San Francisco County Transportation Authority

Elijah Saunders <elijah.saunders@sfcta.org>

Submission to TIMMA Board Meeting 3-21-23: The Mystery of the Treasure Island of the “Supplemental Transportation” Plan

Jim Mirowski <ticommunityorg@gmail.com> Fri, Mar 17, 2023 at 2:55 PM
To: ChanStaff@sfgov.org, MandelmanStaff@sfgov.org, MelgarStaff@sfgov.org, Dean.Preston@sfgov.org, Ahsha.Safai@sfgov.org, Shamann.Walton@sfgov.org, Catherine.Stefani@sfgov.org, Hillary.Ronen@sfgov.org, Aaron.Peskin@sfgov.org, Gordon.Mar@sfgov.org, mayorlondonbreed@sfgov.org, clerk@sfcta.org, tilly.chang@sfcta.org, cityattorney@sfcityatty.org, city.administrator@sfgov.org, Bob.Beck@sfgov.org, DorseyStaff@sfgov.org

The Mystery of the Treasure Island of the “Supplemental Transportation” Plan

Letter to the TIMMA Bd meeting of 3-21-23

The Treasure Island Organizing Committee (TIOC) wants to be clear that we support the proposal to get state money for TI transportation needs. For years we have advocated that the City find other sources for funds to fulfill those needs rather than the toll, and we applaud staff for realizing that is the best strategy, especially for now. *Our beef is with the democratic process, or lack thereof, in how the Supplemental Transportation Survey and its plan product have been produced.*

When the idea of a Supplemental Transportation Survey was first presented at the June 2022 One Treasure Island Community meeting, several people immediately volunteered to be on the “working group” writing the first draft. They were quickly told the group was closed to new members because it had already started its work and didn’t want to start over.

At that point people on the zoom meeting asked who was on the survey working group, who selected them and using what criteria? Only the last question was ever even partially answered. The secret process selecting the secret working group, we were told, was done to assure a diverse group of residents, staff and contractors, an admirable goal if the ones selecting them were a cross section of attitudes on the issues, but we still have no idea.) To this day, we still don’t know despite numerous inquiries.

When we heard the plan was to be incorporated in the City’s proposal for state funding we asked One Treasure Island again for a copy of the plan proposal no one but the secret group and OTI staff have seen. As concerned citizens we wanted to review it and give the TIMMA board relevant feedback at its March 21 meeting. But we were told it was not ready yet, but that we might see it by March 1. When that did not happen, we were told it would make its debut public release on April 1, conveniently a day after the state’s deadline for submitting the proposal.

We were told we could have input by taking the survey. Sure take the survey, but that does not give input in the front end where biases are embedded in which questions are asked and how they are constructed.

So we have no input for you except to say we tried and were blocked at every turn. And to note that we are very disappointed in the process. There has been no community input or vetting. The resolution before the board says the money is for, among other things, the “continuation of a community transportation planning process.” So far this community planning process has been an anti-democratic farce and abomination. If it goes on like this, if the board approves this resolution, it will be, as you know, a violation of the Brown Act and the Sunshine Ordinance.

The TIOC feels very strongly about this. We have been very clear that we, like the vast majority of the residents and businesses on TI oppose the toll. But the only people we know who have seen this plan are city and OTI staff, all of whom are firmly on the record as not just pro-toll but have the position that it is not optional, it is mandatory. Voting and advocating for a secret plan is a breach of trust as well as anti-democratic and illegal.

So we propose that the TIMMA Board go on the record to say that the submission of this proposal to the state does not constitute endorsement of the Supplemental Transportation plan, and that One Treasure Island be instructed to give us the plan ASAP and that either OTI or TIMMA hold a public meeting on Treasure Island in the evening to hear from as many of its residents and business owners as show up.

Treasure Island Organizing Committee(TIOC)

A grassroots organization of both resident, non profits and businesses on Treasure Island

San Francisco County Transportation Authority

Elijah Saunders <elijah.saunders@sfcta.org>

Correction PDF: Submission to TIMMA Board Meeting 3-21-23: The Mystery of the Treasure Island of the "Supplemental Transportation" Plan

Jim Mirowski <ticommunityorg@gmail.com> Mon, Mar 20, 2023 at 11:45 AM
To: ChanStaff@sfgov.org, MandelmanStaff@sfgov.org, MelgarStaff@sfgov.org, Dean.Preston@sfgov.org, Ahsha.Safai@sfgov.org, Shamann.Walton@sfgov.org, Catherine.Stefani@sfgov.org, Hillary.Ronen@sfgov.org, Aaron.Peskin@sfgov.org, Gordon.Mar@sfgov.org, mayorlondonbreed@sfgov.org, clerk@sfcta.org, tilly.chang@sfcta.org, cityattorney@sfcityatty.org, city.administrator@sfgov.org, Bob.Beck@sfgov.org, DorseyStaff@sfgov.org

Please see attached PDF format letter for the TIMMA Board meeting.

Thank you

TIOC

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TIMMA Bd meeting of 3-21-23 wd.pdf
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San Francisco County Transportation Authority

Elijah Saunders <elijah.saunders@sfcta.org>

Excessive residential parking costs plus congestion tolls may make 'affordable' housing unaffordable for most lower income households in the TI Project!

