TOD: Implementing the Vision

Marilee Utter
Citiventure Associates

UTA

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American Values Today

- *Community:*
  Americans desperately want to belong, feel safe, know their neighbors, etc.

- *Convenience:*
  Time efficient and "easy to use"

The transit/land use disconnect…

- Then

- Now

We shape our buildings, and thereafter, our buildings shape us.

--Winston Churchill

The Value of "Village"

- Today: people pay a premium to drive, park once, and *walk*
- Villages are among the world's highest priced real estate
- TOD's are opportunity to create new "villages"

The TOD Opportunity

- District orientation
- Compact development
- Mix of uses
- Pedestrian priority
- Civic uses
- Transit use
- Transformation

What's in a Name?

- *Transit-Oriented Development* (TOD)
- *Transit-Oriented District*
- *Development Around Transit (DAT)*
- *Transit Village*
- *Transit-Ready Development*

TOD: An organizing principle to do what we should be doing anyway--creating great *people* places

Images by Urban Advantage

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TOD in a historical context….

Street Car Suburbs 1890-1940

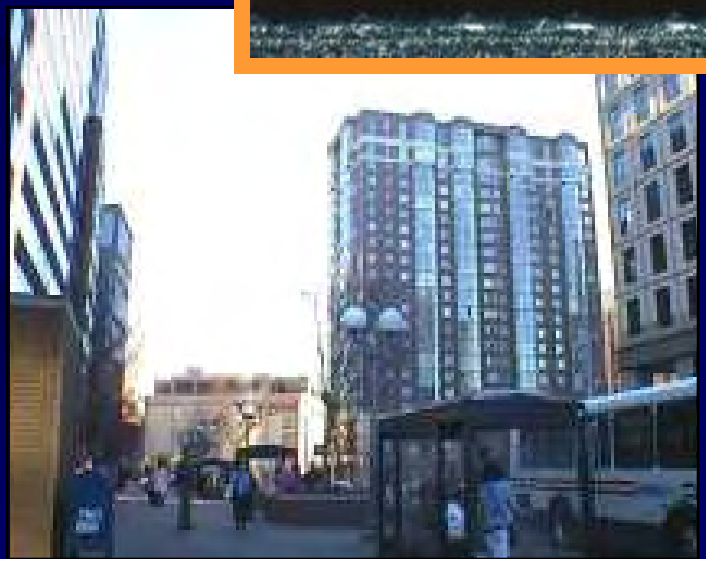
- Developers built streetcar lines to serve their projects
- Development was mixed-use, mixed-income, pedestrian-oriented, moderate density
- Good balance of urban design and transport

Auto-Oriented Transit 1970-1993

- Rail systems began to be built again in the 1970s and 1980s
- Systems built to facilitate auto access with parking, big roadways, etc.
- Engineering considerations took precedence over place

Transit-Related or Transit-Adjacent Development 1993---

- Development begins to take place near transit
- Often called TOD, but fails to take advantage of location or synergy
- Often suburban auto oriented development near transit



Transit Oriented Development Today

- Place making critically important
- Every TOD is unique
- Connections/access for peds, bikes, transit *and* autos
- Ridership and local community both benefit

TOD is HOT because…

Changing Demographics of Metro Areas

- Married couples with kids no longer dominant
- Empty nesters on the rise
- Single person house-holds want "urbanity"
- The rise of the "Creative Class"

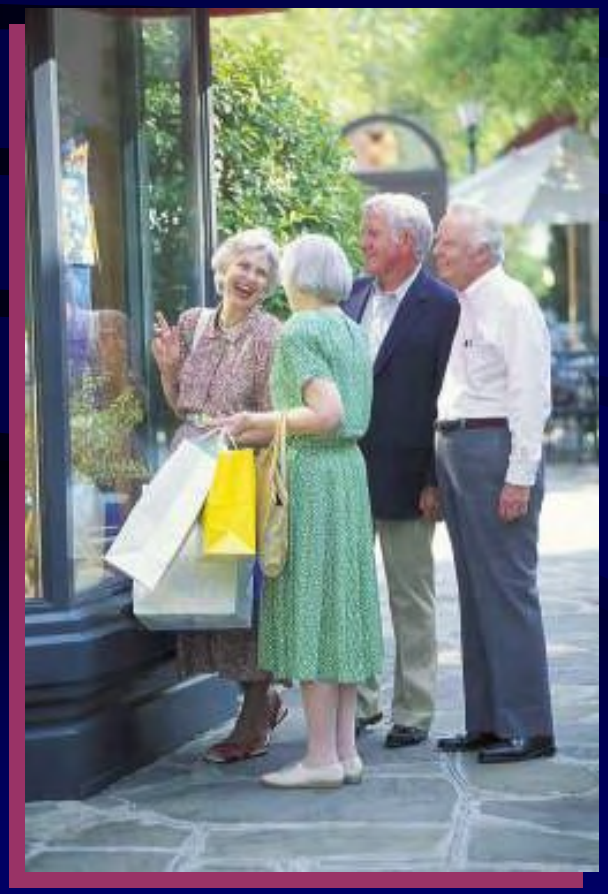
Married Couples with Children No Longer Dominant

27% of households in 1990, now only 22%

The New Face of the American Family

- The average Hispanic household is 3.5 persons, average white household 2.5 persons
- Extended family living is desired. Age-in-place housing.
- Transit is a part of a way of life.

Empty Nesters: The Effect of Aging Baby Boomers on the U.S. Population



- By 2020, virtually all adult population growth will happen in the group 45 years and older
- Older households without children have a strong preference for more “urban” housing, with proximity to public transportation

Converging Demand for Housing

Baby boomers

Echo boomers

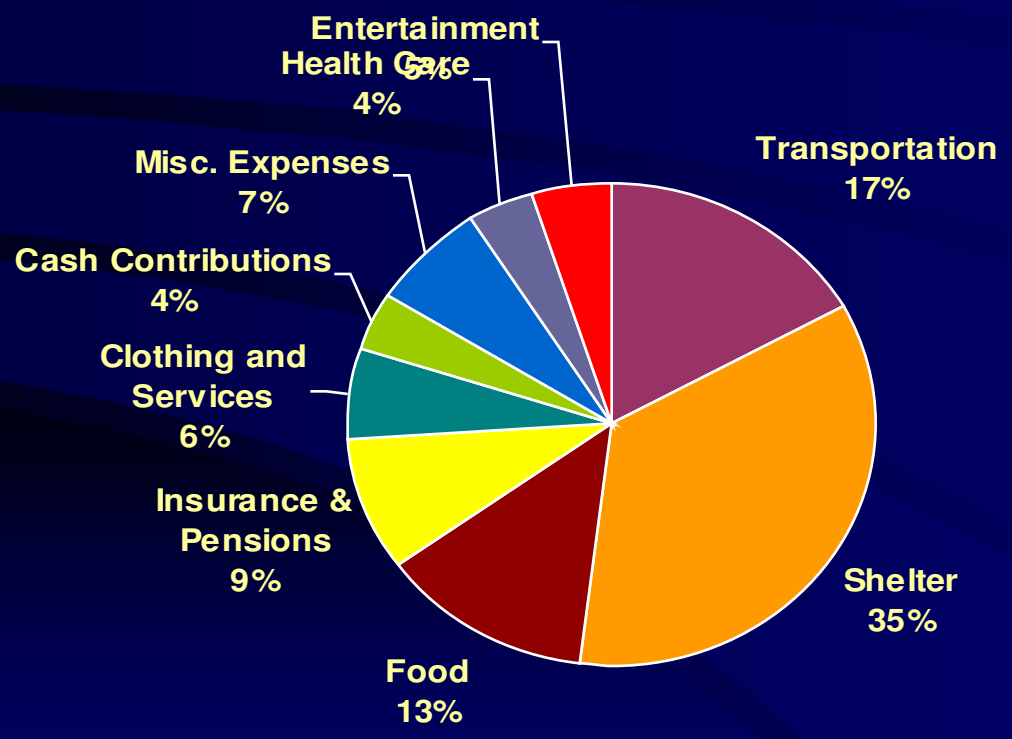
- Singles will soon be the new majority
- By 2010 Echo Boomers will total 34% of the population
- Both kind of boomers seeking similar housing options

