



Findings

1. The findings of the proposed project set forth in this document and the overriding social, economic, and other issues set forth in the Statement of Overriding Considerations provide support for the proposed project and the elimination of this alternative from further consideration.

Facts in Support of Findings:

In comparison to the proposed project, the All Residential Alternative would result in similar impacts relative to air quality; noise; and hydrology, drainage, and water quality. The All Residential Alternative results in fewer impacts to aesthetics, traffic, greenhouse gas emissions, hazardous materials; and public services and utilities. Greater impacts would be anticipated for land use and population and housing. All significant unavoidable impacts related to shade/shadow impacts would be eliminated with this Alternative, while significant unavoidable impacts related to traffic, air quality, and noise would be reduced.

The All Residential Alternative meets Goals 3, 5, and 7; partially meets Goals 2, 4, and 6, and does not meet Goal 1.

ALTERNATIVE THREE – REDUCED DENSITY ALTERNATIVE 1

The Reduced Density Alternative 1 would be similar to the proposed project in terms of land use types, but at reduced residential densities and non-residential intensities. It is assumed that this Alternative would have similar acreages for recreation/open space and roads as the proposed project (0.80 and 2.86, respectively), and provide 125-250 parking spaces for the Gold Line Station. Alternative Three includes:

- 12,000 SF of Retail
- 295,000 SF of Office
- 150 Hotel Rooms
- 240 Dwelling Units
- Parking for Gold Line

Building heights would be similar or reduced compared to the proposed project:

- Residential - four to five stories
- Office – six to seven stories
- Hotel – five to six stories

Findings

1. The findings of the proposed project set forth in this document and the overriding social, economic, and other issues set forth in the Statement of Overriding Considerations provide support for the proposed project and the elimination of this alternative from further consideration.



Facts in Support of Findings:

In comparison to the proposed project, the Reduced Density Alternative 1 would result in similar impacts relative to land use; aesthetics; population and housing; air quality; noise; hazardous materials; hydrology, drainage, and water quality; and public services and utilities. The Reduced Density Alternative 1 results in fewer impacts to traffic and greenhouse gas emissions. All significant unavoidable impacts related to shade/shadow, traffic, air quality, and noise would be reduced, but not eliminated.

The development anticipated under the Reduced Density Alternative 1 is the same mix of land uses anticipated in the proposed Duarte Station Specific Plan, although with less residential units and non-residential square footage. The Reduced Density Alternative 1 meets Goals 1 through 7.

ALTERNATIVE 4 – REDUCED DENSITY ALTERNATIVE 2

The Reduced Density Alternative 2 would be similar to the proposed project in terms of land use types, but at reduced residential densities and non-residential intensities. It is assumed that this Alternative would have similar acreages for recreation/open space and roads as the proposed project (0.80 and 2.86, respectively), and provide 125-250 parking spaces for the Gold Line Station. Alternative Four includes:

- 12,000 SF of Retail
- 160,000 SF of Office
- 150 Hotel Rooms
- 150 Dwelling Units
- Parking for Gold Line

Building heights would be reduced compared to the proposed project:

- Residential – three to four stories
- Office – six to seven stories
- Hotel – five to six stories

Findings

1. The findings of the proposed project set forth in this document and the overriding social, economic, and other issues set forth in the Statement of Overriding Considerations provide support for the proposed project and the elimination of this alternative from further consideration.

Facts in Support of Findings:

In comparison to the proposed project, the Reduced Density Alternative 2 would result in similar impacts relative to land use; aesthetics; population and housing; air quality; hazardous materials; and hydrology, drainage, and water quality. The Reduced Density Alternative 2 results in fewer impacts to traffic, greenhouse gas emissions, noise, and public services and



utilities. All significant unavoidable impacts related to shade/shadow, air quality, and noise would be reduced, while significant unavoidable impacts related to traffic would be eliminated.

The development anticipated under the Reduced Density Alternative 2 is the same mix of land uses anticipated in the proposed Duarte Station Specific Plan, although with much less residential units and non-residential square footage. The Reduced Density Alternative 2 meets Goals 3 through 7, and generally meets Goals 1 and 2. Alternative Four is the environmentally superior alternative.



6.0 CERTIFICATION OF THE FINAL EIR

The City Council declares that no new significant information as defined by the CEQA Guidelines Section 15088.5 has been received by the City Council after circulation of the EIR that would require recirculation.

The City Council certifies the Environmental Impact Report based on the following findings and conclusions.

6.1 FINDINGS

The project would have the potential for creating significant adverse impacts. These significant adverse environmental impacts have been identified in the EIR and will require mitigation as set forth in the Findings. Significant adverse impacts which cannot be mitigated to a level of insignificance after mitigation include aesthetics, traffic, air quality, and noise.

6.2 CONCLUSIONS

1. Except as to those impacts stated above relating to aesthetics, traffic, air quality, and noise, all other significant environmental impacts from the implementation of the proposed project have been identified in the EIR and, with implementation of the mitigation measures identified, will be mitigated to a less than significant level.
2. Alternatives to the proposed project, which could potentially achieve the basic objectives of the proposed project, have been considered and rejected in favor of the proposed project.
3. Environmental, economic, social, and other considerations and benefits derived from the development of the proposed project, as further discussed in Section 7.0, override and make infeasible any alternatives to the proposed project or further mitigation measures beyond those incorporated into the proposed project.



7.0 STATEMENT OF OVERRIDING CONSIDERATIONS

7.1 INTRODUCTION

The City of Duarte (the “City”) is the Lead Agency under CEQA for preparation, review, and certification of the Final Program EIR for the Duarte Station Specific Plan (the “project”). As the Lead Agency, the City is also responsible for determining the potential environmental impacts of the proposed action and which of those impacts are significant, and which can be mitigated through imposition of mitigation measures to avoid or minimize those impacts to a level of less than significant. CEQA then requires the Lead Agency to balance the benefits of a proposed action against its significant unavoidable adverse environmental impacts in determining whether or not to approve the proposed project. In making this determination the City is guided by CEQA Guidelines Section 15093, which provides as follows:

- a) CEQA requires the decision-making agency to balance, as applicable, the economic, legal, social, technological, or other benefits of a proposed project against its unavoidable environmental risks when determining whether to approve the project. If the specific economic, legal, social, technological, or other benefits of a proposal (sic) project outweigh the unavoidable adverse environmental effects, the adverse environmental effects may be considered “acceptable.”
- b) When the lead agency approves a project which will result in the occurrence of significant effects which are identified in the final EIR but are not avoided or substantially lessened, the agency shall state in writing the specific reasons to support its action based on the final EIR and/or other information in the record. The statement of overriding considerations shall be supported by substantial evidence in the record.
- c) If an agency makes a statement of overriding considerations, the statement should be included in the record of the project approval and should be mentioned in the notice of determination. This statement does not substitute for, and shall be in addition to, findings required pursuant to Section 15091.

In addition, Public Resources Code Section 21081(b) requires that where a public agency finds that specific economic, legal, social, technological, or other considerations, including considerations for the provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or alternatives identified in an EIR and thereby leave significant unavoidable effects, the public agency must also find that overriding economic, legal, social, technological, or other benefits of the project outweigh the significant effects of the project.

Pursuant to Public Resources Code Section 21081(b) and the CEQA Guidelines Section 15093, the City has balanced the benefits of the project against the following unavoidable adverse impacts associated with the project and has adopted all feasible mitigation measures with respect to these impacts. The City also has examined alternatives to the project, none of which



both meet the project objectives and is environmentally preferable to the project for the reasons discussed in the Statement of Facts and Findings (above).

The City Council, having reviewed and considered the information contained in the Duarte Station Specific Plan, the Final Program EIR, Responses to Comments, and the public record in its entirety, adopts the following Statement of Overriding Considerations that have been balanced against the unavoidable adverse impacts in reaching a decision on this project.

7.2 SIGNIFICANT UNAVOIDABLE IMPACTS

Although all potential project impacts have been substantially avoided or mitigated as described in the preceding findings, there is no complete mitigation for the following project impacts:

- Aesthetics: Project shade and shadow impacts on adjacent existing residential uses
- Traffic: Intersection Operations
- Traffic: Cumulative Intersection Operations
- Air Quality: Project Operational Emissions for ROG
- Air Quality: Plan Consistency with Respect to Exceedance of Operational ROG Thresholds
- Air Quality: Cumulative Operational Emissions for ROG
- Noise: Short-Term Construction Noise

Details of these significant unavoidable adverse impacts were discussed in the EIR and are summarized or were otherwise provided in the Statement of Facts and Findings (above).

7.3 OVERRIDING CONSIDERATIONS

To the extent that the significant effects of the project are not avoided or substantially lessened to below a level of significance, the City Council, having reviewed and considered the information contained in the EIR and the public record, and having balanced the benefits of the project against the unavoidable effects which remain, finds such unmitigated effects to be acceptable in view of the following overriding economic, social and other considerations, each of which the City Council finds is individually sufficient to justify issuance of a Statement of Overriding Considerations:

1. The City Council finds that each of the specific economic, legal, social, technological, environmental, and other considerations, and the benefits of the project separately and independently outweigh these remaining significant, adverse impacts and is an overriding consideration independently warranting approval of the project. The remaining significant adverse impacts identified in Section 7.2, above are acceptable in light of each of these overriding considerations, and the substantial evidence that supports the enumerated benefits of the project can be found in the Statement of Facts and Findings herein, the Final Program EIR, the project itself, and the record of all proceedings in connection with the approval of the project. In the event that any court



decision or regulatory action results in a determination that there are additional remaining significant impacts resulting from the City's approval of the project that cannot be avoided even with the incorporation of all feasible mitigation measures into the project, the Statement of Facts and Findings and Statement of Overriding Considerations herein shall be deemed to apply to such additional remaining significant impacts.

2. The project establishes various objectives that will improve the project site and provide a benefit to the community, namely:
 - Develop a flexible mixed-use land use pattern that incorporates retail, office, hospitality, and residential opportunities that will effectively complement each other and provide maximum land use efficiency, while providing economic and social benefits to all users.
 - Program retail uses that are neighborhood- and transit-station serving.
 - Provide flexible non-residential spaces that can be adjusted to respond to shifts in market demand and allow options throughout various economic cycles and scenarios.
 - Create a range of residential unit types that will be accessible to residents of all income levels.
 - Provide residential opportunities to assist the City of Duarte in meeting their Regional Housing Needs Allocation (RHNA) objectives.
 - Encourage the development of a hotel to create local jobs, support City of Hope lodging needs, provide community meeting space, and increase tax revenues within the community.
 - Create a "grid-like" block pattern that effectively provides for compact development with reduced road widths to provide connectivity throughout the site.
 - Give precedence to pedestrians while keeping streets narrow to foster multimodal transportation with bicycle, pedestrian, and transit access.
 - Allow for building types that will achieve desired density ranges to establish a critical mass of residents and employees to support the transit station, maximize transit ridership, and support retail spaces and local employment centers.
 - Minimize setbacks to allow buildings to frame and activate the street.
 - Use trees, shrubs and other landscape and hardscape materials along streets to provide shading, screening, and human scale.
 - Promote quality architectural design to establish a consistent contemporary design character that creates an identity in the Duarte Station Specific Plan area.
 - Provide singular or multiple outdoor spaces, such as an urban green space or public plaza that provides a transition between the station and the surrounding transit village uses in order to provide a public gathering space.
 - Program outdoor space(s) to accommodate the needs of various user groups, such as residents, employees, commuters, and visitors.
 - Create a center that provides desired goods and services to surrounding residents, students, and employees within and surrounding the Duarte Station Specific Plan area.



- Provide specific setbacks, height limitations, upper story step-backs, and landscape requirements to afford adjacent residences privacy and separation from larger buildings.
 - Consider the future needs of the City of Hope as part of land use planning.
 - Identify the level of development proposed within the Specific Plan area, and adhere to Levels of Sustainable Development Practices as prescribed in Chapter 19.52 of the City's Development Code.
 - Ensure that construction and demolition waste is disposed of in accordance with all City regulations and standards.
 - Consider building layout, siting, and building design to not preclude alternative energy production on-site.
 - Maximize energy efficiency through local and state standards, indoor environmental quality, energy-efficient lighting, building orientation, shading, and implementation of LEED principles and/or attaining LEED Certification.
 - Reduce heat island effect through site planning and selection of landscape and hardscape materials.
 - Incorporate water-efficient design features such as permeable surfaces, collection devices, biofiltration devices, green rooftops, cisterns, berms and swales, and/or green rooftops.
 - Include climate-adapted landscape within the Specific Plan area.
3. The proposed Specific Plan establishes the general type, parameters, and character of the development in order to develop an integrated Transit Oriented Development that is compatible with the surrounding area.
 4. The Master Land Use Plan provides flexibility for property owners to respond to market conditions and create a transit village that focuses on residential uses with opportunity sites for job-intensive office uses, hospitality, retail, and urban green space.
 5. The project will enhance the aesthetic environment by replacing existing industrial uses with new buildings and providing increased and improved landscaping and open space areas. The project will provide pedestrian connections through and around the development to the Duarte Metro Gold Line Station.
 6. The project will positively contribute to the economic vitality and revitalization in the City by developing a project that supports a market driven economy, creates a mixed-use environment, and redevelops an underutilized site with the highest and best use.
 7. The project integrates public transportation and residential and non-residential development, increasing pedestrian activity within the area and reducing automobile use. The Transit Oriented Development supports the goal of reducing traffic and greenhouse gas emissions from cars. The project would include connective walkways and pedestrian routes between and among future uses, including the Duarte Metro Gold Line Station, so as to minimize the need for residents to use a car.



