Appendix C: Station Relocation

Appendix C

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Memorandum

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Re: Cost and Financing of Hillsdale Station Relocation

Date: January 7, 2011

1 Purpose of Memorandum

This memorandum provides the City with a conceptual overview of the costs associated with relocating the Hillsdale Station from its current location to between 29th and 30th Avenues. This proposed change is a central element of the Hillsdale Station Area Plan, and would facilitate a number of goals the City has for the area. These include improved circulation and passenger access, greater opportunities for transit-oriented development (TOD), and consolidated structured parking for Caltrain patrons. Also required for station relocation are three new grade-separated railway crossings at 25th, 28th and 31st Avenues. Finally, relocation is also likely to be considered during expansion from two to four tracks to accommodate California's High Speed Rail service.

The memorandum presents an overall financing strategy for the station relocation and supporting infrastructure.

2 Cost Analysis

2.1 Methodology

The findings in this memorandum draw in part from the *New Hillsdale Station and Grade Separations- 30% Final Preliminary Engineering Report* prepared by the Peninsula Corridor Joint Powers Board in October 2005 (referred to as Caltrain Report). This report identifies rail corridor improvements to safety, railroad operations and traffic circulation. The improvements include:

- A relocated Hillsdale Station and "transit center" between 28th and 31st Avenues;
- An elevated four-track railway alignment to facilitate Caltrain's future development plans to provide express service and accommodate high speed rail service;
- New grade-separated railway crossings at 28th and 31st Avenues which would connect El Camino Real to the Bay Meadows II development project;
- Replacement of the existing at-grade railway crossing at 25th Avenue with a grade-separated underpass.
- New railroad bridges adjacent to existing bridges at Hillsdale Boulevard and 42nd Avenue;
- A new pedestrian underpass at the Hillsdale Station;
- Two parking garages serving the new Hillsdale Station (construction to be phased).

As envisioned by the Caltrain Report, the new Hillsdale Station would contain:

- An 890-space parking structure on the west side of the tracks and a 470-space structure on the east side of the tracks.
- A promenade from El Camino Real for pedestrians and drop-offs.
- Amenities such as benches, canopies, trash receptacles, ticket vending machines, and public information kiosks.
- A platform accessible from both the east and west sides.
- A grade-separated section in the station center to allow for pedestrian movement under the tracks.
- Bus drop-off and loading areas with passenger shelters.
- Kiss-and-ride/taxi/shuttle/para-transit facilities.
- Bike lockers.
- Closed-circuit televisions and cameras for security.
- Elevators and escalators for passenger access.

Although certain details vary from the transit center and parking alternatives established in the Hillsdale Station Area Plan, the Caltrain Report concept shares many similar components, and serves as a valid comparison for planning purposes.

2.2 Cost Estimate

Relocation of the Hillsdale Station and its associated improvements break down into two broad categories:

1) Basic station relocation, including construction of a new platform with four tracks and the three grade separations at 25th, 28th, and 31st Avenues.
2) Expanded costs associated with creating a destination station that is the focal point of the Hillsdale Station Area Plan.

Table 1 summarizes the costs for the latter of the two items above, including construction of the new Hillsdale Station envisioned by the Hillsdale Station Area Plan, including the Transit Center and parking structure on El Camino Real. This is the portion of the relocation most likely to be funded all or in part by the City of San Mateo, in collaboration with Caltrain.

The figures in Table 1 are based on estimates from the Caltrain Report and reflect full build-out of the Station, including Phases 1 and 2 as described in the Caltrain Report. Construction costs are presented in 2006 costs, then escalated to 2010 costs using the Engineering News Record Construction Cost Index for the San Francisco region. As shown in Table 1, this analysis results in a total construction cost of approximately $86 million, including hard and soft costs. The size of the parking structure was modified for consistency with the Hillsdale Station Area Plan to contain 636 stalls. Costs for the structure make up approximately 60 percent of the total construction costs, or $52 million.

In terms of land acquisitions, the Hillsdale Station Area Plan indicates that the new station and parking garage would require the purchase of approximately 3.65 acres of private land. As part of the research on the financial feasibility of the Station Area Plan alternatives, land values in the area were found to range from $100 to $110 per square foot. This suggests that property acquisition costs would total approximately $16 million to $17.5 million.