Rising Transportation Costs—in Money *and* Time

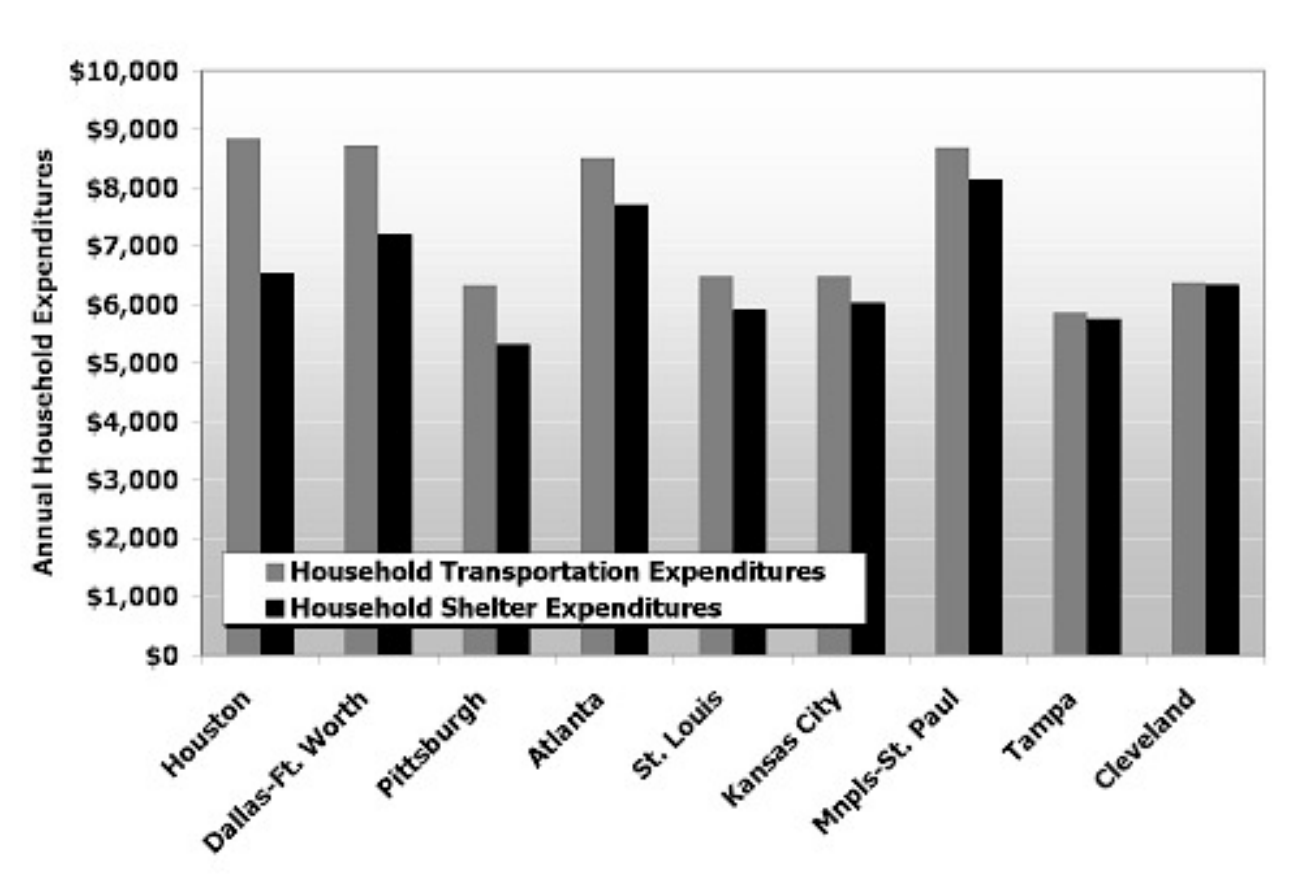
- Skyrocketing gasoline prices
- Longer travel distances
- Greater commute time
- Unpredictability of congestion

Transportation is the Highest Household Cost after Housing

Typical American Household Budget



Cities Spending *More* on Transportation than Shelter



Everything is a drive away….

Suburban moms spend 17 full days a year behind the wheel—more than the average parent spends dressing, bathing and feeding a child.

--Surface Transportation Policy Project

Only 60% of Americans drive cars…

Focus on Health/Prevention

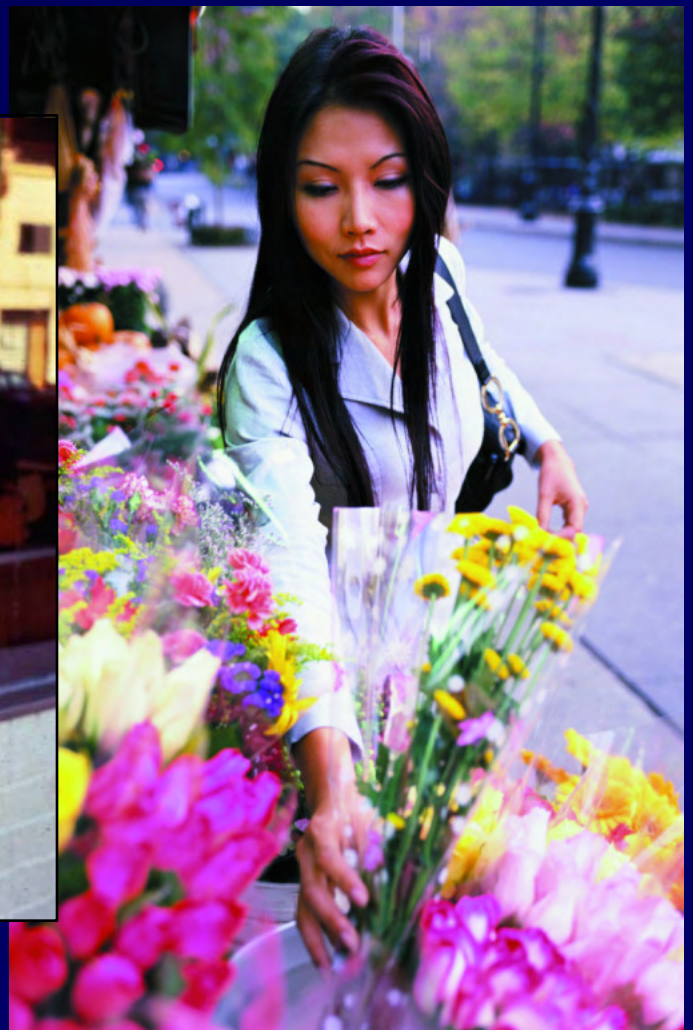
Sustainability and Design

- Rise of the celebrity architect
- Attention to climate change, reduction of greenhouse emissions
- Sensitivity to limited resources
- Value for green buildings/LEED certification

Profound Technology

- 24/7 connectedness
- "Speed of light" transactions
- Global marketplace
- Multi-tasking
- "Post-Geographic" employees with no permanent office
  - 15% now
  - 40% by 2012

“Anything Anytime/ Have it my way”



Urban Reinvestment

- 75% of downtowns surveyed gained population in 1990's (Sohmer/ Lang 2002)
- New investment in housing, retail in downtowns and older suburbs

Changing Markets

- 30+% of housing demand for denser, walkable, mixed-use communities
- <2% of new housing starts in this category

Changing Markets

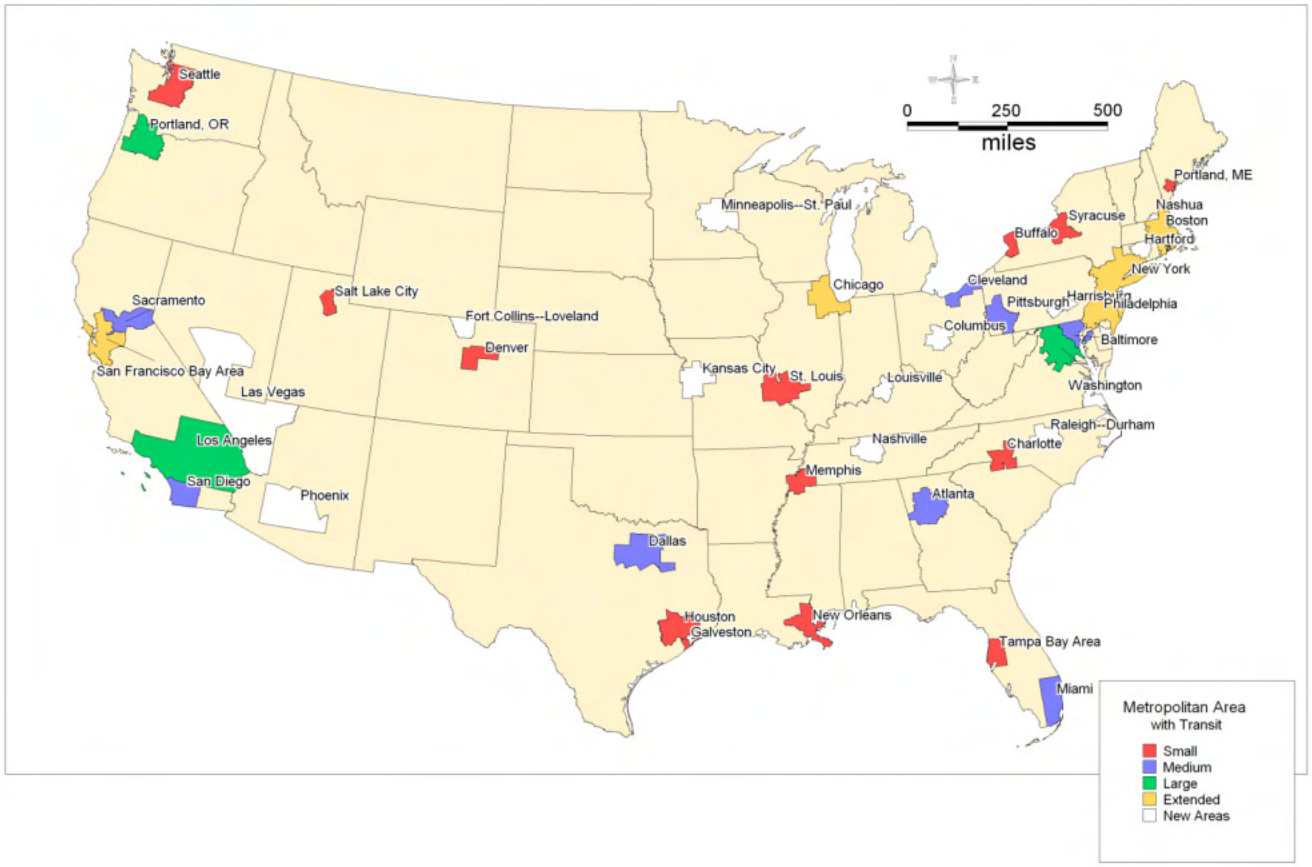
- Market advantages:
  - 24 hour cities
  - mixed-use
  - access to transit