8. The project incorporates objectives and visioning efforts for the area and reflects the intent of the TOD Corridor Development Assessment and Duarte Gold Line Station Areas Vision studies. Furthermore, the project is intended to implement the City of Duarte's General Plan.

Therefore, the Duarte City Council, having reviewed and considered all of the information contained in the Final Program EIR and the public record, adopts the Statement of Overriding Considerations that has been balanced against the unavoidable adverse impacts in reaching a decision on this project.

The Economics of Land Use



Final Report

Implementation Strategy Duarte Gold Line Station Transit Village Area Plan

Prepared for:

The City of Duarte

Prepared by:

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August 5, 2013

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SECTION 1: INTRODUCTION AND SUMMARY OF FINDINGS

This report has been prepared by Economic & Planning Systems, Inc. (EPS) for RBF Consulting (RBF) on behalf of the City of Duarte as part of Duarte Station Transit Village Area Plan project. The purpose of the report is to provide an overview of potential implementation strategies that may be available to the City to help expedite realization of the Duarte Transit Village Vision.

The report builds upon the Draft Development Capacity memo submitted in October 2012 and the Draft Development Economics and Feasibility of Proposed Conceptual Plan memo presented in March 2013, both of which are included in modified form here. In addition, the report includes a fiscal impact analysis that estimates the net fiscal impact of the proposed transit village plan on the City's General Fund Revenues.

The report is organized into four sections, consisting of Summary Findings, Development Feasibility Analysis, Fiscal Impact Analysis, and Implementation Strategy; and two Appendices including the Development Pro Forms and a list of Financing Tools.

Land Plan and Development Program

Currently, the approximately 20-acre site is occupied by three nearly fully occupied one- and two-story warehouse/flex and manufacturing buildings totaling approximately 329,000 square feet with accompanying surface parking. The City of Duarte envisions a transit village on the site to complement the arrival of the Metro Gold Line light rail extension, which is under construction and scheduled to begin operation in 2015.

The analysis is based on a program and land plan prepared by the Dahlin Group that subdivides the target area into developable pads that map closely to the existing ownership parcels. The plan provides seven development pads totaling 13 acres, a mixed-use pad of 0.81 acres shared between 0.51 acres of station area and 0.3 acres of retail, and flexible-use pad 1.59 acres that will initially provide transit surface parking but can later be intensified with a mix of vertical and parking uses. The remaining 3.67 of 19.1 acres is taken by street circulation and open space.

The City is currently developing an EIR for the site, with a potential program to include up to 475 residential units totaling 372,000 square feet, a 250-room hotel totaling 152,000 square feet, 395,000 square feet of office, and 12,600 square feet of supporting retail. The development plan is expected to take place in phases, subject to market factors and current land owner decisions. Approximately 250 surface and 1,809 structured parking spaces are proposed to serve residents, on-site employees, and Gold Line commuters.

The program features a mix—in descending order by square feet—of office, multifamily, hotel, and retail uses. Office square footage totals up to 395,000 square feet on parcels B, C, and A. The three multifamily prototypes, including walk-up (Parcels F and H), podium (Parcel D), and wrap (Parcel G) product types, total 399 units at densities of 40 and 70 dwelling units per acre. A 250-room hotel with surface parking occupies parcel I, and 12,000 net square feet of stand-alone retail shares Parcel B with the Station Area.

While build-out can take place on a parcel-by-parcel basis, the economic analysis focuses on two phases. Phase 1 includes build-out of all parcels except Parcel A, which functions as surface parking for the transit station. Phase 2 intensifies the use of Parcel A by adding 70,000 square feet of office on a podium that provides both office parking and replacement parking for the displaced transit parking lot. Parking ratios assume 3 spaces per 1,000 square feet of office use, 1 space per residential unit, and one space per hotel room. There is no designated parking for retail, but the transit station is expected to obviate the need for additional parking beyond street parking. For a plan-view rendering of the land plan and development program, see **Figure 1**; for a numerical breakdown of the program, see **Table 1**.

Figure 1 Conceptual Development Program

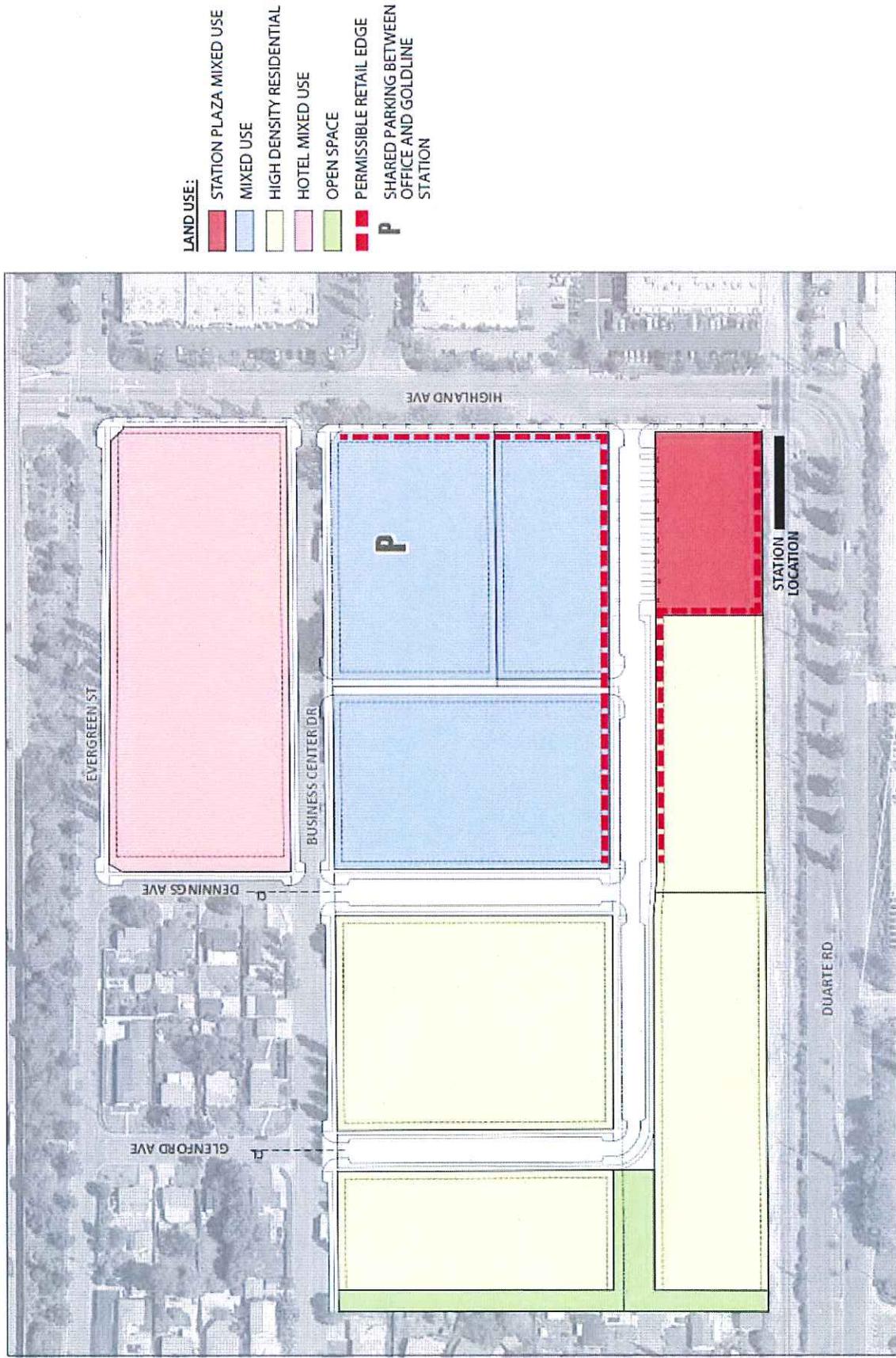


Table 1 Development Program

Scenario and Use	Parcel	Parcel Area		Vertical Construction (Sq.Ft.)				Multifamily Units		Hotel		Parking	
		Sq.Ft.	ac	MF	Office	Retail	Hotel	Total	Total Sq.Ft./ unit	DU /AC	Rooms	Ratio	Provided
PHASE 1													
Private Uses													
Office	B	47,916	1.10	0	95,832	0	0	95,832				3 /1K Sq.Ft.	287
Office	C	80,150	1.84	0	160,301	0	0	160,301				3 /1K Sq.Ft.	481
Multifamily Podium	D	82,328	1.89	102,882	0	0	102,882	132	663	70		1 /Unit	132
Retail (1)	E	13,263	0.30	0	0	12,632	0	12,632				0 /1K Sq.Ft.	0
Multifamily 4-Story Walkup	F	51,836	1.19	67,235	0	0	0	67,235	83	689	70	1 /Unit	83
Multifamily Wrap	G	102,366	2.35	128,588	0	0	0	128,588	165	662	70	1 /Unit	165
Multifamily 4-Story Walkup	H	59,242	1.36	73,824	0	0	0	73,824	95	661	70	1 /Unit	95
Hotel	I	143,312	3.29	0	0	0	151,667	151,667			250	1 /Rm.	250
Subtotal Private Uses		580,414	13.3	372,529	256,133	12,632	151,667	792,960	475		250		1,493
Public Uses													
Goldline Parking(2)	A	69,260	1.59										150
Station Plaza(3)	E	22,020	0.51										0
Roads	NA	125,017	2.87										0
Open Space	NA	34,848	0.80										0
Subtotal Public Uses		251,146	5.8	0	0	0	0	0	0	0	0		150
TOTAL PHASE 1		831,560	19.09	372,529	256,133	12,632	151,667	792,960	475		250		1,643
PHASE 2													
Private Uses													
Office(4)	A	69,260	1.59		138,521			138,521				3 /1K Sq.Ft.	566
TOTAL ALL PHASES		831,560	19.09	372,529	394,654	12,632	151,667	931,481	475		250		2,059

(1) Retail occupies air rights of publicly owned Parcel E; retail uses cover ~36% of the parcel area's 0.81 total acres
(2) Surface lot provided for transit users; lot area will be replaced in Phase 2 with office parking structure
(3) Parcel E Totals 35,284 sf; in this model, the land is allocated between Station Plaza and Retail uses.
(4) Office with podium structure that includes 416 spaces of required office parking and 150 spaces of replacement transit parking

Source: Dahlin Group, Economic & Planning Systems, Inc.

Findings

1. Current real estate market rates in Duarte are not sufficient to support build-out of the proposed transit village, but Gold Line operation coupled with unique (for Duarte) market offerings of the proposed transit village should—over time—boost market rates to a level sufficient to provide incentives to developers.

According to pro forma estimates, at current rates,¹ development of all proposed transit village uses is infeasible. That is, the estimated capitalized value of new development is exceeded by estimated development costs (including land costs) by 14 percent². However, new development becomes feasible if real rent appreciates by approximately 19 percent (equivalent to less than 3 percent annual growth over six years), which is a likely outcome for the station area site. While the effects of transit on rents can vary widely and are subject to many independent factors, there is growing evidence, supported by industry experts as well as professional and academic studies, that the accessibility benefits of transit oriented development—especially for higher-density products—can result in value-premiums of between 5 percent and 40 percent.

Furthermore, there is a strong possibility that the proposed new uses for the Duarte Transit Village, which will have no functional or design equivalent in the City, will command rents higher than elsewhere in the City. Eventually, it's possible the Gold Line corridor connecting several residential communities with significant employment, retail, and entertainment destinations may effectively function as a linear market commanding rental premiums above what's typical in the surrounding jurisdictions. For investors with a longer time horizon, this may represent an enticing opportunity.

2. The City can provide public infrastructure to supplement market incentives to expedite development of a transit village.

Despite favorable long-term market factors, the transition of the Plan Area into a Transit Village will not likely occur quickly or as the result of a single transformational project. The site presents several locational challenges, as it is surrounded by low-density residential and industrial uses, bounded on three sides by highway infrastructure, and is fully built out with manufacturing and warehouse uses. Moreover, several other Gold Line TOD sites currently under construction, including Arcadia, Monrovia, and Azusa, currently offer more inviting and pedestrian-friendly environments for development.

¹ Current rents reflect top-of-market averages for Duarte, typical area rents for new Class B office, and estimated rents for the proposed hotel.

² Estimated development feasibility is based on the illustrative assumption that the proposed transit village program is developed as a single project. In fact, different uses within the program show different degrees of feasibility under current market rents: the hotel use is currently feasible, and retail has only a small feasibility gap of 1 percent (excess costs over value). The feasibility gap for residential is greater, at between 14 and 15 percent, and the office feasibility gap is greater still, at between 21 and 23 percent.

However, the City can play a critical role in inducing transit village development by creating the underlying infrastructure conditions to support platform access, connect the Station Area to the surrounding community and uses, and lower the perceived risks of development in an otherwise unproven location for multifamily, office, and hotel development. Such infrastructure could include new on-site circulation; streetscape improvements to facilitate walking and biking; enhancements such as lighting, street trees, and benches; and provision or expansion of utilities such as water, power, sewer, and storm drain capacity.

3. The City of Hope Medical Center, located less than a quarter mile from the Duarte Gold Line Station platform, represents strong source of potential demand for the proposed transit village uses, which the City of Duarte should aim to harness through engagement and supportive public infrastructure

The City of Hope Medical Center, which includes research institutes, graduate programs, in-patient and out-patient care, and supporting plant facilities, is located approximately one-quarter mile from the Duarte station platform. City of Hope has expressed intent to consolidate 150,000 square feet of administrative offices (with an eventual projected need of 260,000) to an off-site location. City of Hope also reports that patients and friends and family of patients occupy 75 to 80 hotel rooms outside of Duarte—a demand level that can help support the proposed transit village hotel. Finally, with 4,000 current employees and a Master Plan program that will eventually construct 1.1 million net new square feet of space on campus, City of Hope may represent significant pent-up and future demand for residential and shopping options.

