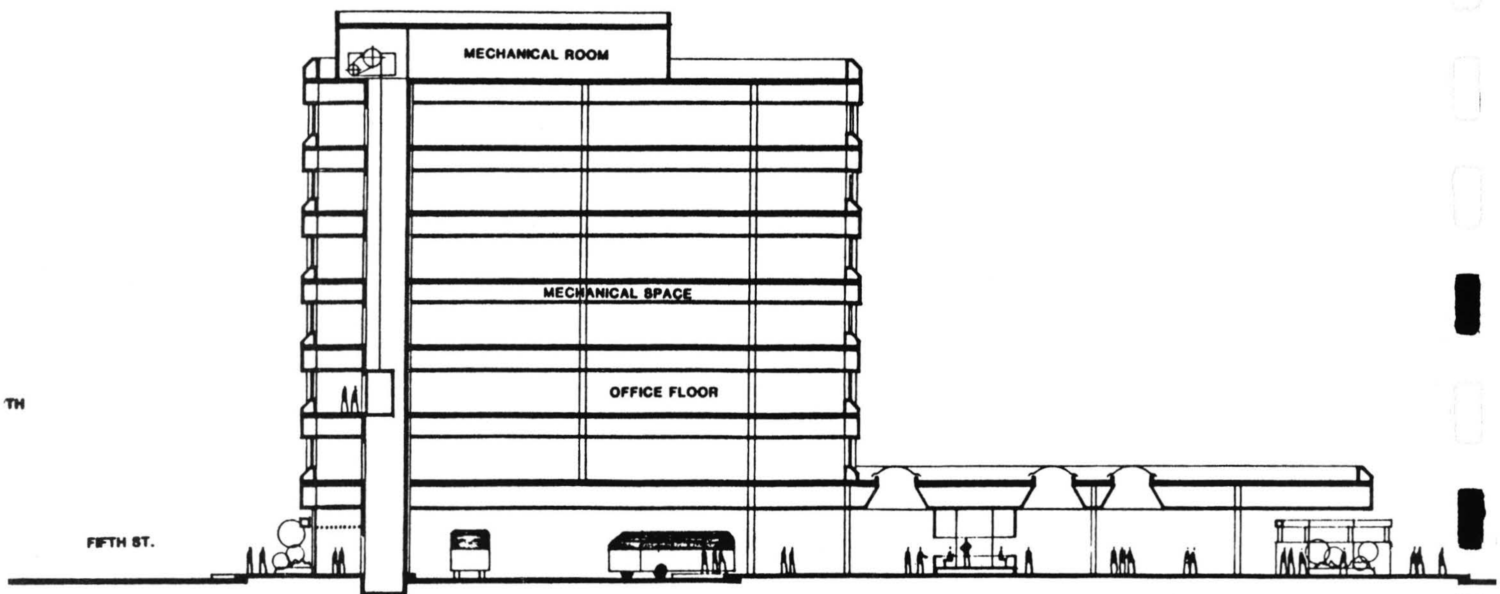
SANTA ANA TRANSPORTATION TERMINAL



Source: Orange County Transit District.

