CAPTURING THE VALUE OF TRANSIT

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STRATEGICECONOMICS

CTOD CENTER FOR TRANSIT-ORIENTED DEVELOPMENT

CTOD Value Capture Research

- **November 2008**: ***Capturing the Value of Transit***
  http://www.reconnectingamerica.org/public/projects/318
- **Very, very soon: *Rails to Real Estate***
  A retrospective look at development along three recently constructed light rail lines in the Denver, Charlotte, and Twin Cities regions.
- **2011: *Connecting the Dots* (working title)**
  A closer look at development context, development feasibility, and implications for TOD implementation

Value Capture

Capturing growth in property values
generated by transit
to pay for
transit or related improvements

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Transit's Impact on Property Values

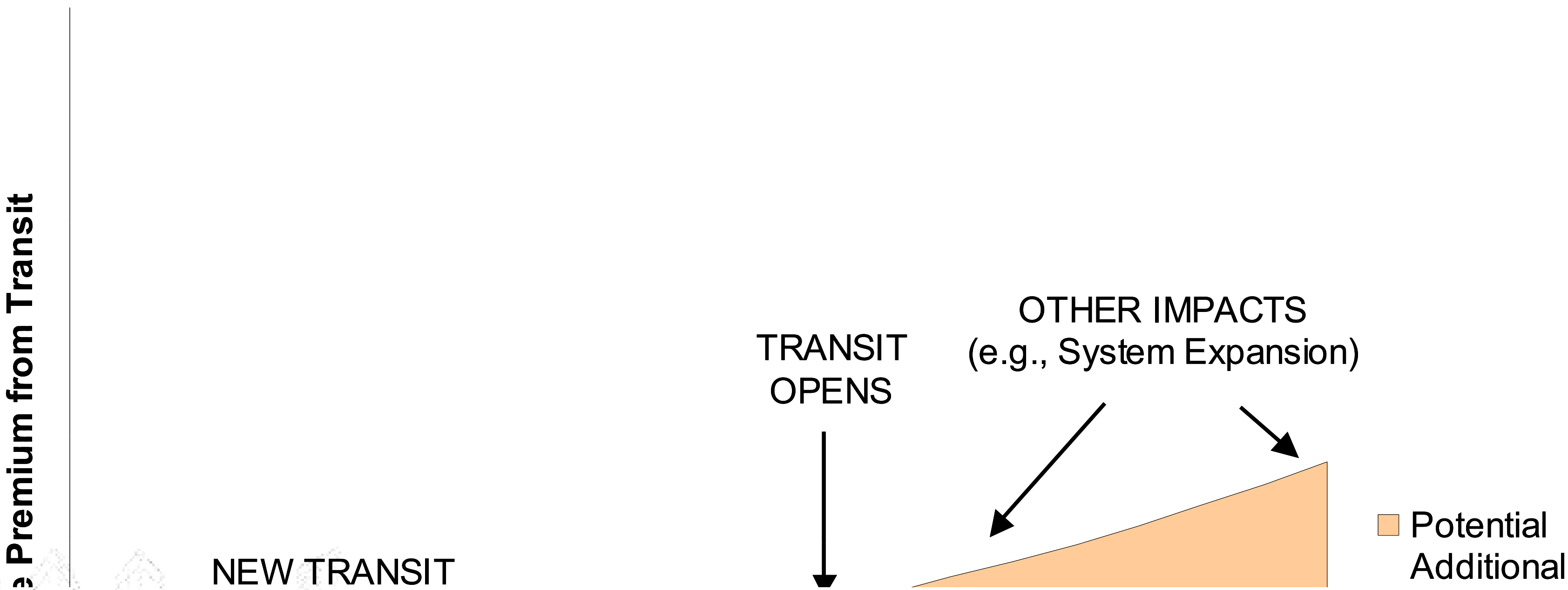
Land Use	Range of Property Value Premium
Single Family Residential	+2% to +32% (San Diego Trolley, 1992) (St. Louis MetroLink Light Rail, 2004)
Condominium	+2% to +18% (San Diego Trolley, 2001)
Apartment	+0% to +45% (San Diego Trolley, 2001) (VTA Light Rail, 2004)
Office	+9% to +120% (Washington Metrorail, 1981) (VTA Light Rail, 2004)
Retail	+1% to +167% (BART, 1978) (San Diego Trolley, 2004)

Why is the Impact Uneven?

