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Can private enterprise save BART?

by Timothy Roberts

Faced with the need to cut millions of dollars from the cost of building a BART line through San Jose, the Valley Transportation Authority (VTA) is hoping that it can convince private developers to build BART stations and parking garages in return for development rights around the stations. If so, the VTA could shave millions from the cost of building the 16-mile extension of the rail line, currently estimated to cost \$4.7 billion.

Saving money is a must if the line is ever to be built.

Although Santa Clara County taxpayers voted in 2000 to tax themselves for most of the cost, the VTA still needs \$750 million from the feds.

But the Federal Transit Administration (FTA), the gate keeper for the proposed BART dollars, says the cost per rider on the planned San Jose extension is too high. The solution lies in boosting the ridership number -- a figure some believe is already unrealistically high given the valley's economic downturn -- or cutting the cost.

On Dec. 9, the VTA, which is responsible for building the extension, withdrew its request for federal money until it can agree with the FTA on the best way to measure that cost, says Michael Burns, VTA's general manager.

The cost per rider is actually a complicated formula that measures the benefit derived from each rider per mile. The VTA has brought that figure down from \$41 to \$31, but the FTA won't bite until it comes in at or below \$27.99.

No one will know how much the cost of the BART extension has to be reduced until the VTA and the FTA can work out the formula for establishing the cost. But no matter how the numbers are calculated, Mr. Burns says it is clear that VTA will have to cut costs, and he is looking to the private sector for help.

In September, the VTA board approved a \$250,000 study of development possibilities around the proposed BART stations, but the urgency of the idea was heightened earlier this month when VTA decided to take a time out.

"VTA just has to sit down and reconsider its design model," says U.S. Rep. Mike Honda, D-San Jose, who has taken the lead in Congress in pressing for the federal funding for the project. Among his suggestions: "It can look at joint partnerships to build parking garages and stations."

That's exactly what Mr. Burns has in mind.

"I want to see where there are opportunities for private sector participation," he says. "The concept is that we would turn over the project to a developer who would be required to build a station."

Developer Barry Swenson says he can envision high-rise residential towers next to BART stations in San Jose.

"We would want to build 10-20-story residential towers next to BART stations," he says. "With the crews there we could build the station and the tower at the same time. There is a lot of advantage to having one large construction job instead of two."

Already the VTA is working with private developers to plan high-density development around VTA light rail stations on West San Carlos Street and Capitol Avenue. Preliminary plans for the development of Coyote Valley call for developers to build much of the infrastructure including a train station.

And the BART system has experience working with developers to build high-density housing, offices and shops around several existing stations.

Developers led by the Unity Council, a local nonprofit group, invested \$100 million around the Fruitvale station in Oakland to build 47 rental units, 37,000 square feet of retail, 27,000 square feet of office and a parking garage.

Bridge Housing Corp. of San Francisco is planning a \$140 million development around BART's McArthur station, a transfer point in Oakland. For that development, BART is providing land from a parking lot that will be replaced by a parking garage. Bridge also plans 400 residential units and retail space at the site.

"It's very ambitious," says Lydia Tan, Bridge's executive vice president.

The developer also would be interested in the Santa Clara County BART stations, says Ms. Tan. "We are in the business of building as much transit-oriented development as possible."

Ampelon Development is also interested. It is developing 17 acres around a new West Dublin/Pleasanton BART station that will include a \$63 million station with parking garage, 210 residential units, a hotel, a restaurant and, on a separate parcel in Pleasanton, a 170,000-square-foot office building.

The challenge with BART to San Jose, says Bob Russell, a partner at Ampelon, is that much of the land around the planned stations is already locked up and would need "assemblage," something that usually means the taking of property by eminent domain.

A bill pending in the California Assembly would allow transit districts to turn areas within a quarter-mile radius of a station into redevelopment zones for the construction of transit-oriented development. That bill, sponsored by Tom Torlakson, D-Antioch, passed the Senate earlier this year but has been held up in the Assembly over concerns that it might overreach on eminent domain.

The success of that bill may be the key to making the numbers add up for BART.

The 8.8-mile BART extension to Millbrae is costing San Mateo County \$10 million year in operating costs, in part because it was built too far ahead of the population that would use it, says Kate White, executive director for the Urban Land Institute's office in San Francisco.

"If we bring BART all the way to San Jose, we have to get it right this time and use the land around it right," she says.

Mr. Burns says the high cost and low ridership on the San Francisco Airport extension of BART has made the FTA more skeptical of BART extension projects. BART spokesman Linton Johnson, however, says that the ridership on the line is about where BART predicted it would be.

Developers are likely to be enticed to such developments by the added value that a nearby BART station can bring to the development. The office building at 44 Montgomery St. in San Francisco, which is directly above the Montgomery Street BART station, is always fully leased, says Mark Ritchie of Ritchie Real Estate. He sees BART as essential to the development of downtown San Jose.

"I'm all for BART and any way to creatively finance stations and parking garages should be considered," he says.

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