

# Building a Heart at Contra Costa Centre

By James Kennedy, Contra Costa County, California



One of the most innovative transit-oriented development projects in California will achieve ground breaking in June 2008. Innovations in, community participation and public/private partnerships all have been employed to bring the Transit Village on the San Francisco Bay Area Rapid Transit (BART) District property at Pleasant Hill

Station off the ground. The County of Contra Costa, the County's Redevelopment Agency, BART, Avalon Bay Communities, Inc., and Millennium Partners all have been party to this unique public-private partnership.

In the early 1980s, Contra Costa County set in motion a series of public and private investment decisions designed to capitalize on the regional accessibility of the area around the Pleasant Hill BART Station. In partnership with local residents, adjacent cities and BART, the County created a plan for a mixed-use community of residential, employment and retail uses in a compact setting around BART's Pleasant Hill Station. The County adopted a 1983

Specific Plan and a 1984 Redevelopment Plan, which was the catalyst for the creation of a new district now referred to as Contra Costa Centre. Today, the district is an exemplary "Transit Village," a term coined 10 years after the County plans were adopted.

Former Secretary of the California Business, Transportation and Housing Agency, and former Contra Costa County Supervisor Sunne Wright McPeak was the policy leader during these formative years. Calling it "her life's work," McPeak summed up the experience by saying:

"We all know that encouraging growth and development in infill locations is the right thing to do, but doing infill and increasing density to capitalize on transit-rich locations is doubly difficult. But by following the growth management principle of providing adequate public infrastructure and services concurrent with, or in advance of growth, the Transit Village program around the Pleasant Hill BART Station has given California a wonderful example of how to do it right."

Today, the Contra Costa Centre and the BART Transit Village has more than 2,300 residential units, 5,000 employees and 6,000 BART customers a day. All facilities are within one quarter mile of the BART fare gates.

A key component of the County's Specific Plan was to develop the BART surface parking lots as a mixed-use "heart" of the Contra Costa Centre district. Challenged by local land use politics and formidable economic issues (see Table 1), the creation of this heart has been delayed until now. In 2001, the County, in partnership with BART, the property developer (Millennium Partners at the time) and the local community, engaged in a six-day design charrette (a highly facilitated and compressed community planning exercise) to create a consensus plan for development of a Transit Village on the Pleasant Hill BART Station property. The consensus plan that emerged is a residential/mixed-use development that will include:

- 422 residential apartments (including 85 affordable units)
- 100 for-sale condominiums
- 35,590 square feet of local resident-serving retail space
- 19,400 square feet of business conference center space
- 270,000 square feet of office space

This charrette outcome ultimately was transformed into a land use application to the County that unanimously was approved by the County Planning Commission in 2005. BART Director Gail Murray observed, "The planning charrette is a powerful tool for achieving consensus on land use issues. By empowering the local community, and supporting them with technical resources, communities will create smart growth solutions that are sustainable even in the most challenging of circumstances."

While reaching consensus on a land use program was a watershed event, solving a complex set of economic issues was every bit as challenging. Like the land use program, the power of partnering was employed to resolve the issues. County Supervisor Susan Bonilla commented on public/private partnerships:

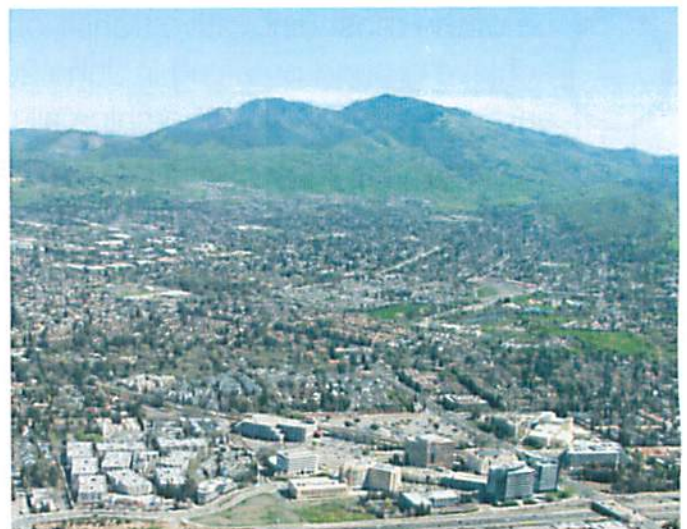
"In America, we have come to realize that government cannot effectively respond to all the needs and expectations it has assumed. The purpose of public/private partnerships is to encourage private responsibility, and to mobilize private resources, for the production of public goods. This means

projects that not only meet regulatory requirements, but also are attractive and 'desirable' beyond the specific design and aesthetics embodied in planning documents. The public/private partnership to develop the BART property helps generate more transit ridership, and provides a new source of revenue to support BART's core mission of providing regional transit services. The partnership also addresses the County's goals, including tackling regional circulation issues by achieving a better balance of jobs and housing, particularly near transit; providing an opportunity for affordable housing; providing a recapture of some of the value created by the significant public investment in the area (BART, trails, infrastructure, parks, etc.); and providing the County with a new source of significant revenue with which to respond to its core mission of providing health and social services to residents."

The business side of this public/private partnership is among the more complex created. Because the Transit Village project will be built on land owned by BART (except for the for-sale condominiums) and ground leased to the developers, a sequence of partnering agreements were required. These agreements also addressed the challenge of financing more than 1,550 BART patron parking spaces, required public infrastructure, public amenities and the residential units. The sequence of partnering

### About the Joint Powers Authority (JPA)

The governing board of the JPA is comprised of two members of the BART Board of Directors, and two members of the County Board of Supervisors. The co-executive directors of the JPA are the County Redevelopment Director and the Manager of Property Development for BART.



