Moving Toward TOD 3.0

Private Investment in TOD

Rail-Volution 2010

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TransACT

October 20, 2010

A really tough future awaits TOD developers…..

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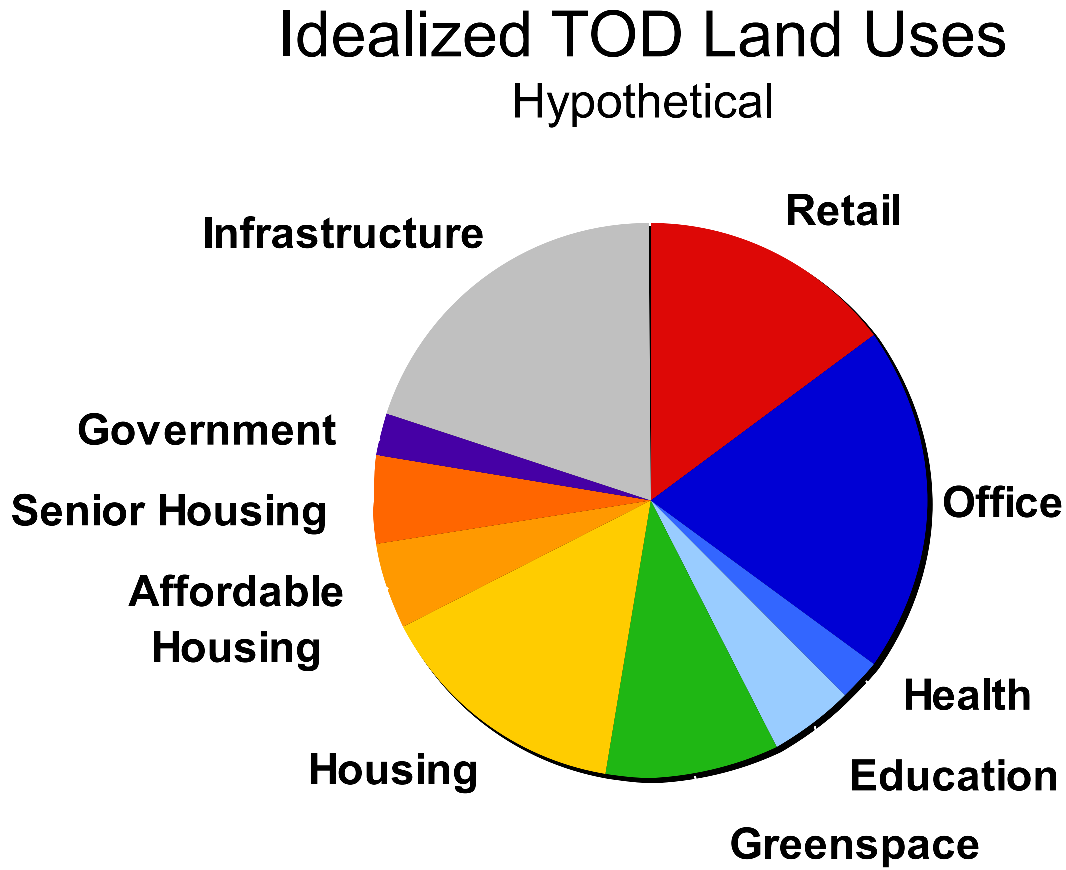
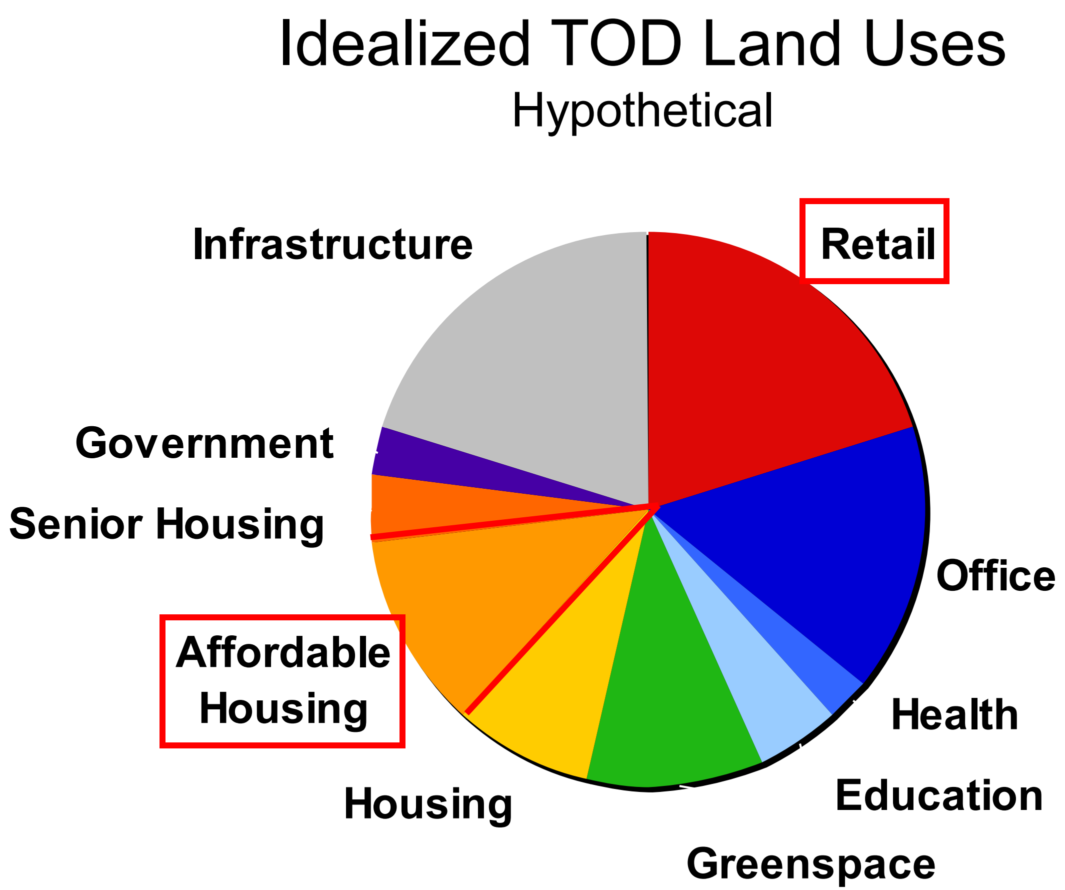
REALLY……

Idealized Mixed-Use Zoning Ignores Real Estate Market Realities….



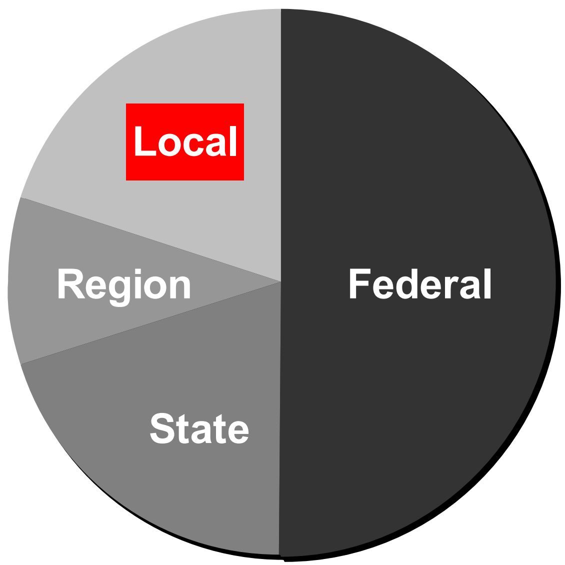
….with Increasing Affordability and Retail Requirements…..