Many factors influence the impact of transit on property values:

- Transit quality/ frequency
- Extent of transit system
- Land use
- Ease of access to the station (pedestrian and bike connections, parking)
- Disincentives to driving (congestion, high gas prices)

The “Value Curve” in Theory



Value Capture Strategies

- Assessment Districts
- Tax Increment Financing
- Joint Development
- Developer/Impact Fees

Assessment Districts

A tax assessed against parcels identified as receiving a direct benefit from a public project

- Assessment is directly related to the benefit received
- Typically requires a vote of property owners
- Frequently used for streetcar projects

Examples

- Portland and Seattle streetcar systems
- New York Avenue Metro Station, DC
- Dulles Rail Transit Improvement District

Tax Increment Financing

A financing tool that captures future property tax gains from a project or district

- A powerful tool, but limitations on where and how it can be used
- Preferred by property owners; shifts $$ that would otherwise go to cities, schools, other public services

Examples

- Pennsylvania Transit Revitalization Investment District (TRID) legislation
- Denver Union Station
- Dallas Corridor-wide TIF District

Developer/Impact Fees

A fee assessed on new development

- Typically intended to defray the cost of expanding and extending public services to development
- Often used for roadways, less frequently for transit

Examples

- San Francisco Transit Impact Development Fee
- Broward County Transit-Oriented Concurrency System

Joint Development

Coordination between the public and private sectors to develop sites near transit (usually publicly-owned land)

- Balancing the desire to generate revenue with other goals can be a challenge
- Real estate development is risky and timing is key
- Often requires participation by multiple public agencies

Examples

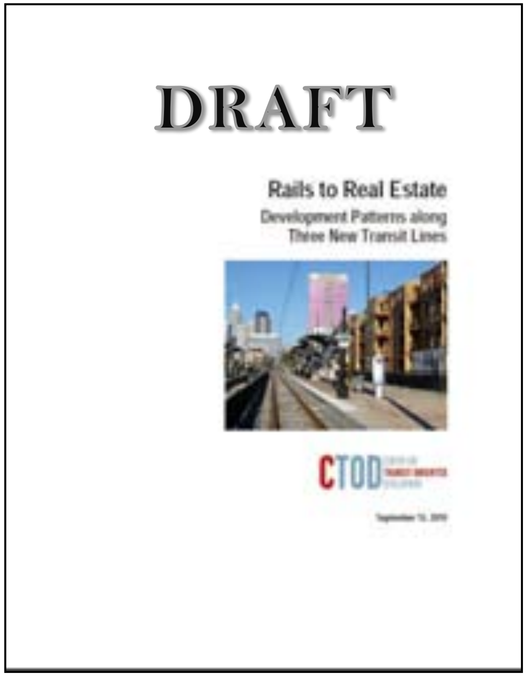
- West Dublin/Pleasanton BART, CA
- Cascade Station, Portland, OR