Possibly impeding this potential for demand, however, is the institution's large overall area and the wide green buffer along Duarte Avenue that isolates the campus, making short shopping excursions and pedestrian access and egress difficult. To mitigate this condition, the City of Duarte should aim to improve the public infrastructure connecting the campus to the transit village and encourage City of Hope to consider orienting new on-campus development in a manner that facilitates Gold Line use. The City can also play a role in brokering relationships between the City of Hope and potential developers so as to tailor transit village development to address the institution's expected off-campus needs.

4. Effective implementation will require close coordination between the City, Metro, and the owners of the site's three parcels to guide disposition and development decisions.

The development or disposition intentions of existing land owners will be an important determinant in how and when the proposed transit village develops. The owners of the three privately-held parcels that make up the transit village area could be strong strategic partners in developing the site. Because the existing land uses are highly occupied, land buy-out costs—which include the value of existing cash-flows—may be high³. Two of the three

³ High land costs raise the hurdle for financially feasible development, which can delay build-out until market rates appreciate sufficiently. However, if current owners become partners in the new development, some of this land value can be "contributed" to the project to lower feasibility thresholds and facilitate financing.

properties are multi-tenant warehouses that use the same broker and that reputedly have some shared ownership.⁴ The third property, a manufacturing building, was recently acquired from GE Aerospace by another manufacturer of aerospace technology.⁵

Metro must acquire approximately 2.1 acres for development of the station platform and surface parking. According to the EIR, this land must be appropriated from the parcel at 1801 Highland Avenue. While a public-private joint-venture under Metro's Joint Development program could conceivably leverage Metro's investment to create a mixed-use project on the Metro parcel, the small size of the land to be acquired, coupled with the 60-to-85 month period typically required to implement a Metro Joint Development, probably precludes this option. Nonetheless, Metro's action presents an opportunity to coordinate with the land owner to develop a first phase of the transit village.

5. The proposed conceptual transit village design anticipates an expansion of vertical uses and corresponding density over the existing condition, which should generate a significant incremental tax benefit that may be used to support infrastructure build-out or supplement and accelerate vertical development.

As shown in **Table 2**, potential fiscal benefits generated by the proposed program are significant, with over \$645,000 in estimated net new contributions to the General Fund, representing an increase in General Fund revenues of 5 percent. Costs to the City of Duarte for supportive public infrastructure for the proposed transit village could be significant, as the conceptual program anticipates a need for 3.67 acres of roads and open space. Expanded capacity and routing for infrastructure such as electrical, water, sewer, and storm drains may also be required. Finally, improvements to Highland Avenue, Business Center Drive, and Duarte Road to improve access to the transit village and station platform could be costly, requiring improved sidewalks, crosswalks, bicycle lanes, lighting, street trees, and benches.

⁴ The multi-tenant properties at 1710-1770 Evergreen Drive and 1801 Highland Avenue are represented by Ashwil Associates.

⁵ The manufacturing facility at 1700 Business Center Drive was acquired on December 12, 2012, by Woodward HRT from GE Aviation Systems.

Table 2 Estimated Fiscal Benefits from Proposed Program

Category	Outputs
<u>City General Fund Revenues</u>	
Taxes	
Property Taxes	\$276,290
Sales and Use Tax	\$89,553
Franchise Taxes	\$69,066
Business License Tax	\$61,892
Transient Occupancy Tax	\$922,355
Real Property Transfer Tax	\$6,851
Total Annual General Fund Revenues	\$1,426,006
<u>City General Fund Expenses</u>	
Legal Services	(\$14,385)
Public Safety	(\$314,859)
Community Development	(\$157,536)
Field Services	(\$55,898)
Parks and Recreation	(\$99,885)
Administrative Services	(\$137,846)
Total Annual General Fund Expenditures	(\$780,409)
Net Fiscal Impact	\$645,597
% of FY 2012-13 General Fund Budget	5%

Sources: City of Duarte 2012-13 Operating Budget; Economic & Planning Systems, Inc.

SECTION 2: FEASIBILITY ANALYSIS

Findings

This section summarizes the analysis done to estimate the development feasibility of the proposed Duarte transit village. Development feasibility compares the value of the proposed project against the likely costs of vertical development. All development pro formas, on which the analysis rests, are shown in **Appendix A**.

The proposed development plan for the overall Duarte Transit Village plan is not financially feasible at current market rents.⁶ That is, the estimated capitalized value of the proposed development at full build-out (both phases 1 and 2) is lower than the estimated total land buy-out and improvement costs, resulting in an overall feasibility gap of 17 percent, as shown in **Table 3**. This estimate of development feasibility is based on the assumption for illustrative purposes that the transit village program is developed by a single developer for a total net return.

However, also shown in **Table 3**, different proposed program uses show various feasibilities at current market rents: the proposed hotel use is currently feasible, and the retail component has an insignificant feasibility gap of 1 percent. The feasibility gap for the residential and office uses, however, are significant, with a feasibility gap of 14 to 15 percent for residential and 21 to 23 percent for office.

With average real rent appreciation from current market rates of 19 percent, the proposed full build-out becomes feasible, as shown in **Table 4**. This is equivalent to 2.9 percent annual real rent growth over a six-year period. Again, this is based on the illustrative assumption of a single developer and a total net return. In this scenario, also shown in **Table 4**, the feasible individual uses are hotel, retail, and residential, which effectively subsidize the still-infeasible office uses. In actuality, rents will appreciate at different rates for different uses.

This degree of real rent growth is a reasonable expectation for the proposed Duarte Transit Village. The Gold Line amenity alone will likely generate an additional rent premium. While the effects of transit on rents can vary widely and are subject to many independent factors, there is a general academic consensus that the accessibility benefits of living near transit—especially for higher-density development—can result in a value-premium over non-transit-oriented development ranging from 5 percent to 40 percent or more for residential uses.⁷ Furthermore, the Gold Line provides a development context for a high-value set of land uses that are unique

⁶ Current rents reflect top-of-market averages for Duarte residential and retail uses, typical area (along the Pasadena-Monrovia corridor) rents for new Class B office uses, and the estimated market rents provided by PKF Consulting for the proposed hotel.

⁷ "Public Transit's Impact on Housing Costs: A Review of the Literature," by Keith Wardrip, Center for Housing Policy Research, August 2011

Table 3 Development Feasibility at Current Market Rates

Parcel Use	Phase 1										PHASE 1 TOTAL	Phase 2	PHASE 1 & 2 TOTAL	
	B Office	C Office	D MF Podium	E Retail	F MF Podium	G MF Podium	H MF Wrap	I Hotel	A Office with Transit Parking					
Vertical Construction														
Capitalized Value of New Construction	29,619,430	49,553,117	26,212,864	3,515,904	17,052,270	32,767,923	18,824,597	48,498,400					42,823,362	268,867,867
Vertical Development Cost	33,008,236	53,380,041	24,579,345	2,863,841	15,954,019	30,238,558	17,646,404	37,239,615					52,098,108	267,008,166
Developer Target Return	3,630,906	5,871,805	3,195,315	257,746	2,074,022	3,931,012	2,294,032	5,213,546					5,730,792	32,189,176
Residual Land Value	(\$7,019,712)	(\$9,686,728)	(\$1,561,797)	\$394,318	(\$975,771)	(\$1,401,647)	(\$1,115,840)	\$6,045,239					(\$15,005,537)	(\$30,339,475)
RLV as % of Costs ⁽¹⁾	-19%	-16%	-6%	13%	-5%	-4%	-6%	14%					-26%	-10%
Land Acquisition														
Parcel Size	47,916	80,150	82,328	13,263	51,836	102,366	59,242	143,312					69,260	212,573
Buy-Out Cost/Sq.Ft. of land	\$33	\$32	\$33	\$33	\$33	\$32	\$32	\$24						
Buy-Out Cost at \$33/Sq.Ft. of land	1,581,228	2,644,963	2,716,824	437,684	1,710,601	3,378,078	1,954,973	4,729,309					2,285,593	21,439,254
Air Rights Swap ⁽²⁾													(2,285,593)	(2,285,593)
Total Land Cost	1,581,228	2,644,963	2,716,824	437,684	1,710,601	3,378,078	1,954,973	4,729,309					0	19,153,661
Land as % of Costs	4%	4%	10%	-1%	9%	10%	10%	11%					0%	6%
Feasibility Surplus/(Gap)⁽³⁾	(\$8,600,940)	(\$12,343,691)	(\$4,278,621)	(\$43,367)	(\$2,686,372)	(\$4,779,725)	(\$3,070,812)	\$1,315,930					(\$15,005,537)	(\$49,493,136)
Feasibility Gap as % of total costs	-23%	-21%	-15%	-1%	-15%	-14%	-15%	3%					-26%	-17%

(1) RLV is residual land value, computed as the remainder after deducting construction costs from capitalized value of new project at stabilization

(2) Assumes that private developer constructs improvements on Metro air rights in exchange for replacement parking constructed by developer

(3) Feasibility is indicated by a gap value that is 0 or greater; some developers consider a gap of up to -10% as being within the margin of error and indicative of feasibility

Source: Economic & Planning Systems, Inc.

Table 4 Development Feasibility Assuming 19% Market Rent Appreciation

Parcel Use	Phase 1										PHASE 1 TOTAL	Phase 2	PHASE 1 & 2 TOTAL	
	B Office	C Office	D MF Podium	E Retail	F MF Podium	G MF Podium	H MF Wrap	I Hotel	A Office with Transit Parking					
Vertical Construction														
Capitalized Value of New Construction	34,732,464	58,105,828	31,144,387	4,177,364	20,260,377	38,932,673	22,366,138	58,427,752					50,214,020	318,361,003
Vertical Development Cost	33,008,236	53,860,041	24,579,345	2,863,841	15,954,019	30,238,558	17,646,404	37,239,615					52,098,108	267,008,166
Developer Target Return	3,630,906	5,871,805	3,195,315	257,746	2,074,022	3,931,012	2,294,032	5,213,546					5,730,792	32,199,176
Residual Land Value	(\$1,906,679)	(\$1,146,017)	\$3,369,726	\$1,055,778	\$2,232,336	\$4,763,103	\$2,425,701	\$15,974,592					(\$7,614,879)	\$19,153,661
RLV as % of Costs (1)	-5%	-2%	12%	34%	12%	14%	12%	38%					-13%	6%
Land Acquisition														
Parcel Size	47,916	80,150	82,328	13,263	51,836	102,366	59,242	143,312					69,260	212,573
Buy-Out Cost/Sq.Ft. of land	\$33	\$32	\$33	\$32	\$33	\$32	\$32	\$24						
Buy-Out Cost at \$33/Sq.Ft. of land	1,581,228	2,644,963	2,716,824	437,684	1,710,601	3,378,078	1,954,973	4,729,309					2,285,593	21,439,254
Air Rights Swap(2)													(2,285,593)	(2,285,593)
Total Land Cost	1,581,228	2,644,963	2,716,824	437,684	1,710,601	3,378,078	1,954,973	4,729,309					0	19,153,661
Land as % of Costs	4%	4%	10%	20%	9%	10%	10%	11%					0%	6%
Feasibility Surplus/(Gap) (3)	(\$3,487,907)	(\$3,790,980)	\$652,902	\$618,093	\$521,734	\$1,385,025	\$470,729	\$11,245,282					(\$7,614,879)	\$0
Feasibility Gap as % of total costs	-10%	-6%	2%	20%	3%	4%	2%	26%					-13%	0%

(1) RLV is residual land value, computed as the remainder after deducting construction costs from capitalized value of new project at stabilization

(2) Assumes that private developer constructs improvements on Metro air rights in exchange for replacement parking constructed by developer

(3) Feasibility is indicated by a gap value that is 0 or greater, some developers consider a gap of up to -10% as being within the margin of error and indicative of feasibility

Source: Economic & Planning Systems, Inc.

for the City of Duarte, which has not experienced significant new residential or office development for some time. Since 1994, no new office and only 34 units of non-senior multifamily housing have been constructed in Duarte.

Eventually, the Gold Line corridor, which connects several residential communities with significant employment, retail, and entertainment destinations, could function as a linear market commanding rental premiums over surrounding jurisdictions.

Analytical Approach

The feasibility analysis is based on static development pro formas for each parcel and use, which estimate development costs and stabilized revenues. All rents and construction costs reflect current market conditions for the baseline analysis. While actual transit village development will take place at a future time, the use of current market rents and costs helps illustrate the conditions that govern the underlying economics and feasibility. (For all development pro formas, see **Appendix A**.)

Residual land value is computed for each development parcel. Residual Land Value, computed as the capitalized value at stabilization of new vertical development less vertical construction costs, illustrates the amount an investor should be willing to pay for the land, given the estimated performance of the proposed uses.

Land costs for the tree privately-held parcels that make up the transit village area were estimated using both residual land value analysis and comps analysis. (See **Table 5** for the land buy-out model.)

Estimated residual land value is added to land buy-out costs to determine development feasibility. If the resulting value is negative, the development is not feasible. That is, the developer cannot expect to obtain the target return for the proposed project given market rents, vertical construction costs, and land costs. If the resulting value is zero or positive, the project is feasible.

In order to understand the relationship between market rents and feasibility, a sensitivity analysis was performed to determine how much real rent appreciation is required before the proposed development becomes financially feasible.

Assumptions

Land Costs

Land costs are based on the buy-out model shown in **Table 5**, which estimates land value using both residual land value and market comparable valuation methods to conclude with an estimated average land buy-out cost of \$33 per square foot. Land costs are allocated directly and proportionately by use, i.e., the land cost for each development pad includes only the land area occupied by that pad. Land costs for transit parking, rail rights-of-way, and station area are not allocated to the development pads, as they are assumed to be a public responsibility.

