



East Palo Alto

TECHNICAL ASSISTANCE PANEL



**Urban Land San Francisco
Institute**
Serving the Greater Bay Area

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Urban Land Institute

San Francisco
Serving the Greater Bay Area

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Founded in 1936, the Urban Land Institute is a 501(c) (3) nonprofit research and education organization dedicated to providing leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI has nearly 28,000 members worldwide, representing the entire spectrum of land use and development disciplines. With over 1,800 members across the Bay Area, ULI San Francisco represents one of the Urban Land Institute's largest District Councils.

About ULI

The Urban Land Institute's mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. Founded in 1936, ULI is a nonprofit organization of land use professionals with nearly 28,000 members in 95 countries (www.uli.org), including 1,850 in the San Francisco District Council (www.ulisf.org). ULI San Francisco serves the greater Bay Area with pragmatic land use expertise and education.

About ULI TAPs

The ULI San Francisco Technical Assistance Panels Program (known as "TAPs") is an extension of the national Urban Land Institute (ULI) Advisory Services Panel Program. ULI's Advisory Services Panels provide strategic advice to clients (public agency, nonprofit organization or nonprofit developer) on complex land use and real estate development issues. The program links clients to the knowledge and experience of ULI and its membership.

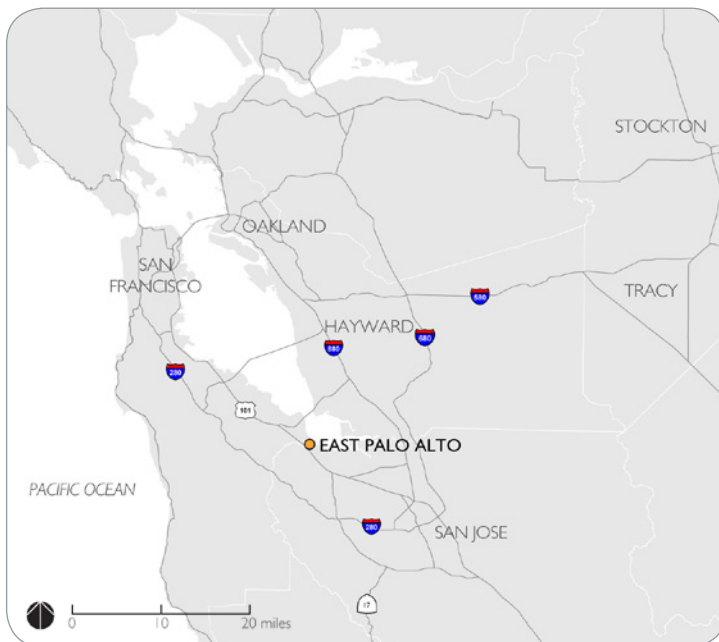
Since 1947, the Urban Land Institute (ULI) has harnessed the technical expertise of its members to help communities solve difficult land use, development, and redevelopment challenges. Over 500 panels have been conducted in 12 countries. Since 1996, the Urban Land Institute San Francisco (ULISF) has adapted this model for use at the local level, assisting 24 Bay Area cities.

TAPs include extensive preliminary briefings followed by a one-and-a-half-day intensive working session in the client's community. A detailed briefing package and guided discussion is provided by the client to each TAP participant prior to the TAP working sessions. In the working sessions our expert panelists tour the study area either by bus or on foot, interview stakeholders, and address a set of questions proposed by the client about a specific development issue or policy barrier within a defined geographic area. The product of these sessions is a community presentation and this report. This report presents highlights of the panel's responses to the client's questions as well as contains a diverse set of ideas and suggestions.

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Figure 1: East Palo Alto Regional Location



East Palo Alto Technical Assistance Panel

Technical Assistance Panelists

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Strategic Economics, (EPA TAP chair)

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ULI San Francisco

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Elliot Stein, Executive Director

Xiomara Cisneros, Director

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City of East Palo Alto City Council Participants