Most Value Capture Tools Rely on New Development

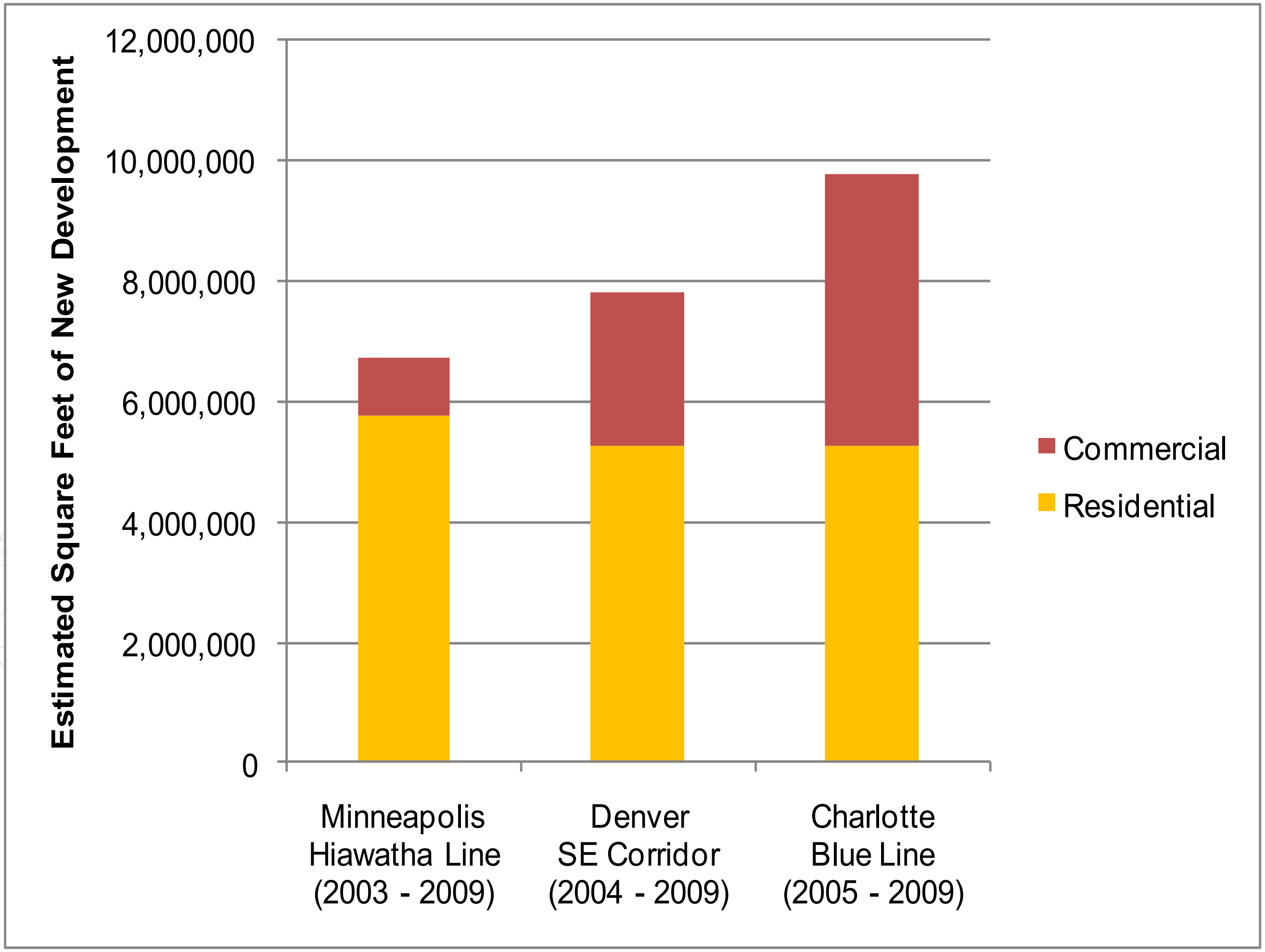
- Public sector financing tools are designed to capitalize on new development
- New development can maximize the value of transit:
  - ✓ Tap into growing **demand for "walkable" places**
  - ✓ Take advantage of **zoning for increased density**
  - ✓ **Reduce costs** through lower parking requirements
  - ✓ Access **new infill sites** made available by transit

Rails to Real Estate: Development Patterns Along Three New Transit Lines

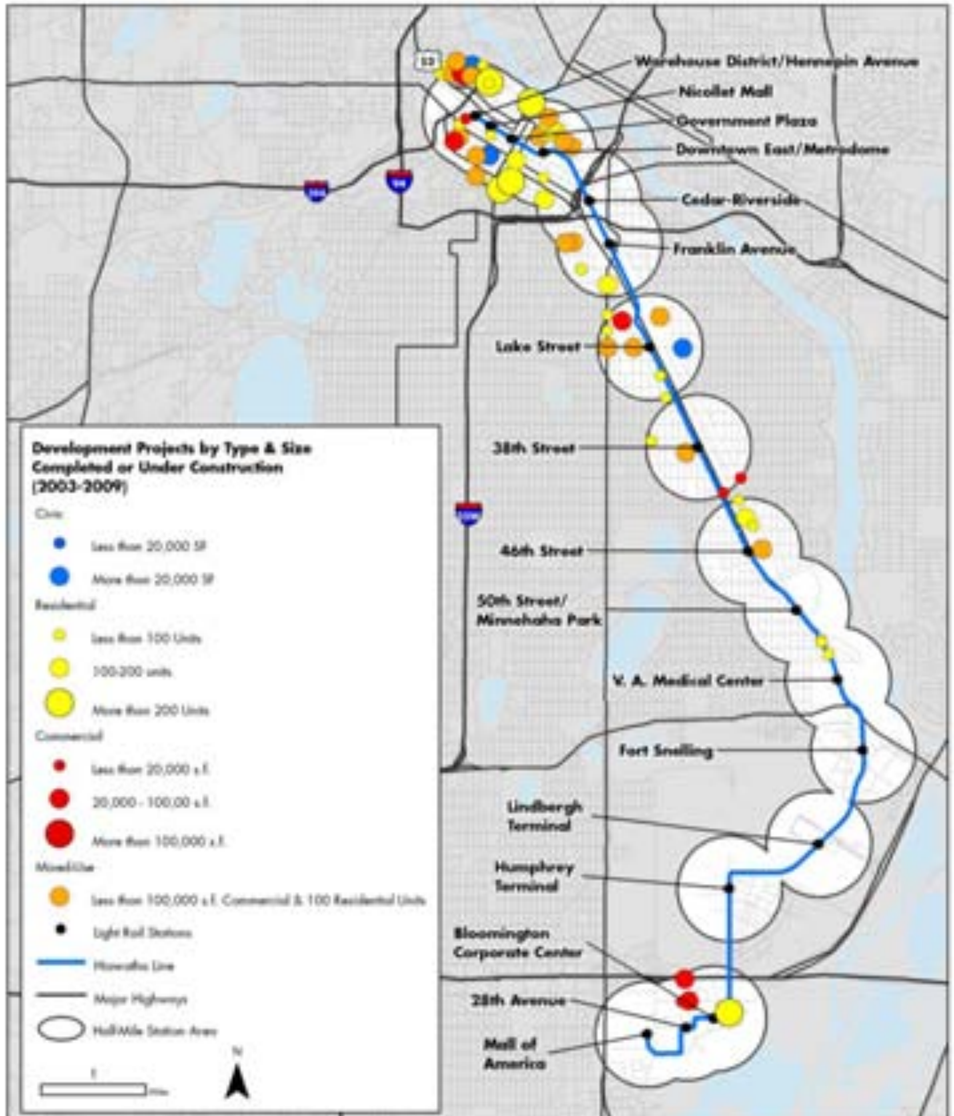
- Hiawatha Line,
  Minneapolis-St. Paul Region (2004)
- Southeast Corridor, Denver Region (2006)
- Blue Line, Charlotte Region (2007)