JB Kline <kline.jb@gmail.com> Mon, Mar 20, 2023 at 12:04 PM
To: "ChanStaff (BOS)" <ChanStaff@sfgov.org>, "MandelmanStaff, [BOS]" <MandelmanStaff@sfgov.org>, MelgarStaff@sfgov.org, Dean.Preston@sfgov.org, Ahsha.Safai@sfgov.org, Shamann.Walton@sfgov.org, "Stefani, Catherine" <Catherine.Stefani@sfgov.org>, Hillary Ronen <Hillary.Ronen@sfgov.org>, "Peskin, Aaron (BOS)" <Aaron.Peskin@sfgov.org>, Gordon.Mar@sfgov.org, "DorseyStaff (BOS)" <DorseyStaff@sfgov.org>
Cc: mayorlondonbreed@sfgov.org, Cityattorney <cityattorney@sfcityatty.org>, tilly.chang@sfcta.org, "bob.beck@sfgov.org" <bob.beck@sfgov.org>, "elijah.saunders@sfcta.org" <elijah.saunders@sfcta.org>, "Austin, Kate (ADM)" <Kate.Austin@sfgov.org>

Dear SF Supervisors, acting as the TIMMA Board:

Please accept my apology for emailing a confusing and 'unpolished' early draft of a letter on this subject last Friday. I'm out of practice in such expository writing, but the final draft is attached as a PDF. I hope that you and /or your staff have a chance to look at it before tomorrow's TIMMA Board Meeting.

Btw, I was one of three TI/YBI residents attending and commenting at the first TIMMA Committee Meeting in 2015, and the only TI/YBI resident to attend and comment (three times) the first TIMMA Board Meeting in 2016.

I look forward to seeing all of you, in person, this Tuesday morning!

Respectfully,

Jeff Kline
25 year TI resident

Excessive residential parking costs plus congestion tolls may make 'affordable' housing unaffordable for most lower income households in the TI Project!.pdf
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Excessive residential parking costs plus congestion tolls may make 'affordable' housing unaffordable for most lower income households in the TI Project!

Dear TIMMA Decision Makers:

The two most important elements of the Treasure Island Project's Transportation Demand Management (TDM) program are planned scarcity of unbundled residential parking spaces, and the “congestion fee” (or toll) for drivers to enter or leave the “congestion zone” of the TI Project area, which is essentially all of Treasure Island and Yerba Buena Island (TI & YBI).

According to the Treasure Island Mobility Management Implementation Report 2021 Update:

All residents who own a car (whether owners or renters) will be subject to a parking charge (either monthly rental or purchase) if they choose to utilize a parking space. Residential parking charges will be set at market rates for residential units priced at market or inclusionary levels. Affordable housing units constructed by or on behalf of TIDA, including One Treasure Island (OTI) units, will be able to set their own parking prices. As discussed below, all on-street parking will also incur a charge, making it impossible for a resident to park on-street to avoid parking charges for structured parking.

Residential parking will be constructed by private developers or, for centralized facilities, by TICD or another developer on behalf of private developers and leased or sold to individual households. ***Residential parking revenues would not be used as a funding source to support long-term transit operations****.* [p.32, emphasis added]

The only example to date of “market rates” for residential parking spaces in the TI Project are for the recently constructed Bristol apartment complex on YBI, which, according to the Updated Bristol BMR Flyer, will offer parking spaces for $115,000. This price is not stated directly, but the prices for BMR units with and without parking differ by exactly this amount. Assuming that any buyer of a BMR unit would need to finance this cost at the current mortgage interest rate of 7%, this works out to $765 monthly, or $9,180 yearly, and would total roughly $275,000 with a 30-year mortgage.

While a significantly lower interest rate is available for lower income BMR-qualified buyers through the San Francisco Mayor's Office of Housing and Community Development (MOHCD), as far as I'm aware, the MOHCD will not help BMR buyers secure lower cost financing for parking spaces.

In fact, this estimated yearly cost of more than $9k for a parking space may be even more than driving residents yearly cost from the "congestion fee", commonly referred to as the TI toll, that will apply to drivers leaving and entering the TI “congestion zone”, which includes YBI.

Unfortunately, we still don't know what the expected yearly cost of the toll will be to TI residents or businesses, because the Treasure Island Mobility Management Agency (TIMMA) has failed to do an economic impact analysis-- despite many requests from residents and businesses during the past five years. However, I've 'guesstimated' that the annual cost to resident drivers will be at least $7k, based on a chart in a 2015 TIMMA slide presentation on the toll.

Incidentally, this revealing slide disappeared from subsequent TIMMA presentations. In fact, the current annual cost is likely to be much higher because TIMMA changed the proposed toll policies during the interim to greatly expand hours of collection, and also increased toll prices, in order to generate ever more revenue, so the projected annual cost is now probably over $8k.

Planned Scarcity and Unbundled Parking Yields Windfall Profit for Developer TICD

All residential parking spaces in the TI Project are unbundled, and while unbundled parking seems like a well-intentioned policy, it may encourage speculation that drives up prices. There is already abundant anecdotal evidence of this. For example, a 2020 Business Insider article reported that a parking space that was previously rented by a tenant for $300 a month was listed for sale at $100,000. A number of studies and reports have put the cost of a parking space at between 10% and 17% of the total housing cost. However, the percentage for the BMR units in the Bristol range from 24% to 115%, which, in comparison, ranges from excessive to outrageous.

I have no idea how TIDA will price parking spaces for “affordable” units, nor any idea of how parking spaces will be allocated, but I believe that OTI buildings will not have enough parking to meet demand (and that is the intended TDM plan), so residents must enter a lottery to try to 'win' a parking space.

However, this $115k price for a parking space seems completely unwarranted, since a 2019 Chronicle article on the costs of building an apartment in SF put the cost of a parking space at ~$17.5k per unit, or 2.44% of the total cost, while the overall land cost was ~$170k, or 24% of the total cost.

