



Memorandum

TO: COMMUNITY AND
ECONOMIC DEVELOPMENT
COMMITTEE

FROM: Chris Burton
John Ristow

SUBJECT: Transit-Oriented
Communities Policy Status
Report

DATE: November 1, 2024

Approved

Date:

11/8/24

RECOMMENDATION

Accept the status report on implementation of the Metropolitan Transportation Commission's Transit-Oriented Communities Policy.

BACKGROUND

The Metropolitan Transportation Commission (MTC)'s Transit-Oriented Communities (TOC) Policy aims to promote sustainable, equitable development near transit hubs. The key goals of the policy include:

- **Increased Housing Density:** Encouraging higher-density housing near transit to reduce reliance on cars and enhance access to public transportation;
- **Affordable Housing:** Promoting affordable housing options to ensure that low- and moderate-income residents can benefit from proximity to transit;
- **Walkability and Connectivity:** Enhancing pedestrian and bicycle access to transit stations, creating safe and convenient routes;
- **Economic Development:** Supporting local businesses and economic growth in transit-adjacent areas; and
- **Environmental Sustainability:** Reducing greenhouse gas emissions and promoting environmentally friendly transportation options.

Overall, the TOC Policy seeks to create vibrant, inclusive communities that leverage transit as a catalyst for development.

Compliance with the TOC Policy is required to receive discretionary funding from the MTC. The MTC has consistently set expectations that compliance will be required before the next round of One Bay Area Grant (OBAG Cycle 4) funding is made available in early 2026. Demonstration of progress toward and a commitment to compliance is already required to access discretionary funding associated with specific transit/rail projects.

The TOC Policy was adopted by the MTC in September 2022, and final administrative guidance for implementation was issued in September 2024.¹

The TOC Policy applies to locations within a half mile of existing and planned stops and stations served by at least one of the following:

- Bay Area Rapid Transit (BART), Caltrain, Sonoma-Marín Area Rail Transit, Capitol Corridor and Altamont Corridor Express stations;
- San Francisco Municipal Railway and Santa Clara Valley Transportation Authority light-rail stations;
- San Francisco Municipal Railway and Alameda County Transit bus rapid transit stops; or
- Ferry terminals.

Geographic areas subject to the TOC Policy² are categorized by tier according to the level of transit service at fixed-guideway station(s) within ½ mile. The four tiers are described below:

- Tier 1: Rail stations serving regional centers (i.e., Downtown San Francisco, Downtown Oakland, and Downtown San José);
- Tier 2: Stop/station served by two or more BART lines or BART and Caltrain;
- Tier 3: Stop/station served by one BART line, Caltrain, light rail transit, or bus rapid transit; and
- Tier 4: Commuter rail (Sonoma-Marín Area Rail Transit, Altamont Corridor Express, Capitol Corridor, Valley Link) stations, Caltrain stations south of Tamien, or ferry terminals.

San José is home to 54 stations subject to the TOC Policy as detailed below:

Tier 1	2 Stations – Downtown San José & Diridon Stations
Tier 2	3 Stations – Berryessa/North San José BART, 28th Street/Little Portugal BART, and Santa Clara Caltrain/Capitol Corridor/Altamont Corridor Express/BART

¹ Final Administrative Guidance (September 2024) may be found at:
https://mtc.ca.gov/sites/default/files/documents/2024-10/MTC_TOC_Policy_FINAL_Administrative_Guidance.pdf.

² A map of existing and planned TOC areas can be found at:
<https://experience.arcgis.com/experience/01311260043f4bd689907c9df577bfff>.

Tier 3	41 Stations – Wide variety of light rail stations (see map)
Tier 4	2 Stations – Capitol & Blossom Hill Caltrain Stations

TOC Policy requirements consist of the following four elements:

1. Minimum residential and commercial office densities for new development;
2. Affordable housing production, preservation and protection, and stabilizing businesses to prevent displacement;
3. Parking management; and
4. Transit station access and circulation.