Laura Martinez, Mayor

Ruben Abrica, Vice-Mayor

Peter Evans, Councilmember

Carlos Romero, Councilmember

David Woods, Councilmember

Introduction

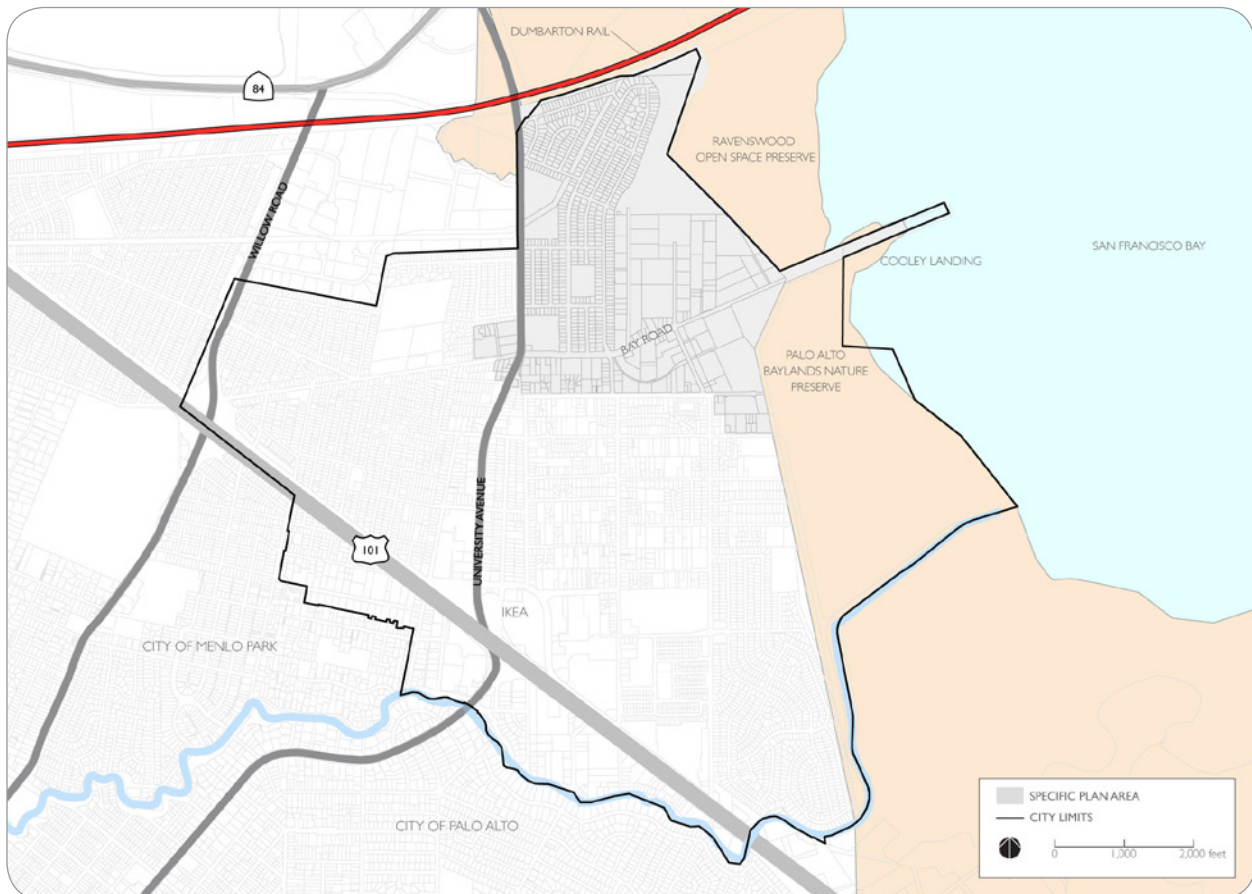
Team Assignment and Process

The City of East Palo Alto, with support from community members and stakeholders, has developed the Four Corners/Ravenswood Business District (RBD) Specific Plan that envisions transforming the mostly vacant industrial area into a revitalized, mixed-use, transit-oriented district. The Specific Plan area is the last large-scale opportunity in the City to accommodate uses that can create jobs for residents, generate revenues for the city, and provide amenities for the community. However, there are several

implementation challenges to achieving the Plan's vision, including parcel fragmentation, contaminated properties requiring remediation, deficient infrastructure, limited public resources, and negative perceptions about the City.

The Panel was asked four questions by the City of East Palo Alto that helped guide the analysis and final recommendations (See "Responses to the City's Questions" at page 12):

Figure 2: Project Plan Area



- 1) How should the City ensure that the development will improve the quality of life and create jobs for the existing residents?
- 2) How should the City phase the development of the infrastructure and the real estate development projects? How should the City prioritize its limited public investments?
- 3) Is a large catalyst project necessary to kick-start the Specific Plan, or can it be accomplished with smaller infill projects?
- 4) What realistic post-redevelopment financing options are available for infrastructure and community uses such as parks and community centers?