Yet the land cost for the TI Project area is negligible, because according to the Economic Development Conveyance- Memorandum Of Agreement finalized in June 2015, the Navy agreed to sell 509 acres of former Naval Station Treasure Island to TIDA for no more than $105M, a price far below Fair Market Value (FMV), as the Navy put the value at around $1Billion. Sale of federal property at below FMV was allowed due to certain public benefits that are expected to result from the TI Project, the foremost benefit being construction of 2k units of affordable housing.

While these 509 acres will cost TIDA no more than $105M, the actual housing footprint is only around 100 acres. Incidentally, this $105M in land cost amounts to less than 2% of the $6Billion total cost of the TI Project. But let's pretend that all 509 acres of the TI Project is for housing, and then divide the $105M by the 8k planned residential parking spaces and housing units Let's also assume that a parking space is 1/3 of the total housing footprint: this works out to roughly $4.4k for the land cost of a parking space. Even with these generous assumptions (which all favor the developer), the net cost of a parking space in the TI Project should be no more than $17.5k + $4.4k = $21.9k.

Allowing for a potential 30% increase in parking space construction costs since 2019 (~10% per year), and a 'healthy' 20% profit margin, the cost of a residential parking space in the TI Project should be a bit more than $34k. The difference between $34k and the price of $115k is $81k. Assuming there will still be 8k unbundled residential parking spaces*, and that, for the 6k of market rate and inclusionary units, these spaces will be for sale at $115k (or will have a leasing cost or rental cost equivalent to $115k), this will result in a 'windfall profit' of $81k per parking space.

An $81k excess profit per parking space, times 6k parking spaces, yields an overall 'windfall profit' for the developers, the Treasure Island Community Development (TICD)-- whose lead partner Lenard is the biggest home builder in the US-- of $486 Million!

Consequently, I strongly suggest that TICD be required to use this huge windfall profit to provide

funds for comparable replacement units for all displaced TI residents, cash relocation benefits for all displaced TI businesses (both are required under federal law), and to provide funds for all the transit required by the TI Project, including planned MUNI bus service and expanded service under Mitigation M-TR-2-- instead of the paltry amounts of $45M for replacement housing-- and less than $37M for transit-- agreed to by TIDA and TICD in the 'sweetheart' self-dealing arrangement formalized as the 2011 Disposition and Development Agreement (DDA).**

<u>Some Fiscal, Traffic, and Environmental Impacts of Problematic TI Project</u>

Given that MUNI bus service is paid for by money from the General Fund, and that no revenue from the TI Project TDM program will go to fund all the expanded MUNI service needed by the TI Project, and that the SFCTA just reported a projected MUNI funding shortfall of $598M during the next five years, I think it is imperative that the TIMMA Board, which is also the SFCTA Board, and who are, in fact, our own elected SF Board of Supervisors, should insist that the DDA be renegotiated, and that the TDM program be revised to provide this essential funding for MUNI bus service for the TI Project.

Furthermore, I suspect that the Fiscal Impact Analysis done for the TI Project may have been overly optimistic in its conclusion that revenue generated from property taxes, sales taxes, hotel taxes, and other sources from the TI Project would provide sufficient General Fund revenue for MUNI [25] and enhanced transit under Mitigation M-TR-2. In addition, current City budget shortfalls going forward may necessitate a fiscally conservative revision of the goal to fund MUNI service for the TI Project.

This 'hidden' windfall profit is a direct result of the 'green-washed', allegedly “sustainable" design of the TI Project, and the financially conflicted private public partnership between TICD and TIDA. TIMMA was created subsequently to implement a system of planned scarcity, formalized as the TDM program, and to impose and justify punitive “congestion” tolls and parking fees, that result in excessive prices for housing and parking, which increase the costs of living and doing business for everyone.

A Transportation Impact Study by Fehr & Peers was done in 2010 for the Final Environmental Impact Report (FEIR) on the TI Project. That Study concluded the TI Project would add around 10% to 15% more peak traffic demand for the San Francisco-Oakland Bay Bridge. Since the Bridge was already at capacity well before 2010, this extra demand would exceed the capacity of bridge approaches, with a long on-ramp backup on YBI, and vehicles queuing around YBI-- possibly to the front gate of TI-- as well as slower metering of traffic at the toll plaza, with traffic backed up on or beyond the Maze in Oakland. And of course, a much slower morning commute from the East Bay.

This would lead to much greater greenhouse gas (GHG) production, since internal combustion engine vehicles still comprise ~97% of the existing fleet of vehicles in California (while electric vehicles total less than 3%), and such vehicles are much less efficient when idling, or when driving in 'clumpy' stop and go traffic, and not driving at a steady speed. This would defeat one of the stated goals of the TDM program, which is to reduce GHG production, in accordance with AB32. As far as I'm aware, TIMMA has failed to produce any credible studies to confirm whether the TDM program is likely to actually result in reduced GHG production.

Obviously, this outrageous rent-seeking scheme of the TI Project's TDM program will do little or nothing to prevent traffic congestion and the resulting pollution, or to slow global warming-- it will likely do just the opposite-- but it will likely yield endlessly rising revenues for TIMMA and huge windfall profits for TICD.

Housing and Transportation Affordability Standards, Methods, and Calculation

Let's take a closer look at housing (H) and transportation (T) costs, and the standards and methods of calculating affordability. First, the incomes of buyers of affordable or BMR units in the TI Project are limited to between 89% to 134% of Area Median Income (AMI) for SF. I assume that the buyer is a typical SF-Oakland-Hayward metro area household (HH), who spend 12.1% or ~$11K on T, 86.2% of that on private vehicles. Incidentally, **at least 70% of SF HHs need to drive**.