The one exception to how land costs are allocated pertains to the office use on Parcel A. As envisioned, the office development in Phase 2 will use land acquired by and improved as surface parking by the transit authority in Phase 1. This will require the construction of a parking

structure to provide parking both for the proposed office use and to replace the lost transit station surface parking. The pro forma model assumes a swap whereby the office developer builds the parking structure, and the transit authority contributes the land for both the office development and the structure.

Table 5 Land Buy Out

Valuation Technique	Study Area Parcel			Total
	1700 Business Center Drive	1710-1770 Evergreen	1801 Highland	
Residual Land Value				
Avg. Lease Rate/Sqft/Month ⁽¹⁾	\$1.00	\$0.78	\$0.62	
Gross Potential Income/Year	\$12.00	\$9.36	\$7.44	
less Vacancy Losses ⁽¹⁾	0%	9%	8%	
less Operating Expenses (% of GPI)	35%	35%	35%	
Annual Net Operating Income ⁽¹⁾	\$7.80	\$5.25	\$4.23	
Capitalization Rate ⁽²⁾	8.0%	8.0%	8.0%	
Building Value/Sqft	\$98	\$66	\$53	\$73
Rentable Area	130,000	70,890	128,466	329,356
Total Value	\$12,675,000	\$4,656,074	\$6,791,595	\$24,122,668
Land Area (Sq.Ft.)	399,010	139,392	287,496	825,898
Estimated Land Value/Sq.ft.	\$32	\$33	\$24	\$29
Transaction Comp				
Estimated Land Value/Sq.ft. ⁽³⁾⁽⁴⁾	\$29	\$37	\$37	\$33

(1) Source: CoStar (existing tenants)

(2) Based on CBRE Cap Rate Survey, 3Q2012

(3) 1700 Business Center Drive: based on 12/12/2012 sale.

(4) 1710-1770 Evergreen and 1801 Highland based on a set of 4 2012 Duarte industrial land transactions

Source: Economic & Planning Systems, Inc.

Rents

The development pro formas assume market rents for the City of Duarte in the baseline analysis, as measured between October 2012 and January 2013 and discussed further below.

Multifamily

A review of Duarte multifamily rents from the fourth quarter of 2012 shows average rents of between \$1.50 and \$1.66 per monthly square foot for all bedroom sizes, as shown in **Table 6**. The newest units in the City, 34 stacked-flat units constructed in 2008 and 2010, command rents of approximately \$1.60 per square foot. The development pro formas assume the transit village units will be unique within Duarte, with greater design and amenities than elsewhere in the City so as to be competitive with other transit villages along the Gold Line route. At between \$2.10 and \$2.30 per square foot for the baseline, the assumed rents would be top of the market for Duarte but still slightly discounted from other transit village comps along the Gold Line.

Table 6 Duarte Multifamily Market Rents

Rents ⁽¹⁾	Duarte
Average Rent (/sf/mo)	
Studio/1-Bed	\$1.66
2 Bedroom	\$1.50
3 Bedroom	\$1.50
Rent Range (/sf/mo) ⁽³⁾	
Studio/1-Bed	\$1.43 - \$1.89
2 Bedroom	\$1.33 - \$1.62
3 Bedroom	\$1.29 - \$1.72

(1) Compiled from 10 for-rent listings posted late October, 2012
 Source: Economic & Planning Systems, using Zillow and Trulia

Office

The Duarte office market is relatively weak. All Duarte office, except for 60,000 square feet on the City of Hope campus, is class C, and no new office space has been built since 1990. As shown in **Table 7**, rents average \$1.70 per square foot, and vacancy is high. Consequently, there is no direct representative office market for the uses envisioned for the transit village. In order to set rents at a market level more consistent with the transit village program, the rents are based on 1Q13 average market rates for new Class B office in Pasadena/Monrovia/Arcadia office sub-market (as defined by CoStar) and set for the baseline at \$2.50 per square foot.

Table 7 Duarte Office Rents

	Duarte		LA County	
	All Office	Medical Office	All Office	Medical Office
Office Sq.Ft.	257,385	112,111	3,168,202	627,570
Vacancy Rate	17.8%	23.6%	14.7%	11.0%
Average Rent	\$1.70	\$1.72	\$1.68	\$2.15
Rent range	\$0.99-\$2.30	0.99-\$2.30	\$0.79 - \$2.51	\$1.40-\$2.51

Source: CoStar, Economic & Planning Systems, Inc.

Hotel

Hotel ADRs are based directly on estimates provided by PKF consulting presented in May 2008, which included estimates for 2013, which have been verified through a review of lease rates of competitive hotel in the market area. The hotel pro forma assumes a baseline ADR of \$133 per room and an occupancy rate of 76%.

Retail

The retail assumes a \$2 per square foot rent baseline for proposed uses, which is roughly halfway between the city’s storefront retail average of \$1.40 and the Pasadena/Arcadia/Monrovia corridor average of \$2.30, as shown in **Table 8**.

Table 8 Duarte Retail Rents

Category	Pasadena/Arcadia/Monrovia			Duarte		
	Avg. Annual Rent / Sq.Ft.	Avg. Monthly Rent / Sq.Ft.	Listings	Avg. Annual Rent / Sq.Ft.	Avg. Monthly Rent / Sq.Ft.	Listings
Storefront ⁽¹⁾	\$27.60	\$2.30	905	\$16.80	\$1.40	27
Restaurant	\$24.96	\$2.08	115	NA	NA	8
Total Sample	\$27.36	\$2.28	1,020	\$16.80	\$1.40	35

(1) Includes CoStar "Freestanding", "Convenience Store", and "Storefront" categories
 All comps from Q4 2012
 Source: CoStar

Operating Expenses

The pro formas assume that retail and office leases will be on a triple net basis. Under the terms of the triple net lease, retail tenants typically pay all expenses associated with their operation in addition to rent, including property taxes, insurance, repairs, maintenance, utilities, and sometimes a portion of marketing. Landlords do incur expenses for property management, accounting, and a portion of marketing. As a result, retail and day care operating expenses are assumed to be 4 percent of gross income, which are within the typical industry range.

As with retail leases, triple-net office tenants also pay all operating expenses associated with their operation, including utilities, amortized building capital improvements, and real estate taxes. However, office spaces, unlike most retail, are located in multi-story buildings, which are less spatially efficient and require more maintenance and management support. Consequently, non-pass-through office expenses are significantly higher than for retail. The office thus assumes an operating expense rate of 30 percent, a typical industry standard.

For residential rental, expenses associated with ongoing operation are paid by landlords under the full service lease structure. For residential rental uses, these expenses include property management, administration, maintenance, utilities, insurance, and taxes and are reflected in the "operating expenses" line item in the pro forma. New residential apartment operating costs

typically range between 25 and 35 percent. As a result, operating costs of 34 percent (operating expenses plus management fee) of gross rental income are assumed for residential rental uses.

Hotel operating expenses, based on industry standard rates, amount to 30 percent of Departmental revenues for departmental expenses, 20 percent for operating expenses, and 13.5 percent for other expenses.

All operating assumptions are shown in greater detail in **Appendix A**.

Cap Rates

A capitalization or "cap" rate is applied to the net operating income (NOI) to estimate the potential sales value of rent-generating properties. Cap rates have historically ranged between 4 and 10 percent, with residential rental uses typically generating lower cap rates (perceived as lower risk), while hotel uses have typically generated higher cap rates, associated with riskier investments. Larger building space that could attract institutional investors typically generates lower cap rates compared to smaller buildings typically purchased by individuals and small investment companies. Cap rates are highly influenced by a wide number of factors and should be considered for individual projects based on site-specific factors. The cap rates utilized in this analysis are EPS estimates, which do not directly reflect current rates, which are believed to be compressed due to current market conditions, but to reflect future "decompressed" rates more in line with historical standards. All cap rate assumptions are shown in **Appendix A**.

Construction Costs

Building construction costs vary widely based on many factors, such as development location and use, building type and height, and costs of materials and labor. Direct construction costs provided in the feasibility analysis assume prevailing wage and are based on the RS Means 2013 Cost Data and EPS experience with comparable projects, based on interviews with developers.

Development Returns

Return on development investment varies based on a range of factors such as risk, capital and real estate market conditions, building uses, and other trends. Real estate development returns on vertical cost investment have historically ranged between 8 and 15 percent. Development of residential uses is considered less risky than commercial space. Lower-density development is considered less risky than higher-density development and requires lower returns. Mixed-use development is considered riskier relative to development with no ground-floor retail. This analysis assumes that return requirements on vertical development reflect only building density and construction type rather than any other potential risk factors, such as geographic location within the City.

Vertical development returns on development costs ranging between 9 and 14 percent are assumed in this analysis.

Other Assumptions Used in Residual Land Value Analysis

Efficiency Ratio

Used for various development types to convert gross square footage to net square footage. An efficiency ratio of 75 percent is assumed for the hotel use (which also includes ground-floor conferencing facilities), 85 percent is assumed for residential uses, 90 percent for retail, and 100

percent for office uses (because office leases often allocate common area proportionately to tenants).

Vacancy Rate

Vacancy rate reflects typical levels of vacancy upon stabilization. A vacancy rate of 5 percent is assumed for residential rental uses, 5 percent for retail, and 5 percent for office.

Cost of Sale

The Cost of Sale includes marketing and sales commission and is used to reflect a pro forma cost to distinguish between a capitalized market value and net revenue proceeds. This cost is assumed at 2 percent for all uses.

Site Work Cost

Site Work Cost includes demo, grading, and site improvements and is assumed at \$5 per square foot for all development types.

Parking Costs

Surface parking, which includes fine grading, paving, and striping, is assumed at \$2,000 per space. Podium parking, which forms the concrete and steel base on which wood-frame vertical improvements are constructed, is assumed at \$20,000 per space. Podium-parking in a wrap typology, which provides less structural support than podium parking, is constructed at \$18,000 per space.

Contingency

Reflects uncertainty associated with potential development cost increase, market changes, and other risk factors. Development contingencies typically range between 5 and 20 percent and decrease with the level of certainty. Given the small-scale nature and short development period of most infill projects evaluated in this analysis, development contingency is assumed at 10 percent of direct and indirect cost for all development types.

SECTION 3: FISCAL IMPACT ANALYSIS

This section presents a fiscal impact analysis of the proposed Duarte Transit Village. The analysis is focused on the net new impact of the Project (future development less existing development) and the net fiscal impact to the City's General Fund (gross revenues less gross expenditures), based on typical factors and activities of typical residents, on-site employees, and visitors.

This analysis compares the potential additional costs incurred by the City from providing public services to the Project with the additional tax revenues generated by the Project. The analysis indicates whether the Project can be expected to have a positive or negative overall effect on the City's General Fund at Project buildout. It should be noted that fiscal results (annual surpluses or deficits) are simply indicators of fiscal performance; they do not mean that the City will automatically have surplus revenues or deficits because the City must have a balanced budget each year. Persistent shortfalls shown in a fiscal analysis may indicate the need to reduce service levels or obtain additional revenues; persistent surpluses will provide the City with resources to reduce liabilities such as deferred maintenance or improve service levels.

Analytical Overview and Key Assumptions

The impacts of the proposed Project are estimated upon completion of construction and a stabilized occupancy (Project buildout). The analysis is based on a number of sources including: a separate EPS development feasibility analysis of the conceptual program; the City of Duarte 2012/2013 Adopted Operating Budget; the U.S. Census Bureau and American Community Survey; CoStar; Los Angeles County Assessor; the Bureau of Labor Statistics; and public real estate data. The estimates in this analysis depend on factors such as timing of development, market performance, economic conditions, and budget practices. All results are expressed in constant 2013 dollars.

The analysis uses standard estimating procedures to estimate new General Fund revenues and an average cost approach to estimate the incremental General Fund costs to the City of providing services to the Project. The average cost approach provides a planning-level estimate of the costs of supplying public services to the Project. However, the actual need for and costs associated with providing additional public service may be less than estimated under the average cost approach, which is often the case with infill projects because Duarte City departments may have capacity to serve the intensified use. At this point, public service cost estimates have not been reviewed by City staff and may be revised based on additional input.

Key Findings

Key findings are described below and shown on **Table 9**. All results are in constant 2013 dollars.

- 1. The Proposed Duarte Transit Village proposes approximately 931,000 square feet of new rentable area, a net increase of 602,000 square feet beyond the 329,000 square feet of existing development that will be demolished. When fully leased, the new development will provide capacity for 1,283 net new jobs.**

The new office, retail, and hotel space is expected to support approximately 1,612 employees at an employment density of approximately 349 square feet per employee, based on employment rate assumptions for the intended uses. There is existing capacity for approximately 329 employees at the Project Site. Therefore, the net new employment generated by the Project is estimated to be 1,283 jobs.

- 2. The Project will generate a fiscal surplus over and above the revenues required to cover the costs to the City of providing public services.**

The fiscal impact of the Project on the City's General Fund at Project buildout will be positive, with the revenues generated by the Project estimated to be greater than the costs of providing additional public services. By buildout, the Project is expected to generate annual revenues of approximately \$1,426,000. General Fund costs will sum to approximately \$780,000 annually. The resulting net impact on the General Fund will be an annual positive surplus of approximately \$646,000. This buildout analysis demonstrates that the Project will be able to cover its service costs and provide surplus revenues to increase levels of service in other parts of the City.