Each element has specific TOC Policy requirements, some of which are defined by the transit tier and others consistent across all tiers. These requirements are summarized in **Table 1** below. The MTC’s TOC Policy Administrative Guidance contains more information on requirements by tier, the process, and required documentation for confirming compliance.

Table 1. Summary of TOC Policy Requirements

<p>Minimum Residential and Commercial Office Densities for New Development</p> <ul style="list-style-type: none"> • On average, the minimum density for parcels in the ½-mile TOC area must exceed a threshold determined by the TOC area’s transit tier. • If a jurisdiction adopts a maximum density for parcels in the ½-mile TOC area, on average, the maximum density must exceed a threshold determined by the TOC area’s transit tier. • A jurisdiction is not required to zone for a particular land use in the TOC area. • Only areas where residential uses are allowed are included in residential density calculations, and only zoning districts that allow commercial office land uses as a primary use are included in commercial office density calculations. • Parcels with existing dwelling units can be excluded from the residential and commercial office density calculations.
<p>Policies for Affordable Housing and Commercial Stabilization</p> <ul style="list-style-type: none"> • A jurisdiction must adopt at least two policies for each of the “3 Ps” of affordable housing (production, preservation, protection) and at least one policy for commercial stabilization. • A jurisdiction chooses policies that best meet local needs from a menu of options. • Policies must apply in TOC areas, but a jurisdiction may choose to apply them beyond the TOC area(s), including jurisdiction-wide.
<p>Parking Management</p> <p>No minimum parking requirements are allowed in most Transit Tiers for new residential or commercial development.</p>

- Parking maximums for new residential and general/neighborhood commercial uses vary by Transit Tier.
- Requirements for bicycle, shared, and unbundled parking and transportation demand management / curb management.

Transit Station Access and Circulation

- Adopt policies/guidelines that comply with the MTC's Complete Streets Policy.
- Prioritize implementation of an active transportation plan and/or relevant community-based transportation plans within TOC station area.
- Complete an access gap analysis and accompanying capital and/or service improvement program.
- Identify opportunities for mobility hub planning and implementation.

ANALYSIS

The City's adopted policy guidance broadly aligns with the TOC Policy. The City's Envision 2040 General Plan, Climate Smart San José, Move San José, and numerous urban village plans are centered on increasing density near transit and creating walkable communities with low environmental impacts and high community livability.

The following section lays out some of the areas in which City policies and plans already align with TOC policy requirements, as well as the challenges with compliance.

Policy and Plan Alignment

Many of the City's efforts already align well or completely with the TOC Policy requirements. These include:

- The City's Housing Element (2023), particularly with the emphasis on housing preservation, production, and protection;
- The elimination of parking minimums for nearly all development and adoption of transportation demand management requirements (2022);
- Many aspects of urban village plans, particularly recent plans like the Berryessa Urban Village Plan (2021) and Capitol Caltrain Station Plan (2023);
- The Diridon Station Area Plan (2021), Downtown Strategy (2018), and Downtown Transportation Plan (2022);
- Multimodal transportation improvement plans around urban villages, including En Movimiento: a Transportation Plan for East San José (2020), the West San José Transportation Plan, and the Downtown Transportation Plan (2022); and
- Citywide transportation plans and policies, including Move San José (2022), the Transit-First Policy (2022), the Emerging Mobility Action Plan (2022), and the Better Bike Plan (2020).

The City is also seeking to comply with TOC Policy requirements in ongoing and upcoming planning efforts such as the Five Wounds Urban Village Plan Update, the citywide commercial anti-displacement strategy, and the North San José Transportation Plan.

Challenges

While high-level alignment exists, City staff are challenged by a number of specific requirements in the TOC Policy, the sheer volume of the work associated with the number of stations in San José, and the complexity of the TOC Policy.