  (Price Waterhouse Coopers, *Emerging Trends in Real Estate 2003)*

Transit "Building Boom"

- Rail new "darling" of transit—changing perception and ridership
- Heavy demand for rail/trolley/streetcar/ bus rapid transit in new regions
- Expansion of existing systems

Federal "New Starts" Pipeline: $60+B Over 15 Years



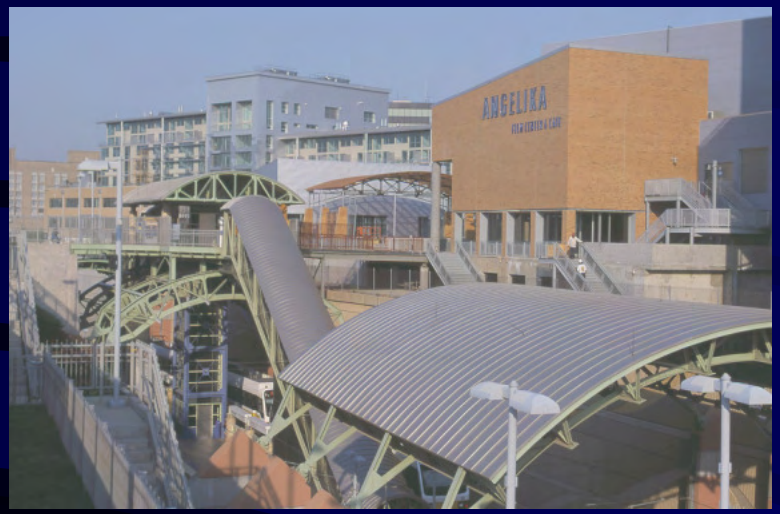
Every transit village is unique, and reflects its market…

Urban Downtown

Grand Central Station, NYC

The Embarcadero, San Francisco

Urban Neighborhood



Mockingbird Station, Dallas, TX

Suburban Town Center

Market Commons, Arlington, VA

Streetcar Suburb

The Crossings, Mountain View, CA

Neighborhood Transit Zone

Pittsburgh, PA

Commuter Town Center

Plano, TX

TOD Taxonomy

Urban Downtown	>60 du/acre
Suburban Town Center	>50 du/acre
Urban Neighborhood	>30 du/acre
Suburban Neighborhood Commuter Town Center	>12 du/acre
Neighborhood Transit Zone	>7 du/acre

TOD: Here to stay because of the broad benefits…

TOD and Federal Transit Agency

- Inundated with transit requests--strategy to allocate and leverage scarce dollars

- Land use and TOD now a critical "New Starts" criteria

TOD and State/Region

- Provides a regional growth strategy
- Allocates and leverages scarce funds
- Attracts workers and companies
- Generates private sector investment
- Addresses ag lands, environmental, open space issues

TOD and Transit Agency

- Raises ridership
  - Residents 5X more likely
  - Workers 3X more likely
  - Off-peak demand
- Potential new funding source
- Both rail and bus service expand

TOD and Local Community

- Identity/landmark "places"
- Community amenities (open space, plazas, public art, civic buildings, etc.)
- Reduces local infrastructure costs by 25+%
- Biggest impact: suburbs/small towns

TOD and Local Community

- Site for infill growth, additional housing
- Protects existing neighborhoods
- Workforce housing—infill sites and better access to jobs
- Powerful economic development generator

TOD and Property Values

- Washington DC:
  +$2-4/SF commercial rents
- Portland, OR:
  - +10% rent premiums
- Dallas, TX:
  - + 39% for residential, +53% for office
- Santa Clara, CA:
  - +45% for residential, +23% for commercial

TOD and Property Values

Over time, TOD's are the most valuable properties in the metro area, averaging a premium of 15-20%.

TOD and Economic Activity

- DALLAS:
  LRT @$800 M—
  $3.7B in economic activity
  (Source: Univ. of No. Texas)

- PORTLAND: MAX
  $2.4B in new development value; Downtown Streetcar @$1.6 B
  (Source: Tri-Met, Portland)

- PITTSBURGH BUSWAY:
  54 development projects valued at $302 million
  (Source: Port Authority of Allegheny County)

OVERALL:
EXPECT 3-5X
"SPIN -OFF" INVESTMENT

TOD and Economic Activity: Arlington County Before…

and After

30% revenue from 7% of the land

Surrounding neighborhoods preserved

TOD and Consumers

- Creates “hip” new neighborhoods
- Offers alternative housing types at suburban sites
- Makes transit more convenient
- Reduces need for car
- Opportunity for more affordable housing/lifestyle

TOD: Many Modes of Transit

Different Rail Choices: Commuter Rail

- Larger, heavier, faster vehicles
- Long distances—10+ miles
- 3-5 mile travel shed
- Commuter hour service
- Mobility focus

Different Rail Choices: Light Rail (LRT)

