



**SPUR**

San Francisco | San Jose | Oakland

October 19, 2019

Hon. Governor Gavin Newsom  
1303 10th Street, Suite 1173  
Sacramento, CA 95814

**Re: Actions the State Can Take to Support Cities and Fully Capture the Investment in Passenger Rail**

Dear Honorable Governor Newsom,

Achieving your administration's vision of a California For All requires recognizing that our state's diverse regions are interconnected. But it also requires tackling the growing geographic disparities, especially between coastal and inland areas. With the launch of your "Regions Rise Together" initiative, there is a real opportunity to comprehensively achieve a more inclusive and sustainable economy for Californians. Core to that vision is leveraging the state's investment in rail, especially high-speed rail, to expand access to opportunity and capture more economic activity around current and future rail stations.

**On September 12, 2019, the urban policy research and advocacy organization SPUR, together with leaders from the Governor's Office of Business and Economic Development, the Office of Planning and Research, the California High-Speed Rail Authority, and the Council of Infill Builders held a half-day symposium for cities in California with passenger rail stations in Sacramento.** The program can be found in Appendix A, attendee list can be found in Appendix B, and a visual summary of participants' comments recorded throughout the day can be found in Appendix C.

This memo provides a summary of the 4 key challenges identified at the half-day symposium and 7 policy actions that the State can take to overcome them. These solutions were identified in the symposium and further developed by SPUR. **We hope that you will consider these ideas as you commit to helping Regions Rise Together through your upcoming speech at the California Economic Summit well as in future legislative proposals and Executive Orders.**

**In this convening, cities expressed strong support for a renewed commitment to connecting the state's regions with high-quality rail and for spurring economic and population growth around stations as a centerpiece of Regions Rise Together.** This commitment can tip the scales towards a better future for all Californians and is an opportunity to reinforce the State's core goals and values. But without key policy changes at the state level, California will not see the full benefit of its investment in rail nor will station cities see significant growth and development around their stations.

## **Four Key Challenges**

*Summary of the problem: As California invests tens of billions in needed transportation improvements, especially in rail, it is increasingly clear that the combination of market conditions or local policies may not result in significant economic development around rail stations. As a result, there may be insufficient ridership on the rail system and a missed opportunity to use rail to reshape economic development in California.*

Cities shared countless stories at the symposium demonstrating this central challenge. For example, the City of Palmdale, which is a future high-speed rail station and connection point to the Las Vegas high-speed line (operated by Brightline), is focused on building housing in the station area instead of jobs, even though employment uses drive ridership on high-speed rail systems and the growth of the aeronautics industry in Palmdale. Similarly, Union City, which already has a BART station and has spent twenty years readying its station area for integrated passenger rail service to the Peninsula has yet to attract a major new employer, despite its growing connectivity to Silicon Valley.

**Issue 1: The state's transportation investments are not tied to a geographic and economic vision for California's growth.** As panelists discussed, in other countries, investments in transportation are for more than just mobility; they are intended to grow economic development and connect regional economies. To make the most of the state's transportation investment, it should be part of a package of actions that create a more prosperous, equitable and sustainable California.

**Issue 2: In many locations, the market does not yet support more compact growth or economic development.** This requires action from the State to both combat sprawl and to cluster new growth around passenger rail stations. Participating cities also expressed that existing policy tools that are used to cluster new growth in passenger rail stations are insufficient.

**Issue 3: Cities do not automatically have the expertise, nor the tools, to do major urban revitalization projects and require the state to provide tools and capital to grow around stations.** Speakers focusing on international examples emphasized that successful station area revitalization efforts tend to require an initial "big move" or commitment from the public sector, especially in inland cities, where the private sector's willingness to invest in infrastructure or locate near stations is more limited.

**Issue 4: It is difficult to concentrate growth around transit stations until the transit is running.** Many of California's cities expressed that one of the key challenges in getting transit-oriented development is the fact that transit projects take too long to fund and build, creating uncertainty for developers. Additionally, station cities from inland areas expressed concern that they do not have the base to sustain sales tax increases to fund public transportation.