Figure 3

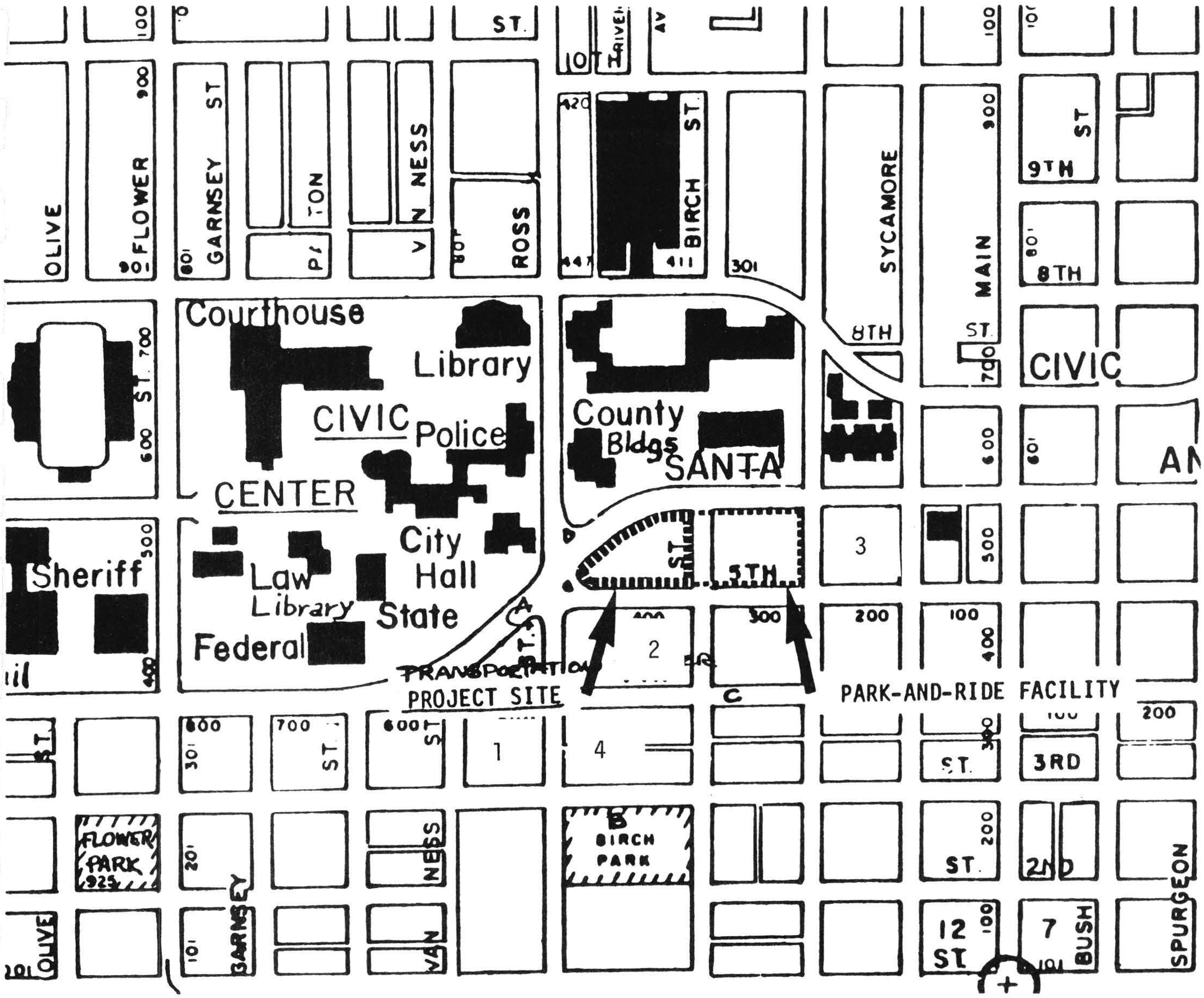
SANTA ANA TRANSPORTATION TERMINAL



Source: Orange County Transit District.

Figure 4

PLANNED COMMERCIAL PROJECTS NEAR TERMINAL



Source: Prepared from material from the City of Santa Ana.

Site 1 -- The Heritage Development project, which called for the construction of a four-story 38,000 square foot medical arts building, has been postponed.

Site 2 -- A 115,000 square foot office, retail, and restaurant complex was proposed by a local developer in 1979. Since then, the developer has dropped out, and the CRA is negotiating with another developer who is proposing the construction of a 200,000 square foot office tower and a 6-level parking garage.

Site 3 -- The original developer for this 1.3 acre site located across the street from the old Courthouse withdrew in 1980, and the CRA is soliciting proposals for the development of 60,000 square feet of commercial office space.

Site 4 -- The Parkside Plaza project combines the construction of a new, two-story 24,000 square foot office building with the rehabilitation of two existing structures. Construction is underway.

THE JOINT DEVELOPMENT PROCESS

Joint development of the Transportation Center air rights has been hampered by delays caused by having to meet the requirements of multiple funding agencies and by the deterioration of the local economy and real estate market. Despite these setbacks, the terminal will be completed soon, and the OCTD is developing a strategy by which it hopes to attract a developer for the air rights.

The Participants

- The Community Renewal Agency (CRA)

The CRA has been involved with the Transportation Center project since its inception because the agency is responsible for site acquisition, demolition, and site preparation of all properties located within the Santa Ana Downtown Redevelopment Project, of which the joint development block is a part. Initially, it was the lead agency and the recipient of the Urban Initiatives grant. However, in September 1982, at the request of both the CRA and the OCTD, UMTA reassigned responsibility for the grant to OCTD, since it was constructing the terminal.

The CRA assembled and cleared the land for the Transportation Center. In 1974, it sold the cleared site for the Park-and-Ride garage to OCTD for $785,000, and in August, 1982, it sold the terminal site to OCTD for $1,245,000. The CRA has acquired and cleared several sites near the Transportation Center in preparation for private redevelopment by the private sector.

In 1979, the CRA arranged a tentative agreement with a developer for the construction of the air rights project, but the deal fell through because the developer could not obtain long term financing. Currently, the CRA is promoting the redevelopment of a parcel adjoining the terminal that it owns and proposing to developers that they can benefit from including the air rights project in their development plan.

- The Orange County Transit District (OCTD)

The OCTD is responsible for the construction of the terminal, the air rights pad, and the construction that will take place in the air rights space. Under the stipulation of the UMTA grant, OCTD has three years after the terminal opens to sign a lease agreement for the air rights development.