Increasing Demand for Transit Service….

Spreads Limited Federal $$ Across More Systems….

Typical Transit Capital Funding Sources



$14.9 Billion FY 2011 New Starts Requests

….Allowing FTA to Rely on "Least Cost Per Passenger Mile" Criterion

Promotes simple systems along inexpensive right-of-way cheap land = poor markets

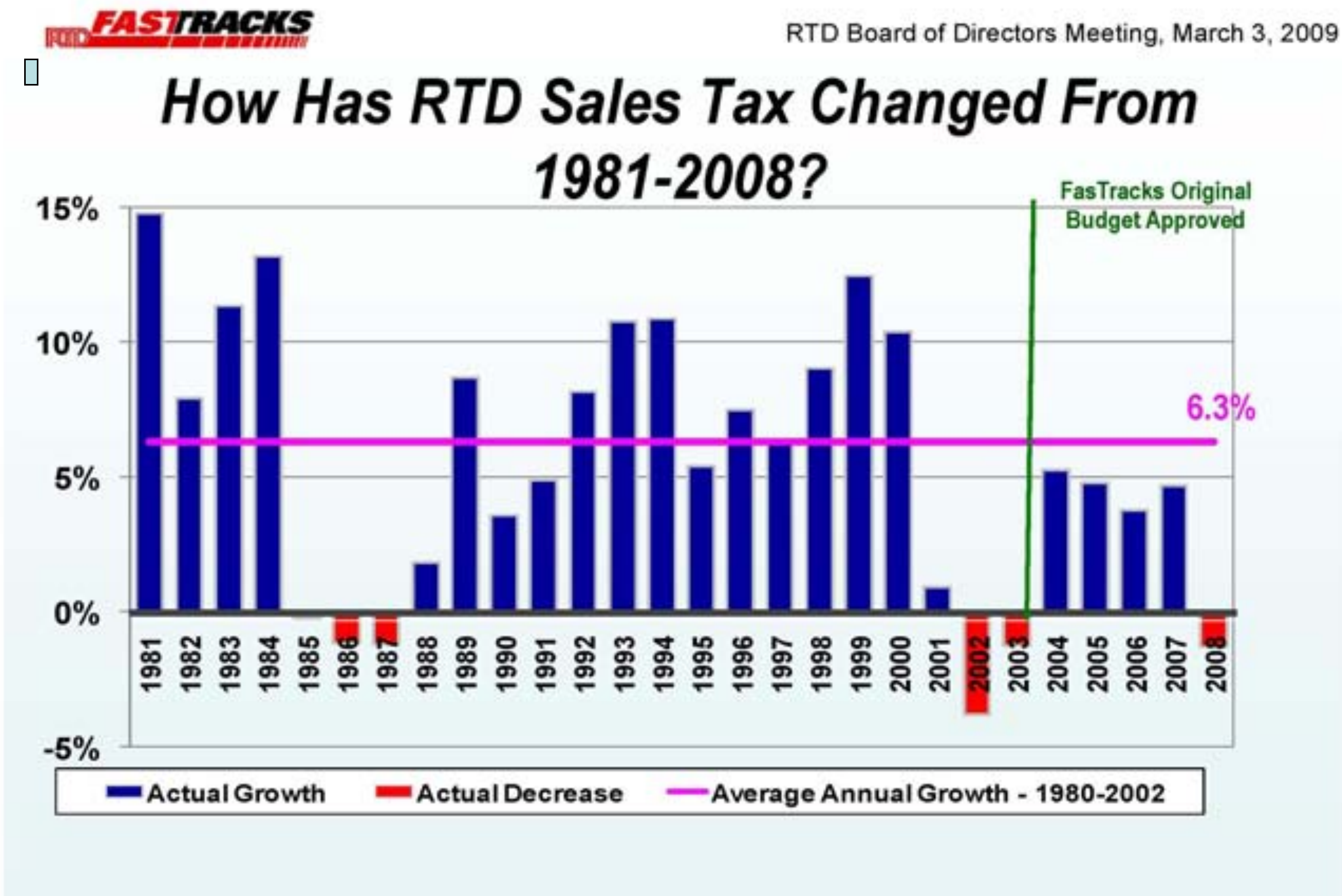
$$\text{Cost Effectiveness} = \frac{\Delta\ \text{Capital Cost} + \Delta\ \text{Operations} + \Delta\ \text{Maintenance}}{\Delta\ \text{Hours of User Benefit}}$$

Must achieve "medium" rating to overcome FTA hurdle for consideration regardless of other attributes

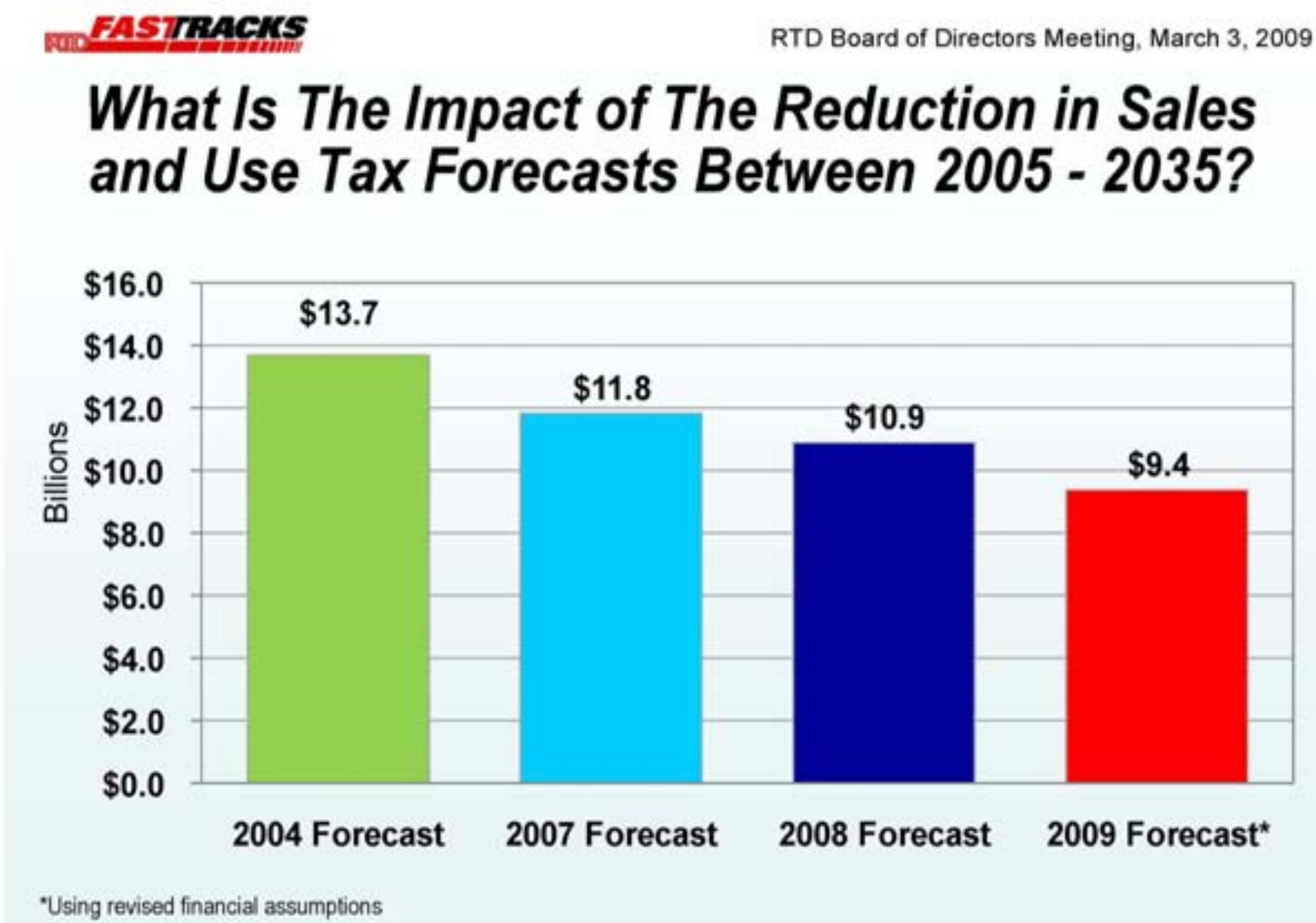
Promotes attracting more riders in low-cost manner Park & Ride v. development