Table 1: Cost Estimate for New Hillsdale Station, Transit Center, and Parking Structure

Item	Station		Amount (a)	% of Total Hard Costs
1.1	Platform Items & Misc Furnishings		$3,998,000	
1.2	Station Access (pedestrian underpass)		$2,726,000	
1.3	Station Access (elevators)		$1,750,000	
1.4	Station Access (stairs)		$810,000	
1.5	Station Access (skylight)		$204,000	
1.6	Station Access (skylight structure)		$124,000	
1.7	Closed-Circuit Television		$750,000	
	Subtotal		**$10,360,000**	**36%**
	Transit Center			
2.1	Pavement Section		$822,000	
2.2	Drop-off Area/Plaza (on-street configuration assumed)		$37,100	
2.3	Shelter, Trash, Bike Racks, Lockers		$215,000	
2.4	Signing and Striping		$15,000	
2.5	Station Marker		$5,000	
2.6	Minor Transit Center Items (10% of above)		$110,000	
	Subtotal		**$1,200,000**	**4%**
	Parking Structure			
3.1	636 Stalls @$25,000 per stall		$15,900,000	
3.2	Electronic Signage Board		$5,000	
3.3	Minor Parking Structure Items (10% of above)		$1,590,500	
	Subtotal		**$17,500,000**	**60%**
	Construction Subtotal		**$29,060,000**	**100%**
	Mobilization	10%	$2,910,000	
	Construction Pro-Rates	35%	$10,170,000	
	Construction Total		**$42,140,000**	
	Design	12%	$5,060,000	
	Amtrak	15%	$6,320,000	
	Construction Management	15%	$6,320,000	
	PCJPB Staff Costs	5%	$2,110,000	
	Construction + Soft Cost Total		**$61,950,000**	
	Project Contingency	25%	$15,490,000	
	Construction + Soft Cost + Contingency Total (2006$)		**$77,440,000**	
	Escalated to 2010$ using ENR Construction Cost Index		**$86,090,000**	
4.1	Land Acquisition (b)		$16,690,000	
	GRAND TOTAL		**$102,780,000**	

Notes:
(a) All totals rounded to $10,000.
(b) Assumes 3.65 acres of land for station, transit center, and parking structure @ $105/sq. ft.
Land values in area estimated at $100 to $110/sq. ft.
Sources: 30% Final Preliminary Engineering Report, Caltrain, October 2005; Engineering News Record, 2010; BAE, 2010.

Altogether, this analysis suggests that the project would cost on the order of $100 million to $105 million, of which about 15 percent is made up of acquisition costs, and the balance is hard and soft costs.

Table 1 does not include item 1's basic relocation costs because these costs are anticipated to be paid by High Speed Rail, which requires grade-separated travel all along the Peninsula. The City may be required to pay a portion of these costs, which it could do from its traffic mitigation fees. They would also require significantly more engineering work than has been completed to date in order to provide specific figures. The basic station costs would include the grade separations at 25th, 28th, and 31st Avenues. They could range from $80 to 175 million for 25th Avenue; $65 to 270 million for 28th Avenue; and $120 to 270 million for 31st Avenue.[1]

3 Financing Strategy

The following section discusses potential financing strategies for relocation of the Hillsdale Station and associated improvements. These financing strategies are for both the costs detailed above in Table 1, representing the expanded costs associated with creating a destination station that is the focal point of the Hillsdale Station Area Plan, as well as the basic station relocation, including construction of a new platform with four tracks and the three grade separations at 25th, 28th, and 31st Avenues. It should be noted that a significant portion of the expanded costs of creating a destination station consists of the costs of building structured parking. While some of the strategies described below will contribute to those costs, it is likely that they will need to be financed through some sort of grant funding in support of transit-oriented development. However, the City and Caltrain will not be ready to apply for these funds for up to 10 years, at which time different grant funding programs are likely to exist than the ones that are currently available. For this reason, the strategies below do not focus on current grant financing options.

3.1 Sources Considered But Deemed Not Applicable

There are a variety of potential financing strategies that are often used for transit centers or other public projects that were reviewed but found to not be applicable to the Hillsdale Station, including:

- **Redevelopment Tax Increment Finance**. Redevelopment agency funds are often key sources for large scale public improvements. However, these expenditures are limited to

[1] City of San Mateo. City Council Study Session Staff Report February 12, 2008 regarding "Draft Findings – San Mateo Grade Separations Footprint Planning Study.