## **Seven Actions the State Can Take**

- 1. Create standards for station area plans.** Create expectations for growth in station areas such as minimum densities for jobs and housing. The state currently provides funding for many station area plans through grants and could leverage new grant support to make sure that those expectations are met. This can ensure that the state's investments in rail are fully realized. *Who: California High-Speed Rail Authority, California Transportation Commission, Caltrans, CalSTA, Office of Planning and Research.*
- 2. Modify Enhanced Infrastructure Financing Districts to help revitalize station areas.** Cities expressed that the current EIFD tools do not raise enough money to finance development and fund the construction of infrastructure such as transit, streets, sidewalks, and water, sewer and power systems needed around most of the stations in California. Though this current legislative season has brought some changes to EIFDs, additional changes are needed. *Who: Governor's Office, California Legislature, Strategic Growth Council*

Key modifications include:

- Allow the city and county portions of tax increment to capture roughly 35 percent of the tax increment by crediting a portion of ERAF back to the local government, and the State could backfill any lost revenue from schools;
  - Allow the EIFD to leverage additional sources of money as part of the tax increment, such as the state's future sales taxes or use taxes;
  - The State could provide capital funds earlier, such as an early investment and/or a revolving loan through the California Infrastructure Bank.
- 3. Establish a new division within Caltrans that provides technical assistance and can be dispatched to cities for station area redevelopment.** In other countries, many rail projects are designated as projects of regional or statewide significance and this designation gives them access a suite of tools to promote urban development for a period of time. For instance, in Germany, there is an "urban development measure", a legislative authorization that facilitates the development of very large projects that meet public interests, such as such as building public amenities, increasing jobs, or creating new neighborhoods or affordable housing areas. Yet in California, access to the people with the right skillsets is very uneven, as many cities lost the expertise that came with Redevelopment Authorities. Additionally, even when public agencies work collaboratively, they do not have the right toolsets to do station area redevelopment.

Further, many regions are undertaking major capital investment programs with many projects happening at once so agencies compete for talent and also lack the ability to translate lessons learned from one project to another. We encourage the state to establish a Little Hoover Commission or other task force with a two-year deadline to recommend, create, fund, provide the right authorities, and recruit talent to this new group. *Who: Governor's Office, State Legislature, Office of Planning and Research, Caltrans, CalSTA*

The key tools that the new special purpose entity needs to have are:

- The ability to acquire and dispose of land for development (including eminent domain). This includes development by a public agency, such as a county housing authority, or to a nonprofit or private-sector organization –for the purposes of clustering economic activity and supporting equitable growth around stations.
- The ability to finance and construct new infrastructure and buildings. This requires upfront revenue.
- The ability to create plans and divide large parcels into smaller ones, or combine small parcels into bigger ones.
- The ability to streamline the environmental review process, either through an exemption similar to the current stadium exemption legislation, an ability to self-certify the environmental review (such as NEPA delegation), a shorter judiciary review period for CEQA claims, or a combination thereof.
- The ability to provide a variety of technical skills including: structuring estate deals, managing risk, property acquisition and disposition, infrastructure financing, legal expertise, and urban design and architecture skills. A key takeaway from international lessons is that having these expertise *in-house* and centralized helps reduce risk and allows lessons learned to be translated from one project to another are critical for success.

**4. Condition state transportation funding to the establishment of growth controls.**

Transportation funding – both for rail and for highways – should be conditioned upon having growth controls that preserve open space and combat sprawl in cities and for unincorporated areas of counties that contain agricultural land, open space or sensitive habitat. The demand for new roads is still higher than transit in many places and it is well-established that new highways and roads induce sprawl, so this requirement should extend to auto-oriented transportation dollars (that are not constitutionally protected). This concept builds off your administration's recent Executive Order (N-

19-19). *Who: Governor's Office, California Legislature, CalSTA, Caltrans, California Transportation Commission*

5. **Acquire and bank land for the public purposes of economic development, affordable housing or transportation infrastructure in station areas.** The state could purchase land directly or provide funding to cities and rail agencies to purchase parcels close to stations. International best practices show that successful station area revitalization depends on the ability of the public sector to acquire, hold, sell and lease land. Many cities will need financial assistance to purchase the land because they lack the flexibility in their budgets to make land purchases. The state could also inventory existing land held by Successor Agencies to Redevelopment Authorities located in station areas and transfer it to cities or to community land trusts, similar to what it did in San Francisco for the Transbay (Salesforce Transit Center) Station Area. Once in public ownership, long-term leases can be used for the public purposes of spurring economic development or providing affordable housing. *Who: Governor's Office, Strategic Growth Council*
  