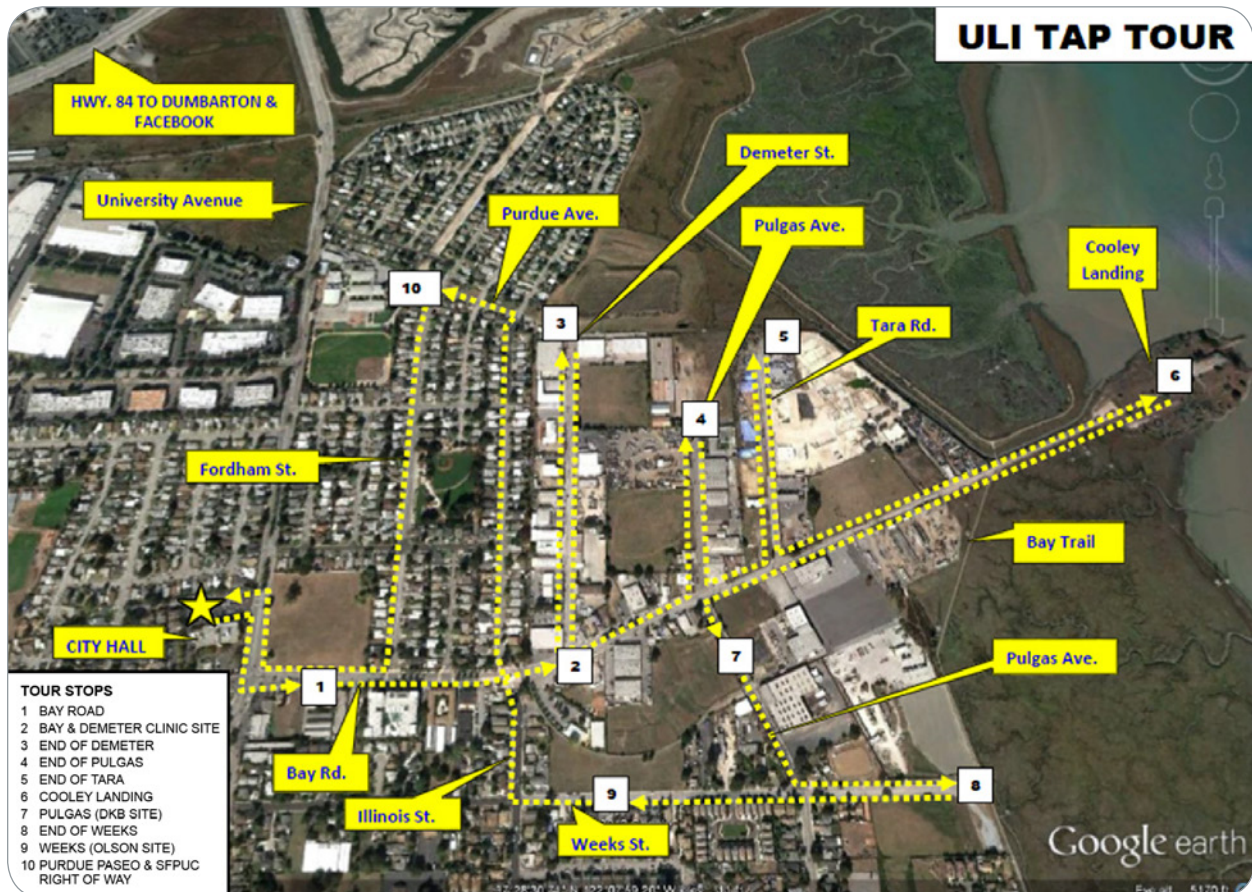
Overview of TAP Process

- Assemble the Technical Assistance Panel
- Familiarize Panel with the Four Corners and Ravenswood Business District (RBD) Specific Plan
- Review Briefing Packet*
- Conduct interviews with stakeholders: Community Members; Community-Based Organizations; Elected Officials; City staff; Land Owners; and Developers

ULI San Francisco assembled an interdisciplinary, unpaid volunteer expert Panel that explored the project. The strength of the East Palo Alto (EPA) Technical Assistance Panel lies in the cross-section of experts. Refer to the Participants section on page 18 of the report for information on the Panel.

Panelists approached the assignment from multiple perspectives, including: market potential; land use and design; finance and development strategies; governance; and implementation. The Panel examined the issues presented, debated and weighed the views of all parties interviewed against their own experiences, and produced this report as a summary of its findings.

Figure 3: East Palo Alto ULI TAP Tour Sites



*Available at: www.cityofepa.org/Archive.aspx?AMID=61

Stakeholders

Historical Knowledge of East Palo Alto (EPA)

- Karen Tiedemann—Partner, Goldfarb & Lipman (Former Redevelopment Agency Attorney)
- Renee Glover Chantler—Pro Bono Counsel, DLA Piper (EPA Planning Commissioner), and long-time EPA resident

Community-Based Organizations

- Isabel Annie Loya—Executive Director, Youth United for Community Action (YUCA)
- Vu-Bang Nguyen—Land Use Program Coordinator, Urban Habitat
- Robert Jones—Executive Director, EPA Community Alliance and Neighborhood Development Organization

Elected Officials

- Carlos Romero—City Council Member EPA; and Development & Land Use Consultant (Former Mayor of EPA)

Land Owners and Property Owners Association

- Jeff Poetsch—President, JCPoetsch Advisors
- Ken Alsman—Executive Director, RBD LLC

Developer in EPA

- Tim Steele—Sr. Director, Real Estate Planning, Sobrato Organization

Additional valuable insight and information was brought to the Panel by various City staff including Sean Charpentier, Economic Development Coordinator; Carlos Martinez, Economic Development Manager; and Ronald Davis, Interim City Manager.

The Plan

Context

The City of East Palo Alto strives to overcome decades of systematic disinvestment from when East Palo Alto was an unincorporated county pocket. Over the last 20 years, few cities have changed as much as East Palo Alto.

While East Palo Alto initially had few commercial developments, it is now home to IKEA, a Four Seasons Hotel, 450,000 square feet of Class A office space, Home Depot, Nordstrom Rack, and another 200,000 square feet of regional retail. To bring in these developments, the City made difficult decisions such as redeveloping the City's central commercial district, formally known as Whiskey Gulch, into the University Circle office and hotel project, and redeveloping a closed high school site into the G101 Retail Center. The major land use changes have been accompanied by significant population shifts as well. The African American population declined from 42% of the population in 1990 to 16% in 2010. The Latino population increased from 36% of the population in 1990 to 65% in 2010.

Despite significant economic development successes, the City struggles with a lack of commercial land, high unemployment, high poverty levels, and low public revenue generation. The lack of an adequate municipal revenue base means that few community services are provided, including a shortage of community facilities and parks. The development successes along Highway 101 (Home Depot, IKEA, Four Seasons, and the University Circle Office complex) created jobs and provide a measure of municipal stability, but they are not sufficient. The revenue provides the bare minimum for municipal services, and the unemployment rate remains extremely high. Therefore, there is a perception that the community has not benefited enough from the new development.