In summary:

- Specific TOC Policy requirements are substantially out of step with market conditions in San José – namely, parking maximums and some density requirements. For example, the maximum amount of parking allowed under the Policy for Tier 1 stations like Downtown San José is 0.25 parking spaces per 1,000 square feet of office. Assuming roughly three employees per 1,000 square feet of commercial means that one out of every 12 employees would have parking available within a new development – far less than the one parking space per every two employees currently available in new projects like Jay Paul’s 200 Park Avenue development. Another example is the floor area ratio requirement for commercial offices, which would be challenging to meet in North San José due to the large parcel sizes. Even Samsung’s office building at 3655 North First Street would not meet the minimum floor area ratio requirement. City staff are concerned about the unintended consequences of these requirements – namely, that developers will avoid transit-oriented parts of San José in favor of other parts of the city or region.
- The TOC Policy is extremely complex and applies to many parts of San José. Two years after its adoption, City staff do not have a clear understanding of compliance by station. This is partially due to the number of stations in San José (54 individual areas that need to be analyzed) and partially because of the complexity of the policy. Implementation guidance was not finalized until September of this year. While MTC staff have developed tools and offered technical assistance and grants to assist local jurisdictions, at present, staff needs bandwidth and funding to clearly articulate where we are in compliance and where we are not. Staff appreciates that the MTC is striving for flexibility in judging compliance but is concerned about the time and work remaining to come into compliance. **Attachment A** provides an example of an assessment of City’s compliance to date.

Consequences

Compliance with the TOC Policy is required to receive discretionary funding from the MTC. This has the potential to affect significant sources of funding for San José planning and transportation projects. The MTC has consistently set expectations that compliance will be required before OBAG Cycle 4 funding is made available in early 2026. OBAG funding has been a major source of funds over the previous three cycles; **Table 2** below provides a summary of OBAG funding. Additional information can be found in **Attachment B**.

Table 2. Summary of OBAG Grant Funding by Cycle

Cycle	Projects	Funding Amount
OBAG1 (Awarded ~2012-2015)	Pavement Maintenance, Safety and Complete Streets, Signals Projects, Trails, and Urban Village Plans	\$31,530,330
OBAG2 (Awarded ~2016-2021)	Pavement Maintenance, Vision Zero / Safety and Complete Streets, Signals, Safe Routes to Schools, and Smart City Projects; Station and Transportation Plans, Planned Growth Area and Urban Village Plans, Guidelines, and Projects	\$52,628,572
OBAG3 (Awarded ~2022-Present)	Vision Zero / Safety and Complete Streets, Signals, Active Transportation, Couplet Conversion, Transit Improvement, and Mobility Hub Projects	\$64,054,000
Total		\$148,212,902

The TOC Policy also applies to other discretionary transit funding. This includes many projects the Valley Transportation Authority is working on in San José. The first example of this came up when the MTC allocated Regional Measure 3 funding to the Diridon Station redesign project. Even though the full TOC Policy will not go into effect until 2026, the MTC is already asking projects to submit documentation on its efforts toward compliance for these funds.³

Opportunities for Input

City staff will continue coordinating across departments and with MTC staff to share information and identify feasible paths toward compliance. City Council's understanding and support will be important to ensure compliance and access to critical funding for

³ See example documentation submitted by the City for Diridon Station Regional Measure 3 funding, Attachment A.

transportation and planning. In late 2023, the MTC expressed a need for flexibility in determining compliance with the TOC Policy, but not yet defined what that flexibility means.

MTC staff plan to bring a draft framework for compliance relative to OBAG4 funding in early 2025, conduct stakeholder outreach through the spring and summer 2025, and bring draft and final decisions to its Committees and the Commission in late 2025 and January 2026 respectively. San José staff and elected officials are encouraged to actively participate in these discussions to shape how MTC defines compliance.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, the Housing Department, and the Office of Economic Development and Cultural Affairs.

/s/
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/s/
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For questions, please contact Jessica Zenk, Deputy Director, Department of Transportation, at jessica.zenk@sanjoseca.gov or (408) 535-3543 or Martina Davis, Division Manager, Department of Planning, Building and Code Enforcement.

ATTACHMENTS:

Attachment A: Diridon Station – Preliminary Compliance Documentation
Attachment B: OBAG Grant – Details of Funding by Cycle