The **SFCTA has identified TI as a "community of concern" because, according to the Census American Community Survey 2019 5 year estimates, 33.7% of TI HHs lack access to a vehicle**-- which sounds much less fun than going "car-free"-- the slogan that TIMMA and SFCTA Planners use continually. For the 70% of TI Project residents who need private vehicles, the yearly cost of living in a BMR or affordable unit in the TI Project will be roughly $13K higher (~$9k for parking, plus ½ of ~$8k for the toll, due to 50% discount for lower income HHs [55% to 120% AMI] = ~$13k). Using the Bureau of Labor Statistics data from 2019-20, which put metro area HH annual spending at $92K, this amounts to a 14.1% increase in total spending, and an increase in total T spending of over 118%-- with T jumping from ~12% to ~26% of total HH spending!

Why does this matter? Because, after housing, transportation costs are "typically a household's second-largest expenditure". Housing and Urban Development (HUD) guidelines deem housing costs to be excessive if they are above 30% of HH AMI income. However, "(t)he H+T Index offers an expanded view of affordability, one that combines housing and transportation costs and sets the benchmark at no more than 45% of household income.". HUD and the MOHCD define housing costs as "affordable" if they are no more than 30%, and this level determines eligibility for BMR and affordable units in the TI Project. So, 30% H + 26% T (from the above example) = 56%. **This means that all BMR units, and probably many "affordable" units as well, may be unaffordable for lower income residents who need to drive.** https://cnt.org/tools/housing-and-transportation-affordability-index

However, the percentage of higher income HHs who have private vehicles and can afford the much higher cost of owning a private vehicle in the TI Project-- as compared to SF and the Bay Area-- will be much greater than lower income HHs. This fact, combined with the planned scarcity of parking spaces at one per housing unit-- versus the existing SF average of around two parking spaces per apartment-- plus the much higher cost of residential parking in the TI Project compared to the rest of SF, will result, in effect, in scarce parking spaces being 'auctioned off' to the highest bidder.

The two thirds of current TI residents who need to drive and end up moving to replacement housing in the TI Project must enter a lottery in the slim hope of winning a scarce parking space. The 70% of SF residents who drive will likely have to give up driving to afford an "affordable" unit in the TI Project. This may be seen as a deceptive and cruel betrayal of the hopes of so many San Franciscans, if the promise of affordable housing in the long-awaited TI Project turns out to be false.

Economics 101 Refresher and Critique of Rent-seeking and Social Engineering TDM Scheme

This government mandated scarcity of parking spaces is the opposite of a normally functioning market, where higher demand should lead to greater supply. Similarly, the capacity of the Bay Bridge is finite, and can't be expanded in response to increased traffic demand from the roughly 20,000 new residents in the TI Project, and is what is termed a 'natural monopoly' (as is government itself, by the way). These two key parts of the TDM program exploit a planned scarcity of parking, and circumstantial scarcity of highway access via the Bay Bridge, in a perverse scheme that combines rent-seeking and social engineering, and favors high income HHs while it punishes lower income HHs.

The fundamental economic principle at work here is elasticity, which SFCTA Deputy Planner Rachel Hiatt is well aware of, and we all understand by basic common sense. Lower income individuals and households are much more impacted by higher costs than are higher income folks, whose demand for goods and services is inelastic-- that is to say, their demand does not go down in response to higher prices or costs, since they are able to pay.

For example, TIMMA did a study a few years ago on the projected impact of the TI toll on visitors. That study found that visitors had 50% higher incomes than TI Project residents, and this resulted in very inelastic (strong) demand for driving, despite the toll. The study used the SF CHAMP computer model, and found that the toll was projected to reduce their driving trips in and out of the TI congestion zone by less than 1%. In contrast, TIMMA's study of the toll impact on (the 1/3 lower income) TI Project residents projected that it would reduce their driving trips by ~3%.

In TIIMMA's Environmental Justice analysis of the TI toll, Ms. Hiatt claimed that toll payers would benefit from reduced congestion, yet TIMMA's own studies show a negligible reduction in congestion. This lack of any significant or tangible benefit to toll payers is the Achilles Heel of the TI toll, since it is very unlikely that voters would approve the TI toll if they had the opportunity to vote on it.

Another major flaw of the TI toll is that if it does succeed in reducing driving trips, then revenue will go down, and TIMMA will have to raise the toll price, and/or expand tolling hours. At the same time MUNI bus ridership will go up to the point of severely straining capacity, leading to “significant and unavoidable impact for capacity utilization” on the MUNI [25] TI bus line, according to the Fehr & Peers Study. Lower income folks are increasingly forced to ride the bus, even as service declines.

And the heavy reliance of the TDM program on toll revenues, most of which will go to fund expensive, underutilized ferry service, may be overly optimistic about generating those revenues, since none of the congestion tolling projects studied by the Government Accountability Office generated net revenue, except for one project that actually added new toll lanes to a highway (SR91).

Unjust, Ill-Conceived TI Toll a Fatally Flawed Business 'Killer'

Lastly, let's look at the adverse impact of the TDM program on existing and future businesses on TI. The TI Project is counting on developing a thriving business district in order to reduce the need for off island trips as much as possible. Existing retail businesses on TI know that the proposed “congestion” toll will 'kill' their business, due both to higher cost of goods, services, and labor, and also by deterring many or most of their off-island customers-- whose continued patronage is essential to their financial survival. These same adverse impacts are also likely to 'doom' the TI Project's business district-- and lead to even more traffic demand for the Bay Bridge from residents!

Perhaps this is why TIMMA/SFCTA seems so reluctant to do an economic impact analysis of the entire Transportation Demand Management program-- which must include the huge hidden cost of unbundled parking, in addition to the direct and indirect costs of the misleadingly named "congestion" toll.