Project Areas established pursuant to the requirements of California's Community Redevelopment Law. The future Hillside Station area site is not in a current Project Area, and based on conversations with City staff, it appears that the site would not meet the legal standards for "blight" necessary for it to be added to a Project Area.

- **Parking Benefit District**. Many cities dedicate revenues from parking meters, tickets, and other related parking activities to fund parking-related improvements, including new garages. Another approach is the creation of a Parking Benefit District, a type of special assessment district (discussed later in this memorandum) that would generate revenues from properties around the new Hillside Station Area site to cover debt service on bonds used to finance construction of parking improvements, including a parking structure. However, given that street parking and parking for businesses in the surrounding area is currently free, it would not be practical at this time to set aside parking revenues or pursue creation of a Parking Benefit District.

3.2 Partnerships with Other Agencies

3.2.1 Caltrain

The Caltrain CIP identifies a wide range of proposed improvements that support Caltrain's Service Plan. The current 10-year CIP covers FY2009-FY2018. Capital project are generally paid for through federal, state, and local grants and capital matching funds from member agencies of the JPB (i.e., the San Francisco Municipal Transportation Agency, the San Mateo County Transit District, and the Santa Clara Valley Transportation Authority). These matching funds are generated through each county's respective sales tax revenues – Measure A in San Mateo County.

The Caltrain CIP lists multiple projects that lack an identified funding source. This "financially unconstrained" plan allows Caltrain to compete for federal, state, or local funds should funding become available for particular projects. Approximately $187 million of the $2.57 billion CIP remains unfunded, a situation compounded by revenue reductions associated with the current economic downturn.[2] Relocation of the Hillsdale Station is not on the CIP, and staff indicates that many other projects would take priority over this one, should funding become available. Caltrain staff also report that parking revenues are largely dedicated to operations, rather than capital projects, and that Caltrain has not historically used debt (e.g., bonds) to finance capital projects.

Given these constraints, staff states that while Caltrain is open to partnering with the City and other agencies to support the Hillsdale Station relocation, it does not have the capacity to finance the project in the foreseeable future.

[2] *Short-Range Transit Plan, FY2009-FY2018*. Caltrain. December 2009.

3.2.2 California High Speed Rail Authority (HSRA)

The city will look to HSRA to finance the relocation of the Hillsdale Station and the grade separated crossings, since HSR requires an elevated, four track alignment with no at-grade railway crossings. Although the Hillsdale Station is not planned as a HSR stop, HSRA support for the project may occur to the extent that track widening for HSR would necessitate relocation of the Hillsdale Station. As noted in the Hillsdale Station Area Plan, the current configuration of Pacific Boulevard and the Hillsdale Boulevard undercrossing would not accommodate the two additional tracks required for a Baby Bullet bypass or HSR. In order to get four tracks on the same elevation, the Plan recommends relocating the Hillsdale station platforms between 28th and 31st Avenues. This shift would accommodate the minimum vertical clearance for undercrossing traffic at Hillsdale Boulevard.

Financing plans for HSR remain in the conceptual stages. The Authority estimates a total cost of $45 billion, with $9 billion coming from State General Obligation bonds (approved through Proposition 1A in 2008), $17-$19 billion from the federal government (including $2.25 billion committed through American Recovery and Reinvestment Act (ARRA) in January 2010), $4-$5 billion from local agencies, and $10-$12 billion from private sources.[3] The precise funding sources and uses within these general categories have not yet been identified.

3.3 City-Secured Funds

The City may need to supplement contributions from partner agencies with grants, private funds, and other resources it secures independently, particularly for the expanded station costs detailed in Table 1. An overview of the potential gap financing sources follows below. This section offers an overarching perspective on likely funding sources at the federal, state, and local levels, and is not meant to be a comprehensive list of relevant sources in place today. Considering the long term nature of this project, and the uncertain status of various funding streams, the City and other stakeholders will need to identify and apply for specific funds as the financing program for the Hillsdale Station is further developed.

3.3.1 Federal Sources

Surface Transportation Act. The federal government offers a variety of competitive grant options through the Federal Highway and Federal Transit Administrations. Much of these are funded through a surface transportation act adopted by Congress every six years. The majority of surface transportation act funding flows to the states, and in California these funds are administered by Caltrans. Caltrans assigns a significant portion of two of the programs, the Surface

[3] *Report to the Legislature*. CA High Speed Rail Authority. December 2009.

