

## **TRANSIT TRANSFORMATION TASK FORCE (TTTF) MEETING 7 STAFF REPORT**

### **AGENDA ITEM: 4**

**SUBJECT:** Findings and Policy Recommendations for the Report to the Legislature

- a. Findings and policy recommendations on:
  - 1. Workforce opportunities in public transportation industry including strategies to address workforce recruitment, retention, and development challenges.
  - 2. Changes to land use and housing policies that could improve public transit use.
  - 3. The potential of transit-oriented development and value capture of property around transit stations as a source of sustainable revenue for transit operations.

### **ACTION**

- a. Approve, deny, or amend initial policy recommendations related workforce opportunities, land use and housing policies, and transit-oriented development and value capture as a funding mechanism.

### **RECOMMENDATION**

- a. Approve or amend initial policy recommendations related to workforce opportunities, land use and housing policies, and transit-oriented development and value capture as a funding mechanism.

### **BACKGROUND**

Senate Bill (SB) 125 established and convened the Transit Transformation Task Force (TTTF) to include transit representatives from various organizations to establish a structured, coordinated process for engagement of all parties to develop policy recommendations to grow transit ridership and improve the transit experience for all users of those services. The TTTF includes members representing transit operators, both small and large operating in urban and rural jurisdictions, the Department of Transportation, local governments, metropolitan planning organizations, regional transportation planning organizations, transportation advocacy organizations with expertise in public transit, labor organizations, academic institutions, the Senate Committee on Transportation, the Assembly Committee on Transportation, and other stakeholders. The legislation requires the California State Transportation Agency (CalSTA), in

consultation with the TTTF, to prepare and submit a report of findings and policy recommendations to the appropriate policy and fiscal committees of the Legislature. This report includes identifying where statutory changes would be needed to implement recommendations based on the task force's efforts, and the financial and technical feasibility of those recommendations. Section 13979.3.e and section 13979.3.f include the required topics that must be addressed in the report, with section 13979.3.e requiring a detailed analysis on the listed topics, and section 13979.3.f requiring recommendations on the listed topics.

TTTF Meeting 5, held on June 17, 2024, in Los Angeles, California discussed the following topic:

- a. Workforce opportunities in public transportation industry including strategies to address workforce recruitment, retention, and development challenges.

TTTF Meeting 6, held on October 28, 2024, in Monterey, California discussed the following topics:

- a. Changes to land use and housing policies that could improve public transit use.
- b. Potential of transit-oriented development and value capture of property around transit stations as a source of sustainable revenue for transit operations.

This staff report contains an initial set of findings and recommendations on these topics, developed through discussions with Subject Matter Experts (SMEs), the Technical Working Group (TWG), and the TTTF.

## **DISCUSSION**

### **A. WORKFORCE OPPORTUNITIES IN PUBLIC TRANSPORTATION INDUSTRY**

Government Code section 13979.3, subdivision (f) states that the report shall include recommendations to address workforce opportunities in public transportation industry including strategies to address workforce recruitment, retention, and development challenges. The following sections will highlight the draft findings and policy recommendations for workforce opportunities.

## **FINDINGS**

California transit agencies employ over 30,000 people today, and are increasing by 0.7% for bus, and 2.2% for rail each year (2016 to 2022.) The largest segment of transit employees are vehicle operators, followed by vehicle maintenance

and general administrative. The primary challenges with workforce opportunities in the transit industry are recruitment, retention, and career development. Recruitment issues are worsening nationwide- in 2022, the vacancy rate was 17% for bus operators and 10% for bus mechanics. Additionally, since 2010, turnover in California transit agencies has increased by approximately 40%, reaching around 9% in 2022, highlighting a statewide retention issue. Development issues include an aging workforce, with 38% of employees within California urban transit systems aged 55+, compared to 24% of California workers across sectors. This shows an apparent need to develop a new generation of workers. California transit agencies have developed initiatives to improve these core issues, including:

- **Recruitment:** Santa Clara Valley Transportation Authority hosts 'recruitment days' where prospective employees are interviewed and hired on the spot
- **Retention:** Sonoma Marin Area Transit hired former police officers to train operators on safety measures and bring in local responders when needed.
- **Development:** Los Angeles County Metropolitan Transportation Authority developed a 'Career Pathways Program' supported by partnerships with community colleges.

Key questions presented to the TTTF for discussion during Meeting 5 include:

1. What are your observations regarding the current state of the workforce that needs to be addressed?
2. What potential ideas do you have from programs and initiatives that you have seen?
3. What are the ways the State could best support?
4. How could the policies and programs be implemented at pace and scale across California?