In the past, the City prioritized the freeway-oriented retail and commercial development in the University Circle and G101 project areas because they would provide a modest baseline of financial stability and jobs for the residents. While revenue and job growth continue to be important, the current RBD Specific Plan provides a stronger emphasis on development that will provide neighborhood-serving amenities and improve the quality of life for residents. See Briefing Packet for more information.*

*Available at: www.cityofepa.org/Archive.aspx?AMID=61

The Specific Plan Area

One of the last opportunities to address the economic, fiscal, and social goals for the city is the redevelopment of the Four Corners/Ravenswood Business District (RBD). The RBD is the last remaining area of the City available to accommodate employment generating uses, housing, and public spaces. The City worked with the Metropolitan Transportation Commission (MTC) to fund the Ravenswood/Four Corners TOD Specific Plan/Program

EIR (Specific Plan). The City selected Design, Community, and Environment (now the Planning Center/DC&E) as the prime consultant. The Specific Plan envisions a walkable downtown along Bay Road, an employment center in the RBD, and a network of trails, parks, and community facilities. Figure 4 below is a conceptual plan for the Specific Plan area. Figure 5 summarizes the development program.

Figure 4: Specific Plan Area



* This Diagram shows a conceptual vision for future land uses in the Specific Plan area. Figure 4-1 does not represent zoning for the Specific Plan Area.

- | | | |
|-----------------------------------|-------------------------------|-------------------------|
| MIXED USE (OFFICE OR RESIDENTIAL) | OFFICE | RAPID BUS / BRT STATION |
| CIVIC / COMMUNITY | OFFICE/R&D/INDUSTRIAL OVERLAY | DUMBARTON RAIL STATION |
| R&D / INDUSTRIAL | RESIDENTIAL | ACTIVE FRONTAGE |
| LIGHT INDUSTRIAL | PARKS / OPEN SPACE | SPECIFIC PLAN AREA |

Figure 5: Specific Plan Development Program

Residential (units)	835
Office (Sqft)	1,268,500
R&D/Industrial (Sqft)	351,820
Retail (Sqft)	112,400
Civic/Community (Sqft)	61,000
Parks (acres)	30
Trails (Miles)	4.5
Permanent Jobs	4,851
Construction Jobs	8,189

It is estimated that the uses envisioned in the Specific Plan will create over 4,800 new jobs and approximately \$2.3 million in net new annual General Fund revenue. With a few limited exceptions, the Specific Plan Area is the last area where the City can attract and develop land uses that will create jobs and revenue, and improve the quality of life.

Plan Features

The current version of the Specific Plan area consists of approximately 300 acres and includes five major themes that will channel the vision of the community development process.*

1. Walkable Downtown

A walkable downtown along Bay Road between University Avenue and Tara Road would include a mixture of residential, commercial, and community uses. The goal is to create an attractive downtown where the community can meet, dine, and shop. The street level envisions inviting and vibrant retail. Above the retail will be housing, and offices in some locations. A park and a community center at Bay Road and University Avenue (Four Corners) will anchor the Downtown. The mixed-use development will consist of densities of 40-60 dwelling units per acre.

2. Major Employment Center

The Specific Plan should achieve sustainable job growth that will help to reduce East Palo Alto’s high unemployment rate (17.5% as of March 2012) and improve the jobs to housing imbalance. By using a mixture of flexible Office, Industrial, and Research and Development (R&D) zoning, the City intends to invite industry that will create employment opportunities for the local community and the surrounding area. The employment center will have the potential to create approximately 4,800 permanent jobs. The Specific Plan also has the potential to create an estimated 8,200 temporary construction jobs.

3. Community Benefits

To improve the quality of life for East Palo Alto residents, the Specific Plan incorporates community benefits including: a 20,000 square foot community center, library and health clinic expansions, and a potential 10,000 square foot recreation center. With the addition of approximately 30 acres of open space and parks and 4.5 miles of trails, the community will welcome visitors and create community space for residents.

4. Transportation Improvements

The Specific Plan identifies several potential transportation improvements, including Dumbarton Rail Station and Bus Rapid Transit/Rapid Bus Station. The Dumbarton Rail project currently does not recommend a station at University Avenue. However, it is still shown on the Plan Concept as a potential long-term station based on future changes in transit technology and/or increased ridership in the Specific Plan area. The Specific Plan also recommends a Bus Rapid Transit/Rapid Bus Station at University Avenue and Bay Road.

5. Traffic Calming and Streetscape

The Specific Plan includes improvements to the roadway network such as a “Loop Road” that directs traffic around the neighborhoods, a road network that reinforces the themes of a walkable downtown along Bay Road, and traffic calming and streetscape improvements in the University Village Neighborhood.

*The Specific Plan documents are available at: www.cityofepa.org/Archive.aspx?AMID=61

Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

The Panel engaged in a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis. Strengths and Weaknesses describe existing conditions, while Opportunities and Threats identify potential future conditions.