Significant New Development along All Three Lines



Development Patterns are Uneven



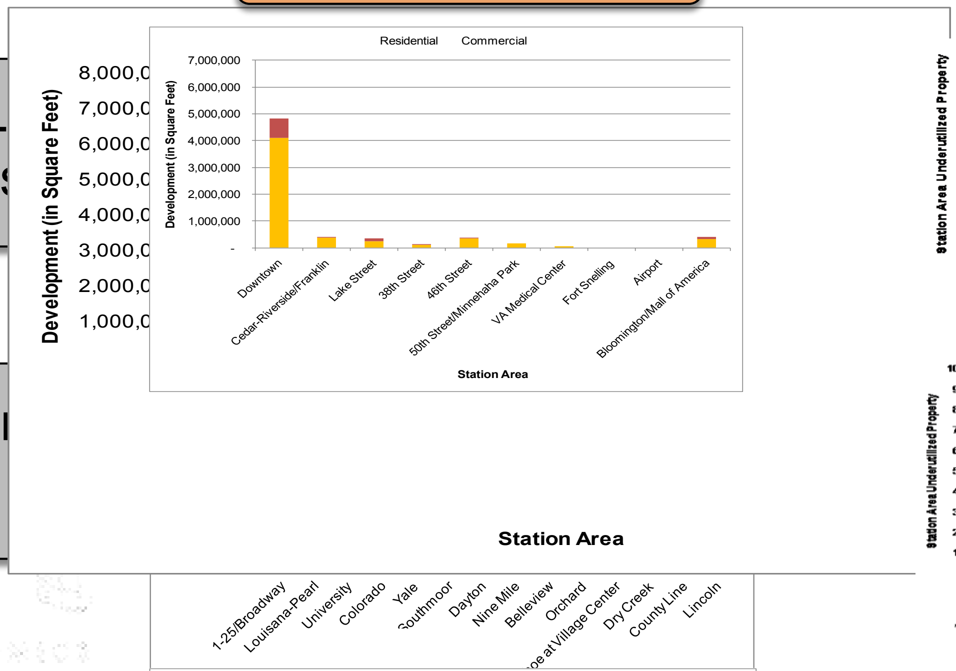
HIAWATHA LINE, MINNEAPOLIS-ST. PAUL REGION

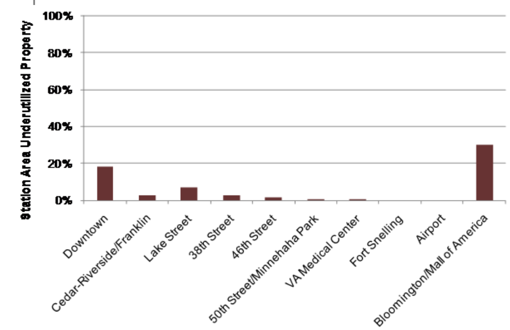
The Location of Vacant and "Underutilized" Properties Is Not a Strong Predictor of Development