- 3. General Fund revenues will come from a number of sources, though Transient Occupancy Tax (TOT) will make up the majority of the City's new revenues.**

Transient Occupancy Tax (TOT) is expected to comprise approximately 65 percent of the Project's revenues to the General Fund, with Property Tax generating 19 percent, Sales and Use Tax contributing 6 percent, and other taxes (franchise, business license, transfer) together another 10 percent. TOT revenues are based on the estimated average annual room revenue generated by the proposed hotel taxed at a 10 percent rate. Estimated hotel revenue of \$9,220,000 per year thus generates approximately \$922,000 in TOT for the City. Property tax is based on the incremental assessed value of the property, which at an estimated \$276 million in net new assessed value adds approximately \$276,000 in net new property taxes. Sales tax revenues are based on spending generated by the new retail area, taxable sales at the proposed hotel, and estimates of future new resident and employee spending in the City, which total approximately \$9 million in new taxable sales computing to a sales tax contribution of \$90,000 per year. Direct sales and business-to-business sales are not estimated in this analysis.

4. Public Safety (Police Services) is expected to be the highest General Fund service expenditure item associated with the Project, followed by Community Development and Administrative Services.

New Public Safety expenditures will make up about 40 percent of new General Fund costs at approximately \$315,000 each year at Project buildout. Community Development comprises the next-highest proportion of total costs at around \$158,000 per year. Administrative Services costs are expected to be approximately \$138,000 per year.

Table 9 Summary of Net Fiscal Benefits

Category	Outputs
<u>City General Fund Revenues</u>	
Taxes	
Property Taxes	\$276,290
Sales and Use Tax	\$89,553
Franchise Taxes	\$69,066
Business License Tax	\$61,892
Transient Occupancy Tax	\$922,355
Real Property Transfer Tax	\$6,851
Total Annual General Fund Revenues	\$1,426,006
<u>City General Fund Expenses</u>	
Legal Services	(\$14,385)
Public Safety	(\$314,859)
Community Development	(\$157,536)
Field Services	(\$55,898)
Parks and Recreation	(\$99,885)
Administrative Services	(\$137,846)
Total Annual General Fund Expenditures	(\$780,409)
Net Fiscal Impact	\$645,597
% of FY 2012-13 General Fund Budget	5%

Sources: City of Duarte 2012-13 Operating Budget; Economic & Planning Systems, Inc.

Approach and Methodology

This section describes the methodology and key assumptions used in calculating the impact of the proposed Project on the City of Duarte's General Fund. The analysis considers the impact of the operations of the net new development only. The proposed program is based on a separate development feasibility analysis prepared by EPS. A summary of program values is shown on **Table 10**, with resulting economic impacts shown on **Table 11**.

Table 10 Detailed Program Description and Assessed Value Assumptions

Proposed New Uses	Planned Development	Assessed Value/Unit ⁽²⁾	Assessed Value by Use ⁽²⁾
Hotel	250 rooms	\$169,810	\$42,453,161
Office	394,654 sq.ft.	\$390	\$153,719,887
Retail ^[3]	12,632 sq.ft.	\$247	\$3,121,586
Residential	475 units	\$210,343	\$99,912,708
Total			\$299,207,342

[1] For commercial uses, replacement costs are used as a proxy for Assessed Value estimate and include land and improvements.

[2] Assessed value is derived from a conceptual development proforma based on 2012 construction costs and does not consider inflation or property value appreciation.

[3] Retail assessed value combines both Retail and Restaurant uses

Sources: Economic & Planning Systems, Inc.

Table 11 Summary of Direct Economic Impacts

Category	Outputs
New Full-Time Employees	1,283
Total New Taxable Retail Spending	\$8,955,320
Total Commercial Spending (Hotel)	\$12,136,250

Sources: City of Duarte 2012-13 Operating Budget; Economic & Planning Systems, Inc.

For each revenue and expenditure item, EPS uses a specific forecasting methodology. The forecasting approach for General Fund revenues is shown on **Table 12**, with derivation of the daytime service population shown on **Table 13**. The forecasting approach for General Fund expenditures is shown on **Table 14**, with derivation of Resident-to-Employee Equivalences from Existing Service Population Factors shown on **Table 15**.

- **Daytime Service Population.** The relative impacts of employment and population are compared and used to estimate the total daytime service population. An employee is only likely to access services during non-work hours and therefore has a significantly lower impact than the residential population. The cost of providing General Government services to one employee is estimated to be 40 percent of the cost of providing those services to a resident, based on calculations shown on **Table 13**.
- **Not Affected.** Some budget items are not estimated because certain City revenues and expenditures are not expected to be significantly affected by new development associated with this Project, such as City Council Expenditures or Facilities Maintenance.
- **Other.** A case study approach is used to calculate budget items for which none of the above approaches is deemed appropriate, such as property and sales taxes.

Table 12 General Fund Revenue 2012/13 and Estimating Factors

General Fund Revenue Item	FY 2012-13 Budget	Estimating Factor/ Assumptions	Net New Tax
General Property Tax	\$925,000	10.00% of 1.0% of new Property Tax	\$276,290
Sales and Use Tax	\$4,514,000	1.00% of estimated new taxable sales	\$89,553
Franchise Taxes	\$845,000	\$35.13 per new daytime service pop.	\$69,066
Business License Tax	\$320,000	\$48.24 per new employee	\$61,892
Transient Occupancy Tax	\$65,200	10.00% of room revenue	\$922,355
Real Property Transfer Tax	\$42,000	16.31% increase over base value	\$6,851
Total General Fund Revenue	\$6,711,200		\$1,426,006

Sources: City of Duarte 2012-13 Operating Budget; Economic & Planning Systems, Inc.

Table 1.3 Daytime Service Population

Land Uses	New Development	Full-Time Employees (FTE)		Residents		Hotel Guests ⁽⁴⁾	Service Population ⁽⁵⁾
		FTE by Use ⁽¹⁾	New FTE	Persons/HH ⁽²⁾	Occ. HHs ⁽³⁾		
Existing (To Be Replaced)							
Warehouse/Flex	199,356 sq.ft.	1,000 Sq.Ft./FTE	199				80
Manufacturing	130,000 sq.ft.	1,000 Sq.Ft./FTE	130				52
New							
Hotel	250 rooms	1 FTE/Room	250	0	0	111	212
Office	394,654 sq.ft.	300 Sq.Ft./FTE	1,316	0	0		530
Retail	12,632 sq.ft.	350 Sq.Ft./FTE	36	0	0		15
Residential	475 units	2 FTE/100 Units	10	2.93	458	1,342	1,342
Net New Users			1,283		458	1,342	1,966

[1] Employee rate estimates provided by EPS based on previous experience with similar projects.

[2] Persons per household is Citywide average per ACS 2011 3-yr estimate.

[3] Assumes % vacancy for all residential units per ACS 2011 3-yr estimate.

[4] Because hotel guests reflect partial service demand compared to full-time residents, hotel guests are discounted by a 44% employee weighting factor (58% of daily hours x 76% assumed occupancy) when computing Service Population

[5] Because employees reflect partial service demand compared to full-time residents, employees are discounted by a 40% employee weighting factor when computing Service Population

Sources: Economic & Planning Systems, Inc.

Table 14 General Fund Expenditure 2012/13 and Estimating Factors

General Fund Expenditure Item	FY 2012-13 Budget	Budgeted Cost Per Population Basis	Estimating Factor	Net New Fiscal Cost
City Council	\$109,600		Not Estimated (marginal impact expected)	
City Council/City Clerk	\$737,200		Not Estimated (marginal impact expected)	
Legal Services	\$176,000	\$7.32	Per Estimated New Service Population ⁽¹⁾	\$14,385
Com. Promotions & Memberships	\$327,100		Not Estimated (marginal impact expected)	
Public Safety [2]	\$3,852,200	\$160.15	Per Estimated New Service Population ⁽¹⁾	\$314,859
Community Development [3]	\$1,927,400	\$80.13	Per Estimated New Service Population ⁽¹⁾	\$157,536
Field Services	\$683,900	\$28.43	Per Estimated New Service Population ⁽¹⁾	\$55,898
Parks and Recreation	\$1,591,800	\$74.45	Per New Resident	\$99,885
Facilities Maintenance	\$712,500		Not Estimated (marginal impact expected)	
Administrative Services[4]	\$1,686,500	\$70.12	Per Estimated New Service Population ⁽¹⁾	\$137,846
Transfers Out	\$237,100		Not Estimated (marginal impact expected)	
Total General Fund Expenditures	\$12,041,300			\$780,409

[1] As shown in Table 3, new residents use 100% of the per/capita service rate, and new employees use 40% of the per-capita service rate

[2] Police only. Fire safety services provided by the County and billed directly to land owners.

[3] Includes Planning, Engineering/Public Works, Building and Safety

[4] Includes finance, human resources, IT, transit, risk management, and contract administration

Sources: City of Duarte 2012-13 Operating Budget; Economic & Planning Systems, Inc.

Table 15 Derivation of Resident-to-Employee Equivalences from Existing Service Population Factors

Service Population Category	Labor Force & Commute Patterns ⁽¹⁾		Resident/Employee Equivalencies		
	Number	Distribution	Weighting ⁽²⁾	Weighted Average	Normalized to 100%
City of Duarte Residents					
Not in Labor Force/Unemployed	12,025	56%	100%	56%	
Employed in City	604	3%	66%	2%	
Employed Outside of City	8,752	41%	66%	27%	
Total Residents	21,381	100%		85%	100%
Jobs in City of Duarte					
Live in City	604	9%	34%	3%	
Live Outside of City	6,030	91%	34%	31%	
Total Jobs	6,634	100%		34%	40%
Existing Service Population³ 24,053					

[1] Commute patterns data from U.S. Census Bureau, LED On The Map Application. Labor force data from American Community Survey 3yr Estimate. All estimates from 2011.

[2] Weight based on percent of annual number of 'waking' hours [5,840 or 16 hours * 365 days] relative to time at job [2,000 or 40 hours * 50 weeks].

[3] Calculated as total residents plus 40% (the employee-to-resident equivalency) of total jobs

Source: U.S. Census; American Community Survey, and Economic & Planning Systems.

General Fund Revenues

This section describes the methodology and assumptions used for each revenue item estimated in this analysis. Several General Fund revenue items are not forecasted because the Project is expected to have no or marginal impact on them.

Transient Occupancy Tax

The proposed plan includes a 250-key hotel, which is expected to capture occupancy that currently uses facilities outside of the City. The net increase in Transient Occupancy Tax (TOT) revenue of \$922,000 is based on the EPS conceptual development estimate of \$9.2 million in new room revenues. The TOT rate is currently 10 percent, all of which goes to the General Fund. This calculation is shown on **Table 16**.

Table 16 Transient Occupancy Tax Calculation

Item	Assumption	Calculation
Number of Hotel Rooms	250	
Average Daily Rate	\$133 per room per night	
Average Annual Occupancy	76%	
Average Annual Revenue		\$9,223,550
Transient Occupancy Tax Rate	10%	
Total Tax Revenue		\$922,355

Source: City of Duarte; Economic & Planning Systems, Inc.

Property Tax

Property taxes are based on the assessed value of land and on-site improvements, as well as the value of unsecured property, which refers to business property such as office furniture, machinery, equipment, etc. Though the actual assessed value of the Project will be determined by market conditions and other factors at the time of assessment, the analysis uses construction costs as a proxy for estimating the assessed value of the new development, which is consistent with the approach used by the County Assessor's Office. All construction cost estimates are based on the development feasibility analysis of the conceptual program provided by EPS. According to these assumptions, the Project's assessed value will be about \$299 million at buildout (see **Table 10**). Los Angeles County currently collects property tax based on 1.0 percent of the assessed value, and the City of Duarte receives approximately 10 percent of the 1.0 percent property tax base from the area. This share is assumed fixed going forward. The assessed value of the existing development is shown on **Table 17**. Property tax revenue calculations for the new development are based on future assessed value and are net of the existing assessed value. Calculations are also shown on **Table 17**.

Table 17 Property Tax Calculation

Category	Assumptions/Reference	Calculation
Existing Assessed Value of Site (Land and Improvements) ⁽¹⁾		\$22,917,600
Project Assessed Value (Incremental Value)		\$299,207,342
Incremental Assessed Value of Site		\$276,289,742
Property Tax Total		\$2,762,897
Share of Property Tax to General Fund ⁽²⁾	1.0% of Assessed Value	10.00%
Net New Property Tax to General Fund		\$276,290

(1) From 2012 roll except 1700 Business Center Drive based on estimated 2013

(2) Rate provided by the City of Duarte and represents a general estimate based on historical performance

Sources: City of Duarte; Economic & Planning Systems, Inc.

Sales Tax

The Project is expected to generate sales tax through spending at the new retail outlets, at the hotel, and as a result of spending of new residents and employees at nearby retail establishments in the City of Duarte, as shown in **Table 18**. From an estimated \$9 million in new retail sales, the City receives 1 percent in sales tax revenue, equivalent to \$90,000 annually.

Franchise Taxes

The Town collects Franchise Taxes for, among many items, cable television and electric utility provision. The net increase in Franchise Fees associated with the Project is estimated at \$35 per daytime service population resident based on the City's budget. This calculation is shown on **Table 12**.

Business License Tax

The considerable new commercial area in the proposed plan is expected to increase business license tax revenue to the City. These proceeds are estimated at a rate based on existing workers and the City's budget. At \$48.24 per estimated new employee, new business license proceeds are expected to amount to \$61,900. This calculation is shown on **Table 12**.

Real Property Transfer Tax

The expansion in the number of commercial properties in the City should expand the number of property transactions, and with them, real property transfer tax proceeds. These are calculated in proportion to the City's increase in total assessed value, estimated at 16.3 percent, based on the City's budget. This calculation, which generates \$6,900 in net new proceeds for the City, is shown on **Table 19**.