Strengths

- Unique, large infill development opportunity on the Peninsula
- Bay views and access to trails and open space
- Regional positioning - Proximity to major freeways, airports and bridge to East Bay
- Nearby large employment centers (i.e. tech industry of Silicon Valley)
- Close to Stanford University
- Community and City agreement on Specific Plan vision
- Availability of land

Weaknesses

- Lack of backbone infrastructure - Requires studying, financing and installing trunk infrastructure
- Relative isolation of site
- Unproven market
- Fragmented land ownership
- Negative image/perception and historical branding
- Lack of accessibility to transit

Opportunities

- Closing of Romic/Catalytica offers an opportunity for new uses
- Bay Road and Cooley Landing projects enhance attractiveness and access
- Specific Plan and EIR, once adopted, provide strong guidance to developers
- Access to public financing for infrastructure

Threats

- Water supply uncertainty
- Need for better vehicular access into the site ("Loop Road" viability and approval)
- Demise of Redevelopment Agency (RDA) makes parcel assembly and financing much more difficult
- Public financing strategies are highly dependent on private development

Strengths

The current Specific Plan, supported by the City with community consensus, provides a clear vision of this unique and large infill development opportunity. The site includes currently available development opportunities, with bay views and access to trails and open space. There is a sincere city-wide desire to make this development successful, making many of the site's weaknesses surmountable.

Commercial and residential developers alike will find value with the regional positioning and access to two major freeways, including US-101, the Dumbarton Bridge (Hwy 84) and the two major Bay Area airports in San Francisco and San Jose. Large employment centers, including the Facebook campus in Menlo Park and Mountain View's Shoreline area, are within biking distance of the site, enhancing the location's immediate value.

Weaknesses

While the Panel recognizes that there are current weaknesses with the relative isolation of the RBD site and the difficulties inherent in large-scale development with fragmented ownership, the Panel believes the main weakness is the lack of a complete trunk infrastructure. The Panel sees the immediate need for public investment in further studies, financing and installation of trunk infrastructure, including storm drains, sewer and sanitary drainage, as well as utility and emergency water distribution.

The City of East Palo Alto has a negative lingering stigma and perception of crime and illicit activity, largely based on events in the 1990s, rather than current conditions. This negative image poses a challenge for attracting new investment, businesses, and households to the Plan Area.

The community already recognizes a traffic congestion problem under the current roadway infrastructure due to the lack of accessibility and relative isolation of the RBD site.

Due to the elimination of redevelopment agencies in California and their associated tax increment financing and land assembly tools, there are limited tools to finance the infrastructure improvements necessary for implementing the Plan. This makes public financing strategies dependent on a combination of a high level of private development, enabling state legislation for new tax increment financing mechanisms, and/or new public-private partnerships.

Opportunities

The adoption of the Specific Plan and Programmatic EIR provides strong and reliable guidance to interested developers, and potentially creates access to public financing and other financing options for infrastructure. The streetscape and infrastructure along Bay Road to Cooley Landing will enhance the attractiveness and access throughout the envisioned walkable downtown. The Panel also recognizes the enormous possibilities that will be available once the Romic/Catalytica site is available for development, creating continuity throughout the Bay Road corridor to Cooley Landing. Finally, major transit projects like the Dumbarton Rail and Bus Rapid Transit corridors under discussion could potentially enhance the site's accessibility if there are nearby stations that can serve the Four Corners and RBD areas.

Threats

The major threat to the Specific Plan, and any new development in East Palo Alto, is the uncertainty surrounding the City's long-term water supply. It is the Panel's understanding that the City has exceeded its water allocation from SFPUC and that additional water supply is necessary for any new development in the City. A long-term water allocation solution will be necessary for the City to accommodate future growth.

Furthermore, the access into the northern and eastern development parcels of the site is currently constrained. For larger development interest to materialize, there will need to be a strategy to improve road access. The viability of a new roadway (Loop Road or other alternatives) will need to be studied, including the acquisition of key parcels of land, to move development forward.

Response to the City's Questions

Question 1. How can the City ensure that the development will improve quality of life and create jobs for the existing residents?

a) Improving Quality of Life

The City and community have done an outstanding job articulating the vision of the Specific Plan and clearly calling out elements of the Specific Plan that will improve the quality of life for the community. Including these elements into the design guidelines or conditions of approval, such as ground floor retail on Bay Road or large-scale parks and open space, will help turn this vision into a reality.

The community already notices the traffic congestion issues that affect the quality of life under the current roadway infrastructure. With regard to traffic calming, the City needs to concentrate on certain key attributes of the Specific Plan including up-to-date traffic studies, completion of the Loop Road, and the Bay Road project that will connect to Cooley Landing. To improve traffic flow through the site and adjacent neighborhoods, the Panel believes that completing the Loop Road is a pre-condition for major development. For a near-term solution, the City should perform additional sequencing studies of the traffic signals on University Avenue.

A separate feasibility study should consider the imposition of traffic impact fees on major developers. The Panel highlights that these types of fees can only be assessed on new development to pay for its incremental impact and cannot be a strategy to remedy existing deficiencies in the City. Furthermore, the use of development impact fees may stifle development if it is out of proportion with what the market can support. The City needs to find the correct balance of fee rates and alternative financing.

