CAPTURING THE VALUE OF TRANSIT

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October 21, 2010
CTOD Value Capture Research

• November 2008: *Capturing the Value of Transit*  

• 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
## Transit’s Impact on Property Values

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

NEW TRANSIT

TRANSIT OPENS

OTHER IMPACTS (e.g., System Expansion)

Potential
Additional

Strategic Economics
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

- Southeast Corridor, Denver Region (2006)
- Blue Line, Charlotte Region (2007)
Significant New Development along All Three Lines

- Minneapolis Hiawatha Line (2003 - 2009)
- Denver SE Corridor (2004 - 2009)
- Charlotte Blue Line (2005 - 2009)

Estimated Square Feet of New Development

- Commercial
- Residential
Development Patterns are Uneven

HIAWATHA LINE, MINNEAPOLIS-ST. PAUL REGION
The Location of Vacant and “Underutilized” Properties Is Not a Strong Predictor of Development

- Hiawatha Line
- Minneapolis
- SE Corridor
- Denver
- Blue Line
- Charlotte

- Development
- Underutilized or Vacant Property
Most Development is In or Near Downtowns and Employment Centers

Hiawatha Line
Minneapolis

SE Corridor
Denver

Blue Line
Charlotte
Significant Opportunity Sites Remain

BLUE LINE, CHARLOTTE REGION

SE CORRIDOR, DENVER REGION
Context Matters

Charlotte Development Activity and Potential Opportunity Sites

- Auto-Oriented Commercial Corridor
- Industrial/Distribution Area
- Low Density Residential Neighborhood
- Downtown/Urban Business District
- Legacy Industrial Area
- Mixed-Use Neighborhood/Main Street

- Share of Development
- Share of Development "Opportunity"
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