Source: Emerson, Donald; "Successfully Navigating the FTA New Starts Process"; PB Consulting, 2006

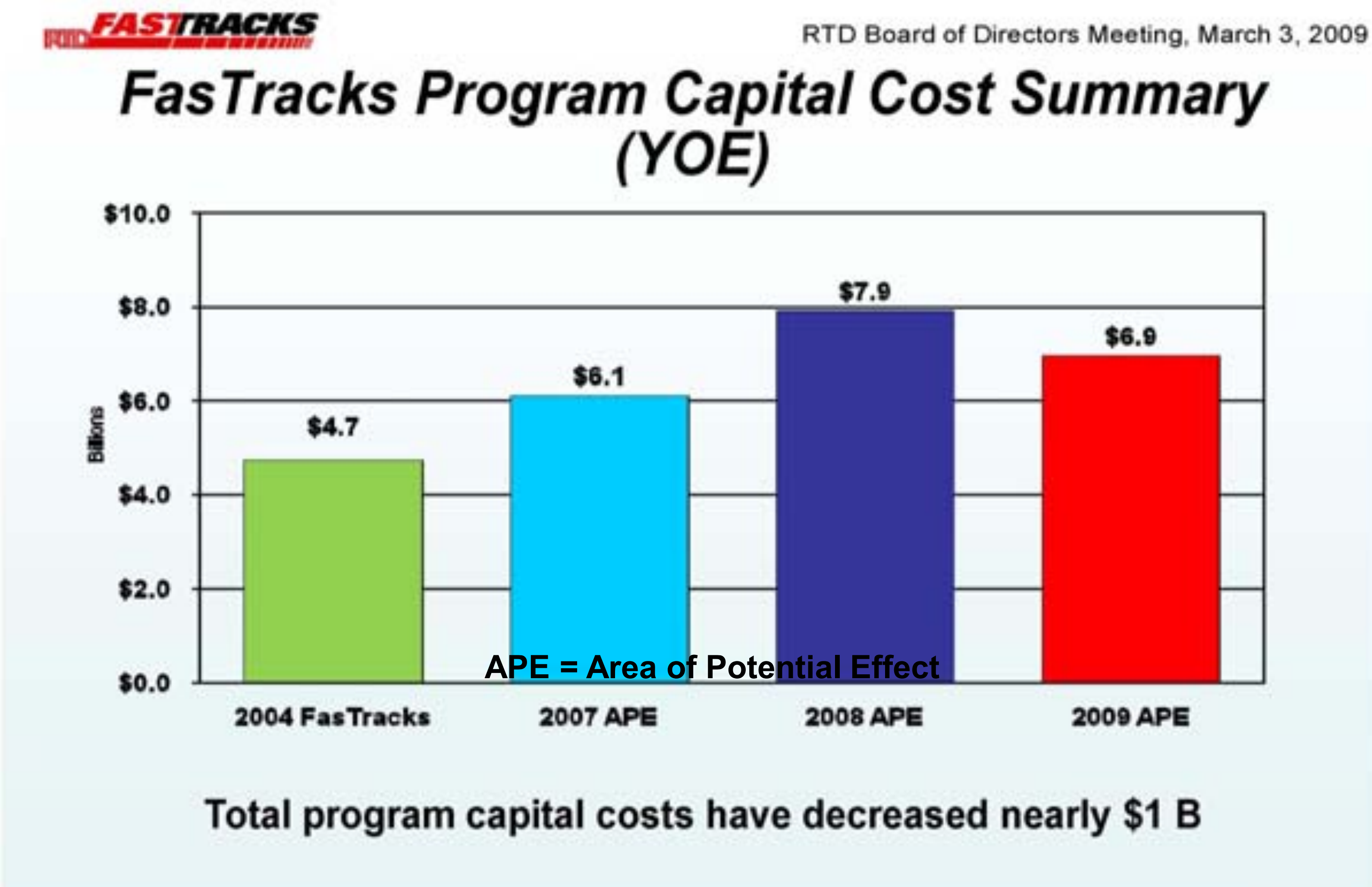
Market Cycles Impact Sales Tax Revenues



Causing Reduced Sales Tax Forecasts…



…..With Rising Capital Costs



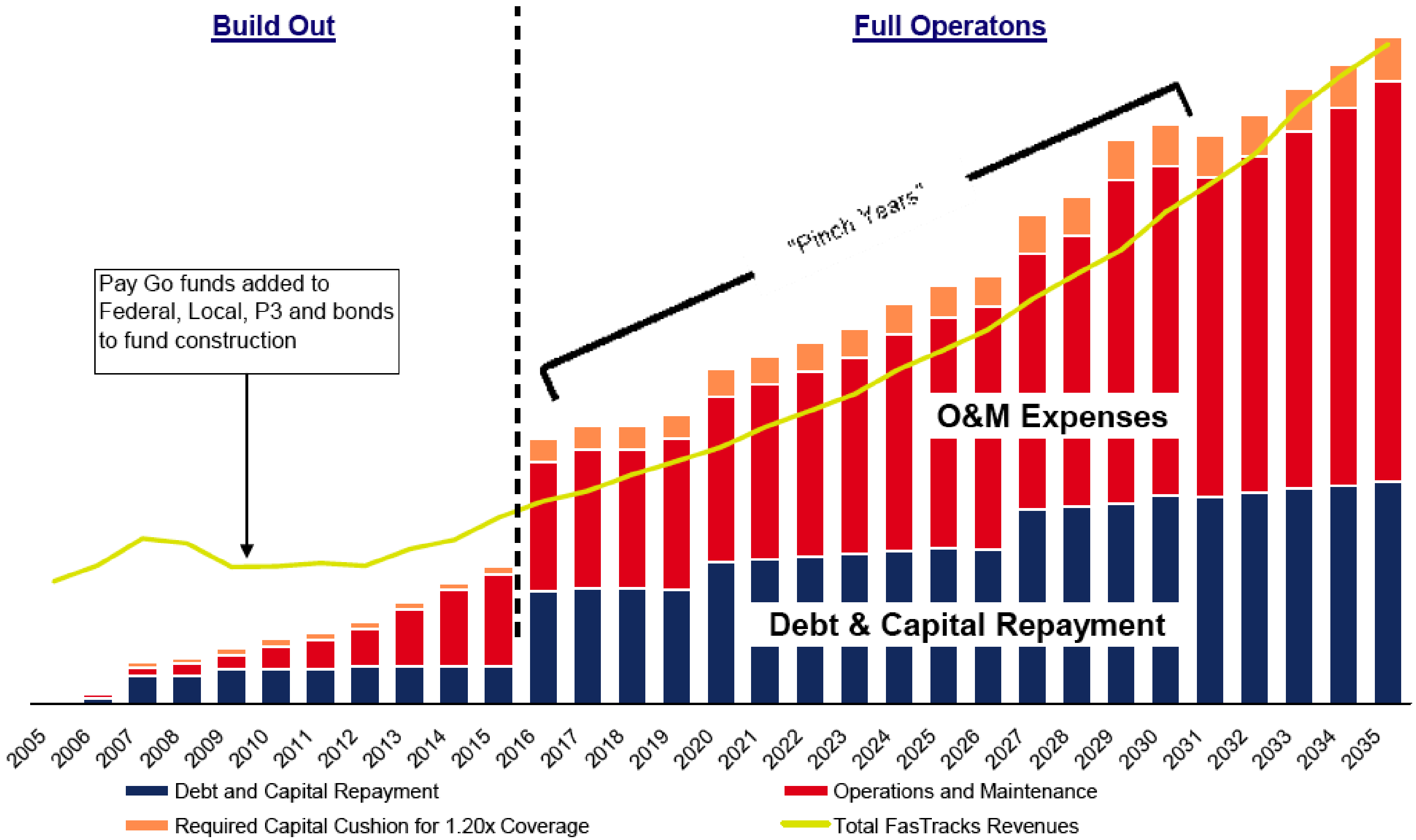
APE = Area of Potential Effect

Causing Long Term Funding Gaps

FasTracks Cash Flows

2009 Base Case with $2.2bn Capital Shortfall

($ in millions)



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2009 Base Case

Extending Service Delivery By 10+ Years

Financing Assumptions

Given that:

- Increased demand for improved systems will grow;
- Likelihood that Federal transportation budgets for the coming 5+ years will remain limited;
- Building more transit capacity will be constrained by the ability to raise local funds to match Federal and State funds;
- Value capture mechanisms must be calibrated to market conditions and community priorities;
- Communities require **Transit Oriented *Districts*** to help coordinate infrastructure phasing – so that real-estate values can be "unlocked".

Funding Competition for VC Revenue –

- FTA to incorporate some form of Value Capture to help offset **transit** capital construction costs;