Where viable, similar to the incremental impact fees for traffic, impact fees can be a financing strategy for some community facilities such as libraries and community centers. The Panel encourages the City to use caution in

pursuing these types of fees to ensure that they do not render development infeasible.

In some cases it may be possible for development to leverage funding sources like New Markets Tax Credits to incorporate important job-generating, community-serving uses like medical clinics, nonprofit offices, and day care centers. This program is designed to stimulate private investment and economic growth in low-income urban neighborhoods.

In some cases, the use of zoning for mixed-income housing can be a tool for neighborhood revitalization. The updated zoning requirements in the Specific Plan should include further flexibility to incorporate mixed-income housing.

b) Jobs for existing residents at a range of skill levels

The Panel urges the City and community to recognize that the Specific Plan is an imperfect tool for job creation, and that the market will dictate what kinds of businesses locate in the Plan Area. The current zoning in the Specific Plan is designed to accommodate a range of business types, but the types of jobs that will ultimately be generated are difficult to predict. The high unemployment level in the City is a major challenge that cannot be solved solely by the City. The Panel suggests that these goals be addressed in concert with workforce development boards, community colleges, and vocational education programs. Also, recognizing that East Palo Alto residents, as in most communities, will likely find jobs outside of their city limits, there is an additional need to improve transportation options to other employment centers, especially via low cost public transit. These transportation needs can be enhanced through a combination of existing public transit, business and property-owner sponsored shuttles, partnerships with other transit agencies and the Metropolitan Transportation Commission, and the addition of infrastructure to help support pedestrian and bike travel modes.

Question 2. How can the City phase the development of the infrastructure and the real estate development projects? How does the City prioritize its limited public investments?

Immediate Needs:

1. Secure water rights
2. Study and design infrastructure improvements
3. Loop Road Connection
4. Parcel assemblage
5. Development agreements

1. Secure Water Rights

Foremost, the Panel recommends that the City hire a consultant to assess and advise on a water rights plan and solutions, keeping in mind that developers cannot be responsible for acquisition of water rights. Developers can only be responsible for paying connection fees and the incremental cost of conveying water to specific projects within the City system. The consultant should consider a holistic approach to a full master plan water supply solution and advise on prioritization of the infrastructure plan components. Securing water rights may be accomplished through a combination of enhancement of the City's groundwater resources and obtaining increased allocation from regional water systems. Developers will only invest in RBD properties if there is a high level of confidence that East Palo Alto can deliver water to these sites when development occurs.

2. Study and Design Infrastructure Improvements

In addition to water rights and related delivery systems, the Panel suggests that the City focus on other infrastructure improvements needed for RBD development, including sanitary sewer and drainage systems, and roadway improvements along Bay Road from University Avenue to Cooley Landing. The Panel strongly advises that the developer only be made responsible for the incremental costs related to development projects. These costs should be outlined in a clear schedule of impact and/or connection fees. Financing opportunities for these infrastructure improvements are outlined later in this report.

3. Loop Road Connection

The Loop Road concept is a critical connection to the RBD site because it increases the accessibility to the northern end of the study area and relieves traffic congestion on current routes to the eastern development sites. Without a new access option, traffic problems on University Avenue will likely be compounded with each new RBD development project. The assessment of potential wetlands impacts and the ability to acquire right-of-way through certain private parcels is also critical to the implementation of Loop Road.

4. Parcel Assemblage

To utilize many of the available financing tools for implementation, including Infrastructure Financing Districts (IFDs) and Community Facilities Districts (CFDs), some level of property owner and resident agreement to aggregate parcels is needed. The Panel views current fragmented ownership in the RBD as an obstacle to major development. To catalyze the development process, the City should consider hiring a consultant or a real estate broker to facilitate assemblage. This consultant would work with property owners associations to structure an agreement with landowners, and achieve efficient pre-packaged large assemblages of land. These assemblages will attract private development interest and will allow property owners to secure maximum values for their land. Though there are several large parcels that exist in the RBD that would likely generate developer interest on their own, the remaining small parcels are less attractive individually for purchase due to the significant time and risk associated with parcel assemblage.

The City can utilize Density Bonus Incentives that are consistent with zoning and land use concepts, as well as incorporate an incentive for parcel assemblage.

5. Development Agreements

The Panel strongly suggests the establishment of an ordinance to allow Development Agreements (DAs) to facilitate implementation of the Specific Plan. These DAs will provide developers with longer term certainty of entitlements and fee levels. One benefit of DAs to the City is to allow for the imposition of certain fees and development exactions, creating financing for programs such as the First Source Job Program, additional local transportation, parks and other community benefits.

Implementation Priorities:

- A. Finance and install trunk infrastructure
- B. Four Corners Projects
- C. Bay road improvements—all phases

A. Finance and Install Trunk Infrastructure

The Panel believes that no development is possible without the installation and a long term plan for the trunk infrastructure. As discussed earlier in this report, the Panel does not believe that sufficient development interest is possible without the main infrastructure of sewer, drainage and water allocation. Once the trunk infrastructure is designed and in place, or at least a known and fixed development cost of each project, potential developers can move forward with transactions.

B. Prioritize Four Corners

Since the Four Corners site at the corner of University Avenue and Bay Road is the visual gateway to the RBD project master plan, the Panel believes that it should be prioritized. It can be seen as the corridor to the rest of the master plan and appears to require the least initial infrastructure investment. In the short term, virtually all traffic headed to the new Cooley Landing will pass by this gateway location which would support the ongoing vision of the area.