Conclusion

I'm not going to discuss the apparently insurmountable Tidelands Trust issues created by the TI toll, since you must be well aware of them by now. By the way, the the 1995 Draft Reuse Plan for Treasure Island warned that Tideland Trust requirements must be resolved for redevelopment to proceed, and, in my opinion, the entire Reuse Plan should be required reading for anyone making government decisions about TI/YBI. Suffice to say that if the TI toll goes away, the Tidelands Trust problem goes away.

You decision-makers still have a chance to prevent these bad outcomes by abandoning the ill-conceived “congestion” toll element of the TDM program, and moving to renegotiate the DDA to require that the developers, TICD, pay for all the transit needed by their project-- as is the case for every other major project in San Francisco. Since TICD is promised a $1B profit in the DDA, and I've now identified a 'hidden' windfall profit for TICD of up to nearly half a $Billion, I can see no valid excuse for your not doing so, or for TICD not agreeing to renegotiation of the terms of the DDA between TIDA and TICD.

Consequently, I ask that you insist that TICD and all their TI Project development partners be required to use the huge windfall profit from the sale or leasing of 6,000 market rate parking spaces to provide funds for comparable replacement units for all displaced TI residents who qualify for Last Resort Housing and cash relocation benefits for all displaced TI businesses, and to provide funds for all the transit required by the TI Project, including planned MUNI bus service and expanded service under Mitigation M-TR-2-- instead of the paltry amounts of $45M for replacement housing***-- and less than $37M for transit-- agreed to by TIDA and TICD in the 'sweetheart' self-dealing arrangement formalized as the 2011 Disposition and Development Agreement (DDA).**

Respectfully,

Jeffrey B. Kline
25 year TI resident

*This number is based on the 2010 Transportation Impact Study. However, it may be possible that these numbers have been reduced by TIMMA by ~10%, creating further scarcity of parking spaces.
** Under federal law (the URA, 49CFR24 et seq.) relocation benefits are required to be provided by the displacing agency, which is TIDA, but TICD promised TIDA in the DDA to provide funding for relocation benefits.
***Based on a lower original number of units. Current TICD maximum housing subsidy is $105M.

Cc: Mayor London Breed, City Administrator Carmen Chu, City Attorney David Chiu, SFCTA Director Tillie Chang, TIDA Project Director Bob Beck, and the Clerks of SFCTA & TIDA

San Francisco County Transportation Authority

Elijah Saunders <elijah.saunders@sfcta.org>

Please share this letter with the TIMMA BOARD before its 9:30 am meeting today, March 21, 2023

carol harvey <carolharvey1111@gmail.com> Tue, Mar 21, 2023 at 8:25 AM
To: "Austin, Kate (ADM)" <kate.austin@sfgov.org>, "Beck, Bob (MYR)" <bob.beck@sfgov.org>, "elijah.saunders@sfcta.org" <elijah.saunders@sfcta.org>

Dear Bob Beck, Kate Austin, and Elijah Saunders:

I'm sharing a letter to the TIMMA Board written by Jeffrey B. Kline as an email instead of a PDF file. I have expanded the acronyms for ease of reading. Please share this letter with TIMMA and TIDA Board members. Thank you. Carol Harvey

Excessive residential parking costs plus congestion tolls may make 'affordable' housing unaffordable for most lower income households in the TI Project.

Jeff Kline

Mar. 21, 2023

Dear TIMMA Decision Makers:

The two most important elements of the Treasure Island Project's Transportation Demand Management (TDM) program are planned scarcity of unbundled residential parking spaces, and the "congestion fee" (or toll) for drivers to enter or leave the "congestion zone" of the TI Project area, which is essentially all o f Treasure Island and Yerba Buena Island (TI & YBI).

According to the Treasure Island Mobility Management Implementation Report 2021 Update:

All residents who own a car (whether owners or renters) will be subject to a parking charge (either monthly rental or purchase) if they choose to utilize a parking space. Residential parking charges will be set at market rates for residential units priced at Market or inclusionary levels. Affordable housing units constructed by or on behalf of TIDA, including One Treasure Island (OTI) units, will be able to set their own parking prices. As

discussed below, all on-street parking will also incur a charge, making it impossible for a resident to park on-street to avoid parking charges for structured parking.

Residential parking will be constructed by private developers or, for centralized facilities, by TICD or another developer on behalf of private developers and leased or sold to individual households. Residential parking revenues would not be used as a funding source to support long-term transit operations [p. 32, emphasis added.]

The only example to date of “market rates” for residential parking spaces in the TI Project are for the recently constructed Bristol apartment complex on YBI, which, according to the Updated Bristol BMR Flyer, will offer parking spaces for $115,000, This price is not stated directly, but the prices for BMR units with and without parking differ by exactly this amount. Assuming that any buyer of a BMR unit would need to finance this cost at the current mortgage interest rate of 7%, this works out to $765 monthly, or $9,180 yearly, and would total roughly $275,000 with a 30-year mortgage.

While a significantly lower interest rate is available for lower income BMR-qualified buyers through the Francisco Mayor's Office of Housing and Community Development (MOHCD), as far as I'm aware, the MOHCD will not help BMR buyers secure lower cost financing for parking spaces.

In fact, this estimated yearly cost of more than $9K for a parking space may be even more than driving residents yearly cost from the”congestion fee,” commonly referred to as the TI toll, that will apply to drivers leaving and entering the TI “congestion zone,” which includes YBI.