or

- Cities/Developers to use Value Capture (i.e. Special Districts) to help pay for **up-front infrastructure** improvements and other Livability costs;

or

- Housing advocates for available $$ to offset **affordable housing** capital costs near transit stations.

On Going Transition from TOD 1.0 to 2.0

TOD 1.0

Transit

- A. Route Alignment
- B. Station Location
- C. Station Area

Real Estate

- A. Land Assemblage
- B. Infrastructure
- C. Vertical Development

TOD 2.0

1. Route Alignment
2. Station Location
3. Station Area
4. Land Assemblage
5. Infrastructure
6. Vertical Development

Capitalizing On The Price Premium

Will People Pay More To Live Near Transit Service?

DEL MAR STATION, PASADENA, CA

Santa Clara County, CA: Commercial land within quarter mile of commuter rail stations **increased 120%** ($25/sq.ft.); for light rail, values increased 23% or $4/sq.ft.

Dallas: **Residential properties increased 32%** in value within a quarter mile of DART stations; for **office** buildings the increase was **24.7%.**

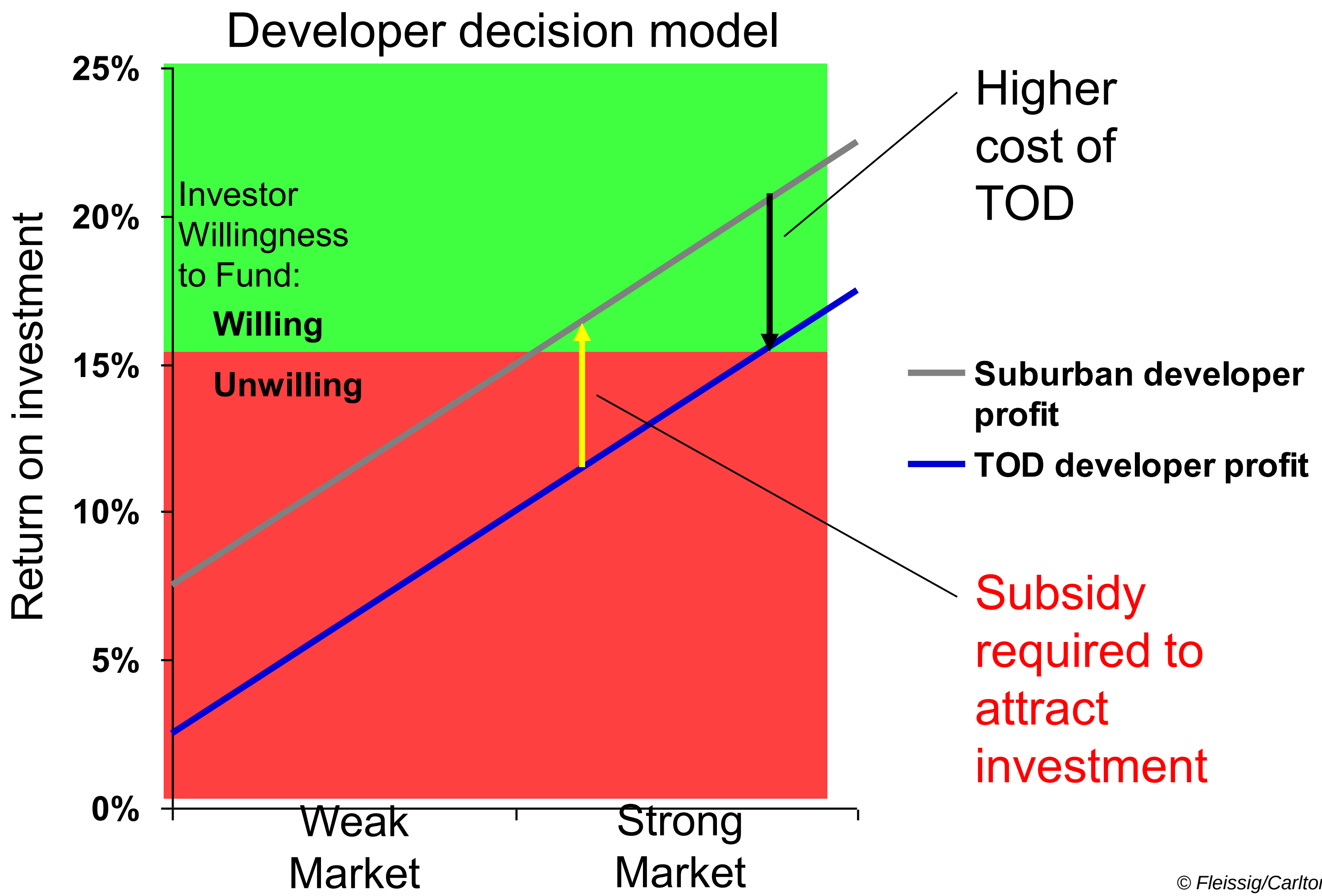
Washington D.C.: Every 1,000 ft. reduction in distance to rail station raises value of commercial property $2.30/sq.ft., or $70,139 on average 30,000 sq.ft. building.