Development

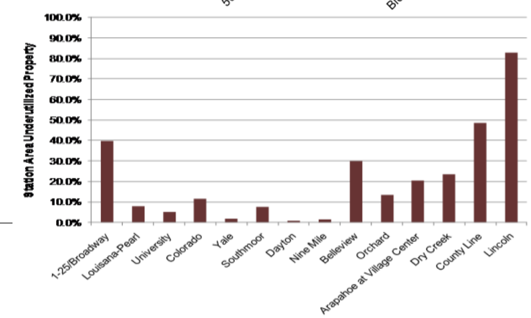
Underutilized or Vacant Property

Hiawatha L
Minneapolis

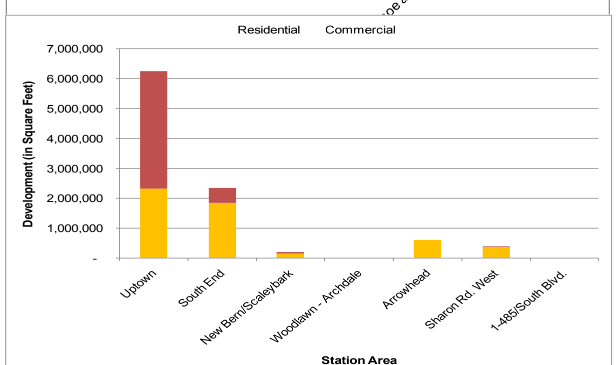


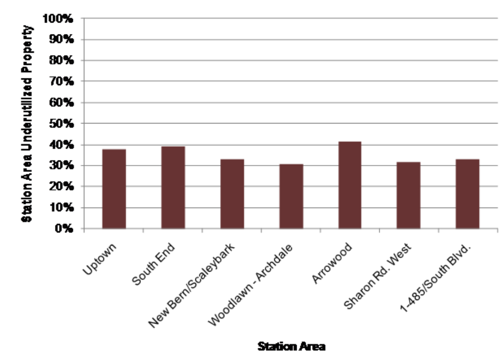


SE Corridor
Denver



Blue Line
Charlotte



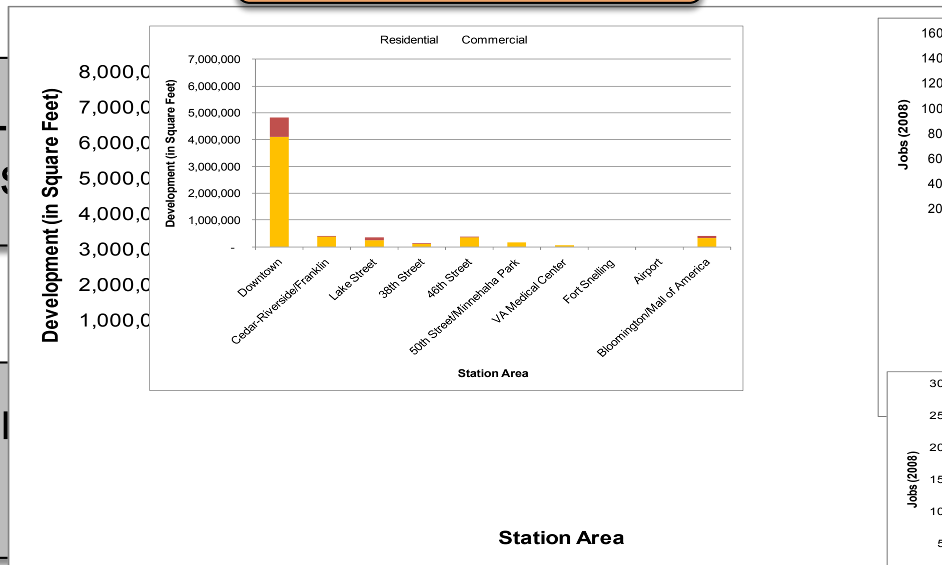


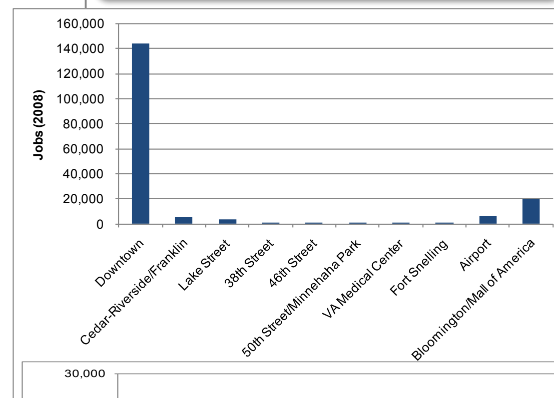
Most Development is In or Near Downtowns and Employment Centers