C. Bay Road Improvements—All Phases

Continuing with the theme of marketing the vision of the RBD, the Panel believes that enhancement on both sides of Bay Road, from University Avenue to Cooley Landing, is a crucial initial step. This can be seen as a marketing opportunity from property owners' perspectives and for the entire City of EPA.

Question 3. Is a large catalyst project necessary to kick-start the Specific Plan, or can it be accomplished with smaller infill projects?

The Panel believes the essential first step is the planning and implementation of the trunk infrastructure. After this infrastructure is in place, and given the fragmented land ownership patterns in the Specific Plan Area, the Panel believes that incremental developments are the most realistic scenario for the redevelopment vision. New development should be prioritized at Four Corners, where there are existing development proposals in place that are likely to move forward in the short term. This will likely

be followed by the market driving development along Bay Road from the west (Four Corners) to the east side of the RBD site area.

Question 4. What realistic post-redevelopment financing options are available for infrastructure and community uses such as parks and community centers?

There are several tools available to finance infrastructure improvements in California now that redevelopment agencies no longer exist. The most relevant for the Specific Plan Area include: 1) Development Impact Fees, 2) Community Facilities Districts, 3) Infrastructure Finance Districts, and 4) Negotiated Developer Agreements.

1) Development Impact Fees (DIFs) are one way to have new development “pay its way” by charging fees to the developer directly related to the impact of the new residents and employees. However, there must be a nexus between the cost of new development and the fee charged; DIFs cannot legally be used to pay for improvements related to existing deficiencies to serve existing residents. If this tool is implemented, the Panel cautions the City to carefully calibrate the fees to ensure that projects are not so burdened by the fee as to render development infeasible.

2) Community Facilities Districts (CFDs), also known as Mello-Roos districts, charge property or business owners within a district an additional property tax assessment in order to fund specified improvements within the district. CFDs, unlike other types of benefit assessment districts, allow a great deal of flexibility in how funds may be used. However, they require a two-thirds vote of property owners or registered voters to be established. Most case study examples of CFDs are in places where the proposed district encompasses a small number of property owners who intend to subdivide the land for sale. This tool is more challenging to implement in a context like this, where there are many property owners. This highlights the need for the City to work closely with the existing landowner association and take steps to encourage more cooperation amongst landowners.

3) Infrastructure Financing Districts (IFDs) are often seen as a key financing strategy in California post-redevelopment. Similar to Tax Increment Financing (TIF) mechanisms formerly employed by redevelopment agencies, an IFD captures the incremental property tax revenues generated by new development to pay for district infrastructure improvements. Tax increment is collected

for a set period (usually between 15 and 30 years), and can be used on a “pay as you go” basis over time, or can be bonded against to provide an up-front source of revenue. However, the establishment of an IFD requires legislative changes in Sacramento that would allow for the boundaries of an IFD to be the same as a former redevelopment area. In addition, formation of an IFD requires a two-thirds vote of property owners or registered voters living in the proposed district and approval from all affected taxing entities. San Francisco’s current Mission Bay Development Area is an example of how IFDs can be structured to finance infrastructure and parks. It is important to note that because the City and County of San Francisco are a single entity, the formation of the IFD was easier to accomplish.

4) Negotiated Developer Agreements: Direct contributions from developers can also help pay for infrastructure needed to accommodate new development, or for desired amenities. Structured negotiations between the City of East Palo Alto and developers could help the City obtain parks or community facilities in exchange for development rights. The extent to which new projects in the Specific Plan area can contribute to the provision of infrastructure will depend on a number of factors, including the anticipated revenue from development, construction costs, lot size and configuration, and parking ratios. All of these factors vary depending on the form and timing of development; therefore, the amount of public benefits that can be provided through developer agreements is unpredictable and has to be negotiated on an individual basis.

There are certain recognized constraints on these public financing tools. The primary constraint is the fact that all of these mechanisms depend on a robust market for new development in the district to leverage sufficient capital to pay for infrastructure costs. Secondly, in the case of IFDs, there is a need to amend existing legislation to allow for this tool to be applied in a former redevelopment area. Hopefully this can occur in the short term, while the state legislature begins to address the loss of redevelopment tools. Finally, there is a need to obtain a two-thirds majority vote by landowners and residents to establish an IFD or a CFD, which will require concerted efforts by the City to educate and demonstrate the benefits of the Specific Plan to these stakeholders.

If the hurdles to establishing an IFD and a CFD can be overcome, it may be desirable to begin phasing the infrastructure financing strategy for the Specific Plan Area initially with CFD bonds, which could then be repaid by IFD bonds backed by tax increment revenues, and therefore removing most of the incremental property tax burden from the CFD property owners. The City should also consider using CFDs for ongoing operations and maintenance throughout the community’s new parks and greenways to minimize the impact of the new development on the General Fund.



University Circle

Additional Recommendations

In addition to the responses to the City's questions, the Panel identified other significant areas that are key components of a successful rollout of the Specific Plan:

City Entitlement and Approval Process

Efficiency and clarity in the City approval and entitlement process are significant factors in determining a project's risk for a developer. A streamlined and efficient development approval process could reduce this risk dramatically and incentivize developers to invest in the RBD.