San Diego: **Premiums of 46%** were found for condominiums and premiums of 17% found for single-family housing near Coaster commuter rail stations. Premiums of 17% found for multi-family housing. For commercial properties 91% premiums.

Alameda & Contra Costa Counties, CA: Single family homes in Alameda and Contra Costa counties worth $3,200-$3,700 less for each mile away from BART station.

Source: CTOD and Strategic Economics

Suburban Development Attracts Equity Over Higher-Cost, Lower-Profit TOD



TOD 3.0 Reframes TOD Implementation - Investment and Livability Benefits

Downtown and Neighborhood Rejuvenation

GHG/Metropolitan Sustainability & VMT Reduction

Social Equity for Jobs and Housing

Economic Growth with Environmental Quality

TOD 3.0

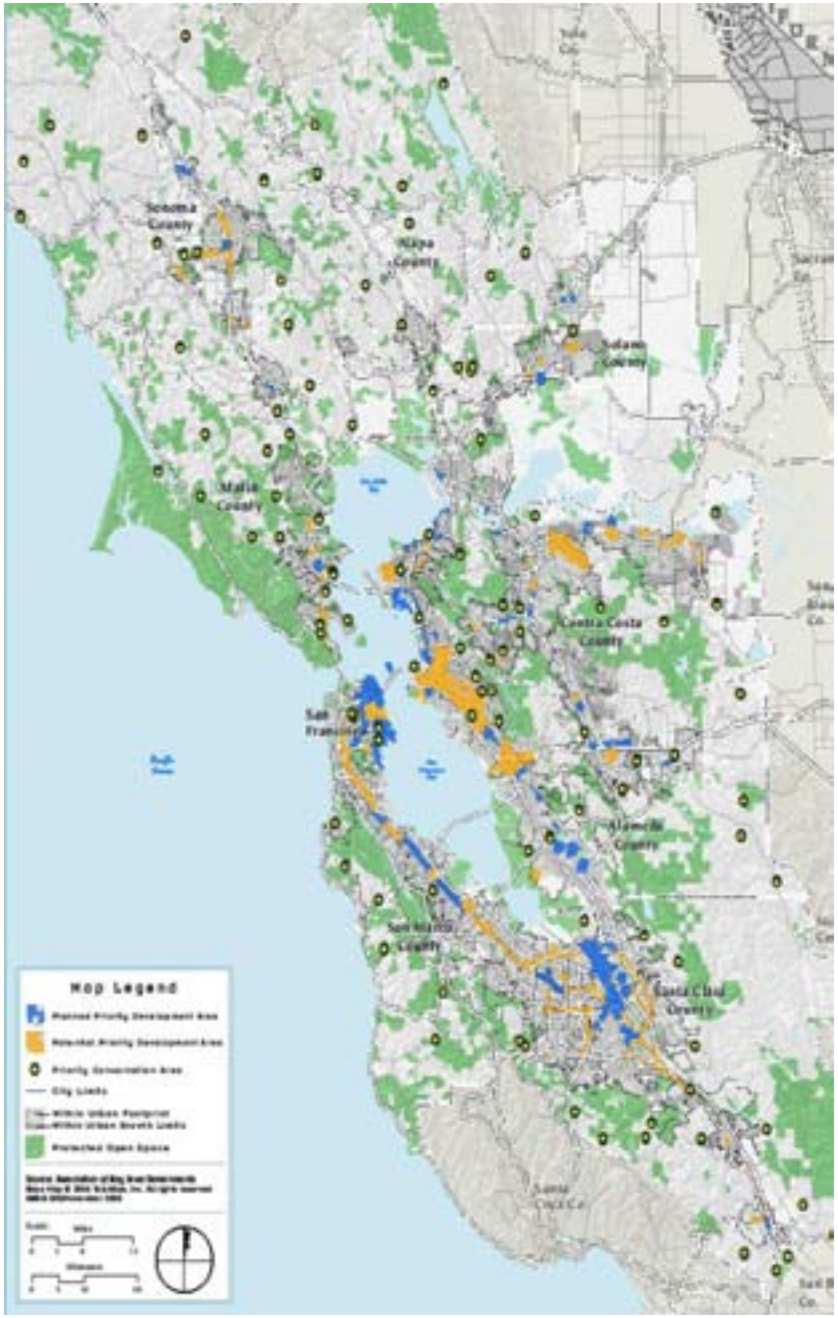
1. Route Alignment
2. Station Location
3. Station Area
4. Land Assemblage
5. Infrastructure
6. Vertical Development
7. **Livability Benefits**

Achieving Regional Goals

Aggregating

120 Priority Development Areas

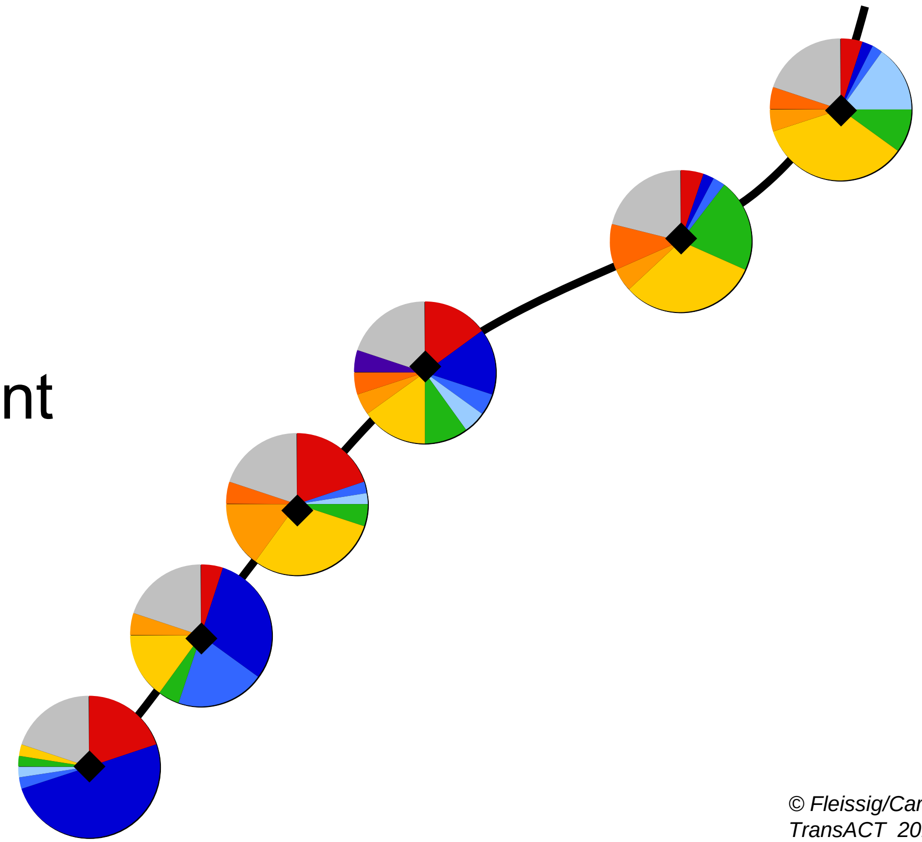
- Housing Affordability
- Jobs/Education Access
- Neighborhood Vitality/Identity
- VMT/SOV Trip Reduction
- Mobility/Access Improvements
- GHG Reductions
- Energy Use Reductions
- Water Conservation
- Waste Conservation