Lighter vehicle—electric power

"Collector" system—frequent service on 5-25 mile corridors

1-2 mile travel shed

Mobility and development benefits

Different Rail Choices: Streetcar

In the street with traffic

Lighter, cheaper to build

2-4 block travel shed

Runs 1-4 miles

Retail/district focus

Bus vs. Rail Based TOD

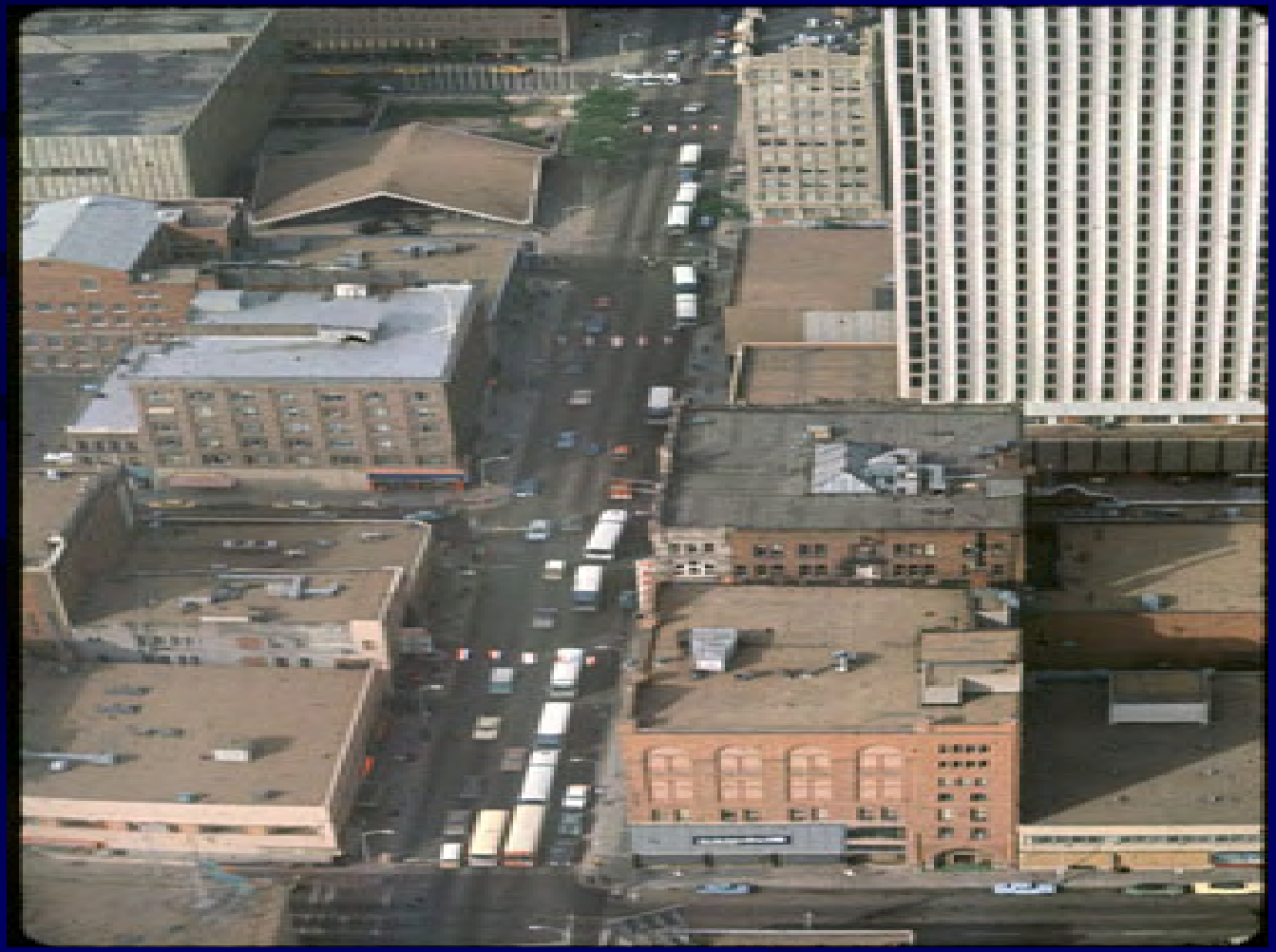
- BRT growing influence
- Dedicated ROW
- LRT or commuter rail service levels
- Procures ROW, lower first cost, later converted to rail
- Development depending on service

TOD in Denver

- 16th Street Mall
- Central Corridor
- Southwest Corridor
- Central Platte Valley
- Southeast Corridor: T-Rex
- FasTracks

1982: 16th Street Mall

Pre-Mall 16th Street



Mall Construction 1980

The Denver Economy…

"You can't fall off the floor…"

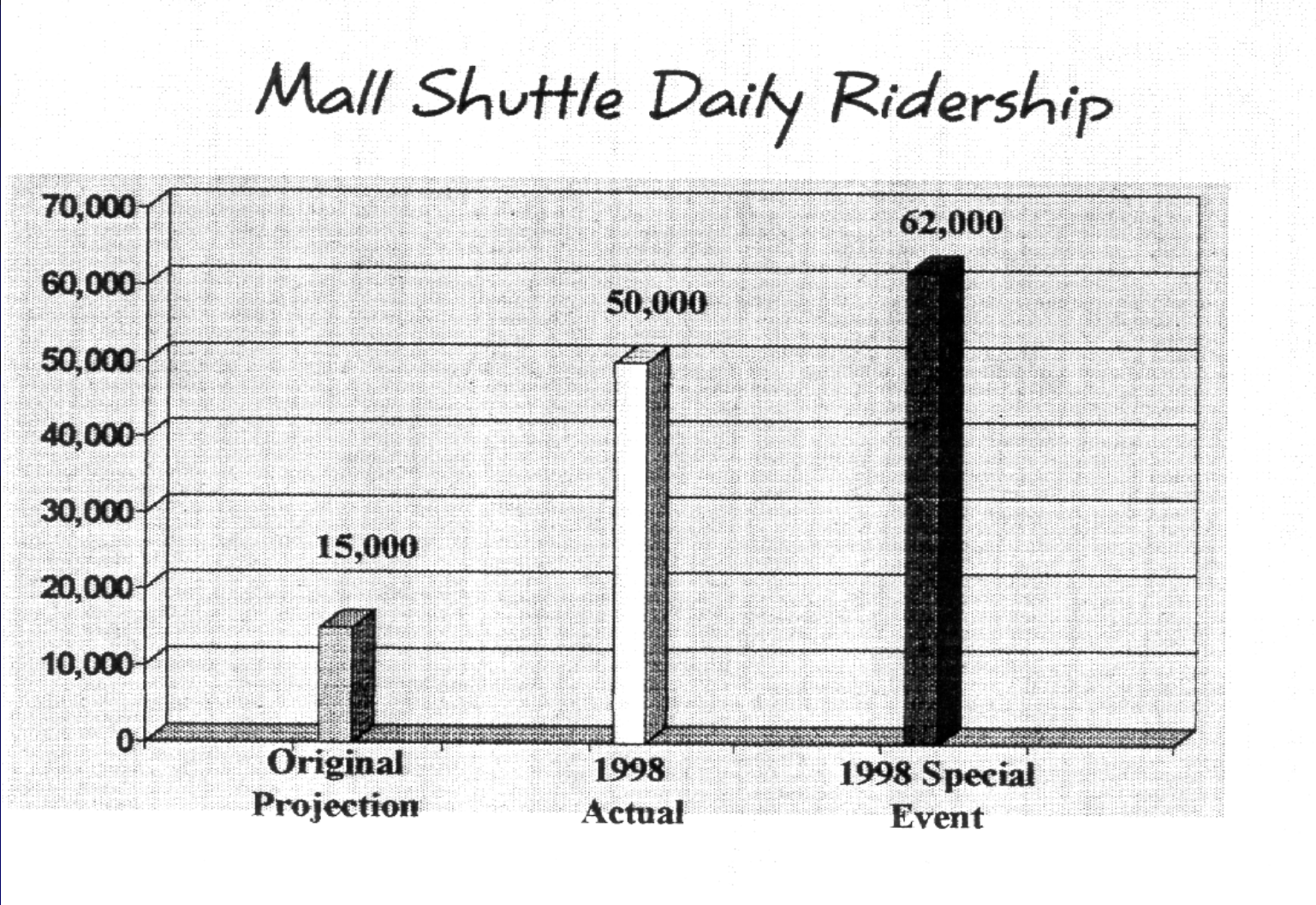
Forbes Magazine, 1982

Opening Day 1982

16th Street Shuttle Project

- Downtown distributor for regional buses
- $76 million in 1982
- Pedestrian/bus mall 14 blocks long
- 25 stops--every corner
- Free for riders
- Low floor vehicle