Table 18 Sales Tax Calculation

Category	Assumptions	Calculation
Project Site Retail Sales		
Square Feet of Project Retail		12,632
Taxable Sales ⁽¹⁾	\$235 per square foot	\$2,963,368
<i>Subtotal, Net New Sales Tax to the City⁽²⁾</i>	<i>1.0% of taxable sales</i>	\$29,634
Hotel Food and Beverage Sales		
Taxable Sales		\$2,920,000
<i>Subtotal, Net New Sales Tax to the City⁽²⁾</i>	<i>1.0% of taxable sales</i>	\$29,200
Employee Expenditures		
Total Employees		1,283
Average Annual Taxable Expenditures per Employee ⁽³⁾	\$4,599 per employee	\$5,900,517
Net New Employee Taxable Expenditures ⁽⁴⁾	25% of expenditures	\$1,475,129
<i>Subtotal, Net New Sales Tax to the City⁽²⁾</i>	<i>1.0% of taxable sales</i>	\$14,751
Household Expenditures		
Household Income Assumptions		
Average Annual Rent		\$16,835
Ratio of Housing Expenditures to Household Income		35%
Required Household Income per Unit		\$48,100
Average Taxable Expenditures per Household ⁽⁵⁾	29% of household income	\$13,949
City Capture of New HH Expenditures ⁽⁶⁾	25% of expenditures	\$3,487
Occupied Households	458 units	
Net New Residential Taxable Expenditures		\$1,596,823
<i>Subtotal, Net New Sales Tax to the City⁽²⁾</i>	<i>1.0% of taxable sales</i>	\$15,968
Total Sales Tax Generated		\$89,553

[1] Based on an assumed mix of food service, sandwich shop, coffee shop, and dry cleaner uses, 2013 rates

[2] Represents the City of Duarte's share of taxable sales.

[3] Based on the annual workday spending by office workers in suburban locations as reported by the Office Worker Retail Spending in a Digital Age, International Council of Shopping Centers Research Department. Estimate includes average annual spending of office workers on full-service restaurants and fast food, shoppers goods, and convenience goods. Estimate excludes transportation, online purchases, grocery stores, warehouse clubs, personal care, personal services, other services and entertainment.

[4] Adjusts estimate to account for percentage of net new taxable spending captured in the City of Duarte

[5] Based on the Bureau of Labor Statistics Consumer Expenditure Survey

[6] Assumes 25% of retail expenditures made by new residents are captured within the City of Duarte

Sources: City of Duarte, U.S. Bureau of Labor Statistics; Economic & Planning Systems, Inc.

Table 19 Real Property Transfer Tax Calculation

Item	Calculation
Base Value for Real Property Transfer Tax (FY 2013)	\$42,000
Citywide Assessed Value (2012 Base Value)	\$1,834,361,726
Project Assessed Value	\$299,207,342
% Increase in Assessed Value	16.31%
Total Real Property Transfer Tax (Above the Base)	\$6,851

Sources: City of Duarte 2012-13 Operating Budget, LA County Assessor, Economic & Planning Systems, Inc.

General Fund Expenditures

This section describes the methodology and key assumptions used for calculating various General Fund expenditure items. Certain expenditures, such as City Council and Facilities Maintenance, are assumed to consist of fixed costs with regard to the proposed new development, while others, such as Public Safety, are assumed to consist of variable costs. While fixed costs are independent of new development, variable costs are assumed to increase based on new growth. As a result, several General Fund Expenditure items are not forecasted because they are not expected to be influenced by the proposed project. A summary of the approach is shown in **Table 14**.

Police Services

Duarte's police department provides police protection and traffic enforcement to residents and employees in the City. The Project will generate new employees and residents in the City who will require additional law enforcement officers and/or staff time and associated equipment and training. To estimate the impact of the new development on service demand, a cost of \$160 per new service population equivalent (a factor consisting of 100 percent of new residents and 40 percent of new employees), based on the existing City budget, is computed, resulting in a net cost increase of \$315,000. See **Table 14** for the calculation.

Community Development

The Community Development Department includes all planning, engineering, public works, and buildings/safety services. The cost associated with Community Services is assumed to be \$80 per service population equivalent, resulting in net new fiscal costs of \$158,000 per year. See **Table 14** for the calculation.

Parks & Recreation

This category includes costs associated with maintaining parks and recreational facilities. No new public parks or streets are proposed as part of the Project, but the significant increase in the residential population will incur an increase of costs associated with normal wear and tear on the City's facilities. The cost associated with Parks and Recreation services is assumed to be \$74 per

new resident, based on the existing City budget, for an increase of \$100,000 per year in fiscal costs. See **Table 14** for the calculation.

Administrative Services

This category includes costs associated with finance, human resources, IT, transit, risk, management, and contract administration. To be conservative, the analysis assumes that Administrative Services costs are fully variable with regard to service population. The cost associated with Administrative Services is assumed to be \$70 per service population equivalent, resulting in net new fiscal costs of \$138,000 per year. See **Table 14** for the calculation.

Legal Services and Field Services

Legal and Field Services are assumed to be variable with the service population. Estimated at \$7 and \$28 respectively per service population equivalent, Legal and Field Services add \$70,000 in new annual fiscal costs. See Table 14 for the calculation.

Fire Services

Fire services are provided to the Town of Duarte by the Los Angeles County Fire Department. The County receives a portion of the 1 percent basic property tax revenue to provide fire prevention and protection as well as emergency medical services. Therefore, the City would not incur increased General Fund expenses as a result of the Proposed Project and associated increased service population, and fire prevention and emergency medical services are not further addressed in this report.

Net Fiscal Impact on General Fund

Based on the assumptions and analysis described above, the annual net fiscal impact associated with the proposed development is estimated at approximately \$646,000 at Project buildout, as shown in **Table 9**. The Project is estimated to generate about \$1,426,000 in General Fund revenues compared to \$780,000 in General Fund costs. Actual fiscal impacts will vary due to the actual timing of Project buildout and changes in economic and budgetary conditions.

SECTION 4: IMPLEMENTATION STRATEGY

This section describes a general strategy for implementation of a transit village in the Plan Area. It proposes actions that aim to be responsive to the underlying economics for development feasibility and public infrastructure investment and to the interests of existing land owners. The recommendations should be taken as a general framework within which to proceed, as the optimal strategy will depend on many factors, such as evolving market conditions, evidence of clear developer interest, and the interests of existing land owners. For a summary of specific financing tools, see **Appendix B**.

The ultimate success of the proposed study area transit village will depend in no small part on the coordination of key stakeholders. These include City of Duarte, the existing study area land owners, surrounding residential community, and the City of Hope medical complex. The partners will need to work cooperatively to develop a strategic yet flexible implementation program focused on long-term project feasibility. The recommended strategy has two interrelated components, as follows:

- 1. Establish Public-Private Partnerships:** Lay the foundation for land acquisition, development, and tenancing with outreach initiatives to land owners, developers, and potential tenants that promote a common vision and solicits their active participation in this process.
- 2. Develop a Financial Strategy:** Explore opportunities to pursue and implement funding options and financing mechanisms to support development feasibility and infrastructure development. Aim to build infrastructure incrementally in time with development phasing.

The discussion below presents some of the actions and approaches available within each category in general terms for consideration by City staff. Additional specificity will be required when or if the City decides to pursue one or several of the approaches described.

Public Private Partnerships

A fundamental challenge to project feasibility will likely concern the tension between current and future land values of the proposed development parcels. Because build-out of the transit line is under way, some appreciation in land value has already occurred. However, as the project gains momentum, land values will increase and raise the hurdle for economically feasible development. Furthermore, existing uses and the sophistication of property owners may delay the development process. There is no public land on site until Metro acquires land for the station area and surface parking lot, and there is evidence already that land owners of the three Plan Area parcels may seek either to maximize land appreciation or preserve existing uses.

In this environment, and without tools once available through redevelopment to facilitate land assembly, the best opportunity to pursue timely and cost-effective take-down of development parcels may lie in leveraging Metro's land acquisition and in coordinating closely with existing property owners. To support this effort, the City or coordinating authority should engage in discussions with land owners to better understand their goals and concerns. This process could help identify available parcels, the timing and sequence of their availability, and the nature of the

land-owners' participation, if any. This information could, in turn, allow adjustments in the development program and phasing and help inform the timing of investment in supporting public infrastructure.

The City of Hope medical center is the biggest land owner and employer in the area, and its visitors and employees may provide a significant source of demand for transit village uses. However, despite general proximity to the station area, City of Hope's large campus and green buffer on Duarte Avenue somewhat isolates the campus and makes short shopping excursions and pedestrian access difficult. To mitigate this condition, the City of Duarte should aim to improve the public infrastructure connecting the campus to the transit village and encourage City of Hope to consider orienting new on-campus development in a manner that facilitates Gold Line use. The City can also play a role in brokering relationships between the City of Hope and potential developers so as to tailor transit village development to address the institution's expected off-campus needs.

The development or disposition intentions of existing land owners will be an important determinant in how and when the proposed transit village develops. The owners of the three privately-held parcels that make up the transit village area could be strong strategic partners in developing the site. One possible approach is for the City to engage in discussions with current land owners and potential developers to refine the transit village vision. This process would help identify potential inconsistencies between developer goals and the specific plan, identify addressable obstacles, and adjust the infrastructure plan and phasing strategy in concert.

Complementary Public-Private Initiatives

Marketing and Business Recruitment

While the City should not be in the business of pre-programming the tenant mix for office and retail uses, it can work closely with the private-sector groups to identify, recruit, and retain tenants appropriate to the opportunity. The types of activities often associated with business recruitment strategies include:

- Research on market conditions and space requirements for targeted tenants;
- Analysis of available sites and lease terms;
- Marketing and solicitation aimed at specific tenants;
- Expedited or preferential permits and business licensing for targeted tenants;
- Financial assistance with initial start-up costs (e.g., tenant improvements);
- Low-interest business loans; and
- Property acquisition or lease subsidies for targeted tenants.

Business recruitment efforts can be implemented by both public and private entities or as part of a coordinated effort. In either case, the effort should be closely linked to the overall marketing plan for the Station Area and focused on attracting businesses that reinforce or enhance the economic and social vitality of the transit village and City as a whole.

Business Improvement District

One useful tool to that the City of Duarte may consider is a Business Improvement District (BID) for the transit village area. A BID can facilitate marketing, business recruitment, and establishment of a holistic vision for the future by providing a range of services designed to

advance the overall commercial appeal of a specific district. At the very minimum, a BID can serve as an organizing tool to formulate and advance common area interests. Other BID activities can range from development of marketing and promotional activities, including sponsoring special events, to more strategic management of programs, maintenance services, construction of additional common area improvements, and possibly recruiting selected tenants.

Infrastructure and Incentive Financing

The City of Duarte, ideally as part of a public-private partnership with local property owners, developers, the City of Hope Medical Center, or Metro, will need to coordinate the provision of a variety of public infrastructure improvements to support both the Station Area and the proposed transit village. Such infrastructure could include new on-site circulation; streetscape improvements to facilitate walking and biking; enhancements such as lighting, street trees, and benches; and provision or expansion of utilities such as water, power, sewer, and storm drain capacity. The ultimate mix of available financing mechanisms will be determined in the implementation process, based on final technical analyses of costs, benefits, and burdens, and on deliberations involving City staff, partner representatives, property owners, developers, elected officials, bond counsel, underwriters, finance experts, and others.

Specific financing tools and for the Duarte transit village are discussed further in **Appendix B**.

APPENDIX A:
Development Pro Formas



APPENDIX A: DEVELOPMENT PRO FORMAS

Office Podium with Replacement Metro parking (Parcel A)
Duarte Gold Line Transit Village Specific Plan; EPS # 124010

Item	Assumption	/Lsbl. Sq.Ft.	Total
DEVELOPMENT PROGRAM			
Gross Built Area (Sq.Ft.)			138,521
Efficiency Ratio	100%		
Total Gross Area			138,521
Land Area			69,260
FAR			2.00
REVENUE ASSUMPTIONS			
Rent/Sq.Ft./Month ⁽¹⁾			\$2.50
Gross Revenue (NNN)		\$30.00	\$4,155,624
Parking Revenue	\$75/sp/mo	\$2.70	\$374,400
Vacancy Rate	5.0%	(\$1.64)	(\$226,501)
Effective Gross Revenue Office		\$31.07	\$4,303,523
Op. Expenses and Cap. Reserves (% EGR)	30.0%	(\$9.32)	(\$1,291,057)
Other	4.0%	(\$1.24)	(\$172,141)
Office NOI		\$20.50	\$2,840,325
Capitalized Value	6.5%	\$315.46	\$43,697,308
Cost of Sale	2.0%	(\$6.31)	(\$873,946)
Total Capitalized Value		\$309.15	\$42,823,362
DEVELOPMENT COSTS			
Hard Costs			
Vertical Construction (/GSF) ⁽³⁾	\$175	\$175.00	\$24,241,140
Podium Parking (/space) ⁽⁴⁾	\$20,000	\$81.72	\$11,320,000
Surface Parking (/space) ⁽⁵⁾	\$2,000	\$0.00	\$0
Site Improvement (/sf of demo, pad prep)	\$5.00	\$2.50	\$346,302
Contingency	10.0%	\$25.92	\$3,590,744
Total Direct Costs		\$285.14	\$39,498,186
Soft Costs			
Permits and Impact Fees (of Direct Costs)	4.0%	\$11.41	\$1,579,927
Other Indirect Costs (% of Direct Costs) ⁽⁶⁾	25.0%	\$71.29	\$9,874,547
Contingency	10.0%	\$8.27	\$1,145,447
Total Indirect Costs		\$90.96	\$12,599,921
Subtotal, Direct and Indirect Costs		\$376.10	\$52,098,108
Developer ROC Before Land	11.0%	\$41.37	\$5,730,792
TOTAL COSTS		\$417.47	\$57,828,899
RESIDUAL LAND VALUE		(\$108.33)	(\$15,005,537)
RLV as % of total costs			-26%

(1) Based on 1Q13 average market rates for CoStar Pasadena/Monrovia/Arcadia office sub-market

(2) Source: Economic & Planning Systems

(3) Source: RS Means

(4) Construction of 566 structured spaces: 416 for private uses and 150 as Metro replacement parki

(5) No surface parking

(6) Include architecture & engineering, financing, marketing, leasing commissions, G & A costs.

