Joint Development
Striking a Balance Between Value Capture and Equity

LOCUS National Leadership Summit
Washington, D.C. | April 24, 2017
Welcome & Introductions

• Presenter:
  – Daniel Schned, FTA Office of Budget & Policy
What is Joint Development?

Transit improvement

Non-transit development

Public, private or non-profit partner(s)

Mutual benefits and shared costs
What is FTA-Assisted Joint Development (JD)?

- FTA interest in the JD project, either:
  - New FTA funding, or
  - Property previously acquired with FTA funds
- No FTA funding programs specifically for JD
- FTA-assisted property can be used for JD and FTA funds can be spent on some JD activities (statutory), subject to:
  - Statutory eligibility criteria
  - Use of real property considerations
  - Other cross-cutting federal requirements
- FTA policy established in Circular 7050.1A.
FTA-Assisted Joint Development Eligibility Criteria

i. Creates *economic benefit*

ii. Enhances *public transportation*

iii. Partner(s) provides a *fair share of revenue*

iv. Tenant(s) pays a *fair share of the costs*
iii. Fair Share of Revenue

(1) Minimum threshold policy

- Project sponsors must receive revenue equal to, or greater than, the amount of the original FTA investment in the JD project.

- EXCEPTION: Community Service/Publicly-Operated Facilities and Affordable Housing
  - Can be less than the original FTA investment, but must be based on the actual revenue generated by the community service/publicly-operated facility, or affordable housing.
### iii. Fair Share of Revenue

**Example:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTA-assisted real property contributed</td>
<td>1 ½ acres</td>
</tr>
<tr>
<td>Original cost of land acquisition (2005)</td>
<td>$2.25 million</td>
</tr>
<tr>
<td>FTA’s share of the original cost</td>
<td>80%</td>
</tr>
<tr>
<td>Original FTA investment</td>
<td>$2.25 million X 0.8</td>
</tr>
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\[
\text{FSR} \geq 1.8 \text{ million}
\]
Goals/Principles of FTA-Assisted Joint Development (JD)

- As a value capture strategy, JD generates revenue for transit capital and operations
- JD maximizes the utility of transit system improvements and FTA-funded projects
- JD also provides other benefits to transit agencies and local communities
- JD is a tool transit agencies use to support specific, locally-preferred TOD
St. Paul, MN

- **Project Name**: Snelling Ave Soccer Stadium – Ground Lease
- **Project Sponsor**: Metro Transit
St. Paul, MN

- **Project Name**: Snelling Ave Soccer Stadium – Ground Lease
- **Project Sponsor**: Metro Transit

Seattle, WA

- **Project Name**: Capitol Hill Station TOD
- **Project Sponsor**: Sound Transit

Seattle, WA

- **Project Name:** Capitol Hill Station TOD
- **Project Sponsor:** Sound Transit

Source: https://www.theurbanist.org/2016/08/30/sound-transit-green-lights-capitol-hill-station-tod/
Tacoma, WA

- **Project Name**: Tacoma Veterans TOD
- **Project Sponsor**: Pierce Transit

Source: Google Maps
Tacoma, WA

- **Project Name:** Tacoma Veterans TOD
- **Project Sponsor:** Pierce Transit

Source: Pierce Transit. 2016. FTA Joint Development Project Request
Tacoma, WA

Source: Pierce Transit. 2016. FTA Joint Development Project Request
FTA-Assisted JD Generates Revenue for Public Transportation

• Of the JD projects FTA approved in 2016:
  – FTA’s total original investment = $24.8 million.
  – Project sponsors have leveraged that investment to generate $277.8 million in contracted future revenue for transit purposes.
  – Project sponsors estimate these projects will also generate local economic development benefits and attract private investment worth $335 million.
FTA Joint Development Updates

• December 2015: FAST Act signed into law
  – Changed the definition of “joint development” in 49 U.S.C. §5302

• December 2016: Circular 7050.1A published
  – Addressed: 1) the change to 49 U.S.C. §5302 and 2) the “fair share of revenue” minimum threshold policy for affordable housing
Affordable Housing

• The fair share of revenue minimum threshold is an FTA policy, established in the 2014 Circular (7050.1), was continued in Circular 7050.1A

• FTA modified the fair share of revenue policy for affordable housing projects to make it equivalent to community service and public facilities

  – Allowing the revenue collected to be less than the “fair share of revenue” minimum threshold and instead based on actual revenue generated.
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<td>Market rate share of project</td>
<td>75%</td>
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\[
\text{FSR} = $1.8 \text{ million} \\
\text{FSR} = $1.35 \text{ million}
\]
For More Information

• FTA Resources (Circular 7050.1A, and Project Request and Attachments Forms):
  – www.transit.dot.gov/JointDevelopment

• FTA Points of Contact:
  – Daniel Schned, TBP:
    • daniel.schned@dot.gov or 202-366-1652
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    • christopher.hall@dot.gov or 202-366-5218