Unfortunately, we still don't know what the expected yearly cost of the toll will be to TI residents or businesses, because the Treasure Island Mobility Management Agency (TIMMA) has failed to do an economic impact analysis – despite many requests from residents and businesses during the past five years. However, I've 'guesstimated' that the annual cost to resident drivers will be at least $7k based on a chart in a 3015 TIMMA slide presentation on the toll.

Incidentally, this revealing slide disappeared from subsequent TIMMA presentations. In fact, the current annual cost is likely to be much higher because TIMMA changed the proposed toll policies during the interim to greatly expand hours of collection, and also increased toll prices, in order to generate ever more revenue, so the projected annual cost is now probably over $8k.

<u>Planned Scarcity and Unbundled Parking Yields Windfall Profit for Developer TICD.</u>

All residential parking spaces in the TI Project are unbundled, and while unbundled parking seems like a well-intentioned policy, it may encourage speculation that drives up prices. There is already abundant anecdotal evidence of this. For example, a 2020 Business Insider article reported that a parking space that was previously rented by a tenant for $300 a month was listed for sale at $100,000. A number of studies and reports have put the cost of a parking space at between 10% and 17% of the total housing cost. However, the percentage for the BMR units in the Bristol range from 25% to 115%, which, in comparison, ranges from excessive to outrageous.

I have no idea how TIDA will price parking spaces for “affordable” units, nor any idea of how parking spaces will be allocated, but I believe that OTI (One Treasure Island) buildings will not have enough parking to meet demand (and that is the intended Transportation Demand Management (TDM) (plan), so residents must enter a lottery to try to 'win' a parking space.

However, this $115k price for a parking space seems completely unwarranted, since a 2019 Chronicle article on the costs of building an apartment in SF put the cost of a parking space at ~$170k, or 24% of the total cost.

Yet the land cost for the TI project area is negligible, because according to the Economic Development Conveyance – Memorandum of Agreement finalized in June 2015, the Navy agreed to sell 509 acres of former Naval Station Treasure Island to TIDA for no more than $105M, a price far below Fair Market Value (FMV), as the Navy put the value at around $1 Billion. Sale of federal property at below FMV (Fair Market Value) was allowed due to certain public benefits that are expected to result from the TI Project, the foremost benefit being construction of 2k units of affordable housing.

While these 509 acres will cost TIDA no more than $105M, the actual housing footprint is only around 100 acres. Incidentally, this $105M in land cost amounts to less than 2% of the $6 Billion total cost of the TI Project. But let's pretend that all 509 acres of the TI Project is for housing, and then divide the $105M by the 8k planned residential parking spaces and housing units. Let's also assume that a parking space is 1/3 of the total housing footprint: this works out to roughly $4.4k for the land cost of a parking space. Even with these generous assumptions (which all favor the developer), the net cost of a parking space in the TI Project should be no more than $17.5k + $4.4k = $21.9k.

Allowing for a potential 30% increase in parking space construction costs since 2019 (~10% per year), and a 'healthy' 20% profit margin, the cost of a residential parking space in the TI Project should be a bit more than $34k. The difference between $34k and the price of $115k is $81k. Assuming there will still be 8k unbundled residential parking spaces*, and that, for the 6k of market rate and inclusionary units, these spaces will be for sale at $115k (or will have a leasing cost or rental cost equivalent to $115k), this will result in a 'windfall profit' of $81k per parking space.

An $81k excess profit per parking space times 6k parking spaces, yields an overall 'windfall profit' for the developers, the Treasure Island Community Development (TICD) – whose lead partner Lenard (Lennar) is the biggest home builder in the US – of $486 Million!

Consequently, I strongly suggest that TICD be required to use this huge windfall profit to provide funds for comparable replacement units for all displaced TI residents, cash relocation benefits for all displaced TI businesses (both are required under federal law), and to provide funds for all the transit required by the TI Project, including planned MUNI bus service and expanded service under Mitigation M-TR-2 – instead of the paltry amounts of $45M for replacement housing – and less than $37M for transit – agreed to by TIDA and TICD in the 'sweetheart' self-dealing arrangement formalized as the 2011 Disposition and Development Agreement (DDA).**

<u>Some Fiscal, Traffic, and Environmental Impacts of Problematic TI Project</u>

Given that MUNI us service is paid for by money from the General Fund, and that no revenue from the TI Project Transportation Demand Management (TDM) program will go to fund all the expanded MUNI service needed by the TI Project, and that the San Francisco County Transportation Authority (SFCTA) just reported a projected MUNI funding shortfall of $598M during the next five years, I think it is imperative the the TIMMA Board, which is also the SFCTA Board, and who are, in fact, our own elected SF Board of Supervisors, should insist that the Disposition and Development Agreement (DDA) be renegotiated, and that the Transportation Demand Management (TDM) program be revised to provide this essential funding for MUNI bus service for the TI Project.

Furthermore, I suspect that the Fiscal Impact Analysis done for the TI Project may have been overly optimistic in its conclusion that revenue generated from property taxes, sales taxes, hotel taxes, and other sources from the TI Project would provide sufficient General Fund revenue for MUNI [25] and enhanced transit under Mitigation J-TR-2. In addition, current City budget shortfalls going forward may necessitate a fiscally conservative revision of the goal to fund MUNI service for the TI Project.

This 'hidden' windfall profit is a direct result of the 'green-washed,' allegedly “sustainable” design of the TI Project, and the financially conflicted private public partnership between TICD and TIDA. TIMMA was created subsequently to implement a system of planned scarcity, formalized as the Transportation Demand Management (TDM) program, and to impose and justify punitive “congestion” tolls and parking fees, that result in excessive prices for housing and parking, which increase the costs of living and doing business for everyone.