Transportation Program (STP) and the Congestion Mitigation & Air Quality Improvement Program (CMAQ) to the Metropolitan Transportation Commission (MTC) and other regional planning agencies to distribute to local agencies and jurisdictions.

The current federal transportation funding act, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), expired on September 30, 2009. At that time, Congress failed to enact a five-year reauthorization measure, and instead has approved several short-term funding authorizations throughout 2010. For now, the status of the surface transportation act reauthorization remains uncertain.

3.3.2 State Sources

State Bonds. State bond issuances may be used to fund infrastructure improvements throughout California. A two-thirds approval in the legislature is required to place a statewide bond measure on the ballot, which must then be approved by a simple majority of voters. For example, in 2006, voters approved the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C), leading to the issuance of $2.85 billion in bonds to support affordable housing and infrastructure improvements. In addition to funding existing housing programs, Proposition 1C earmarks $790 million to promote infill development, through infrastructure support. As of December 2009, $60 million of this infrastructure funding remained available.

California voters also approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act (Proposition 1B) in 2006. This program employs a formula to allocate approximately $1 billion to cities in California on a per capita basis for transportation improvements.

Given the preliminary status of the Hillsdale Station relocation, neither of these bond measures is likely to benefit the project. Moreover, the State's fiscal crisis has impacted bond financing for projects under Propositions 1B and 1C, and threatened the viability of these measures as a viable funding source in the immediate future. Nonetheless, future bond issuances may prove a useful financing mechanism for elements of the new Hillsdale Station.

State Transportation Improvement Program (STIP). The STIP is a multi-year capital improvement program of transportation projects, funded with revenues from the State Transportation Investment Fund and other funding sources, including federal grant programs. STIP programming generally occurs every two years.

The programming cycle begins with the release and adoption of a fund estimate by the California Transportation Commission (CTC). The fund estimate serves to identify the amount of new funds available for the programming of transportation projects.

Once the fund estimate is adopted, Caltrans and the regional planning agencies – the Metropolitan Transportation Commission in the case of the Bay Area – prepare transportation improvement plans for submittal. Caltrans prepare the Interregional Transportation Improvement Plan (ITIP) and regional agencies prepare Regional Transportation Improvement Plans (RTIPs). These plans are incorporated into the STIP, which is adopted by the CTC. In the Bay Area, local agencies work through MTC to nominate projects for inclusion in the RTIP and STIP.

Streets and Highway Code, Section 190. Assuming High-Speed Rail on the Peninsula is eventually realized, the HSRA is expected to cover the costs associated with grade separations. However, should City participation become necessary, or if High-Speed Rail does not come to pass, Section 190 of the Streets and Highway Code requires the State's annual budget to include $15 million to public agencies to grade-separate existing at-grade crossings, or to improve existing grade-separated crossings. To be eligible for this funding, jurisdictions first nominate a project to the California Public Utilities Commission (CPUC). The CPUC then prioritizes projects according to formulas that consider vehicle traffic, train traffic, cost, accident history, and other factors. The project on the list with the highest priority, and which meets all other requirements, has first claim to the funds distributed by Caltrans.

A maximum of $5 million per grade separation is potentially available through this program. The funds require matching funds on an 80-10-10 basis, with the local jurisdiction and railroad each expected to contribute 10 percent of total funding. Typically, three projects each receive $5 million of funding annually. Twenty-Fifth Avenue was nominated to the CPUC in 2002 and received a ranking of 33. As a point of reference, between 45 and 100 projects are generally submitted for the CPUC priority list. Although the ranking appears low, other higher-ranked projects often fail to receive funding due to the lack of local matching funds. Therefore, the possibility still exists for accessing future Section 190 funds if the City and railroad can supply a local match.

3.3.3 Local Sources

Measure A Funds. The San Mateo County Transportation Authority (TA) was formed in 1988 with the passage of the voter-approved half-cent sales tax for countywide transportation projects and programs, known as Measure A. The original Measure A expired in December 2008. In 2004, county voters approved a reauthorization of Measure A through 2033. The TA administers the proceeds from Measure A to fund a broad spectrum of transportation-related projects and programs. Projects to be funded by Measure A funds must be included in the TA's Transportation Expenditure Plan.

