

# JOINT DEVELOPMENT STRATEGIES FOR TEXAS TRANSIT FACILITIES

## PROBLEM STATEMENT

Like most segments of the transportation industry, public transit agencies in Texas and throughout the rest of the nation have substantial capital investment needs. Traditional funding sources have become increasingly limited in recent years, leading transportation planners and transit agencies to search for innovative ways of financing transit services and facilities. Joint development represents one of several promising methods for meeting the capital investment needs of public transit agencies.

The joint development of a transit facility is characterized as a mutually beneficial business or real-estate transaction with voluntary participation, typically involving negotiations and contractual agreements between a transit agency and other parties, either public or private. For example, a transit center may be constructed on the site of a shopping mall, or privately owned land could be leased for a park-and-ride facility. Joint development is an application of value capture, an economic concept based on the theory that the public sector is entitled to share in the benefits resulting from a public investment. Strategies such as leasing development rights, leasing facilities, cost sharing, and negotiated land leases are some of the most common joint development techniques for transit. Most transit-related joint development projects share a number of common characteristics—a close link to the concept of property and property rights, voluntary participation motivated by the perception of mutual benefits, and potential applications with both fixed-guideway and bus systems.

The development of new rapid transit systems in several large cities during the 1970s led to an increased interest in the application of joint development strategies for many different types of transit projects. Since that time, the nationwide experience with joint development has grown, yet there have been very few attempts to objectively evaluate the process and its use in various situations. Furthermore, information on prior experiences with joint development can be useful to other agencies who may be considering similar projects.

## OBJECTIVES

The Texas Transportation Institute (TTI) conducted study 1206, *The Financial Benefits Associated with Joint Development of Highway/Transit Improvements in Texas*, for the Texas Department of Transportation (TxDOT) in cooperation with the Federal Highway Administration (FHWA) to evaluate the experience with transit-related joint development projects at both the national level and within the state of

Texas. The objectives of the study were to:

- Explore and identify various joint development strategies employed by transit agencies in Texas and throughout the rest of the country;
- Conduct a detailed benefit assessment on selected transit-related joint development case studies at the state and national level; and,
- Develop general planning guidelines to assist transit agencies, service providers, TxDOT, local communities, private sector businesses, and others interested in considering transit-related joint development strategies.

## FINDINGS

### National Joint Development Case Studies

For each national joint development case study, the research report provides a general description of the project, including its location, the major components, the principal participants, and the year it was completed. Next is a detailed description of the project features, including the costs of different elements if available. Third is an overview of the joint development process that was utilized on the project, including the roles and responsibilities of the principal participants, the major terms and conditions of any contractual arrangements, and any legal or institutional problems that arose. Finally, the major benefits of the project to all participants are discussed, with an emphasis on the financial impact to the transit agency. The national examples covered are a collection of tran-

sit-related joint development projects from the following locations across the country: Washington, D.C.; San Diego, Santa Cruz, and Santa Ana, California; Denver, Colorado; Cedar Rapids and Davenport, Iowa; Fargo, North Dakota; Tacoma, Washington; and Phoenix, Arizona.

Evaluation of these national case studies demonstrated that transit-related joint development has been applied successfully to

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a variety of different projects. In particular, there have been some modestly successful projects associated with bus-only operations. These findings suggest that joint development may be an appropriate financing technique for transit facilities in Texas, which are predominantly bus oriented.

The case studies illustrated the diversity of the joint development process. There were several examples of traditional large-scale joint development projects with private commercial development companies, including Washington, Denver,

Santa Ana, and Cedar Rapids. This type of project typically involves the construction of office, retail, or mixed-use buildings, along with adequate parking facilities.

The San Diego project had many features of traditional large-scale joint development, but only a small fraction of the project space was occupied by private sector businesses. The two major occupants were both public agencies who jointly financed the project development. Most of the smaller case study projects involved leasing space to private business, particularly retailers or intercity bus companies. This type of arrangement is most beneficial as a passenger convenience, although the transit agency does receive some lease revenue from the private businesses. Finally, there were some examples of transit facilities built on real-estate leased from public- or private-sector land owners, such as school districts or shopping mall developers. Although this type of joint development does not generate revenue directly, the case studies showed that it does offer potentially significant savings in land acquisition costs.