The TTTF members discussed these questions during TTTF Meeting 5. Members were broadly supportive of the need to develop and expand the transit workforce. Members stated that there is a lengthy process of recruiting and training transit drivers and advocated for streamlining and improving efficiency. Members also emphasized that to expand the candidate pool, there is a need for collaboration between transit agencies and educational institutions to develop targeted training programs that address the specific needs of the industry. Additionally, members stressed the importance of adopting a broader perspective on workforce development and economic opportunities in the context of the green revolution. They highlighted the potential for California to become a leader in manufacturing and technology related to clean transportation.

## **PRINCIPLES, STRATEGIES, AND POLICY RECOMMENDATIONS**

Table 1 includes the principle and an initial list of strategies and policy recommendations regarding workforce opportunities, developed through discussions with SMEs, the TWG, and the TTTF:

**Table 1:** Workforce Opportunities: Principle, Strategies, and Policy Recommendations

| <b>Principle:</b> Transit should be operationally sustainable                       |                                                                                                                                                                                       |
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| <b>STRATEGY</b>                                                                     | <b>RECOMMENDATIONS</b>                                                                                                                                                                |
| N. Expand candidate pool and reduce barriers to entry for transit roles             | N.1. Expand partnerships with trade/ community colleges and other programs to increase size of candidate pool and train potential candidates                                          |
|                                                                                     | N.2. Create a centralized job board for transit agencies that are in the same transit region to advertise vacancies, share a talent pool, and better match candidates to positions    |
|                                                                                     | N.3. Create a statewide campaign to increase interest in careers in public transportation                                                                                             |
|                                                                                     | N.4. Re-evaluate age requirements for bus operators                                                                                                                                   |
|                                                                                     | N.5. Align Federal and State regulations around drug tests, particularly as it relates to marijuana                                                                                   |
|                                                                                     | N.6. Create an on-the-spot in-person interview and hiring process, and provide on-site examination for operators rather than requiring applicants to go test at the DMV               |
|                                                                                     | N.7. Allow in-house examiners to fulfil the certification requirements through tests administered to multiple agencies within a region (i.e., instead of current 10-test requirement) |
|                                                                                     | N.8. Establish a shared pool of vehicle simulators distributed across agencies within a region to expedite the certification process, especially for smaller agencies                 |
| O. Improve the value proposition of transit roles by reviewing compensation package | O.1. Benchmark pay to cost of living of each region                                                                                                                                   |
|                                                                                     | O.2. Cater and tailor compensation packages to different stages of the employee lifecycle                                                                                             |

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| and providing employee flexibility                                                                                                   | O.3. Provide housing stipends or partner with affordable housing providers to increase access to affordable housing near where transit workers report to work                                                                                         |
|                                                                                                                                      | O.4. Establish on-site childcare centers (or equivalent benefits)                                                                                                                                                                                     |
|                                                                                                                                      | O.5. Provide increased flexibility for workers (e.g., relieving shifts, choosing what shifts they want) to manage personal commitments, such as childcare or other familial responsibilities                                                          |
|                                                                                                                                      | O.6. Offer a diverse variety of shifts, and scale pay per desirability of shifts                                                                                                                                                                      |
|                                                                                                                                      | O.7. Invest in amenities for operators at end-of-line or as needed (e.g., add restroom facilities and lighting)                                                                                                                                       |
|                                                                                                                                      | O.8. Improve safety and experience of operators by increasing the presence of community support and law enforcement officers, installing protective partitions, and easing enforcement of safety measures through cross-jurisdiction legal frameworks |
|                                                                                                                                      | O.9. Explore and define transit and paratransit roles as essential emergency roles, increasing eligibility for funding through emergency services sources (e.g., FEMA and CalOES)                                                                     |
| P. Expand training and mentorship programs for agencies to ensure employees have required skills and visibility into career pathways | P.1. Create centralized training programs that can be used by agencies in the same transit area; for example, through trade colleges, and fund placements                                                                                             |
|                                                                                                                                      | P.2. Standardize credentials, curriculums, and onboarding materials that can be recognized across agencies                                                                                                                                            |
|                                                                                                                                      | P.3. Connect transit agencies to academic institutions (e.g., community colleges) to train employees for emerging skill requirements (e.g., maintenance of electric vehicles and autonomous vehicles)                                                 |
|                                                                                                                                      | P.4. Encourage transit agencies to establish formal mentorship and shadow programs; specifically, programs that provide new                                                                                                                           |

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|  | employees with visibility into roles a few levels above |
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**B. CHANGES TO LAND USE AND HOUSING POLICIES THAT COULD IMPROVE PUBLIC TRANSIT USE**

Government Code section 13979.3, subdivision (f) states that the report shall include recommendations to address changes to land use and housing policies that could improve public transit use. The following sections will highlight the draft findings and policy recommendations for land use and housing policies.