A Transportation Impact Study by Fehr & Peers was done in 2010 for the Final Environmental Impact Report (FEIR) on the TI Project. That Study concluded the TI Project would add around 10% to 15% more peak traffic demand for the San Francisco-Oakland Bay Bridge. Since the Bridge was already at capacity well before 2010, this extra demand would exceed the capacity of bridge approaches, with a long on-ramp backup on YNI, and vehicles queuing around YBI – possibly to the front gate of TI – as well as slower metering of traffic at the toll plaza, with traffic backed up on or beyond the Maze in Oakland. And of course, a much slower morning commute from the East Bay.

This would lead to much greater green house gas (GHG) production, since internal combustion engine vehicles still comprise ~97% of the existing fleet of vehicles in

California (while electric vehicles total less than 3%), and such vehicles are much less efficient when idling, or when driving in 'clumpy' stop and go traffic, and not driving at a steady speed. This would defeat one of the stated goals of the Transportation Demand Management (TDM) program, which is to reduce greenhouse gas (GHG) production, in accordance with AB32. As far as I'm aware, TIMMA has failed to produce any credible studies to confirm whether the TDM program is likely to actually result in reduced GHG production.

Obviously, this outrageous rent-seeking scheme of the TI Project's TDM program will do little or nothing to prevent traffic congestion and the resulting pollution, or to slow global warming – it will likely do just the opposite – but it will likely yield endlessly rising revenues for TIMMA and huge windfall profits for TICD.

<u>Housing and Transportation Affordable Standards, Methods, and Calculation</u>

Let's take a closer look at housing (H) and Transportation (T) costs, and the standards and methods of calculating affordability. First, the incomes of buyers of affordable of BMR units in the TI Project are limited to between 89% to 134% of Area Median Income (AMI) for SF. I assume that the buyer is a typical Sf-Oakland-Hayward metro area household (HH), who spend 12.1% or $11K on (T) Transportation, 86.2% of that on private vehicles. Incidentally, at least 70% of San Francisco Households (HH) need to drive.

The San Francisco County Transportation Authority (SFCTA) has identified TI as a “community of concern” because, according to the Census American Community Survey 2019 five year estimates, 33.7% of Treasure Island Households (HH) lack access to a vehicle – which sounds like much less fun than going “car-free” - the slogan that TIMMA and SFCTA Planners use continually. For the 70% of the TI Project residents who need private vehicles, the yearly cost of living in a Below Market Rate (BMR) or affordable unit in the TI Project will be roughly $13K higher (~$9k for parking, plus ½ of the ~$8k for the toll, due to 50% discount for lower income Households (HH) [55% to 120% Area Median Income (AMI)] = $13k). Using the Bureau of Labor Statistics data from 2019-20, which put metro area household (HH) annual spending at $92K, this amounts to a 14.1% increase in total spending, and an increase in total [T] Transportation spending of over 118% - with [T] Transportation spending jumping from ~26% of total [HH] household spending!

Why does this matter? Because, after housing, transportation costs are "typically a household's second-largest expenditure." Housing and Urban Development (HUD) guidelines deem housing costs to be excessive if they are above 30% of [HH AMI] Household Area Median Income. However, "(t)he H=T (Housing + Transportation) Index offers an expanded view of affordability, one that combines housing and transportation costs and sets the benchmark at no more than 45% of household income." HUD and the MOHCD define housing costs as "affordable" if they are no more than 30%, and this level determines eligibility for [BMR] Below Market Rate and affordable units in the TI Project. So, 30% [H] Household + 26% [T] Transportation (from the above example) = 56%. This means that all [BMR] Below Market Rate units, and probably many "affordable" units as well, may be unaffordable for lower income residents who need to drive.

Https://cnt.org/tools/housing-and-transportation-affordability-index

However, the percentage of higher income [HH] households who have private vehicles and can afford the much higher cost of owning a private vehicle in the TI Project – as compared to SF and the Bay Area – will be much greater than lower income [HH] Households. This fact, combined with the planned scarcity of parking spaces at one per housing unit – versus the existing SF average of around two parking spaces per apartment --- plus the much higher cost of residential parking in the TI Project compared to the rest of SF, will result, in effect, in scarce parking spaces being 'auctioned off' of the highest bidder.'

The two thirds of current TI residents who need to drive and end up moving to replacement housing in the TI Project must enter a lottery in the slim hope of winning a scarce parking space. The 70% of SF residents who drive will likely have to give up driving to afford an "affordable" unit in the TI Project. This may be seen as a deceptive and cruel betrayal of the hopes of so many San Franciscans, if the promise of affordable housing in the long-awaited TI Project turns out to be false.

<u>Economics 101 Refresher and Critique of Rent-seeking and Social Engineering Transportation Demand Management (TDM) Scheme</u>

This government mandated scarcity of parking spaces is the opposite of a normally functioning market, where higher demand should lead to greater supply. Similarly, the capacity of the Bay Bridge is finite, and can't be expanded in response to increased traffic

demand from the roughly 20,000 new residents in the TI Project, and is what is termed a 'natural monopoly' (as is government itself, by the way). These two key parts of the Transportation Demand Management (TDM) program exploit a planned scarcity of parking and circumstantial scarcity of highway access via the Bay Bridge, in a perverse scheme that combines rent-seeking and social engineering, and favors high income [HHs] households while it punished lower income [HHs] households.

The fundamental economic principle at work here is elasticity, which San Francisco County Transportation Authority (SFCTA) Deputy Panner Rachel Hiatt is well aware of, and we all understand by basic common sense. Lower income individuals and households are much more impacted by higher costs than are higher income folks, whose demand for goods and services is inelastic – that is to say, their demand does not go down in response to higher prices or costs, since they are able to pay.