Again, Measure A funds for transit (30 percent of total revenues) are used by Caltrain for projects in its CIP, and may therefore be unavailable for the Hillsdale Station relocation. However,

Measure A also includes funds for local streets and transportation, pedestrian and bike access, and grade separations that may contribute to other elements of the Transit Center and parking garage.

Special Assessment Districts. Under California law, local agencies, including cities, must pay for general government services through taxes. However, where "a particular and distinct benefit over and above general benefits" is conferred within a defined district, a special assessment may be established to raise funds from affected properties to pay for this "special benefit."[4] In the Hillsdale Station Area, it may be appropriate to consider the formation of an assessment district to pay for installation and/or maintenance of certain improvements.

More than 20 different statutes authorize local agencies to impose assessments. Each statute can be used for specific purposes that include tree planting, street lighting, and geological hazard abatement. Most allow for assessments to pay for construction costs, some allow for the issuance of bonds, and others allow for assessments to pay for operation and maintenance of facilities. Local agencies have the ability to select among authorizing statutes to choose one that best matches the specific situation. If the intention is to fund upfront capital costs, as is the case in the Hillsdale Station Area, a statue that allows issuance of bonds is recommended.

The formation of a special assessment district requires a majority vote from property owners within the assessment area, with their vote weighted based on proportionate shares of the total annual assessment. All property owners within the district pay an annual assessment above their regular property taxes to pay for special benefits.

Gaining majority owner approval in a developed area with multiple parcels like the Hillsdale Station Area is likely to be very difficult, if not impractical, because many property owners are unlikely to perceive a financial benefit from relocation of the station. However, if the improvements are framed properly to highlight the benefits of the new station location and improvements to circulation and the streetscape, the new assessment may achieve the needed support. Moreover, the Hillsdale Shopping Center's major presence in the Station Area would give its owners a large share of total votes, potentially helping secure the necessary votes, should they support a proposed assessment. The City may also consider the viability of including the Bay Meadows development in a special assessment district, to the extent property owners on the east side of the tracks would benefit from the proposed improvements (e.g., pedestrian and auto crossings and the new transit center) and would support an assessment.

Special Taxes. The Mello Roos Act allows the establishment of special taxes through the creation of Community Facilities Districts (CFD) and could potentially be useful in implementing the

[4] California Constitution, Article 13D, as enacted by Proposition 218, passed in 1996.

Hillsdale Station relocation and associated improvements. Similar to assessment district legislation, the Act is flexible and allows for monies to be used to pay for construction and maintenance of a range of improvements. Bay Meadows II financed their public improvements through a CFD.

The process to form a CFD is similar to that for formation of an assessment district, involving needs assessment and visioning, feasibility analysis, including polling levels of support at different taxation rates; and legal proceedings to adopt the tax.

The balloting procedure for a CFD is different than for an assessment district. In comparison to assessment districts, which must be approved through a weighted balloting procedure requiring majority support from affected property owners, special taxation districts are approved through an election procedure whereby two-thirds of voters within the district vote in support of the tax. In areas with twelve or fewer residents, special taxes are enacted through a two-thirds vote of property owners (weighted according to the amount of land owned). As with a special assessment district, creation of a CFD is likely to be very difficult, if not impractical, because many property owners in any proposed district are unlikely to perceive a financial benefit from relocation of the station

Compared to assessment districts, CFD's generally have less complicated procedures for determining the amount to be paid by each property, often charging the same flat amount per parcel. Similar to a special assessment district, the formation of a Mello-Roos District is difficult in a built-out area where property owners may have disparate interests. Consequently, they are more commonly used as financing tools in greenfield development sites or in other areas with limited owners and voters.

Whether to pursue an assessment district or a CFD is often a decision that can be taken after broad community support has been lined up behind a set of proposed improvements. Depending on the program of improvements and maintenance needs, as well as the individual property owners involved, it may be more advantageous to pursue an assessment district or a CFD. Jurisdictions typically engage a consultant to formulate the appropriate funding strategy for a given project, taking into consideration the cost, ownership conditions in the area, public support for the improvements, and other factors.