Unpredicted Success



Granddaddy TOD

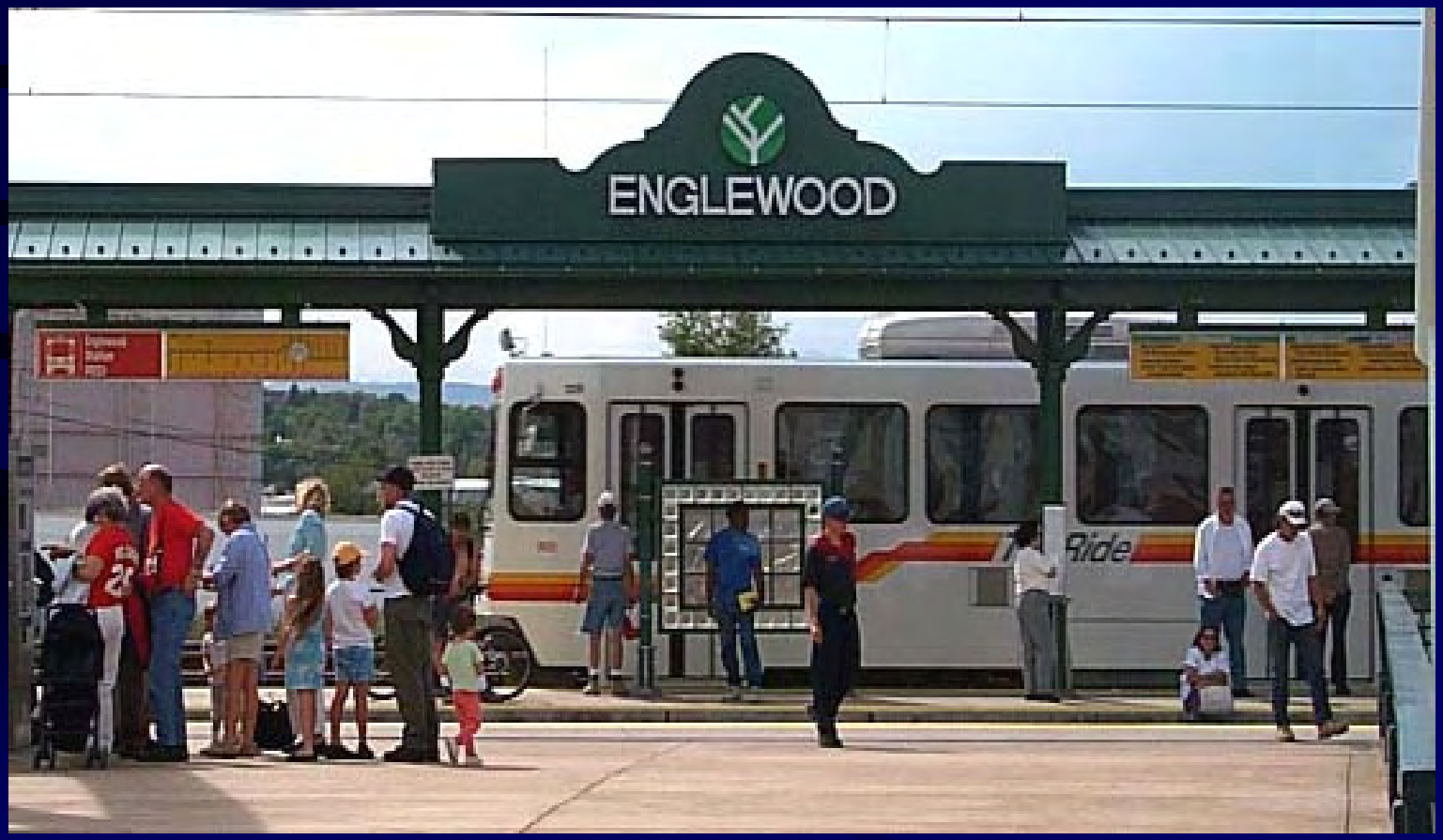
1995: Central Corridor

…Central Corridor

2000: Southwest Corridor Ridership: 70% over 2015

Southwest Corridor

…CityCenter Englewood



Reviving an economic disaster …

Transit as the Centerpiece

A New Neighborhood…

Central Platte Valley circa 1990

Central Platte Valley circa 1999

Extending the Mall with a bridge…

Now a landmark

On one side: connections to Downtown

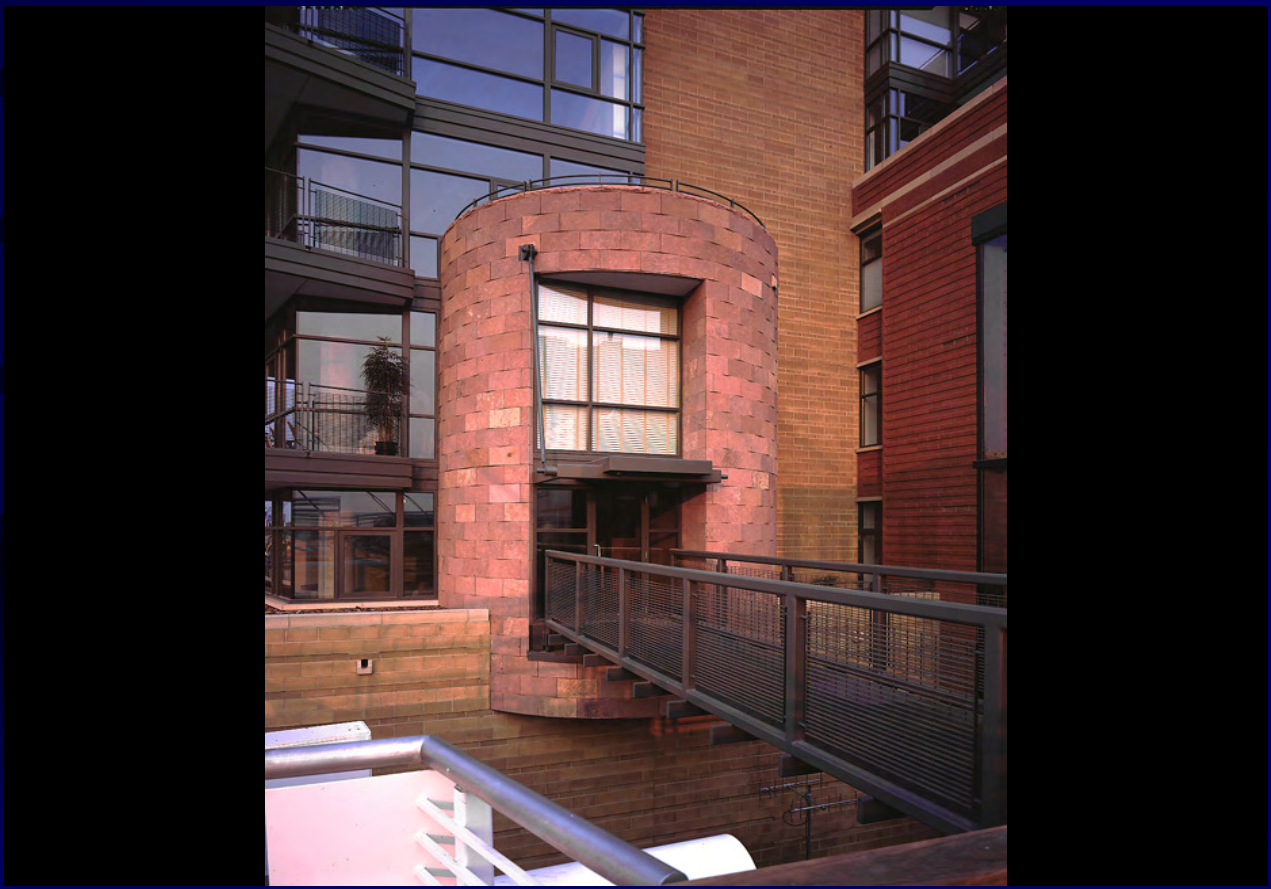
…on the other, connections to Commons Park

In between, a neighborhood…

and successful transit village!