**Birds-Eye View:** An aerial image of Contra Costa Centre Transit Village.



## Program Impact

The Contra Costa Centre and the BART Transit Village has more than 2,300 residential units, 5,000 employees and 6,000 BART customers a day. All facilities are within one quarter mile of the BART fare gates.

agreements began with the formation of a financial partnership between BART, the County and the County Redevelopment Agency. This joint powers authority (JPA)—the Pleasant Hill BART Leasing Authority—will lease the property from BART, and in turn, sub-lease the property to the developers for construction of the Transit Village. Both the lease and the sub-leases will be for 100 years. The Redevelopment Agency for the County will finance a variety of public infrastructure and improvements, including the BART patron replacement parking garage, backbone infrastructure (roads, drainage, etc.) and place making infrastructure (parks, plazas, street, furniture). Ground lease payments by the developers will be shared between BART and the County, thereby creating a sizable income-earning asset for the general funds of both public agencies.

AvalonBay Communities, Inc., and Millennium Partners now represent the private side of the BART property partnership. Both firms have a significant history of delivering high quality and successful mixed-use projects within the context of public/private partnerships. Steve Wilson, Senior Vice President of Development for AvalonBay observed that mixed-use projects near transit will create strong value for residents and the community: "The closer that home, work, stores and recreation are to transit, the more coveted a community will be. Transit-oriented development is an important element of Avalon Bay's strategy, and we believe this is both smart growth and a smart investment."

In late 2005, the major business agreements were completed and the partnering documents were executed. Following shortly thereafter, the County issued \$125 million of housing revenue bonds to finance the 422 residential apartments. The authority to issue these bonds is granted to the County by State Treasurer Bill Lockyear, who observed: "The BART Transit Village project at Contra Costa Centre is exactly what I had in mind when I stated in my inaugural address that we need to 'apply a bit of wisdom' to managing the State's financial resources. By granting Contra Costa County the authority to issue tax-exempt bonds on behalf of AvalonBay Communities, Inc., and Millennium Partners, the overall economics of the project are improved, affordable housing is provided for a mixed-income setting, a high quality mixed-use community is created and the bottom line of the County and BART are enhanced. Everyone is a winner, especially Contra Costa residents."



## Transit Village Plan of Finance (\$000,000)

Sources	Uses			Total
	Phase I (Garage)	Phase II (Residential/ Retail)	Phase III (Office)	
<b>Public</b>				<b>\$59.5</b>
RDA – BART Parking	\$45.3			
RDA – Backbone Infrastructure		\$2.7		
RDA – Placemaking		\$9.0		
RDA – Housing		\$2.5		
<b>Public/Private</b>				<b>\$135.0</b>
Tax Exempt MF Bonds		\$135.0		
<b>Private</b>				<b>\$171.8</b>
Backbone				
Infrastructure	\$3.9	\$11.9	\$131.0	
<b>TOTAL</b>	<b>\$49.2</b>	<b>\$25.0</b>	<b>\$131.0</b>	

Construction activities associated with the Transit Village officially began in March 2005 when initial work on the new BART parking village was initiated. This 1,550 space garage will replace all the surface parking spaces, plus provide an additional 75 spaces. Construction of the BART patron replacement parking garage is expected to be completed in June 2008. Immediately thereafter, construction will begin on the residential mixed-use Transit Village project. By 2010, the residential, retail and public amenities, which will be built in six month phases, should be in place. The office and business conference center will proceed to construction as office market conditions permit. Former County Supervisor and current State Assemblyman Mark DeSaulnier noted that “the interconnected issues of transportation, land use and air quality require these partnership approaches. Everyone involved in making this happen should be proud. We worked as a team—the public, elected officials, business and labor—and it paid off.”

The Transit Village is testament to the words of Admiral Hyman Rickover—“Father of the Nuclear Navy”—who said, “Good ideas don’t happen automatically, rather they are driven into practice by courage and patience.” The next few years will be exciting as we create the heart of Contra Costa Centre.

## About the Author

**James Kennedy** has been with Contra Costa County in various capacities for 32 years. Appointed as Redevelopment Director in 1987, his organization is responsible for economic development, redevelopment, housing, infrastructure finance and Community Development Block Grants. Mr. Kennedy oversees a staff of 18, with a current year budget of more than \$125 million.

## Building a County General Fund Asset with Transit Oriented Development

### Challenges

- Mixed-use program presents a development and financing challenge
- Ground lease presents a financing challenge
- Replacement parking presents a site planning, design and financing challenge
- Financial Goals
- Create a long-term revenue stream for the County to compensate for RDA investment, and for BART to acknowledge the land value of the property
- Acknowledge that value recapture will require a major front-end RDA expenditure
- Provide BART with some value capture in the near term.

### Financial Solutions

- RDA funds BART replacement parking structure (\$45.3 million), as does developer (\$3.9 million)
- RDA contributes to place making – parks, plazas, and civic uses (estimated at \$9 million bond proceeds); and \$2.7 million for backbone infrastructure (roads, drainage, etc.)
- County issues tax-exempt multi-family bonds to reduce borrowing costs; and RDA contributes \$2.5 million for housing construction, and commits to annual subsidy payments to achieve affordability
- Divide lease revenues 75% to County and 25% to BART, with some priority payments to the County
- Total lease revenues are \$700 million – \$1 billion (est.)