For example, TIMMA did a study a few years ago on the projected impact of the TI toll on visitors. That study found that visitors head 50% higher incomes than TI Project residents, and this resulted in very inelastic (strong) demand for driving, despite the toll. The study used the SF CHAMP computer model, and found that the toll was projected to reduce their driving trips in and out of the TI congestion zone by less than 1%. In contrast, TIMMA's study of the toll impact on (the 1/3 lower income) TI Project residents projected that it would reduce their driving trips by ~3%.

In TIMMA's Environmental Justice analysis of the TI toll, Ms Hiatt claimed that toll payers would benefit from reduced congestion, yet TIMMA's own studies show a negligible reduction in congestion. This lack of any significant or tangible benefit to ll payers is the Achilles Heel of the TI toll, since it is very unlikely that voters would approve the TI toll if they had the opportunity to vote on it.

Another major flaw of the TI toll is that if it does succeed in residing driving trips, then revenue will go down, and TIMMA will have to raise the toll price, and/or expand tolling hours. At the same time MUNI bus ridership will go up to the point of severely straining capacity, leading to “significant and unavoidable impact for capacity utilization” on the MUNI [25] bus line, according to the Fehr & Peers Study. Lower income folks are increasingly forced to ride the bus, even as service declines.

And the heavy reliance of the Transportation Demand Management (TDM) program on toll revenues, most of which will go to fund expensive underutilized ferry service, may be overly optimistic about generating those revenues, since none of the congestion tolling projects studied by the Government Accountability Office [GAO] generated net revenue, except for one project that actually added new toll lanes to a highway (SR91).

<u>Unjust, Ill-Conceived TI Toll a Fatally Flawed Business 'Killer'</u>

Lastly, let's look at the adverse impact of the Transportation Demand Management (TDM) program on existing and future businesses on TI. The TI Project is counting on developing a thriving business district in order to reduce the need for off island trips as much as possible. Existing retail businesses on TI know that the proposed “congestion” toll will 'kill' their business, due both to higher cost of goods, services, and labor, and also by deterring many or most of their off-island customers – whose continued patronage is essential to their financial survival. These same adverse impacts are also likely to 'doom' the TI Project's business district – and lead to even more traffic demand for the Bay Bridge from residents!

Perhaps this is why TIMMA/San Francisco County Transportation Authority (SFCTA) seems so reluctant to do an economic impact analysis of the entire Transportation Demand Management program --- which must include the huge hidden cost of unbundled parking, in addition to the direct and indirect costs of the misleadingly named “congestion” toll.

<u>Conclusion</u>

I'm not going to discuss the apparently insurmountable Tidelands Trust issues created by the TI toll, since you must be well aware of them by now. By the way, the 1995 Draft Reuse Plan for Treasure Island warned that Tideland Trust requirements must be resolved for redevelopment to proceed, and, in my opinion, the entire Reuse Plan should be required reading for anyone making government decisions about TI/YBI. Suffice it to say that if the TI toll goes away, the Tidelands Trust problem goes away.

You decision-makers still have a chance to prevent these bad outcomes by abandoning the ill-conceived “congestion” toll element of the Transportation Demand Management

program, and moving to renegotiate the Disposition and Development Agreement (DDA) to require that the developers, TICD, pay for all the transit needed by their project – as is the case for every other major project in San Francisco. Since TICD is promised a $1B profit in the DDA, and I've now identified a 'hidden' windfall profit for TICD of up to nearly half a $Billion, I can see no valid excuse for your not doing so, or for TICD not agreeing to renegotiation of the terms of the DDA between TIDA and TICD.

Consequently, I ask that you insist the TICD and their TI Project development partners be required to use the huge windfall profit from the sale or leasing of 6,000 market rate parking spaces to provide funds for comparable replacement units for all displaced TI residents who qualify for Last Resort Housing and cash relocation benefits for all displaced TI businesses, and to provide funds for all the transit required by the TI Project, including planned MUNI bus service and expanded service under Mitigation M-TR-2 – instead of the paltry amounts of $45M for replacement housing*** - and less than $37M for transit --- agreed to by TIDA and TICD in the 'sweetheart' self-dealing arrangement formalized as the 2011 Disposition and Development Agreement (DDA).**

Respectfully,

Jeffrey B. Kline

25 year TI resident

***This number is based on the 2010 Transportation Impact Study. However, it may be possible that these numbers have been reduced by TIMMA by ~10%, creating further scarcity of parking spaces.**

**** Under federal law (the Universal Relocation Act) URA, 49CFR24 et seq.) relocation benefits are required to be provided by the displacing agency, which is TIDA, but TICD promised TIDA in the DDA to provide funding for relocation benefits.**

***** Based on a lower original number of units. Current TICD maximum housing subsidy is $1-5M.**

Cc: Mayor London Breed, City Administrator Carmen Chu, City Attorney David Chiu, SFCTA Director Tillie Chang, TIDA Project Director Bob Beck, and the Clerks of SFCTA & TIDA

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CORRECTION: The word "residing" should be "reducing" 2 paragraphs above the subheading that reads: Unjust, Ill-Conceived TI Toll a Fatally Flawed Business 'Killer'

Another major flaw of the TI toll is that if it does succeed in REDUCING driving trips, then revenue will go down, and TIMMA will have to raise the toll price, and/or expand tolling hours. At the same time MUNI bus ridership will go up to the point of severely straining capacity, leading to “significant and unavoidable impact for capacity utilization” on the MUNI [25] bus line, according to the Fehr & Peers Study. Lower income folks are increasingly forced to ride the bus, even as service declines.

Thank you for noting this correction.

[Quoted text hidden]