Source: Economic & Planning Systems, Inc.

Office Podium (Parcel B)
Duarte Gold Line Transit Village Specific Plan; EPS # 124010

Item	Assumption	/Lsbl. Sq.Ft.	Total
DEVELOPMENT PROGRAM			
Gross Built Area (Sq.Ft.)			95,832
Efficiency Ratio	100%		
Total Gross Area			95,832
Land Area			47,916
FAR			2.00
REVENUE ASSUMPTIONS			
Rent/Sq.Ft./Month ⁽¹⁾			\$2.50
Gross Revenue (NNN)		\$30.00	\$2,874,960
Parking Revenue	\$75/sp/mo	\$2.70	\$258,300
Vacancy Rate	5.0%	(\$1.63)	(\$156,663)
Effective Gross Revenue Office		\$31.06	\$2,976,597
Op. Expenses and Cap. Reserves (% EGR)	30.0%	(\$9.32)	(\$892,979)
Other	4.0%	(\$1.24)	(\$119,064)
Office NOI		\$20.50	\$1,964,554
Capitalized Value	6.5%	\$315.38	\$30,223,908
Cost of Sale	2.0%	(\$6.31)	(\$604,478)
Total Capitalized Value		\$309.08	\$29,619,430
DEVELOPMENT COSTS			
Hard Costs			
Vertical Construction (/GSF) ⁽³⁾	\$175	\$175.00	\$16,770,600
Podium Parking (/space) ⁽⁴⁾	\$20,000	\$59.90	\$5,740,000
Surface Parking (/space) ⁽⁵⁾	\$2,000	\$0.00	\$0
Site Improvement (/sf of demo, pad prep)	\$5.00	\$2.50	\$239,580
Contingency	10.0%	\$23.74	\$2,275,018
Total Direct Costs		\$261.14	\$25,025,198
Soft Costs			
Permits and Impact Fees (of Direct Costs)	4.0%	\$10.45	\$1,001,008
Other Indirect Costs (% of Direct Costs) ⁽⁶⁾	25.0%	\$65.28	\$6,256,300
Contingency	10.0%	\$7.57	\$725,731
Total Indirect Costs		\$83.30	\$7,983,038
Subtotal, Direct and Indirect Costs		\$344.44	\$33,008,236
Developer ROC Before Land	11.0%	\$37.89	\$3,630,906
TOTAL COSTS		\$382.33	\$36,639,142
RESIDUAL LAND VALUE		(\$73.25)	(\$7,019,712)
<i>RLV as % of total costs</i>			-19%

- (1) Based on 1Q13 average market rates for CoStar Pasadena/Monrovia/Arcadia office sub-market
(2) Source: Economic & Planning Systems
(3) Source: RS Means
(4) 287 structured spaces
(5) No surface parking
(6) Include architecture & engineering, financing, marketing, leasing commissions, G & A costs.

Source: Economic & Planning Systems, Inc.

Office Podium (Parcel C)
Duarte Gold Line Transit Village Specific Plan; EPS # 124010

Item	Assumption	/Lsbl. Sq.Ft.	Total
DEVELOPMENT PROGRAM			
Gross Built Area (Sq.Ft.)			160,301
Efficiency Ratio	100%		
Total Gross Area			160,301
Land Area			80,150
FAR			2.00
REVENUE ASSUMPTIONS			
Rent/Sq.Ft./Month ⁽¹⁾			\$2.50
Gross Revenue (NNN)		\$30.00	\$4,809,024
Parking Revenue	\$75/sp/mo	\$2.70	\$432,900
Vacancy Rate	5.0%	(\$1.64)	(\$262,096)
Effective Gross Revenue Office		\$31.07	\$4,979,828
Op. Expenses and Cap, Reserves (% EGR)	30.0%	(\$9.32)	(\$1,493,948)
Other	4.0%	(\$1.24)	(\$199,193)
Office NOI		\$20.50	\$3,286,686
Capitalized Value	6.5%	\$315.43	\$50,564,405
Cost of Sale	2.0%	(\$6.31)	(\$1,011,288)
Total Capitalized Value		\$309.13	\$49,553,117
DEVELOPMENT COSTS			
Hard Costs			
Vertical Construction (/GSF) ⁽²⁾	\$167	\$167.00	\$26,770,234
Podium Parking (/space) ⁽⁴⁾	\$20,000	\$60.01	\$9,620,000
Surface Parking (/space) ⁽⁵⁾	\$2,000	\$0.00	\$0
Site Improvement (/sf of demo, pad prep)	\$5.00	\$2.50	\$400,752
Contingency	10.0%	\$22.95	\$3,679,099
Total Direct Costs		\$252.46	\$40,470,084
Soft Costs			
Permits and Impact Fees (of Direct Costs)	4.0%	\$10.10	\$1,618,803
Other Indirect Costs (% of Direct Costs) ⁽⁶⁾	25.0%	\$63.12	\$10,117,521
Contingency	10.0%	\$7.32	\$1,173,632
Total Indirect Costs		\$80.54	\$12,909,957
Subtotal, Direct and Indirect Costs		\$333.00	\$53,380,041
Developer ROC Before Land	11.0%	\$36.63	\$5,871,805
TOTAL COSTS		\$369.63	\$59,251,846
RESIDUAL LAND VALUE		(\$60.50)	(\$9,698,728)
RLV as % of total costs			-16%

(1) Based on 1Q13 average market rates for CoStar Pasadena/Monrovia/Arcadia office sub-market

(2) Source: Economic & Planning Systems

(3) Source: RS Means

(4) 481 structured spaces

(5) No surface parking

(6) Include architecture & engineering, financing, marketing, leasing commissions, G & A costs.

Source: Economic & Planning Systems, Inc.

Retail (Parcel E)
Duarte Gold Line Transit Village Specific Plan; EPS # 124010

Item	Assumption	/Lsbl. Sq.Ft.	Total	Unit Type		
				Studio	1BR	2BR
DEVELOPMENT PROGRAM						
GrossArea (Sq.Ft.)			12,632			
Efficiency Ratio	95%					
Net Leasable Area (sq.ft.)			12,000			
Land Area			13,263			
FAR			0.95			
REVENUE ASSUMPTIONS						
Rent/Sq.Ft./Month ⁽¹⁾			\$2.00			
Gross Revenue (NNN)			\$288,000			
Mgt. Fee	4.0%		(\$11,520)			
Vacancy Rate	5.0%		(\$14,400)			
Rent Commissions	4.0%		(\$10,944)			
Retail NOI			\$251,136			
Capitalized Value ⁽²⁾	7.0%		\$3,587,657			
Cost of Sale	2.0%		(\$71,753)			
Capitalized Retail Value			\$3,515,904			
DEVELOPMENT COSTS						
Direct Costs						
Vertical Construction (/GSF) ⁽³⁾	\$115	\$121.05	\$1,452,632			
Podium Parking/space ⁽⁴⁾	\$20,000	\$0.00	\$0			
Surface Parking (/space) ⁽⁵⁾	\$2,000	\$0.00	\$0			
Site Improvement (/sf of demo, pad prep)	\$5.00	\$5.53	\$66,316			
Contingency	10.0%	\$12.66	\$151,895			
Total Direct Costs		\$139.24	\$1,670,842			
Indirect Costs						
Tenant Allowance (/LSF)	\$50	\$50.00	\$600,000			
Permits and Impact Fees (of Direct Costs)	4.0%	\$5.57	\$66,834			
Other Indirect Costs (% of Direct Costs) ⁽⁶⁾	25.0%	\$34.81	\$417,711			
Contingency	10.0%	\$9.04	\$108,454			
Total Indirect Costs		\$99.42	\$1,192,999			
Subtotal, Direct and Indirect Costs		\$238.65	\$2,863,841			
Developer ROC Before Land	9.0%	\$21.48	\$257,746			
TOTAL COSTS		\$260.13	\$3,121,586			
RESIDUAL LAND VALUE		\$32.86	\$394,318	\$30/land sf		
RLV as % of total costs			13%			

(1) Based on 4Q12 market rates
(2) Source: Economic & Planning Systems
(3) Source: RS Means
(4) No structured spaces
(5) No surface parking spaces
(6) Includes architecture & engineering, financing, G & A

Source: Economic & Planning Systems, Inc.

Implementation Strategy Duarte Gold Line Station Transit Village Area Plan
Appendix A: Development Pro Formas
Final Report 08/05/13

Hotel (Parcel I)
Duarte Gold Line Transit Village Specific Plan; EPS # 124010

Item	Assumption	RevPAR	Per Room	Total
DEVELOPMENT PROGRAM				
Gross Square Feet	151,667			
Efficiency Factor	75%			
Leasable Square Feet	113,750			
Rooms	250			
GSF/Room ⁽¹⁾	455			
Restaurant Square Feet	2,000			
Meeting space ⁽¹⁾	3,000			
Land Area	143,312			
FAR	1.06			
REVENUE ASSUMPTIONS				
Hotel:				<u>Total</u>
Rooms ADR ⁽²⁾	\$133.00	48,545		12,136,250
F&B	\$32.00	11,680		2,920,000
Other Revenue	\$7.00	2,555		638,750
Parking	\$0.00	0		0
Potential Room Revenue			62,780	\$15,695,000
Occupancy ⁽²⁾	76.0%			(3,766,800)
Scheduled Room Revenue		\$131	\$47,713	\$11,928,200
Hotel Operating Expenses:				
Dept. Expenses, % of Revs	30%			(3,578,460)
Operating Expenses	20%			(2,385,640)
Base Mgmt & Franchise Fees	7.0%			(834,974)
Fixed Expenses (including reserves)	6.5%			(775,333)
RE Taxes	\$37,239,615	100%	1.06%	(394,740)
Total Hotel Operating Expenses				(7,969,147)
NOI				3,959,053
Capitalized Value ⁽³⁾	8.0%	197,953		49,488,164
Cost of Sale	2.0%	(3,959)		(989,763)
Capitalized Value		\$193,994		\$48,498,400
DEVELOPMENT COSTS				
Direct Costs				
Vertical Improvements ⁽⁴⁾	\$120	72,800		18,200,000
Hotel FF&E/room	\$25,000	25,000		6,250,000
Podium Parking/space ⁽⁵⁾	20,000	0		0
Tuck-Under Parking (/space) ⁽⁶⁾	2,000	2,000		500,000
Site Improvement (/sf of demo, pad prep)	\$5.00	2,866		716,562
Contingency	10.0%	10,267		2,566,656
Subtotal Direct Costs		112,933		\$28,233,218
Indirect Costs				
Permits and Impact Fees (of Direct Costs)	4.0%	4,517		1,129,329
Other Indirect Costs (% of Direct Costs) ⁽⁶⁾	25.0%	28,233		7,058,305
Contingency	10.0%	3,275		818,763
Total Indirect Costs		36,025		9,006,397
Subtotal, Direct and Indirect Costs		148,958		\$37,239,615
Developer ROC Before Land	14.0%	20,854		\$5,213,546
TOTAL COSTS		169,813		\$42,453,161
RESIDUAL LAND VALUE		24,181		\$6,045,239
RLV as % of total costs				14%

(1) Source: PKF Consulting (5/2008)

(2) Based on 1Q13 market rates

(3) Source: Economic & Planning Systems

(4) Source: Economic & Planning Systems

(5) No structured spaces

(6) 250 surface spaces

(7) Includes architecture & engineering, financing, G & A

Sources: PKF Consulting and Economic & Planning Systems, Inc.

APPENDIX B:
Financing Tools



APPENDIX B: FINANCING TOOLS

It is expected that a range of funding sources will be tapped to support transit village development in the Study Area. In addition to typical development-based funding sources, several other sources may be available given the transit-oriented nature of the development. At this point, the funding sources are identified for discussion purposes, to determine if the list is complete (and appropriate) and to guide subsequent analytical efforts. The ultimate mix of financing mechanisms will be determined in the implementation process, based on final technical analyses of costs, benefits, and burdens, and on deliberations involving City staff, property owners, developers, elected officials, bond counsel, underwriters, finance experts, and others.

Regardless of the financing mechanisms selected, any financing approach should seek to align the sources, timing, and scope of financing to the specified uses, as described by the following principles:

- There should be assurances that necessary funding will be available at the time specific infrastructure items are required.
- Financial burdens on development should be kept within industry standards and market constraints.
- The plan should be responsive to expected variations in timing, location, and type of development.

The financing tools and their applicability to the Station Area fall into three distinct categories, which are listed below and discussed further in the next section.

1. Area-Specific Fees, Dedications, and Exactions
2. Assessment and Special Tax-Secured Financing
3. Federal and State Funding

Area-Specific Fees, Dedications, and Exactions

Area Development Impact Fees

Area development impact fees may be enacted by a legislative body (i.e., city or county) through adoption of an ordinance. Such fees do not require a public vote to be enacted, but they do require public hearings. Area development impact fees must be directly related to the benefits received. Specifically, State law requires that impact fees be shown to have a “rational nexus” or relationship between costs and the impact or demand caused by the new development.⁸ They do not create a lien against property but must be paid in full as a condition of approval. Fees are established so that these properties pay their fair share at the time they are ready to be

⁸ The conditions for imposition of impact fees were formalized by the passage of AB1600 (Government Code Section 66000), which institutionalized prior case law on the subject (e.g., Nollan).

developed. Benefiting properties may be given the option to finance the fees by entering into an Assessment District (AD) or Mello-Roos Community Facility Districts (CFD) (see description of these financing mechanisms below).