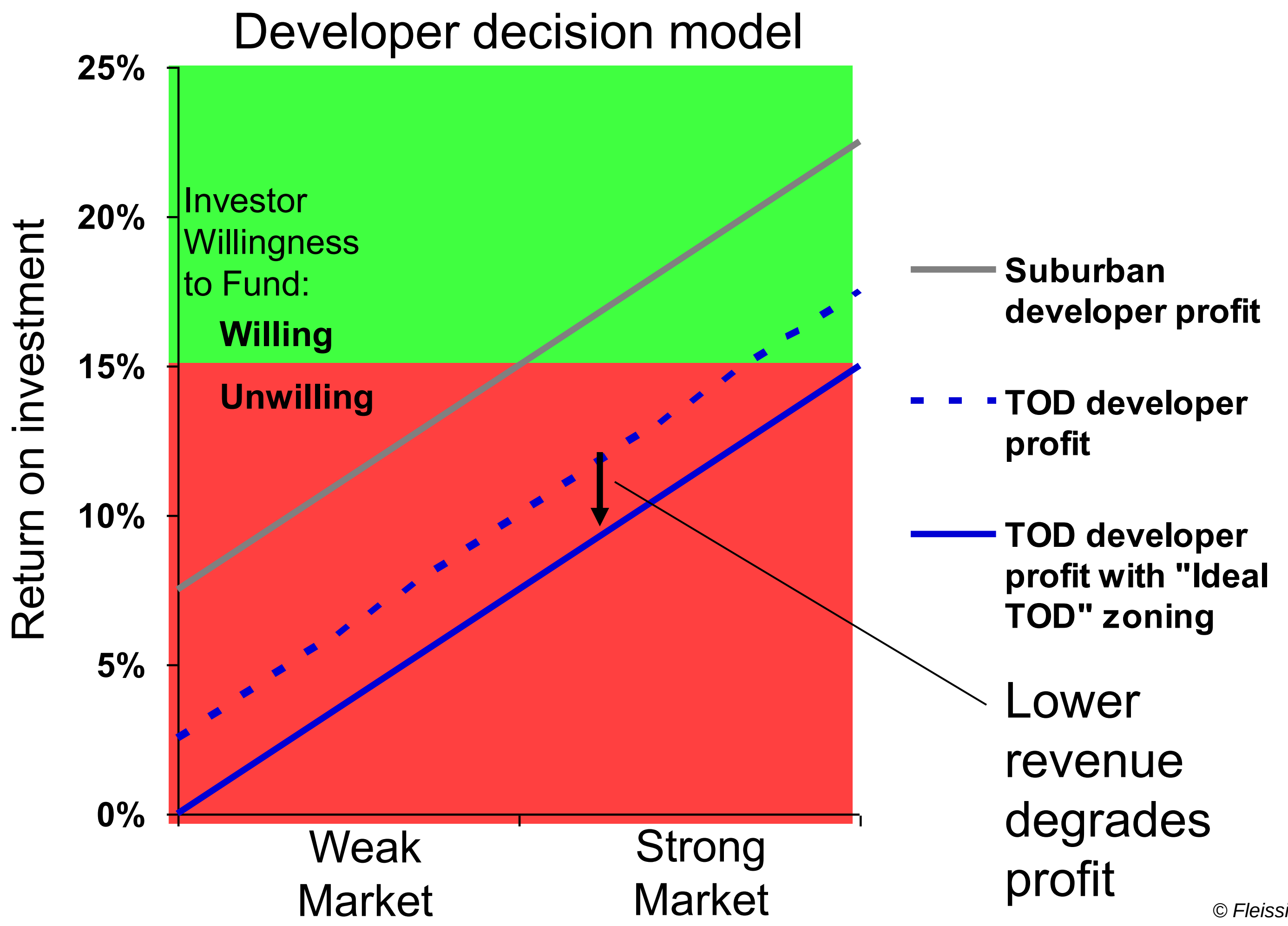
"Livability Benefits" Become Key Criteria for Corridor/Station Planning

Corridor is designed to maximize:

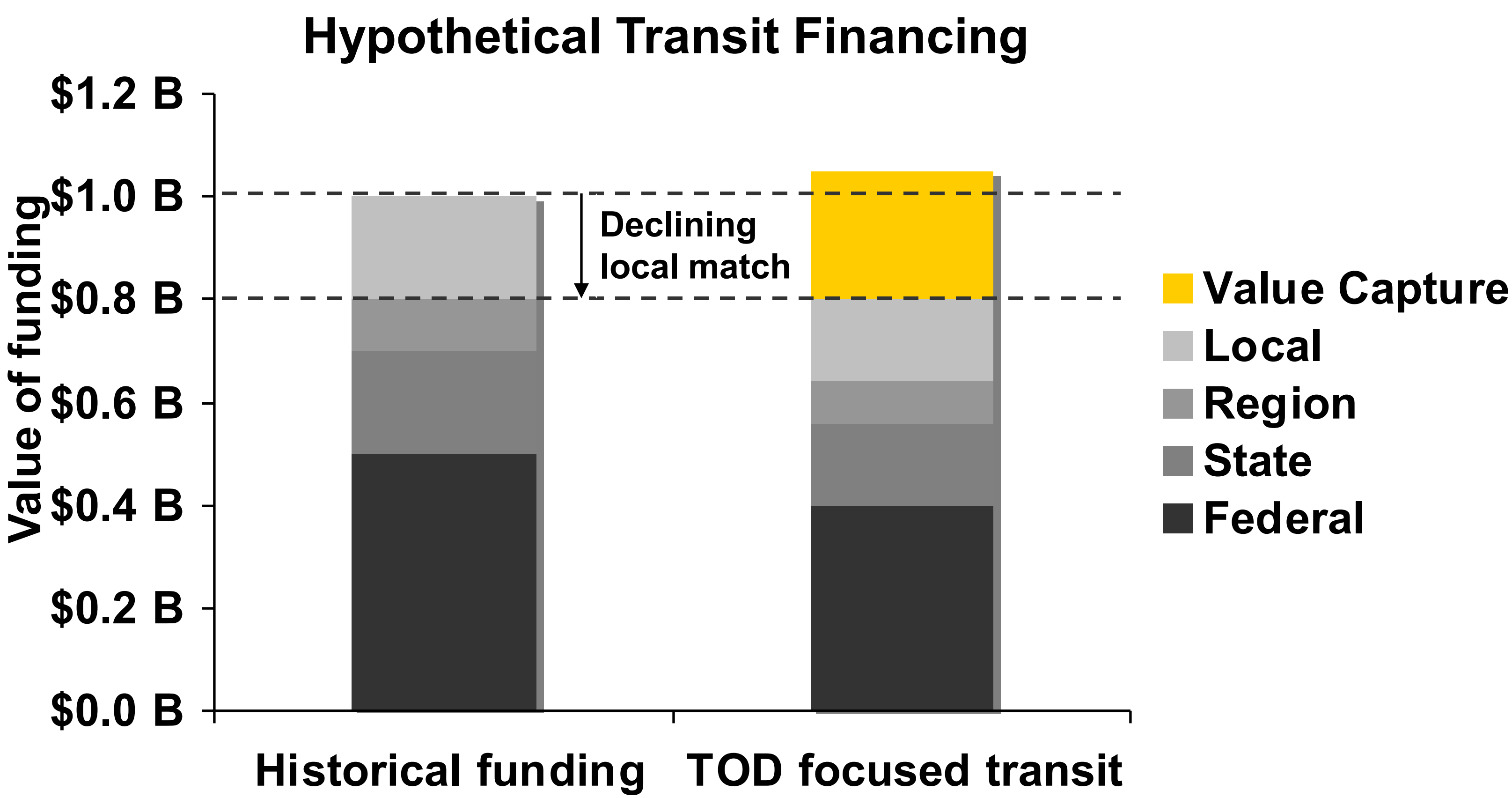
- Mobility
- Equity
- Environment
- Public space
- Economic development
- Education
- Services
- Infrastructure



“Ideal TOD” Stifles Development by Reducing Revenues



Value Capture Can Help Fill The Gap



Twenty-five Potential TOD Value Capture Mechanisms

Transit-owned land

1. Ground/Air leases
2. Land development
3. Vertical Development
4. Station connection fees

PPP

1. Development partnerships
2. Ownership dedication
3. Route location auction
4. Station location auction
5. Rail concessions to private developer
6. Developer infrastructure provision
7. Quasi-public developer

Transit Finance Districts

1. Benefits assessment districts
2. Infrastructure assessment districts
3. Tax increment financing
4. Parking districts
5. Transit redevelopment districts

Property Taxes

1. Ad valorem realty tax
2. Land-only tax
3. Split rate tax
4. Vacant/ Underutilized land tax
5. Windfall value tax
6. Highest and best use tax

Local Revenue Sharing

1. Business taxes & fees
2. Parking assessment districts
3. Capitalized zoning changes
4. Redevelopment agency RE partner

CTOD and Carlton 2010

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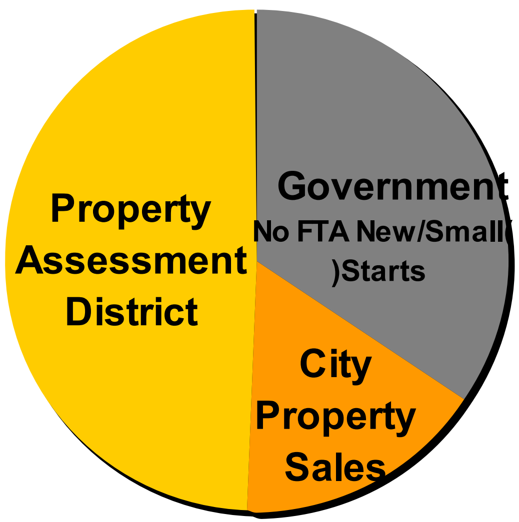
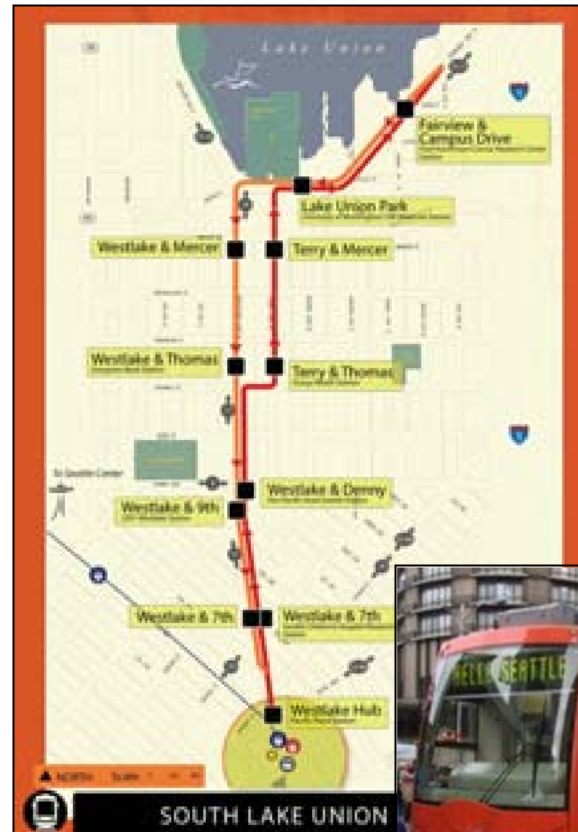
Seattle Streetcar Infrastructure Primarily Funded by Property Value Capture

Seattle Streetcar Infrastructure Financing Sources ($52M)





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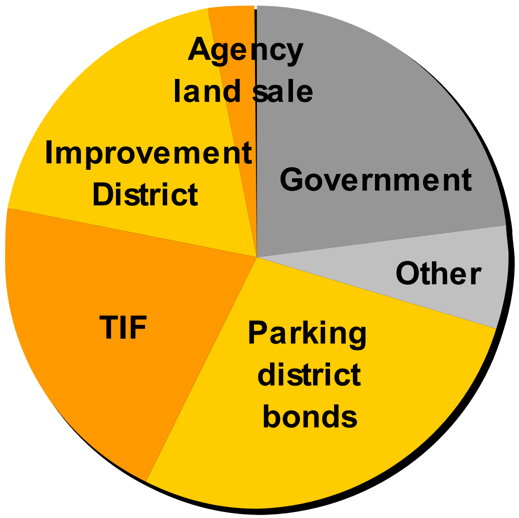
Source: http://www.seattlestreetcar.org/ Accessed 2/08/09

Portland Streetcar Infrastructure Primarily Funded by Property-Related Value Capture

Portland Streetcar Infrastructure Financing Sources ($103M)