**FINDINGS**

California's housing and transportation crisis 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 (bus rapid transit, rail, bus hubs) are less dense than what is proven to support transit. As California provides new homes, increasing density of housing, population and jobs near transit could boost ridership. This could potentially also serve as a sustainable source of revenue for transit agencies. Research shows that transit supportive housing in California could potentially provide 1.6 to 2.4 million new homes, increase net local and state tax revenue, and reduce VMT by 33% and greenhouse gas emissions by 45%. TOD characteristics that boost transit ridership are not explicitly defined, but typically include:

- **Proximity to fast and frequent transit**, located within 0.5 miles or a 15-minute walk,
- **High-density development**,
- **Mix of uses**, or spaces that integrate or attract retail, offices, healthcare, and recreation,
- **Parking management and reduction strategies** to ensure highest and best use of land, e.g., shift to transit, other non-auto modes,
- **Affordable housing**, that can serve existing transit riders,
- **Financial returns**, such as competitive returns and/or use of public financing to attract investment in underserved areas, and
- **Coordinated planning** between public entities and developers to create a shared vision for transit-oriented communities.

Key questions presented to the TTTF for discussion during Meeting 6 include:

1. What should land use near transit in California look like?
2. What can be done to encourage use of existing regulations and policies to increase development near transit?
3. What new policies are needed to increase development near transit?
4. How can California further support to encourage development near transit?

The TTTF members discussed these questions during TTTF Meeting 6. The members emphasized the need for bold action to address the interconnected transit and housing crises. They called for efficiency in the housing process through streamlining and modifying existing laws to facilitate housing and commercial development around transit hubs, to help generate revenue that can support increased transit service. Members also stressed that while more housing is necessary, transit station areas should be designed as vibrant, mixed-use destinations that people are drawn to, rather than just as residential or commercial developments. Members also highlighted the critical importance of equity and affordable housing in transit-oriented developments, to reduce displacement through higher rent prices that push out existing lower-income residents. Members pointed out that while TOD can be used as a revenue strategy for transit, it generates “slow money” at a long-term scale and cannot replace more immediate State efforts to fund transit operations and capital needs.

### **PRINCIPLES, STRATEGIES, AND POLICY RECOMMENDATIONS**

Table 2 includes the principle and an initial list of strategies and policy recommendations regarding changes to land use and housing policies to increase transit use, developed through discussions with SMEs, the TWG, and the TTTF:

**Table 2:** Changes to Land Use and Housing Policies to Increase Transit Use: Principle, Strategies, and Policy Recommendations

| <b>Principle:</b> Transit and land use are interconnected            |                                                                                                                                                                                                                                                          |
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| <b>STRATEGY</b>                                                      | <b>RECOMMENDATIONS</b>                                                                                                                                                                                                                                   |
| Q. Improve integrated transit and land use planning and coordination | Q.1. Create a statewide strategy for transit-supportive land use to address both transit and housing objectives, including setting out TOD-specific objectives and guidelines that consider potential equity impacts and interests of private developers |
|                                                                      | Q.2. Give transit agencies the ability to review and comment on City TDM plans                                                                                                                                                                           |
|                                                                      | Q.3. Encourage HCD to include additional transit-supportive land use policies in qualifying for pro-housing designation                                                                                                                                  |
|                                                                      | Q.4. Work with HCD, LCI, and CARB to incorporate transit service level targets and enhancements while determining RHNA targets                                                                                                                           |

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|                                                                                               | 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 support transit via TOD                                                                                     |
|                                                                                               | Q.7. Have State collect and publish additional data to measure progress against transit-informed RHNA targets (e.g., square footage/ units of development, average timelines)           |
| R. Streamline the approval process for entitlements and permits for developments near transit | R.1. Provide by-right entitlement approvals for qualifying developments (e.g., those that are within 0.5 mile of transit) without SB 35                                                 |
|                                                                                               | R.2. Limit timelines for issuing permits for qualifying developments (e.g., those that comply with TOD policies and/or are within 0.5 mile of transit) or grant approvals automatically |
|                                                                                               | R.3. Consolidate responsibility for issuing permits for developments near transit to a 'responsible agency' to issue all permits at one time, rather than in sequence                   |
|                                                                                               | R.4. Create common software to digitize entitlement and permitting processes                                                                                                            |
| S. Encourage proactive zoning and land use near transit to support dense development          | S.1. Identify all land around transit stations open to joint development, including land owned by transit agencies and Caltrans, to develop TOD and work with developers                |
|                                                                                               | S.2. Increase allowable building densities and update other requirements to support transit (e.g., setback requirements, CEQA, coastal zone requirements) near transit                  |
|                                                                                               | 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. Allow transit agencies to sell air rights to create development opportunities above transit stations and facilities                                                                |