Dedications and Exactions

Under the Subdivision Map Act, developers may be required to dedicate land or make cash payments for public facilities required or affected by their project (e.g., road right-of-way fronting individual properties). Dedications are typically made for road and utility right-of-ways, park sites, and land for other public facilities. Cash contributions are made for other public facilities that are directly required by their projects (e.g., payments for a traffic signal).

Net New General Fund Revenues

The City of Duarte may elect to use General Fund revenues to help offset the cost of public infrastructure provision. Such a policy might be justified in light of the fact that the proposed Area Plan is likely to generate significant fiscal benefits, which may be used to back the issuance of bonds.

Joint Development

Metro's Joint Development Program provides a framework for public-private partnership that guides how private entities may conduct development on Metro-owned land to further the agency's goals of increasing ridership and reducing auto use by directly linking Metro's transportation network with retail, commercial and housing opportunities. For the Duarte station area, Metro will require approximately 2.1 acres of land in the Plan Area for the station area and surface parking. This land could not only provide additional on-site developable area for commercial uses and increase development density on the site, it could effectively provide—by means of below-market ground rent—a source of assistance that could help catalyze further development.

Assessment and Special Tax-Secured Financing

Infrastructure Financing District

Qualified entities can create an Infrastructure Financing District (IFD), per the 1990 Infrastructure Financing Act, to pay for the construction of capital facilities that have "communitywide significance and provide significant benefits to an area larger than the area of the district." Such facilities may include transit, highways, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities.

An IFD provides funding by diverting a portion of property tax increment revenue for 30 years to secure the issuance of bonds to finance qualifying projects. The IFD increment is defined as total annual property tax revenue within the district, less a base year amount, less the portion allocated to schools, less the portion claimed by agencies that did not voluntarily approve the IFD formation. As such, IFD tax increment is less than that once generated as redevelopment tax increment, possibly significantly less depending on the specific conditions of each IFD approval.

To date, the difficulty in implementing an IFD has limited its use in California. To form an IFD, the qualified entity must develop an infrastructure plan, send copies to every land owner, consult with other local governments, and hold a public hearing. The infrastructure plan must be approved by every local agency that will contribute property tax revenue to the IFD. After this agency approval, the applicant must submit for voter approval to form the IFD (by two-thirds majority), to issue bonds (by two-thirds majority), and to establish an appropriations limit for the IFD (by simple majority). Even after forming an IFD, bond issuance is difficult. The thirty-year limitation restricts bond capacity. Furthermore, there is no current market for IFD bonds, which have a high-risk profile because tax increment cash flow to service the bond is susceptible to real estate market volatility, and there is no independent real property lien on land within the district to secure the IFD's obligations⁹.

However, in light of these well-documented challenges in forming and utilizing IFDs, several legislative efforts are under discussion to amend the IFD law with key changes including term extension from 30 to 40 years, elimination of voter approval requirements, and the addition of new qualifying project categories. If successful, these revisions could open up a very significant source of infrastructure financing.

Special Assessment Districts (1911, 1913, 1915 Acts)

California law provides procedures to levy assessments against benefiting properties and issue tax-exempt bonds to finance public facilities and infrastructure improvements. Assessment districts, also known as improvement districts, are subject to majority vote of property owners. Votes are weighted according to the amount of the proposed assessment on the parcel to which the ballot pertains. Assessments are distributed in proportion to the benefits received by each property as determined by engineering analysis and form a lien against property. Special assessments are fixed dollar amounts and may be prepaid, although they are typically paid back with interest over time by the assessed property owner. Only public infrastructure improvements with property-specific benefits (e.g., roads, drainage, and sewer and water improvements) may be financed with assessments. In addition, standard public finance underwriting criteria requires that the ratio of improved land value to assessment lien be equal to or greater than three to one.

Mello-Roos Community Facilities Districts

California's Mello-Roos Community Facilities Act of 1982 allows for the creation of a special district authorized to levy a special tax and issue tax-exempt bonds to finance public facilities and services. A CFD may be initiated by the legislative body or by property owner petition and must be approved by a two-thirds majority of either property owners or registered voters (if there are more than 12 registered voters living in the area).

Special taxes are collected annually with property taxes and may be prepaid if such provisions are specified in the tax formula. The special tax amount is based upon a special tax lien against the property. There is no requirement that the tax be apportioned on the basis of direct benefit.

⁹ The income stream of future tax payments to the IFD is likely the only security, as the bonds and other obligations of an IFD are not the debt of any city, county or other political subdivision.

Because there is no requirement to show direct benefit, Mello-Roos levies may be used to fund improvements of general benefit, such as major utilities, fire and police facilities, and libraries and parks, as well as improvements that benefit specific properties. The provision also allows for the allocation of cost burdens to alleviate burdens on specific classes of development.

The potential for a CFD supporting the Duarte Transit Village Plan Area could be significant if the district boundaries include industrial uses east of the site and City of Hope to the South.

"Redevelopment 2.0" Agency Financing

As the CRA continues to unwind, several proposals looking to restore access to certain redevelopment tools have begun to circulate. As envisioned, successor agencies could regain the authority and power to:

- Buy and sell real property including, if necessary, the power to use eminent domain.
- Receive and spend a portion of the property tax revenues generated from the increase in assessed value that occurs after establishing a project area.
- Finance their operations by borrowing from federal or state governments and by using tax increment revenue bonds.
- Finance and develop infrastructure improvements.

While the elimination of urban blight was the primary public purpose justifying formation of a redevelopment agency with the powers described above, successor agencies under the new schemes would likely operate under a narrower mandate with access to a severely reduced portion of tax increment.

Federal and State Grants

The City has in the past received funding for public facilities from other levels of government, including the State and federal government. Funds from these sources may be made available for development in the Plan Area, especially as it features a preferred public use. The availability, amount, and timing of these funds will need to be further evaluated.

Table 1: Federal and State Funding Sources

Program	Description
Moving Ahead for Progress in the Twenty-First Century (MAP-21)	The current iteration of the US DOT Federal-Aid Highway Program, Moving Ahead for Progress in the Twenty-First Century (MAP-21), is in effect through September 2014 (it is re-authorized roughly every six years). Because the process of allocating federal aid is subject to uncertain political outcomes, it is not possible to ascertain what programs will continue through the next version. The California Department of Transportation (Caltrans) and regional planning agencies administer MAP-21 funding. The MAP-21 programs that may be applicable to Sierra-Valley projects are discussed briefly below.
Transportation Alternatives (TA)	<ul style="list-style-type: none"> Transportation Alternatives consolidates three separate programs under the prior version of the Federal Aid Highway Program: Transportation Enhancements (TE), Safe Routes to School (SR2S), and the Recreational Trails Program (RTP). Of these, TE and SR2S are particularly relevant to opportunities in Duarte. TE funds may be used for the planning, design, and construction of bicycle and pedestrian infrastructure such as bikeways, sidewalks, signaling and signage, traffic management techniques, and improvements designed for ADA compliance. SR2S funds are intended to finance healthy alternative approaches to driving or using the bus to go to school on projects within two miles of primary or middle schools. SR2S funds may be used for a range of engineering, traffic calming, and educational projects.
Surface Transportation Program (STP)	<ul style="list-style-type: none"> The Surface Transportation Program (STP) allocates funds that can be used for a wide range of projects, including road and transit improvements that include bicycle and pedestrian elements. STP provides flexibility to fund improvements that are outside the Federal-aid highway system, so feeder streets around the proposed transit village may be eligible.
Congestion Mitigation and Air Quality Improvement (CMAQ) Program	<ul style="list-style-type: none"> The CMAQ program is designed to provide funding to support surface transportation projects and other related efforts that contribute to air quality improvements and provide congestion relief. Eligible projects are intended to lower emissions of ozone, carbon monoxide, and/or particulate matter.

Table 1: Federal and State Funding Sources

Program	Description
New Freedom Initiative	<ul style="list-style-type: none"> The New Freedom Initiative is intended to fund improvements that remove barriers to community living for people with disabilities. Among the eligible projects are those that expand transportation options. New Freedom Initiative grants may be used to fund both capital projects and operations and may be applicable for transit and pedestrian infrastructure envisioned for the transit village area.
Transit-Oriented Development Planning Pilot	<ul style="list-style-type: none"> This pilot program provides funding to advance planning efforts that support transit-oriented development (TOD) associated with new fixed-guideway and core capacity improvement projects. Eligible recipients include state and local government agencies engaged in comprehensive planning that seeks to enhance economic development and ridership by means of increasing multimodal connectivity and accessibility, enhancing access to transit hubs for pedestrian and bicycle traffic, and promoting and enabling mixed-use development.

Table 1: Federal and State Funding Sources

Program	Description
AB 2766 Clean Air Funds	The South Coast Air Quality Management District (AQMD) administers this program to fund air pollution reduction efforts. Funding is drawn from automobile registration surcharges. A 40 percent portion of annual disbursement is automatically allocated to South Coast District member cities in proportion to population. The remaining 60 percent is allocated through a competitive grant program for projects that improve air quality. Nearly all Plan Area initiatives may potentially be eligible for funding from AB 2766 grants.
Bicycle Transportation Account (BTA)	Caltrans administers the Bicycle Transportation Account (BTA), an annual program providing state funds for city and county projects that improve safety and convenience for bicycle commuters. Cities and counties are eligible to apply for BTA funds. Eligibility is based on pre-adoption of a Bicycle Transportation Plan (BTP) that complies with Streets and Highways Code Section 891.4 that has been pre-approved by the appropriate Metropolitan Planning Organization (MPO) or Regional Transportation Planning Agency (RTPA). Eligible uses for the funding include bikeways and related facilities, planning, safety, and education. The BTA is a reimbursement program, which requires allocated funds to be matched by at minimum 10 percent of the total project cost. BTA funds may also be used to apply for and match federal grants or loans. Approximately \$7.2 million is appropriated annually for the program state-wide.
California Transit Oriented Development (TOD) Housing Program	This program, funded by the California Department of Housing and Community Development, makes low-interest loans available as gap financing for rental housing developments that include affordable units, and as mortgage assistance for homeownership developments. Loans and grants are available to qualified public entities for infrastructure improvements supporting TOD residential uses or to enable connections between these developments and the transit station

Table 1: Federal and State Funding Sources

Program	Description
Community Based Transportation Planning	Caltrans administers a grant program for transportation planning projects to improve mobility and lead to the programming or implementation phase for a community or region. With approximately \$9 million in funding distributed through six grant programs annually, the program may offer the City of Fontana funding for the planning and code development elements of the proposed Sierra-Valley vision plan. Each of these six grant programs may be applicable for the Plan Area: Community-Based Transportation Planning, Environmental Justice, Partnership Planning, Statewide or Urban Transit Planning Studies, Rural or Small Urban Transit Planning Studies, and Transit Planning Student Internships.
Environmental Enhancement and Mitigation Program	Caltrans and the California Natural Resources Agency administer the Environmental Enhancement and Mitigation Program, which offers \$10 million each year in grants for projects that relate to the environmental impact associated with the modification of an existing transportation facility or construction of a new transportation facility. Of the four grant categories available, two may apply to the transit village, area, including grants for Highway Landscaping and Urban Forestry Projects to offset vehicular emissions through planting of trees and other suitable plants; and grants for Mitigation Projects Beyond the Scope of the Lead Agency responsible for assessing the environmental impact of the proposed transportation improvement.
Office of Traffic Safety (OTS)	The California Office of Traffic Safety (OTS) was created to award grant dollars to local and state government departments for development of traffic safety programs. The office is in the state Business, Transportation and Housing Agency, and it functions as a conduit for federal grant money, which it allocates to eight separate program areas, of which two, for Pedestrian and Bicycle Safety and Roadway Safety, may be directly applicable to the Plan Area. City agencies are eligible to apply.
State-Local Transportation Partnership Program	The State-Local Transportation Partnership Program (SLTPP), administered by Caltrans, is intended to help local agencies fund and construct transportation improvement projects both on and off the State Highway System. The SLTPP is funded by the State Highway Account and is allocated to projects that increase transportation capacity, extend service to a new area, or extends a roadway's useful life.

Table 1: Federal and State Funding Sources

Program	Description
Transportation Development Act Article 3 Funds	<p>The Transportation Development Act (TDA) includes two separate public transportation funds—Local Transportation Fund (LTF) and the State Transit Assistance fund—designated for development and support of public transportation needs. Funding is allocated to areas of each county based on population, taxable sales and transit performance. TDA funds may be used for many potential expenses that the transit village may generate, including engineering expenses, right-of-way acquisition, construction, improvements to existing pedestrian infrastructure, ADA compliance, and support facilities, such as transit shelters, bicycle parking, and pedestrian amenities.</p>
Transportation Investment Generating Economic Recovery Program (TIGER)	<p>The original TIGER Grant program, administered by the Department of Transportation (DOT), originated with the American Recovery and Reinvestment Act of 2009 (ARRA) and has been re-authorized for 2013. (If renewed for 2014, the program will likely feature provisions similar to those in 2013.) Through a highly competitive process, \$474 million in discretionary grant money will be awarded to projects that achieve goals set forth in the Sustainable Communities Regional Planning Grant Program. These projects include larger-scale planning efforts that join housing, land use, economic and workforce development, transportation, and infrastructure investments that take into account the principles of sustainability, economic revitalization, social equity, public health, and environmental sustainability.</p>