



# SB125 Transit Transformation Task Force Report

## Version History

Version #	Date	Notes
Tranche 2 - 0.1	8/11/2025	<p>Released Tranche 2 of the Working Draft Report for Task Force review at TTTF Meeting #12. Tranche 2 includes:</p> <ul style="list-style-type: none"><li>• 4.0 Principles, Strategies, and Recommendations<ul style="list-style-type: none"><li>◦ Strategies and recommendations on changes to land use, housing, and pricing policies (1.f.2)</li><li>◦ Strategies and recommendations on transit-oriented development and value capture of property (1.f.7)</li></ul></li><li>• Appendix A: Detailed analysis requested under SB125 - Sections 8 &amp; 9</li><li>• Appendix B: Table of all strategies and recommendations under SB125 1.f for Tranche 2</li><li>• Appendix C: Existing Adopted Policy</li></ul>

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Please note that any row highlighted in light blue is a new recommendation being presented to the Task Force, based off their feedback, while all others were previously approved.

## 4.0 Principles, Strategies, and Recommendations

### Principle: Develop high quality public transit systems to support complete communities

#### **Topic Area: Changes to Land Use, Housing, and Pricing Policies (1.f.2)**

As discussed earlier in this report, California's housing shortage and transportation crises are linked. California has a goal of building 2.5 million new homes by 2030, with no less than one million homes for lower-income households. Today, most areas around major transit stops in California (bus rapid transit, rail, bus hubs) are less dense than what leads to high ridership. Both transit agencies and developers face challenges when it comes to advancing transit-oriented development (TOD): agencies are often not involved in land use planning processes, while developers face complex regulatory hurdles and difficulty securing financing for such projects.

Addressing these challenges through targeted changes to land use, housing, and parking or roadway pricing policies could foster denser development around transit stations. In turn, increasing housing and job density near transit stations would not only increase transit ridership, but also help California meet its goals related to increased housing production and VMT and greenhouse gas emissions reduction. Changes to pricing policies can influence the value of land, as well as create mode shift among the traveling public.

Key strategies and recommendations related to changes to land use, housing, and pricing policies include:

#### ***Strategy Q: Coordinate transit and land use planning***

##### Recommendations

- Q.1. Support the statewide strategy for transit-supportive land use to address both transit and housing objectives, including setting out Transit Oriented Development (TOD)-specific objectives and guidelines that

consider potential social equity impacts and interests of private developers to increase housing near transit

- ▶ Q.2. Give transit agencies the ability to review and comment on City Transportation Demand Management (TDM) plans
- ▶ Q.3. Encourage HCD to include additional transit-supportive land use policies in qualifying for pro-housing designation
- ▶ Q.5. Encourage transit agencies to include analysis and evaluation of land use and value capture opportunities into their transit enhancement and expansion plans
- ▶ Q.6. Leverage, where possible, Caltrans-owned and other State-owned land to reduce upfront land costs to jumpstart TOD projects

### ***Strategy S: Encourage transit-supportive land uses***

#### Recommendations

- ▶ S.1. Identify all land around transit stations open to joint development, including land owned by transit agencies and Caltrans that is eligible for TOD
- ▶ S.3. Examine opportunities to price on-street parking and unbundle new off-street parking from residential and commercial developments within 0.5 mile of transit
- ▶ S.4. Create the ability to allow transit agencies to sell air rights to create development opportunities above transit stations and facilities
- ▶ S.5. Create bench of pre-vetted TOD property developers for use by transit agencies statewide to pursue joint development opportunities

### ***Strategy T: Provide education, incentives, or funding to developers and agencies***

#### Recommendations

- ▶ T.1. Explore state agency support provide loans with lower interest rates to developers for qualifying TOD projects
- ▶ T.2. Engage pension funds to explore investment opportunities to support qualifying TOD projects (e.g., for direct land acquisition by transit agencies and/or local jurisdictions)
- ▶ T.4. Where possible, create pre-permitted project opportunities to encourage public-private partnerships

- ▶ T.5. Provide incentives or funding to support transit agencies, MPOs, and/or cities that meet TOD objectives and other mandates (e.g. decarbonization)
- ▶ T.6. Set up State team to provide support on TOD to local jurisdictions and transit agencies
- ▶ T.7. Ensure State agencies coordinate land use and transportation planning and permitting regulation and guidance to reduce contradicting policies and complete projects with sufficient housing and transportation

### **Topic Area: Transit-Oriented Development and Value Capture of Property (1.f.7)**

Fostering denser development around transit hubs through TOD has multiple benefits, including the potential for transit agencies to unlock direct and indirect revenue streams. Higher residential and job density around transit stations leads to greater transit use, which in turn can boost ridership and fare revenue. In addition to the direct benefit of increased ridership, developing the land or property around transit will increase the value of the land or property, spurring other indirect revenue benefits (value capture opportunities). With significant policy changes, agencies can expand revenue from real estate activities or support today's operations by capturing the future enhanced value of the TOD land using increment financing.

While revenue from real estate deals could not likely replace the Federal, State, and local sources that currently fund public transit in California, TOD can be used as a long-term revenue strategy to supplement the public funding of transit agencies. Implementing policy changes that would make it easier for transit agencies to implement TOD and capture the highest and best of value station-area land could help agencies tap into new, autonomous sources of funding.

Key strategies and recommendations to support TOD and value capture of property around transit include:

#### ***Strategy U: Allow California to capture value from transit***

##### **Recommendations**

- ▶ U.1. Utilize the Surplus Lands Act to increase affordable housing on land owned by transit agencies
- ▶ U.2. Assess the multiplier effect of public transit investments and create mechanisms that could allow transit agencies to become an equity partner and/or capture this value (e.g., through taxes, transit passes)
- ▶ U.3. Create a tax increment financing tool specifically for transit-oriented development or modify an existing one (e.g. NIFTIs) to enable transit agencies with more effective value capture options
- ▶ U.4. Create a new dedicated entity to reform redevelopment to meet current needs for transit and housing, but avoid pitfalls that affected redevelopment

- ▶ U.5. Streamline Surplus Lands Act to increase effectiveness
- ▶ U.6. Establish supplemental funding sources through value capture strategies

### ***Strategy V: Provide state incentives and technical assistance to support transit agencies on value capture***

#### Recommendations

- ▶ V.1. Provide funding and/or technical assistance to agencies to support value capture opportunities (e.g., grants to hire specialists for in-sourced opportunities such as advertising, joint development, and install EV chargers and hydrogen re-fueling facilities on agency-owned parking areas)
- ▶ V.2. Create State Purchasing Schedules to make expertise in revenue generation opportunities available to transit agencies to lower costs (e.g., California tourism passes, professional sports teams)
- ▶ V.3. Invest in transportation projects that have a value capture strategy, when practical



## **Appendix A: Detailed analysis requested under SB125 Sections - 8 & 9**

- See Attachment

## **Appendix B: Table of all strategies and recommendations under SB125 1.f for Tranche 2**

- See Attachment

## **Appendix C: Existing Adopted Policy**

- See Attachment

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