Because the OCTD lacks experience in real estate marketing and finance, and to strengthen its position in dealings with developers, the OCTD is seeking outside help from specialists. In July, 1983, OCTD is planning to hire an economic consultant to help with several tasks. First, the OCTD wants professional advice on how to package the air rights project so that it will have maximum appeal to developers. The OCTD expects the real estate market in Santa Ana will remain uncertain for some time, and it believes it must present developers with a complete and well-thought out plan or the potential of the air rights project will be ignored. Currently, Santa Ana has a 35% office vacancy rate and only a few developers have shown any interest in the air rights project. Second, the consultant will help the OCTD draft a request for proposal that will include the economic goals for the project, the potential market for different types of uses, and the extent of the OCTD commitment to provide utilities and other improvements. The OCTD planners hope this proposal will be useful in publicizing the project among the developer community. At present, OCTD does not have a specific statement of its development objectives and requirements that it can use as a standard for judging developer proposals. Following the practice of other transit agencies inexperienced in joint development, the OCTD expects to draw upon the consultant's expertise to help in the selection of a developer and to be available for advice during the negotiation of the lease agreement. Last, the consultant is expected to help the CRA and the OCTD develop a strategy for linking the physical and financial elements of their projects.

- The City of Santa Ana

The city has scheduled major public improvements in the vicinity of the Center to improve vehicular traffic and pedestrian circulation.

- U.S. Department of Transportation

The intermodal terminal construction grant was scheduled originally to be funded by the FHWA Federal-Aid-Urban Systems program, but in 1981 the terminal project was shifted to the Urban Mass Transportation Administration, which approved the $5.4 million grant. The air rights pad is being financed by a $.7 million grant from UMTA's Urban Initiatives Program.

Financing

The OCTD will receive $6.1 million from UMTA to finance a major share of the Transportation Center; $5.4 million from a Section 3 grant for the terminal building and $.7 million for the air rights pad. Local transportation funds have provided $3.5 million for the Park-and-Ride garage, and the city has allocated almost $1 million for capital improvements in the project are.

IMPACTS OF THE PROJECT

The accessibility of the Transportation Center to downtown employment centers is expected to encourage transit use. Planners anticipate transit ridership will increase 12 percent when the facility is open and that an average of 280 bus riders per hour will use the terminal in 1982 and 960 in 1995. Currently, approximately 15 percent of the Civic Center Plaza employees use public transit. At peak hour the station is expected to serve 97 buses in 1982 and 122 in 1995. Automobile traffic into downtown is expected to decrease by approximately 1,400 trips per day when the terminal is completed.

Project planners anticipate that when market conditions improve, many of the private redevelopment projects planned but unconstructed in the Civic and Transportation Center neighborhood will be built. For example, a specialty retail and office complex is proposed for the six blocks bounded by Broadway, Main, Fourth, and First Streets. Additional high-rise offices are under construction north of the Center, and low-rise professional office uses are planned as a buffer between the Civic Center complex and the residential neighborhoods to the north and south.

NOTEWORTHY FEATURES OF THE PROJECT

A portion of the local funds used in the project will come from tax increment revenue bonds. Santa Ana's CRA has pledged increases in property tax revenues within the project area as security for the bonds. California has been among the first States to use this technique to finance major public improvements.

Because the Transportation Center is intended to be a catalyst for continued downtown redevelopment, planners have given the architectural design of the facility special attention. They hope to equal the quality of design and materials of the best buildings in the Civic Center Plaza and thereby eliminate possible adverse reaction on the part of developers and the public about the desirability of building a commercial structure above a bus terminal. High priority has been put on landscaping, and security has been an important design consideration. All parts of the public space will be visible; there are no hidden corners or hard to supervise areas. A closed circuit TV surveillance system is planned for the terminal.

Since the idea of the Transportation Center first emerged in 1974, there has been close cooperation between the CRA and the OCTD. The OCTD staff believes the ability of the two agencies to work together to fulfill Federal funding requirements, to prepare impact studies, to share other project responsibilities, and to attract potential developers has kept the project alive during the recent recession.

PROJECT PROBLEMS

The Transportation Center project and the proposed private development adjoining it have suffered from the general weakness of the economy during the past few years. Many of the private sector plans, including a proposed air rights development, have been postponed or withdrawn because of the weak market and the lack of long term financing.

The economic difficulties stemming from the weak market were aggravated by project delays caused by Federal funding requirements and other bureaucratic negotiations. The project staff found the preparation of the Environmental Impact Study and subsequent revisions particularly timeconsuming. It took two years to complete the study--much longer than local officials had anticipated. The terminal construction grant was transferred within the U.S. Department of Transportation from the Federal Highway Administration Federal-Aid-Urban Systems Program to the UMTA Section 3 Program. This required the CRA and OCTD staff to prepare two sets of application documents. Also, to ensure simultaneous construction of the OCTD terminal and the air rights pad, the Urban Initiatives grant application for funding the pad had to be switched from the CRA to the OCTD.

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