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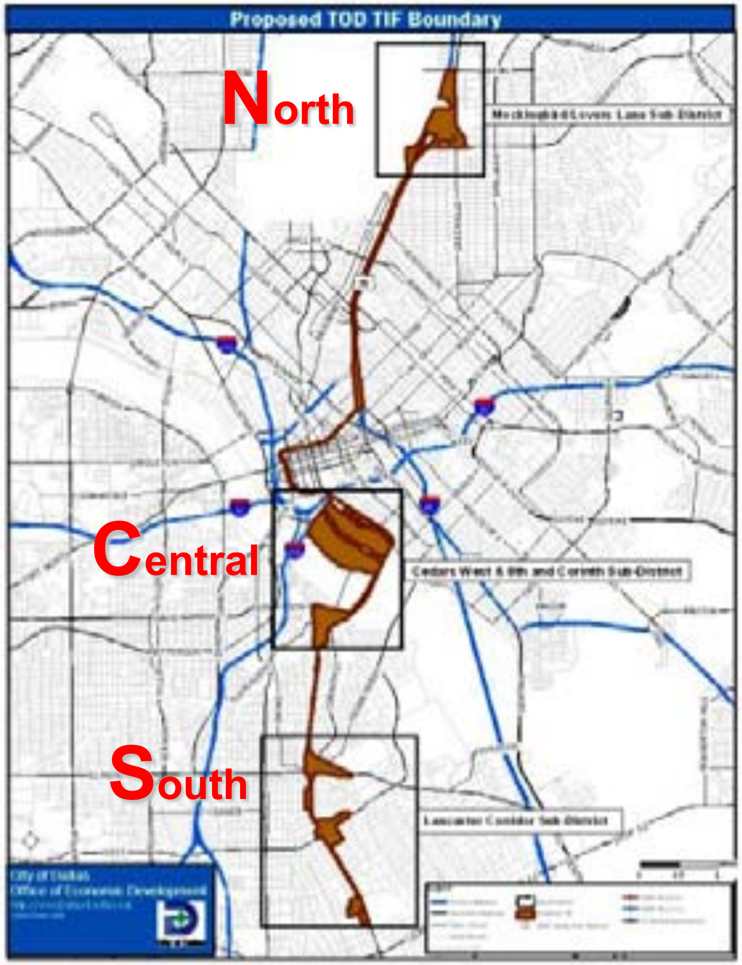
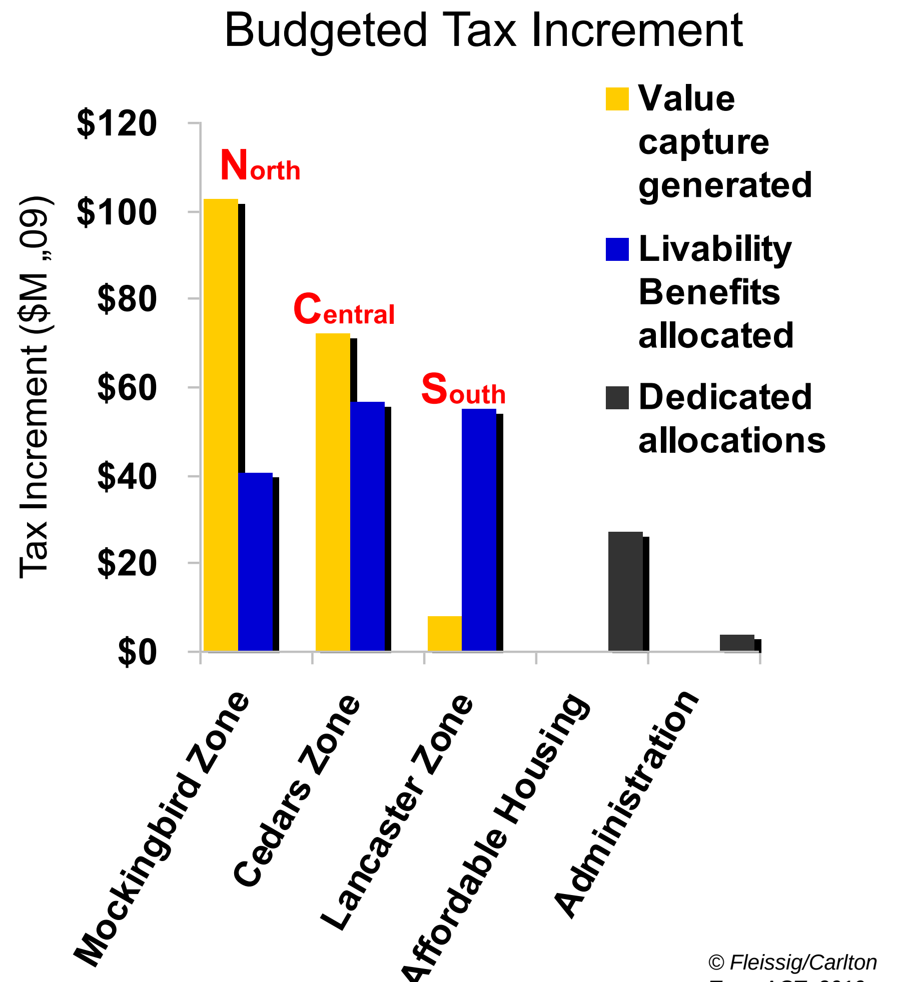
Source: City of Portland; "Portland Streetcar: Development-Oriented Transit"; "2008

Dallas TOD Tax Increment Zone To Fund $182M in Corridor-wide Livability Benefits





Source: Office of Economic Development; "Dallas TOD TIF Plan;" City of Dallas; 2008

Scale of Value Capture May Only Covers Some Lower Cost Benefits

Component	Cost („07 $MM)
• Light Rail (2 track/vehicles/ROW)	$30-45 / Mile
• Trolley (track/vehicles/stations)	$25-35 / Mile
• Commuter Rail (4-6 double deck car trains/no ROW)	$18-23 / Mile
• Bus Rapid Transit (4 vehicles/6 stations/shared ROW/single street)	$14-20 / Mile
• Shuttle Service to Station (6-8 shuttles with 10-15 minute headways)	$1.5-2.0 / Fleet
• Light Rail Station Platforms	$2.5-5.0 / Station
• Parking @ $1,500-2,000/space	$1.5-2.0 / At Grade
(1000 cars @ $15-20,000/space, no land)	$15.0-20.0 / Garage

Reframe Assumptions

Re-formulate: the BIG IDEA – Sustainable Corridor

Re-examine: getting people to and from the stations

Re-measure: extend <u>beyond</u> the half mile

Re-draw: plan for Transit *Districts* to allocate lower, mid and higher density

Re-finance: expand the funding base beyond the station area

Re-generate: new jobs near transit -- interim uses in old strip malls, warehouses, business parks

Transportation Re-Authorization

The Transportation Bill should provide

tax credits,
credit enhancements, and/or
loan guarantees

to enable jurisdictions to more effectively fund transit infrastructure and help achieve TOD 3.0 Livability objectives.

Create a Livable Communities Jump Start Program

- Amend **S. 1619/HR 4690, *The Livable Communities Act*, introduced by Senator Dodd**,

- Create a Livable Community Jump Start Program managed by the Department of Housing and Urban Development to provide bridge loans or credit enhancements on local district-related financing used to construct critical local infrastructure and affordable housing in new and existing livable communities.

- Livable Community Credit Enhancements help local finance districts produce critical infrastructure sooner in the development cycle and to expand permanently affordable housing.