Development

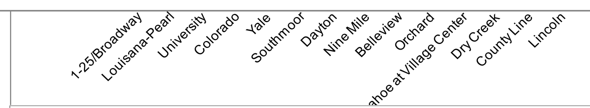
Employment

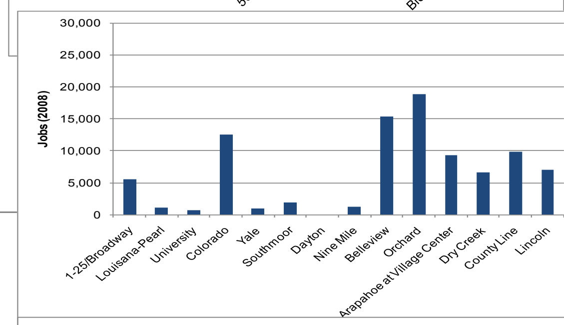
Hiawatha L
Minneapoli



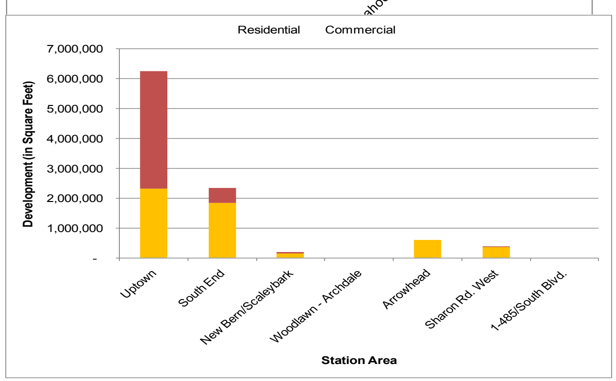


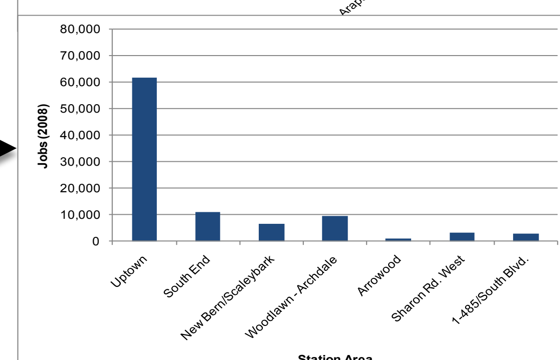
SE Corridor
Denver



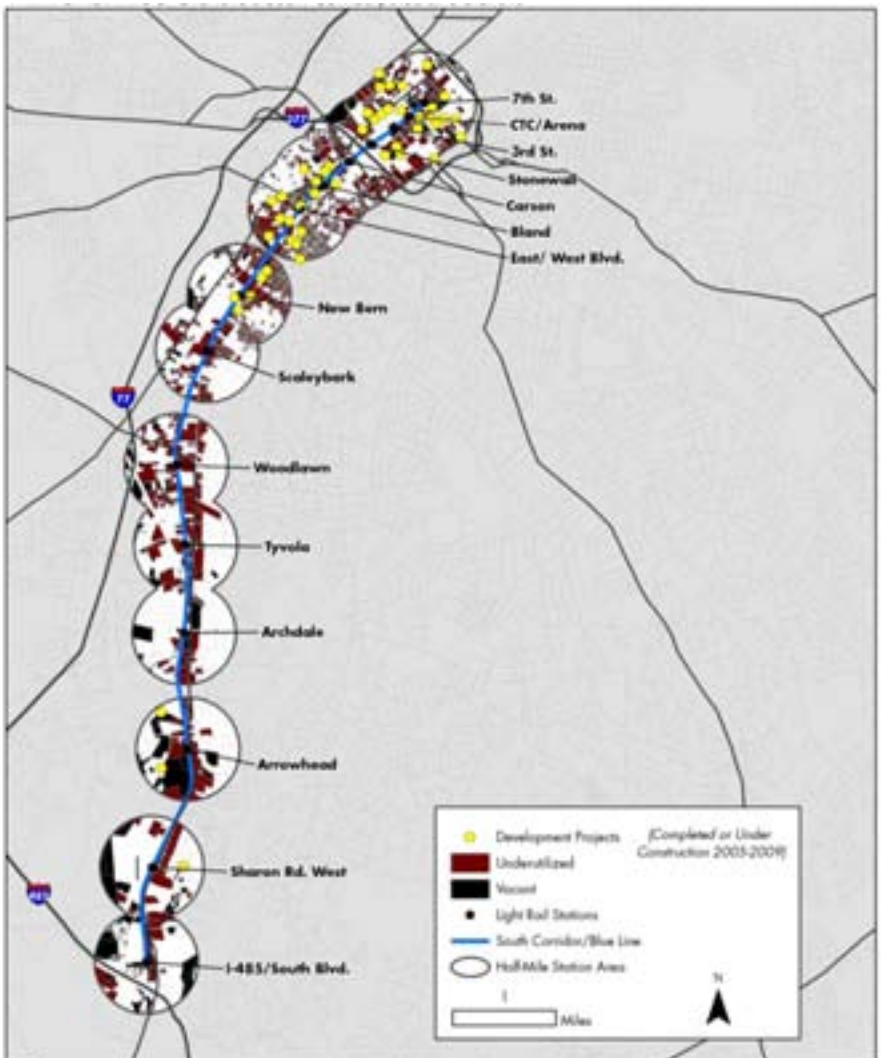


Blue Line
Charlotte

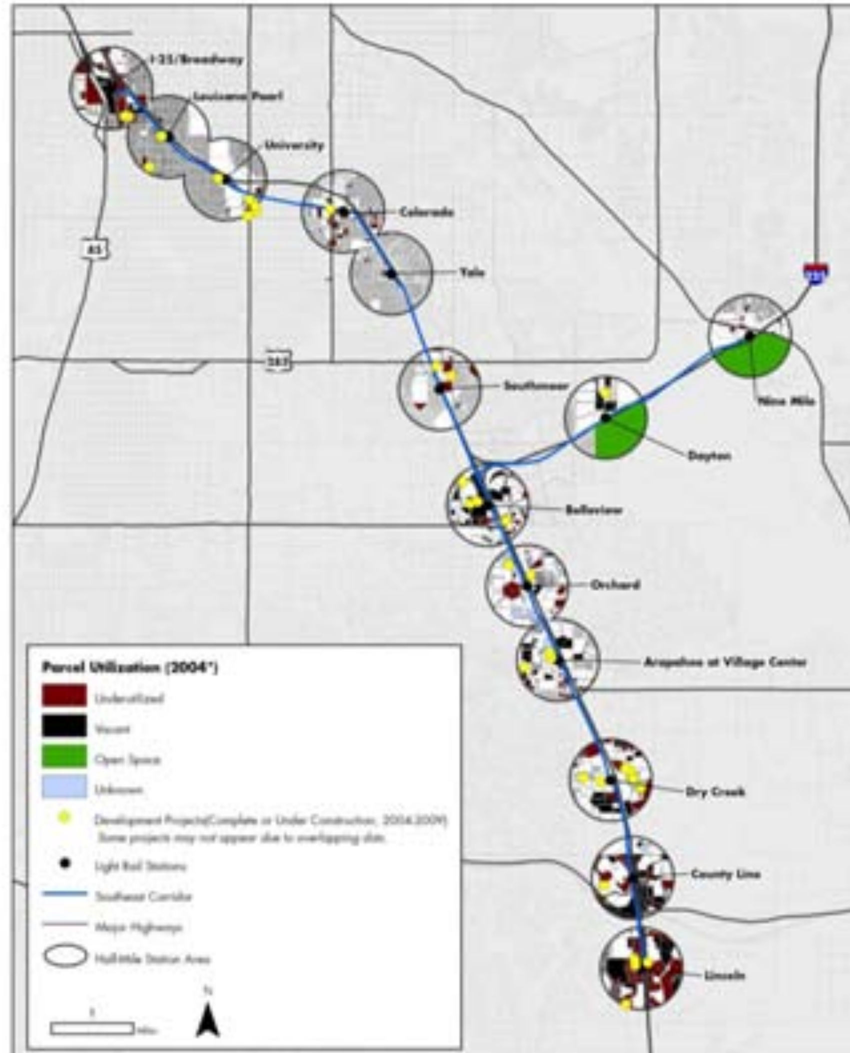




Significant Opportunity Sites Remain