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|                                                                                                 | S.5. Create bench of pre-cleared property developers for use by agencies statewide with the goal of achieving economies of scale for TOD developments                                       |
| T. Provide education, incentives, or funding to developers and/or agencies that meet objectives | T.1. Have CalHFA 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.3. Create dedicated resources to assist developers with TIFIA loans for housing and other TOD financing                                                                                   |
|                                                                                                 | 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 to reduce contradicting policies and complete projects with sufficient housing and transportation |

### **C. POTENTIAL OF TRANSIT-ORIENTED DEVELOPMENT AND VALUE CAPTURE OF PROPERTY AROUND TRANSIT STATIONS**

Government Code section 13979.3, subdivision (f) states that the report shall include recommendations to address the potential of transit-oriented development (TOD) and value capture of property around transit stations as a source of sustainable revenue for transit operations. The following sections will highlight the draft findings and policy recommendations for TOD and value capture of property around transit stations.

### **FINDINGS**

Public transit is mainly funded through Federal, State, and local sources. Fuel taxes will decrease with a rise in zero-emission vehicles, which could impact public transit funding- for example, the Legislative Analyst's Office indicates State Transit Assistance (STA) program funding could decline by up to ~\$300M, roughly a third of total STA funding, by 2035. New, post-redevelopment tax-increment financing (TIF) tools are not well understood or widely used, limiting their use in assisting housing goals, according to the Governor's Office of Land Use and Climate Innovation. Lastly, farebox revenue has not rebounded to pre-pandemic levels, due to changes in travel patterns, population, and perceptions about transit. Transit-oriented development can create value capture opportunities either by expanding revenue from real estate activities, enhancing other sources of revenue, or subsidizing operations by capturing the enhanced value of land near transit using increment financing. This can help increase and diversify revenue sources, while expanding transit-supportive housing and increasing transit ridership. California can further support value capture of revenue through real estate and other sources through several ways, including:

- **Empowering development:** Further empower existing and/or new entities to pursue a 'Rail plus Property' model on transit-owned land and integrate into new transit expansion plans,
- **Financial structures:** Consider implementing financial structures to ensure accrued value of real estate development goes to transit agencies,
- **Regulatory barriers:** Seek opportunities to overcome regulatory barriers limiting value capture,
- **Organizational support:** Review potential to provide technical assistance across the development lifecycle through existing and/or new entities, and
- **Funding distribution:** Consider ways to ensure funds in California continue supporting smaller agencies that have less opportunity to capture value.

Key questions presented to the TTTF for discussion during Meeting 6 include:

1. How could California maximize value capture from real estate at-scale and at-pace for transit?
2. How could California best support transit in capturing other non-real estate sources of earned revenue?

The TTTF members discussed these questions during TTTF Meeting 6. Members highlighted the Surplus Land Act, and possible amendments for better utilization of surplus property. Members also cautioned that while additional revenue sources like concessions or advertising can be helpful, they are unlikely to significantly address the major fiscal deficits faced by transit agencies. The members suggested that while real estate-related value capture opportunities

can help contribute, they cannot be the only solution to address the scale of the financial challenges that transit agencies currently face.

### **PRINCIPLES, STRATEGIES, AND POLICY RECOMMENDATIONS**

Table 3 includes the principle and an initial list of strategies and policy recommendations regarding potential of transit-oriented development and value capture of property around transit stations, developed through discussions with SMEs, the TWG, and the TTTF:

**Table 3:** Potential of Transit-Oriented Development and Value Capture of Property Around Transit Stations: Principle, Strategies, and Policy Recommendations

| <b>Principle:</b> Transit and land use are interconnected                                      |                                                                                                                                                                                                                                                                                                         |
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| <b>STRATEGY</b>                                                                                | <b>RECOMMENDATIONS</b>                                                                                                                                                                                                                                                                                  |
| U. Allow California to maintain and capture value from land near transit                       | U.1. Ensure potential transit uses, including transit-oriented development, are prioritized in the Surplus Land Act                                                                                                                                                                                     |
|                                                                                                | U.2. Assess the private value created from 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 or modify a tax increment financing tool specifically for transit-oriented development and value capture near station with fewer requirement than current tools along with more revenue available for capture                                                                               |
|                                                                                                | U.4. Create new entity to directly undertake property development and/or enter public-private partnerships to provide revenue to transit agencies                                                                                                                                                       |
| V. Provide incentives and/or technical assistance to support transit agencies on value capture | 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, consortium to design, and install EV chargers and hydrogen re-fueling facilities on agency-owned parking areas) |
|                                                                                                | V.2. Create State Purchasing Schedules to make expertise in value-capture opportunities available                                                                                                                                                                                                       |

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|  | to transit agencies to lower costs (e.g., California tourism passes, professional sports teams)    |
|  | V.3. Prioritize investment dollars into transportation projects that have a value capture strategy |