High Speed Rail and Development Paradigm Shifts

Rail-Volution  October 2010
Portland
Things I Want to Cover

- HSR Stations are airports without runways.
- No such thing as Transit Oriented Development.
- GAINING VALUE (or what's the economics?)
- Capturing Cash—-or whining and extracting till you get what you want.
- Let's do this in less than 12 minutes.
What’s a HSR Station?
Looks like an airport to me.
It’s a gathering point for People

Three things about the economics of gathered people.

**DEMOGRAPHICS:** Who are they and how much money do they have available to them?

**PURPOSE IMPACTS EXPENDITURE:** Why are they coming here?

**DWELL TIME:** How long will they be here? Length of TIME in an area impacts the amount of money spent.
HSR and other Transit Improvements are “ADD IN’s”, not “END ALL’s”

It **ADD**S value, its **not** the **ONLY** indicator of value.

Connecting places is like connecting a train, **fail** to connect some piece and **its left** behind!
Transit Integration Creates Value

- About 8-18% above non-integrated development
- If the project didn’t make sense before transit it might NOT make sense after transit.
- There is an INCREMENTAL advantage to integrate with transit facilities.
- HSR is MORE significant to development than regional transit facilities.
Why shopping malls FAIL

- **Population Shifts and New Suburban/Exurban Development.** Many aging malls were built in older inner ring areas. As population moved away, retailers followed. Ironically, new retail is having the same impact on older malls that these malls had on downtowns 30 to 40 years ago. **The world changes, change with it!**

- **Evolving retail formats** – Retail formats such as lifestyle centers and the increasing number of big-box retailers are seizing market share. No HOME DEPOTS next to stations?

- **Consumer Preferences** – Traditionally, malls have been somewhat homogenous in their appearance and tenant mix. Increasingly, shoppers want a sense of place that a conventional mall cannot offer. **DO SOMETHING DIFFERENT**

- **Changing Demographics** – Trends such as the increasing number of two income households leaves less time for shopping at a mall and places a premium on convenience. **Is MY MOTHER THERE?**

- **Failure to Reinvest** the Urban Land Institute suggests that malls need to **reinvent themselves every 5-10 years** to remain competitive. Older malls that have not experienced renewal through reinvestment may be less desirable to prospective tenants. **Innovate or die!**
Misguided’ Tenant Mix Sinks Retail Lifestyle Center in Queens

Oct 12, 2010 11:03 AM, By Elaine Misonzhnik

Given the magnitude of this real estate downturn, it’s easy to forget that not every retail center that ends up in distress is a victim of bad timing. Some centers would likely have ended up in trouble anyway because of poor site selection and misguided leasing efforts.

The Shops at Atlas Park, a 400,000 sq. ft. lifestyle center in the Glendale section of Queens, N.Y., provides a particularly heartbreaking example. By all accounts, the property is a beautiful and well-designed retail venue, featuring an elliptical park in the center of the site, white stucco buildings, lush architectural detail and a pedestrian-friendly layout.

When the developer, New York City-based ATCO Properties & Management Inc., first came up with the idea of turning a former 10-acre industrial site into a retail center, the local community couldn’t have been happier.

What happened, however, according to Spiegelman and others, is that ATCO over-reached. Glendale is a predominantly lower middle-class neighborhood. The median household income in the area is approximately $44,255, significantly lower than the figure for New York City as a whole ($55,980) and for the rest of the country ($52,029), according to the U.S. Census Bureau.

But ATCO hoped the center’s village-like atmosphere and collection of upscale tenants would draw shoppers from all over Queens, including the wealthier neighborhoods of Forrest Hills and Middle Village.
It’s a gathering point for people

Same questions of:
- how much do they make, ?
- why are they here? And:
- how long will they be here?
- These are the questions for any proposed development idea.
- Once we answer these questions we can start on how to get some value from the station.
It’s the same thing for other forms of DEVELOPMENT

Why does someone want to come to this station and why would they spend money here?

**ORIGEN** - I start [here](#) and go somewhere else

**Destination** - I go [there](#) because I have something to do there.

Destinations stations have a lot more economic value potential

**MAKE A DESTINATION!**
No Such Thing as Transit Oriented Development!!

• There is Transit **ADJACENT** Development (TAD)

• There are Transit Oriented **DISTRICTS** (TOD)

• **BUT, a project next to transit that doesn’t integrate with the transit is just a building!!**

• **Taking advantage of the adjacent transit is what gives the additional value to a development!**
Transit Oriented Bovines (TOB)
Transit Oriented?, Urban Integration?
How important is connecting the station to the destinations?

Think someone might spend money here?
Disneyland is a Transit Oriented DISTRICT

- It’s a series of transit systems connected by a theme....you got that MICKEY!!
- You don’t get to drive much in Disneyland and you do like the walk.
- It’s one of the most economically exploited transit environments in the world!

- That’s Transit Oriented!!!
Southern California

- 40 of the Nations 270+ cities with populations over 100,000 are in Southern California (about 15%)

- Over 28 employment centers with daily job populations over 50,000.

- The point is ANY ONE of these cities or job centers could justify a High Speed Rail Station.

- Oh yea, there are 20 million people in Southern California. THINK IntRA – regional (demographic).
HSR is an Airport Without the Runways

Know the populations that use the systems

- The best comparison is a small/medium regional airport
- InterSTATE / INTRA Regional
- Different users create different values.

- The number of riders is the indicator of the value of the location…ask MacDonald's or Burger King OR Disneyland.
- How does one capture value? You GOTTA OWN SOMETHING!
So What do you **Own** that you can sell OR what does someone have that they are willing to give up?

- Easy, Land.
- Or make up land. (subdivision law)
- Or make up what you can build on the land and sell that. (zoning/plans)
- Or special taxes on what is built on the land (assessments, bids).
- Or just get owners to agree to pay you something (special districts)
- Learn to whine, you need the money!
TWO KINDS OF MONEY
for transit operators or cities

- Capital expenditures (you usually have too much of this)
- Operating expenditures (you never have enough of this)
- So IF you make money deals, focus on the operating cash and less on the capital cash. Think very long term.
- Or maybe the opposite?
Public Entities SELDOM Think of Future Values

- You think of future values, that’s why you plan your finances. Surprising though that most of you don’t think beyond seven years.
- Metro has property or facilities originally acquired in the late 1800’s.
- The shorter your remaining life the longer you plan things out (think retirement).
- Albert Einstein once said: “the most powerful force in the universe is compound interest”.
- TA DA…we are finished, how is that for less than 12 minutes?
A New Travel Option for All Californians

Annual Boardings for Selected Stations – Year 2030

<table>
<thead>
<tr>
<th>Station</th>
<th>Annual Boardings</th>
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<tr>
<td>Los Angeles Union Station</td>
<td>10.8 million</td>
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<tr>
<td>San Francisco Transbay Terminal</td>
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