### Joint Development by Texas Transit Agencies

TTI researchers conducted a survey to sample the joint development experiences of 24 public transit systems in Texas. The survey was designed to identify prior joint development projects and those in the planning or development stages. In addition, the survey was used to obtain information about the local ex-

## Typical Joint Development Strategies for Transit Facilities

Joint development strategy	fixed guideway station	transit bus terminal	transit/transfer center	park-and-ride lot
lease development rights	▲	▲		
lease facilities	▲	▲	▲	▲
cost sharing	▲	▲	▲	▲
negotiated land lease			▲	▲

▲ – indicates a typical strategy for the transit facility

## Typical Participants Involved with Joint Development Strategies

Joint development participant	lease development rights	lease facilities	cost sharing	negotiated land lease
commercial developer	◆		◆	
retail developer	◆		◆	◆
public agency	◆	◆	◆	◆
land developer			◆	◆
intercity bus company		◆		
retail business		◆		

◆ – indicates a typical participant in the joint development strategy

• A variety of other Texas projects were identified in the survey, including general mobility projects and the HOV lanes in Houston and Dallas, which are examples of successful public/public joint development efforts.

## General Planning Guidelines for Joint Development

The results from the national case studies and the survey of Texas transit systems indicate that transit-related joint development can be an effective strategy in many situations. The cumulative experiences explored in the case studies were used to develop a series of five general planning guidelines for transit agencies, service providers, TxDOT, local communities, and private sector business, so they can evaluate the appropriateness of joint development on a local, project-by-project basis.

Each of the guidelines is intended to help focus the decision-making process on the key factors to be considered. The five stages are:

- 1) Examine the need for the facility and the general conditions in the area,
- 2) Identify the appropriate joint development strategy,
- 3) Examine the potential benefits,
- 4) Consider the possible issues (legal, institutional, and economic), and
- 5) Conduct a final check on the most appropriate applications for the joint development strategy. The report discusses the key elements in each of the five stages and gives a series of tables to summarize the major points.

periences with joint development strategies, and to assess the level of interest and opportunities for future projects in each system.

Some of the major findings from the survey include the following:

• Of the 24 Texas transit agencies initially contacted for this study, 14 indicated that they either had prior experience with joint development or were involved in a current joint development initiative. A total of 30 projects were identified among those 14 systems.

• In Texas, prior joint development efforts have focused mostly on bus transfer centers (44%). However, current initiatives were more likely to focus on park-and-ride lots (42%).

• Three principal joint development strategies were identified in Texas—leasing facilities (38%), negotiated land leases (25%), and cost sharing arrangements (38%).

• One of the most common examples of joint development in Texas is the shared use of a bus transfer center, in which some of the facilities are leased to an intercity bus line. Another typical joint development project involves the construction of a bus transfer center on land leased from a private owner (negotiated land lease).

• The joint development of a park-and-ride lot typically involves the use of land leased from private owners, or occasionally from other public agencies. In some cases, intercity bus lines have leased facilities at park-and-ride lots.

## CONCLUSIONS

Though a substantial amount is known about joint development, further research is needed to better assess the total impact and outcome of these strategies, when implemented. For example, little monitoring and analysis has been conducted on the transit-related joint development projects in Texas. Since most of the Texas examples are much different in scale and scope than the national case studies, better documentation of the Texas experiences would be of benefit to Texas transit agencies and others around the country. The more we know

about the ongoing success of all joint development projects, the better we can enhance our joint development knowledge and potential success within the state.

Given the budget constraints facing many transit systems today, it appears that joint development strategies will play an increasing role in the future. The information provided in the report will help transit authorities and other interest groups examine potential joint development projects and conduct preliminary assessments of the feasibility and benefits of different strategies and techniques.

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The information in this summary is reported in detail in TTI Research Report 1206-1F, "Financial Benefits Associated with the Joint Development and Use of Transit Facilities in Texas," by Michael R. Ringrose and Katherine F. Turnbull, August 1992. The contents of this summary do not necessarily reflect the official views or policies of the FHWA or TxDOT.