Development Impact Fees. The City of San Mateo currently charges a variety of impact fees on new development to mitigate any impact on environmental conditions, including circulation and transportation issues[5]. There are also impact fees levied for public art, childcare, and parks. The

[5] Any impact fees must be set according to each development's respective share of the impact and associated cost to mitigate it. This calculation requires a "nexus study," a legal requirement under California case law and

City of San Mateo established the first Traffic Mitigation Program as part of the Circulation Element to the City's General Plan in 1990. The 2008 Traffic Mitigation Report summarizes anticipated traffic conditions at key intersections in 2030 given development anticipated in the *General Plan* and *Rail Corridor TOD Plan* and updates the intersection improvements necessary to maintain acceptable levels of service (LOS) as defined in the *General Plan*. In addition, the report defines major transportation system improvements, including the grade separations of 25th, 28th, and 31st Avenues, needed to mitigate the traffic impacts of future development. The Mitigation Fee Program is also identified to be used for funding off-site pedestrian and bicycle improvements needed to create and maintain a safe and logical bikeway system and walkable community.

The Traffic Mitigation Program documents the *Traffic Mitigation Fee* that must be paid by all new development and is used to fund the required future improvements identified in the *Traffic Mitigation Report*. The fee has been based on a comparison of citywide improvements needed to mitigate the impacts of new development and the total new peak hour trips added by expected future development within San Mateo. This yields a single fee for all new development in San Mateo. The fee per peak hour vehicle trip is the same regardless of the type of development. This approach provides proportionality in the application of the fee by relating the total fee to the number of trips generated. For simplicity of application, the fee per trip has been converted to a fee per dwelling unit for residential development and per square foot for commercial development. Since the number of trips varies for different land uses, the fee per dwelling unit or 1,000 square feet of commercial or industrial floor area also will vary.

Individual developments may be required to construct off-site improvements included on the list used to develop the traffic mitigation fee (General Plan Policy C2.7 Exceeding the Acceptable Level of Service). In these cases, the cost of the required improvements may be credited against the required traffic mitigation fees to be paid. No credit is given for off-site improvements not included in establishing the fee.

Sufficient fees to fund individual improvements may require completion of more than one development. Therefore, the ability to construct the desired improvements may lag behind the increase in traffic.

The Traffic Mitigation Program assumes that the City will continue to be aggressive in identifying off-site improvements to be conditioned on individual developments and will continue to seek county, state and federal funding for major improvement projects.

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per the Mitigation Fee Act.[5] California jurisdictions are required to show through a nexus study that (1) the proposed development is in fact creating an impact and (2) the fee is proportional to the impact.

Development impact fees may not be an appropriate financing strategy for the Hillsdale Station relocation. While the station relocation would confer multiple benefits from a planning and circulation perspective, the nexus study would have difficulty showing how the new station would mitigate impacts from new development. Moreover, impact fees do not provide up-front capital for improvements, and are reliant on new development activity to generate funds.

Developer Exactions. The City may impose various requirements, known as exactions, as a condition of new development, including the development of necessary public infrastructure. The weak link between new development and the station may pose challenges in negotiating the exaction, as does the limited number of nearby mixed-use properties that require discretionary approvals and thereby create the opportunity to negotiate exactions as part of a Development Agreement. Exactions may be useful in securing more minor improvements to the Transit Center and surrounding streetscape to facilitate passenger and pedestrian access (e.g., bike racks, benches, lighting, landscaping, stormwater control facilities, etc.).

Similar to impact fees, the cost of exactions represents a direct cost to the developer. Therefore, these should be carefully considered during the entitlement process, to assure that the exactions still allow for a financially feasible project.

State Gas Tax Subvention. California's 18 cent per gallon fuel excise tax is a major source of funding for transportation projections. Thirty five percent of revenues collected through this source are allocated to cities and counties, known as the local subvention. Funds may be spent on transportation maintenance, improvements, and management, including funding streetscape improvements. Gas tax capital improvement funds are earmarked through each City's Capital Improvement Plan (CIP). The station relocation and associated improvements would need to be added to the City's CIP to be eligible investments for gas tax funds.

Parking Revenue Bonds. A parking revenue bond may be an additional strategy used to finance the construction of the Hillsdale Station parking garage. As noted previously, Caltrain typically uses parking revenue to support operations, rather than capital improvements. However, depending on the City's role in financing the new Hillsdale Station improvements, the City and Caltrain may come to an agreement to direct a portion of increases in parking revenues due to increases in parking rates above today's rates towards bond debt service. The viability of this approach will ultimately depend on negotiations between the City and Caltrain regarding financing and operation of the garage, the ridership at the Hillsdale Station, and the parking rate structure at the facility. It is also important to note that even if a parking revenue bond emerges as a workable strategy, additional capital will likely be needed to fill the gap between funds raised through the bond and the total development cost. Parking revenue rarely covers the full cost of garage construction.