6. **Legalize density and mixed uses in rail station areas.** In some cases, local policies and land use decisions may not conform with the state's goals. For instance, many cities that have longed for economic development and may approve a new employment use that is low-density or is not appropriate for the state's most transit-oriented locations. This is a particularly large risk in inland California. Massachusetts' 40B offers a model (for housing, but applicable here) by which a state appeals body can override local land use decisions if they do not conform state standards. California could create a new appeals body or entrust the California Transportation Commission or new stations division within Caltrans or authorize the Office of Planning and Research to act as the appeals body. *Who: California State Legislature, Governor's Office, Caltrans, Office of Planning and Research*
  
7. **Expand funding for transit and transit operations.** Cities expressed a need to fund and deliver transit projects faster, and recommended several reforms to state funding mechanisms, including:
  - **Extend Cap and Trade program past 2030.** This gives greater assurance for rail and station projects that are currently in the planning stage, including but not limited to high-speed rail. *Who: California State Legislature, Governor's Office*
  
  - **Toll state-owned highways:** Tolling state-owned highways would create a new source of revenue for public transportation that could get transit projects funded faster and help shift people's choices so that transit is more competitive with driving. *Who: Caltrans, California State Legislature, Governor's Office*

- **Increase funding for the Transit and Intercity Rail Program and separate it into two programs** – one focused on rail and one on local transit- to better support both rail projects and local transit to create compact growth in station areas. *Who: California State Legislature, Governor’s Office, CalSTA*
- **Reform the Transportation Development Act** so that farebox recovery rates do not determine future service levels. *Who: California State Legislature, Governor’s Office*

Your administration recently redoubled its commitment global climate leadership by leveraging its investment in transportation investments to reduce greenhouse gas emissions. We encourage this Administration to renew its commitment to passenger rail and make key policy changes to reconnect California’s regions, see the full benefit of the state’s investment in rail, and help cities grow and urbanize around their stations.

Best regards,



Laura Toltoff  
Regional Planning Policy Director

CC:

Hon. Senator Jim Beall, California Senate District 15  
 Hon. Senator Patricia Bates, California Senate District 36  
 Ms. Ana J. Matosantos, Cabinet Secretary, Office of Governor Newsom  
 Mr. Jason Elliott, Chief Deputy Cabinet Secretary for Executive Branch Operations, Office of Governor Newsom  
 Ms. Kate Gordon, Director of the Governor’s Office of Planning and Research  
 Mr. Brian Kelly, CEO, California High-Speed Rail Authority  
 Mr. David Kim, Secretary, CalSTA  
 Mr. Chad Edison, Deputy Secretary, Transportation, CalSTA  
 Ms. Fran Inman, Chair, California Transportation Commission  
 Mr. Lenny Mendonca, Chief Economic and Business Advisor to Governor Gavin Newsom and Director of the Governor’s Office Business and Economic Development  
 Mr. Micah Weinberg, CEO, California Forward

## **Appendix A. Program for Rail Station Cities Convening**

**September 12, 2019, 9:00 – 3:00 p.m.  
The California Museum, 1020 O Street, Sacramento, CA**

Goals: Cities with rail stations come together to learn from each other and from international examples of best practices to spur economic development and sustainable growth around stations. Cities identify and co-create needed planning tools, financing tools and other support to successfully grow around stations.

**9:00-9:15 Refreshments and Networking**

**9:15-9:40 Welcome and Keynote**

**9:45-10:45 Panel 1. International Lessons for Stations and Station Cities**

Laura Tolkoﬀ, Regional Planning Policy Director, SPUR; Jorge Rios, Vice President of Business Development, DB Engineering; Eric Eidlin, Station Planning Manager, City of San Jose; Heidi Sokolowsky, Founding Partner, Urban Field Studio

**10:45-11:00 Stand-Up Exercise & Break**

**11:00-12:15 Panel 2. The California Experience: Sharing California’s Station Area Planning Efforts**

Panelists: Stephanie Dietz, Assistant City Manager, City of Merced; Daniel Zack, Assistant Director of Development and Resource Management, City of Fresno; Abby Thorne-Lyman, Director of Transit Oriented Development, BART.

**12:15-12:45 Lunch**

**12:45-2:40 Roll Up Your Sleeves: Policy Working Session**

Focal question: What does success look like? What tools (policy, laws, capabilities, funding, etc.) do cities need to spur economic development and sustainable growth around California’s rail stations and chart a new path for California?