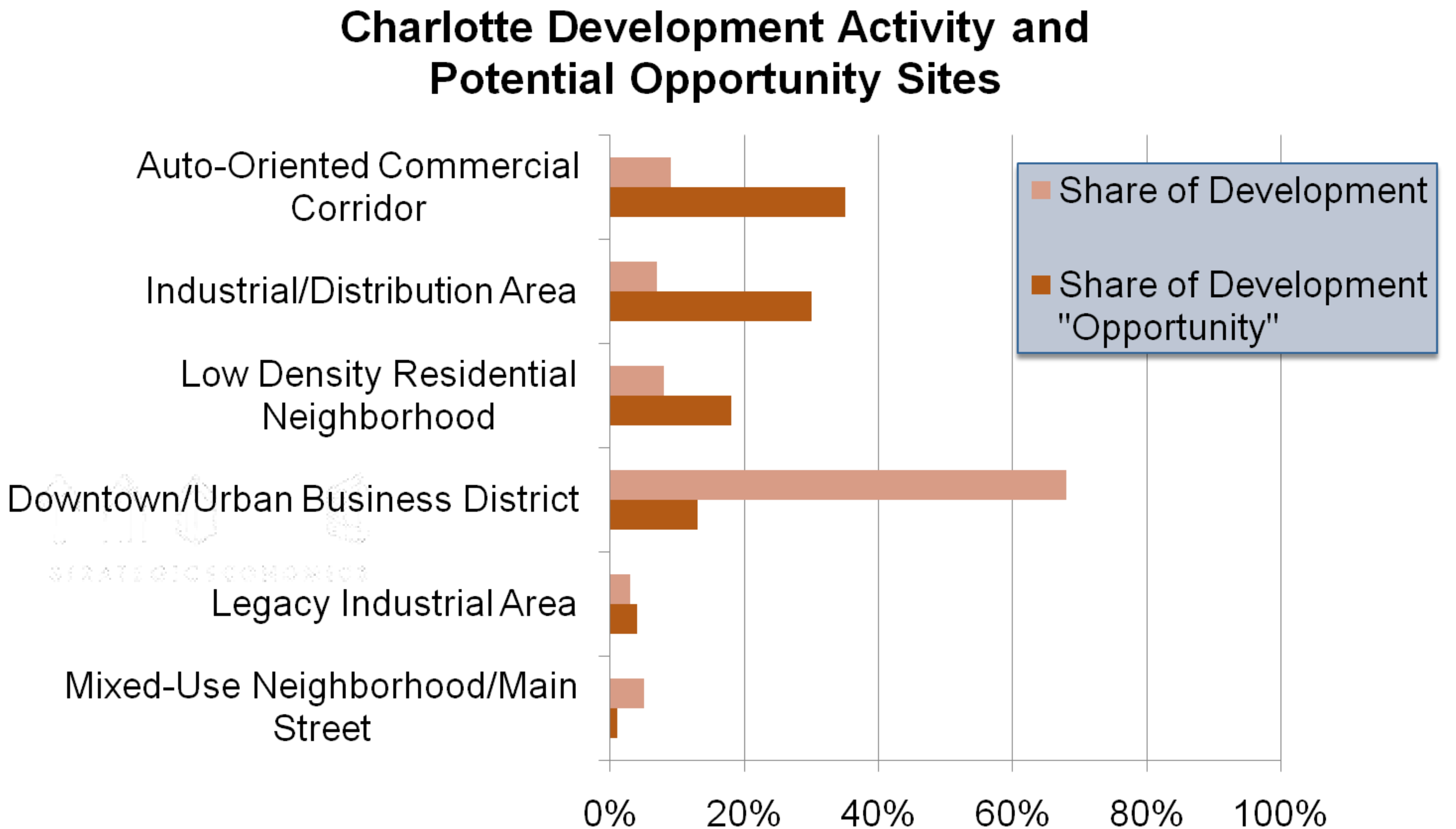


BLUE LINE, CHARLOTTE REGION



SE CORRIDOR, DENVER REGION

Context Matters



Final Thoughts

- Most successful value capture strategies leverage multiple tools, partners and resources
- There is often a real need to strategically finance selected up-front investments to unlock the potential for value capture – especially in a weaker real estate market
- District- and corridor-based strategies have the potential for the greatest “capture” but can be very difficult to implement

More Final Thoughts

- Be realistic about the market and the value of density – upzoning does not always increase value
- Value capture potential is one consideration among many; transit ideally helps to achieve multiple goals and community benefits