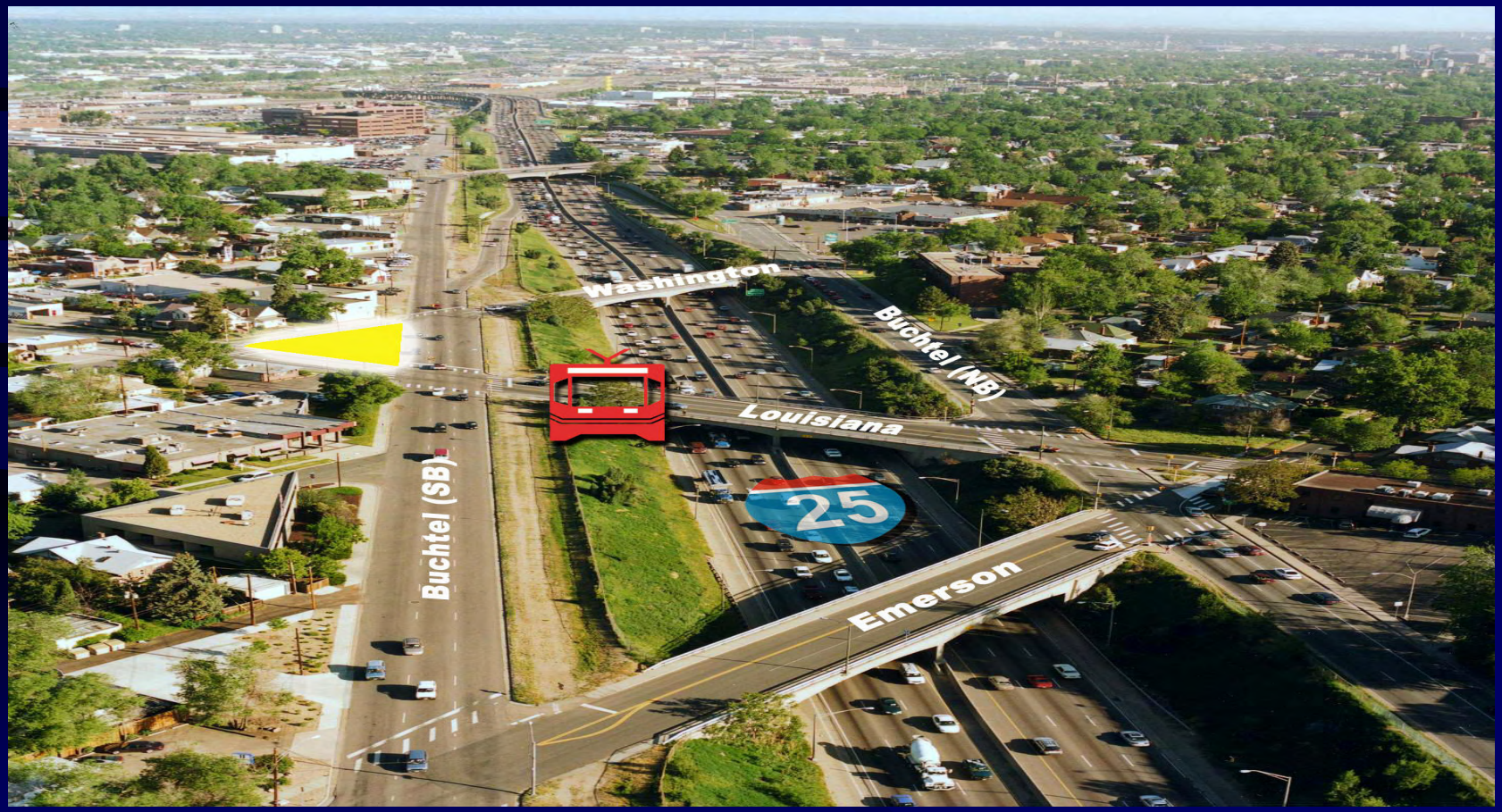
Connections shaping design…

Front door on the bridge…



More to come: trackside development

2006: T-Rex…13 stations connecting CBD and Tech Center



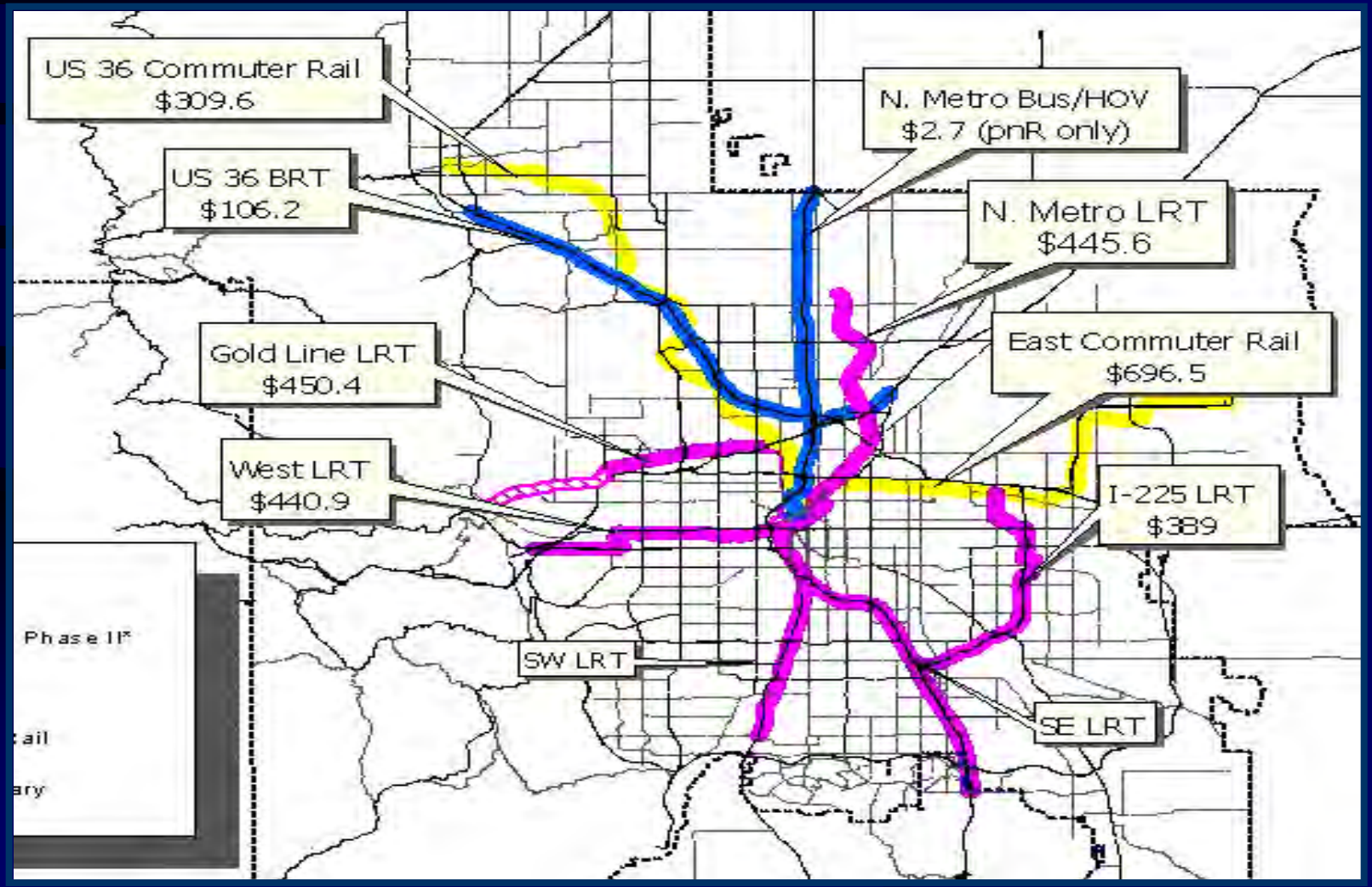
Broadway Station: Gates/ Urban Redevelopment

Yale Station: Neighborhood Center

Lincoln Station: Suburban End of Line

Coming up: Regional Hub at Union Station

2004-2016: FasTracks
57 new rail stations—90 total



FasTracks—The Outcome

- November 2004:
  Initiative passes-- 58%
- September 2007:
  $1.5 B overrun on $4.7B
  So far, no recall
- Fall 2013:
  First corridor opens
- 2016:
  System complete—still on schedule

But getting the right development isn’t as easy as it looks….

Is it a Good Investment?

- Public capital finances transit; private capital finances TOD.
- Most development money is institutional
- The project *must* show profit
- Risk-return trade-off

Development Economics

Project Value – Project Cost = Project Profit

Project Value: Lease Income / "Risk Factor"
("Capitalization Rate")

Project Cost: Hard costs (construction) +
Soft costs (design, financing, OH) +
Land cost

Developers See Projects in 3 Phases:

1. Predevelopment
2. Development
3. Stabilization

Predevelopment Stage: Developer Cash/Equity

- Match site and use
  - (market studies, traffic studies, brokers)
- Get control of land
  - (lawyers, brokers)
- Get commitment from user/spec
  - (lawyers,brokers, designers)
- Get entitlements/zoning
  - (designers, engineers, lobbyists, attorneys, PR)
- Due diligence/buy ground
  - (attorneys, engineers)
- Secure financing
  - (financial analysts, attorneys, loan fees)

Development Stage: Debt Financing

- Design project
  - (architects,engineers)
- Obtain site review approval from City
  - (architects, engineers, lobbyists)
- Construct project
  - (contractors, architects, engineers)
- Market project
  - (advertising, PR, philanthropy)
- Lease project
  - (brokers, attorneys)

Stabilization Stage: Payback

- Manage the project
  - (property managers, attorneys, operating expenses)
- Repay debt
- Sell project
  - (attorneys, brokers)
- Realize profit!!

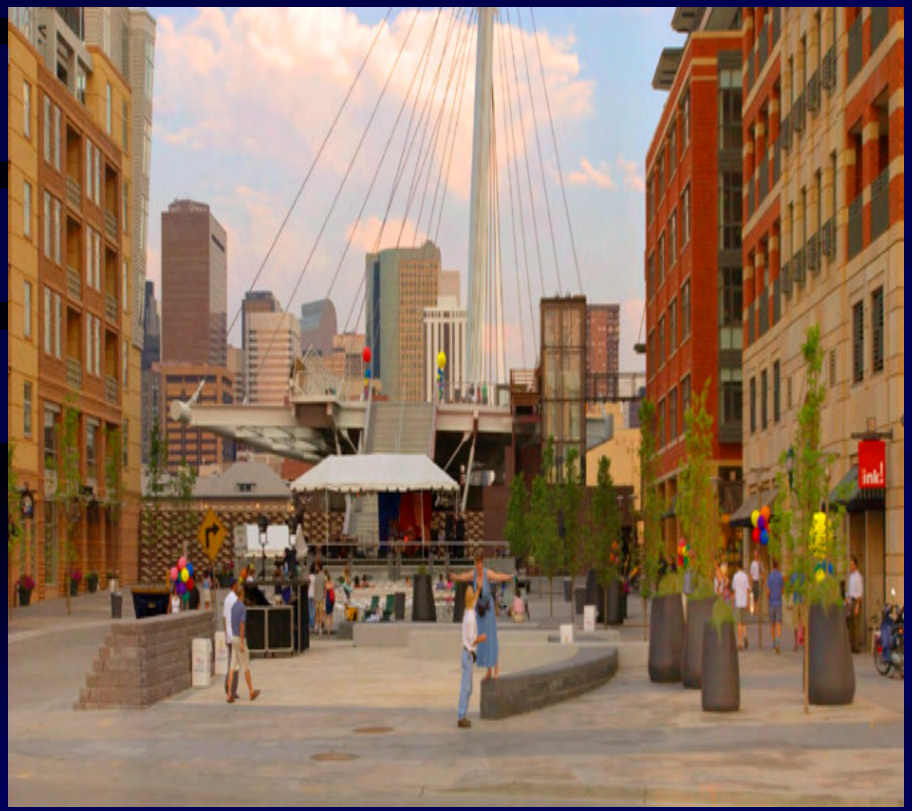
Single Tenant, Single Use, Private Building