**2:40 Closing Remarks**

**3:00 Adjourn**

## Appendix B. Attendee List

	First Name	Last Name	Job Title	Organization
1	Jessica	Manzi	Transportation Manager	City of Redwood City
2	Shannon	Simonds	Associate Transportation Planner	Caltrans
3	Natalie	Kuffel	Land Use Counsel	OPR
4	Jacqui	Kitchen	Assistant City Manager	City of Bakersfield
5	Brandon	Cardwell		City of Livermore
6	Kate	White	Planning Policy Leader	Arup
7	Greg	Taylor	Sac Valley Station Project Manager	City of Sacramento
8	Tom	Pace	Planning Director	City of Sacramento
9	Suzanne	Hague	Deputy Director	Governor's Office of Planning and Research
10	Don	Burrus	Economic Development Manager	City of Redwood City
11	Marilou	Ayupan	Interim Public Works Director	City of Union City
12	Eric	Eidlin	Station Planning Manager	City of San Jose
13	Ben	Lichty	Supervising Transportation Planner	CA HSR Authority
14	Jennifer	Hargrove	Senior Planner	SACOG
15	Mike	Behen	Project Manager	City of Palmdale
16	JJ	Murphy	Assistant City Manager	City of Palmdale
17	Pilar	Lorenzana	Principal	Metropolitan Transportation Commission
18	Meea	Kang	Board of Directors	Council of Infill Builders
19	Richard	Coffin	Principal	Arup
20	Frank	Quintero	Director of Economic Development	City of Merced
21	Ignacio	Barandiaran	Principal, Advisory Services	Arup
22	Phil	Nguyen	Rail Design Project Manager	Arup
23	Jessica	Manzi	Transportation Manager	City of Redwood City
24	Lindy	Chan	Principal Planner	City of Redwood City
25	Don	Burrus	Economic Development Manager	Redwood City
26	Erika	Trinidad		Sacramento Dept of Utilities
27	Blake	Dunford	Assistant Planner	Merced County Association of Governments
28	Douglas	Dunford	City Manager	City of Gustine
29	Helen	Campbell	Senior Analyst	Governor's Office of Planning and Research
30	Nicole	Ferrara	Policy & Intergovernmental Affairs Advisor	City of Oakland Department of Transportation
31	Chad	Edison	Deputy Secretary for Transportation	CalSTA
32	Brian	Stanke	Rail Planning Manager	City of San Jose
33	Robert	Snoddy	Regional Planner	Kern Council of Governments
34	ellen	smith	Manager, New Transbay Rail Crossing	BART
35	Derek	Robinson	Councilmember	City of Madera
36	Diane	Cowin	VP	AECOM
37	Therese	Trivedi	Assistant Planning Director	MTC
38	Amy	Million	Principal Planner	Dublin
39	Dan	Leavitt	Manager of Regional Initiatives	SJRRC
40	Carolyn	Clevenger	Director of Planning	Alameda County Transportation Commission
41	Helen	Woodbury	Oakland Development Manager	SPUR
42	Aric	Barnett-Lyr	Executive Administrative Assistant	Stanislaus Council of Governments
43	Joshua	Switzky	Land Use & Communit Planning Program M	San Francisco Planning Department
44	Amanda	Ford	Progrm Manager	City of Stockton
45	Kevin	Hefner	Associate Transportation Specialist	City of San Jose
46	John	Murphy	Assistant City Manager	City of Palmdale
47	Frank	Quintero	Director of Economic Development	City of Merced
48	Jonathon	Kass	Legislative Director	Nick Josefowitz
49	Carmen	Correa	Associate	Steer
50	Michael	Tree	Executive Director	Tri-Valley San Joaquin Valley Regional Rail Authority
51	Kelli	Fallon	Policy Manager	Bay Area Council
52	Bob	Vinn	Assistant City Engineer	City of Livermore
53	Heidi	Sokolowsky	Partner	Urban Field Studio
54	Laura	Simpson	Director of Development Services	City of Hayward
55	Abby	Thorne-Lyn	TOD Program Manager	BART
56	Richard	Harmon	Central California Senior Director	Townsend Public Affairs, Inc.



## Appendix C. Key Takeaways from Rail Station Cities Symposium (September 12, 2019)

A graphic recording of the speaker remarks, panel discussions and key recommendations generated in workshops.