The Panel suggests that the City Council certify a Programmatic Environmental Impact Report (EIR) that already has gone through the CEQA process and allows each project to be fast tracked through an EIR Addendum. This would allow the developer and City Council to compare each project's impacts to previously analyzed impacts and create expedited processes for major projects in RBD.

Furthermore, by establishing clearly articulated Design Guidelines for each project type within the Specific Plan, developers will have fewer barriers to acquisitions. This will reduce the level of City review for projects in compliance with Specific Plan and minimize the need for public hearings and Planning Commission and City Council approval. Finally, by implementing a minimum review period, identifying a project advocate within the City, and permitting agencies to clear "log jams", the City can further expedite the vision.

The existing City regulations, unless backed by a new approval and City entitlement process, will be confusing and difficult to implement, particularly for the initial projects. We believe these initial projects are most crucial to the success of the Specific Plan. The City has made a good name for itself in the recent entitlement approvals, but there is still dramatic value in this type of expedited approval process.

Optimize Flexibility of Specific Plan

By allowing overlay areas in the Specific Plan that provide broad flexibility within each R&D, Office, or Industrial zone, the City will encourage developers to purchase properties in the short term by giving confidence that they can "meet the market." Prioritizing this level of clarity on design intent, building guidelines, and streetscape on Bay Road should encourage the "main street" experience, and market the entire Specific Plan vision.

Differentiate East Palo Alto as "Open for Business"

By implementing the above recommendations, the City of EPA has a unique opportunity to re-brand itself as "open for business." The City can already promote its past successes, including University Circle and current acquisitions by the Sobrato Organization, to overcome its past reputation. The new toolkit, including Programmatic EIR, Development Agreements, and feasibility studies, will be the key to success. By marketing these aspects of expedited approvals and clarity of fees to developers, the City will be able to drive transactions in the short term.

Relevant Case Studies

Mission Bay, San Francisco, California

The Mission Bay North Infrastructure Financing Plan uses a CFD and redevelopment tax increment, for which in EPA an IFD tax increment could be substituted.

San Francisco's new Mission Bay development covers 303 acres of land between the San Francisco Bay and Interstate-280. The development program for Mission Bay includes: housing units, with affordable to moderate, low, and very low-income households; over 4 million square feet of office, life science and biotechnology commercial space; a new UCSF research campus on 43 acres of land donated by the master developer and the City; a state-of-the art UCSF hospital complex serving children, women and cancer patients; 500,000 square feet of City and neighborhood-serving retail space; a 500-room hotel; 41 acres of new public open space, including parks along Mission Creek and along the Bay, plus 8 acres of open space within the UCSF campus; a new 500-student public school; a new public library; and new fire and police stations and other community facilities. The master developer will construct more than \$700 million in public infrastructure in Mission Bay, to be financed through special assessments and increased property taxes generated by the development. Upon completion, the right-of-way and utility improvements will be accepted for operation and maintenance by the City. The park system is funded by annual assessments against private property in the development plan areas.

Fruitvale Village I, Oakland, California

McLarand Vasquez Emsiek & Partners, Inc. designed Fruitvale Village I as a four-acre mixed-use, mixed-income, transit-oriented development located next to the Fruitvale Bay Area Rapid Transit (BART) station in the City of Oakland. It is the central core of Fruitvale Village, a 19-acre area that includes a new senior housing development, extensive facade and street improvements, and both surface and structured parking spaces. Developed by the Unity Council, a local nonprofit community development corporation, the project mixes 37 market-rate loft-style apartments with ten affordable units, office space, more than 20 retail stores, a seniors' center, a Head Start child development center, a City of Oakland public library, and a health clinic.

San Jose's Development Services Center

The City of San Jose has implemented streamlined permitting and entitlement processes through the City's Development Services Center. Developers and private citizens alike can use the development services to process their building projects. City staff or self-service computer stations can be used for all building and other development projects. There is even an on-line permitting process that can further expedite the process.

ULIsf Participants

Sujata Srivastava, Principal at Strategic Economics, chaired the Panel and applied her experience in working with public and private sector clients on urban economics consulting assignments. She specializes in economic development, real estate market analysis, and fiscal impact analysis, with a focus on transit-oriented development (TOD) and infill projects.

David Madway, Senior Attorney at Sheppard Mullin, brought his expertise in real estate finance and development entitlement, as well as his extensive experience with the San Francisco Redevelopment Agency.

Dean Rubinson, Senior Vice President of Development at Ellis Partners, develops major real estate projects around the Bay Area. He provided expertise on all facets of the development process, in addition to a vast knowledge of water rights from his years as a civil engineer.

Ernesto Vasquez, AIA, NC ARB, Vice President & Founding Partner of MVE & Partners, specializes in urban and affordable housing, transit-oriented and mixed-use developments, institutional facilities and community planning.

Dan Wu, Executive Director of Charities Housing, is an architect and currently responsible for acquisition, entitlement, finance, and construction of multiple affordable housing projects.

Mark Leverette, CPA at Burr Pilger Mayer, is the head of the firm's Real Estate Industry Group assurance practice, and the lead author for this TAPs project report.

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