- Single family residence
- Single user industrial
- Single user office
- Lowest complexity
- 9 months-2 years

Multi-Tenant, Single Use, Private

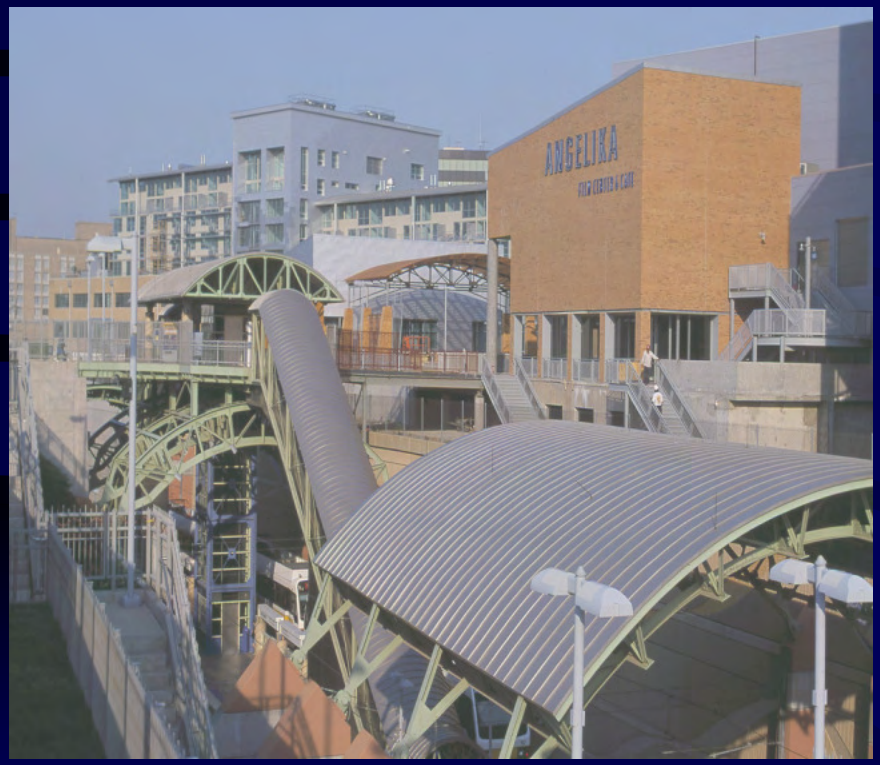
- Apartment building
- Office building
- More tenants to secure—more complex
- 2-3 years

Multi-Tenant, Multi-Use, Private



- First floor retail with residential/office above
- Different types of leasing, different types of construction, atypical zoning
- 2-5 years

Multi-Tenant, Multi-Use, Public-Private Financing



- Office/residential over retail
- Public benefit such as affordable housing, historic preservation
- Public process, special requirements for “fair return” on public monies
- 3-7 years

Multi-Tenant, Multi-Use, Public-Private Financing, Public Landowner and/or Tenant

- Development such as residential/office over civic use such as transit, city facilities
- TOD joint development
- More public design, security, leasing complexities
- 3-10+ years

TOD Development Needs

- Land assemblages
- Land buy-downs
- Zoning
- Parking structure reductions/costs
- Expedited permits
- Predevelopment money

Why would a developer bother???

TOD Value Sources

- Higher rents/revenues—transit and place amenity
- Higher density—more revenue
- Easier entitlements
- Less parking—reduced expense
- Public investment/subsidy
- Opens new sites for development

(Strategic Economics 2008)

A Developer's Successful TOD

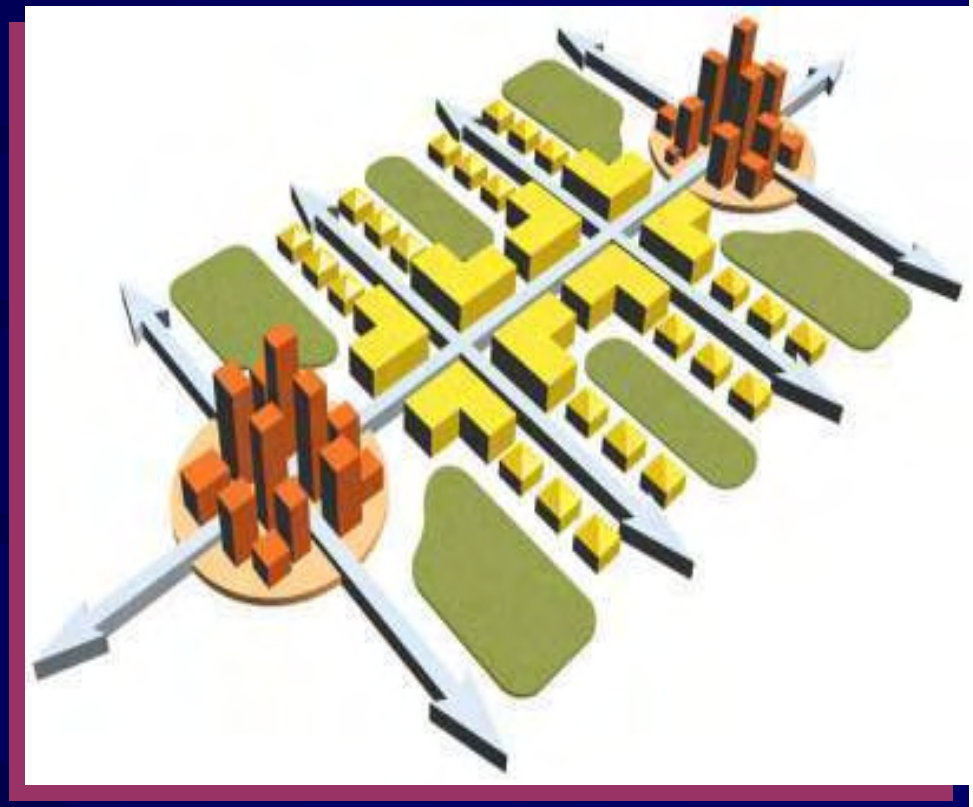
- Healthy market
- Land assembled
- Predictable process
- Public investment for the regional amenities
- Knowledgeable, sophisticated public partners
- Reasonable profit in 3-5 years

TOD Value Capture Tools

- Property and sales taxes
- Real estate lease and sales
- Farebox revenues
- Fees on everything from parking to business licenses
- Joint development
- Tax increment financing
- Special assessment districts
- Equity participation
- Public-private partnerships

TOD's work best where…

- Congestion is perceived as bad
- Housing prices are rising
- Driving costs are high
- Transit system is extensive, affordable, convenient
- TOD is part of a desirable "district"



TOD: What Works Today

- Best TOD uses:

--Townhouse/Multifamily Housing (rental or condo, affordable or premium,senior)

--Offices (high employee count)

--Civic Buildings (libraries, schools, postal)

--Entertainment (cinemas, theaters, arenas)

--Service Retail (cleaners, child care, banks)

TOD: What Works Today

- Minimum for a "TOD village": 5+ acres
- Strategic combination of day and night uses
- Key elements of TOD zoning:

  --Mixed use horizontally and/or vertically

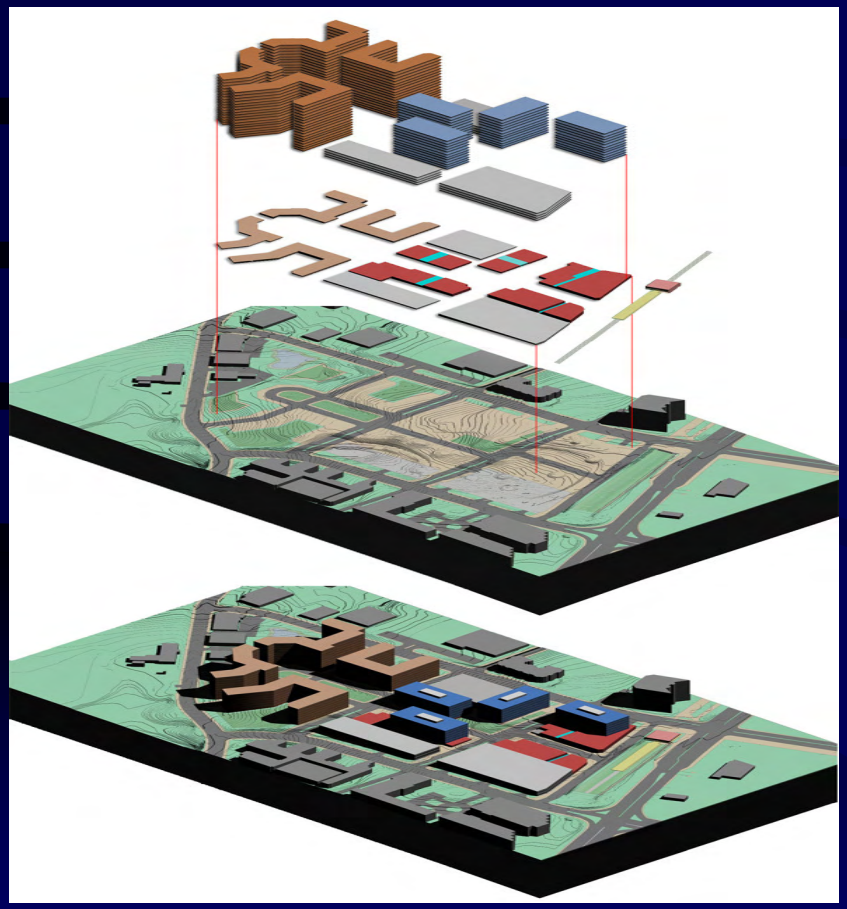
  --Reduced and shared parking

  --Increased densities

  --Strong ped and bike connections

  --Strict design guidelines

Lessons Learned



- Mixed-use/TOD doesn't happen on its own
- A community vision/plan is the essential first step
- Transit and City must collaborate *early* on alignment/station location

Lessons Learned

Often competing objectives among:

- State
- Local Jurisdiction
- Developer
- Neighborhood
- Transit Agency
- School District

Lessons Learned

- TOD's need market, infrastructure and zoning. *Transit alone is not enough. The district is essential!*

- TOD's are harder to design, entitle, finance and build

Lessons Learned

- The TOD must function as a station in a local district, and a node on the regional corridor
- TOD's take longer than you think—especially in the suburbs

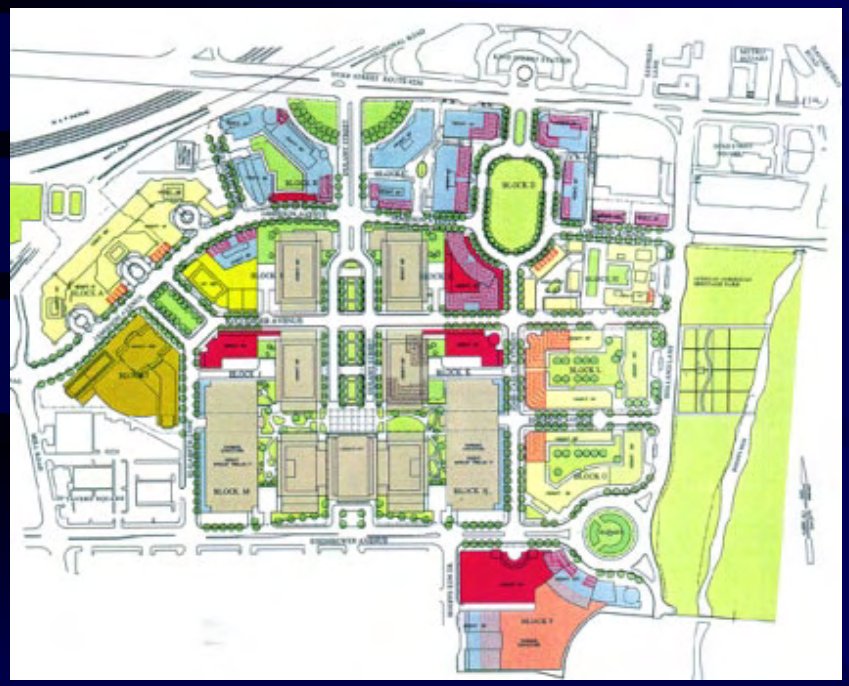
Lessons Learned

- Projects often lose money in the short run; make money in the long, *long* run
- Successful developers are specialized, well-capitalized, patient and *rare*
- Most are holders, not flippers

Lessons Learned

- Parking drives the economics and design of the project.
- Land assembly is often the deal-breaker
- Density usually helps

Lessons Learned

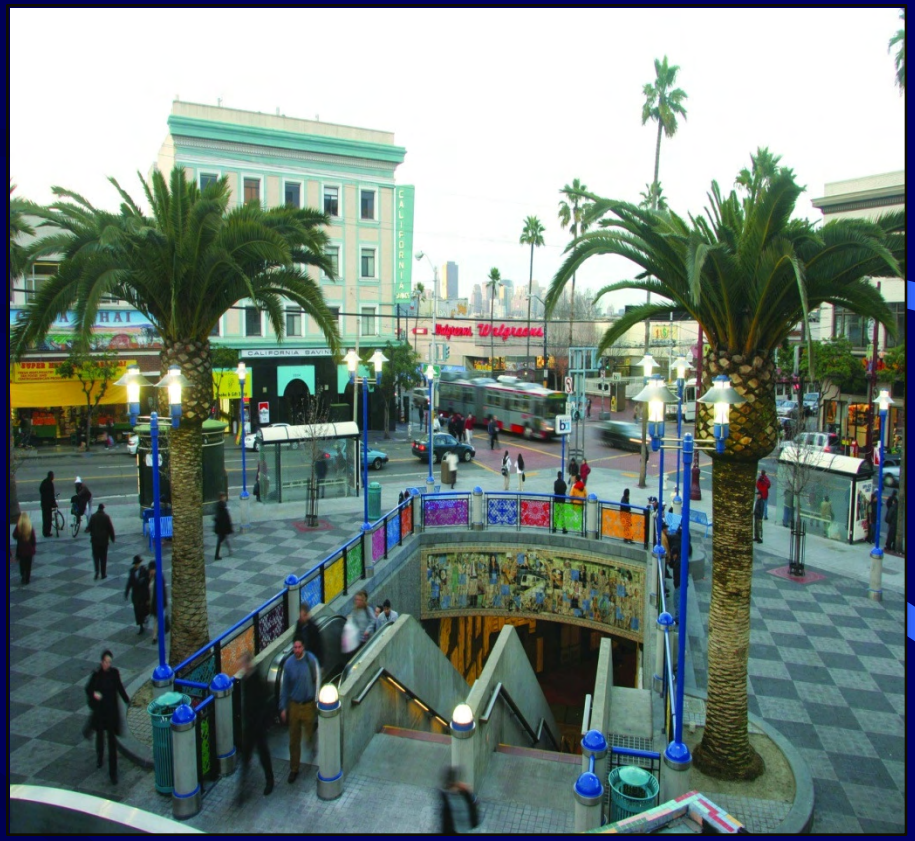


- Most communities need to update zoning and building codes to make mixed-use legal—and encourage it
- Design guidelines are more important than use restrictions

Lessons Learned

- Mixed-use “places” often requires public investment

- Mixed-use doesn’t happen without rock solid political will/champions



Development Champions

- Role of the Public Sector
  - Design transit to complement land use
  - Work with community to set long term vision
  - Identify priority development areas
  - Implement meaningful entitlements/incentives
  - Regulate design over use

Development Champions

- Role of the Private Sector
  - Bring capital and expertise to implement vision
  - Respect the community objectives/process
  - Understand transit requirements
  - Lead the development effort
  - Make reasonable profit in short term

Development Champions

- Role of the Not For Profit Sector
  - Call the question—convene the players
  - Educate the community
  - Insist on thoughtful planning / good design
  - Advocate for good projects
  - Support elected officials

Common Public Sector Mistakes

- Not thinking about TOD early enough
- Not setting a strong community vision for the station areas
- Not involving a broad group of stakeholders

Common Public Sector Mistakes

- Requiring all vertical mixed-use
- Confusing height and density
- Requiring too much parking
- Not extending connections far enough

Common Public Sector Mistakes

- Expecting the developer to determine the use
- Investing in the wrong developer
- Approving projects that under-use the location
- Not designing/funding great streets

TOD Implementation

Short Analysis:

- Market
- Land
- Leadership

Words to Live By…

Doug Porter

- Choices
- Connections
- Collaborations

LET'S GO !!

Marilee Utter, CRE

Marilee@Citiventure.com

303-534-6620