3.4 Opportunities for Cost Reduction

When developing a financing strategy, a dollar of avoided costs can be just as important for enabling a project as a dollar of bond financing or grant funding. The proposed improvement program reflects the costs of relocation of the existing Hillside station and development of a new Transit Center based upon current City and Caltrain policies and practices. There may, however, be opportunities to reduce costs in the future from further consideration of the following:

- **Public-private partnerships involving shared use of parking structures**. Developers of adjacent properties who could develop larger buildings on their sites if parking can be located in a shared parking structure may be willing to make a contribution towards the cost of the new parking structure. Depending on the size of the project, they may also be willing to enter into a public-private partnership for construction of the structure, which could provide the benefit of private-sector construction cost efficiencies.

- **Provide fewer parking spaces as increased Caltrain ridership is realized**. Currently, only approximately one-third of riders at the Hillside Station use the existing park-and-ride facilities. Other transit systems have seen transit-oriented development around stations increase ridership even as on-site parking for commuters has been reduced or eliminated. Future projections for Hillside Station ridership show that growth from all other modes besides commuters who drive to the station will greatly exceed current ridership levels. This means that there may be opportunities to reduce the number of parking spaces that need to be provided, reducing project costs, while still realizing the benefit of increased ridership at the Hillside Station.

3.5 Summary of Financing Strategy

At this juncture, financing the basic station relocation costs, including grade separated crossings primarily through the HSRA appears the most readily implemented strategy. Specifics regarding the amount and timing of this funding will be the subject of negotiations once the HSRA enters the implementation stage. Following these discussions with the HSRA, the City will likely need to pursue grants and other strategies to finance the actual transit station improvements, as outlined above. As part of this approach, the City should take the following steps:

- **Begin and maintain communication with the HSRA and Caltrain to assure that the project remains a priority for all stakeholders.** As the HSR project has already identified a need for an elevated four-track design in the Station Area with no at-grade crossings and the relocation of the Hillsdale Station, this sets the stage for the City to

engage HSRA regarding financing these costs, as well as contributions to the cost of a new facility.

- **Examine the possibility of adding the project to the City CIP, the Bay Area TIP, and the State TIP.** The City will need to secure funding for the expanded station costs, including parking garage and Transit Center improvements. Inclusion of the project in local, regional, and state improvement plans would signal the commitment of the City, MTC, and the State to the project, and make it eligible for federal, State, and local grants. At the same time, the City should monitor new and existing regional, State, and federal grant programs as funding becomes available.

- **Adopt a phased approach to this project, prioritizing the station and Transit Center construction prior to the parking garage.** As noted in Table 1 above, the transit center garage makes up a substantial portion (about 60 percent) of expanded station construction costs for the new Hillsdale Station and Transit Center. Given this major investment, parking should occur on some combination of surface lots on the site and undeveloped parcels in the Bay Meadows Phase II area until ridership levels warrant a new garage and funding can be identified. That funding will most likely be grant funding, so the City and Caltrain will need to work together to identify appropriate pools of money and apply in advance of demand for structured parking.

  All surface lots should be within a quarter mile of the station so they effectively serve station users. If necessary, demand pricing may also be used to scale the demand for stalls to the level accommodated by these lots. Priority should be given to surface parking on properties owned by the City or Caltrain, to reduce acquisition costs, but some surface parking on Bay Meadows Phase II properties may be required. In this case, the City and Caltrain will need to work with Bay Meadows Phase II to establish a fair lease price. Caltrain may be able to offset some of these costs by leasing the surface parking at the current station for other purposes. Funding for construction of surface parking spaces could be provided by the City's CIP, as surface spaces are a small fraction of the cost of structured parking spaces. Prior to constructing a new garage, all other access improvement and programmatic efforts should be implemented to assure an appropriately-sized facility.

  A second parking structure may eventually need to be constructed to provide additional parking spaces. This would most likely occur on a parcel set aside for the purpose at Bay Meadows Phase II for which the City has a right of first refusal. The parcel would need to be purchased by the City or Caltrain. Construction of the second parking garage would require development of a separate financing plan, which could be based upon a

combination of approaches outlined for the initial parking garage located at the Transit Center.