

Unlocking the Economic Value of Transit

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Value Capture Through Form Based Codes and TOD

CNU

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STRATEGICECONOMICS

How Does Transit Create Economic Value?

Through Increased Access/
Connectivity.

How is Economic Value Measured?

1. Increased Property Values
2. Increased Connectivity
Between Jobs and Workers

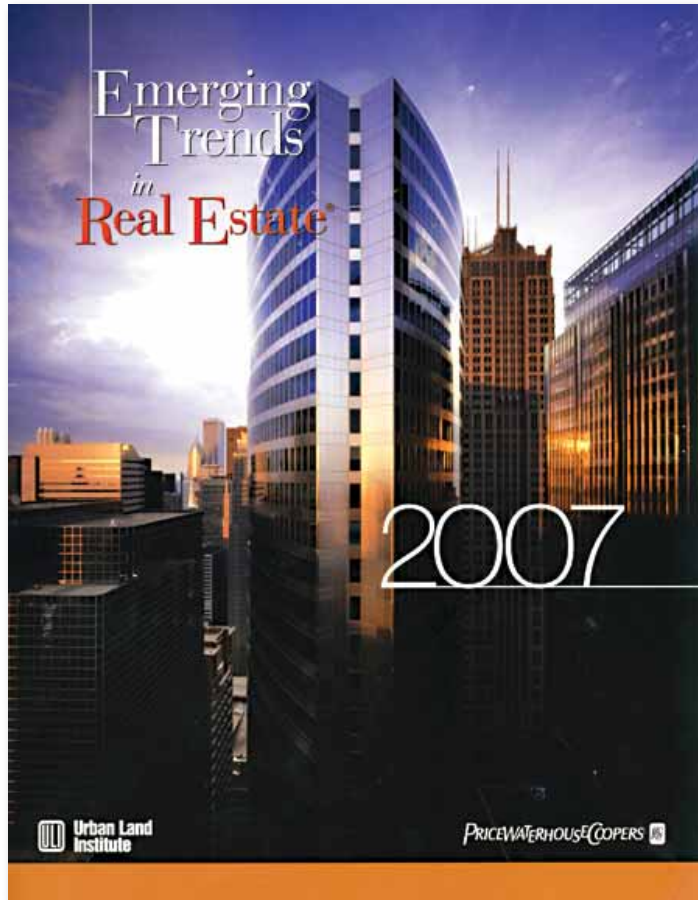
Property Values And TOD

Value Capture Lit Review



<u>Land Use</u>	<u>Range of Property Value Premium</u>	
Single Family Residential	+2% w/in 200 ft of station (San Diego Trolley, 1992)	+32% w/in 100 ft of station (St. Louis MetroLink Light Rail, 2004)
Condominium	+2% to 18% w/in 2,640 ft of station (San Diego Trolley, 2001)	
Apartment	+0% to 4% w/in 2,640 ft of station (San Diego Trolley, 2001)	+45% w/in 1,320 ft of station (VTA Light Rail, 2004)
Office	+9% w/in 300 ft of station (Washington Metrorail, 1981)	+120% w/in 1,320 ft of station (VTA Light Rail, 2004)
Retail	+1% w/in 500 ft of station (BART, 1978)	+167% w/in 200 ft of station (San Diego Trolley, 2004)

Recent “Pronouncements” on Value of Transit:



ULI/PRICEWATERHOUSECOOPERS
“EMERGING TRENDS” REAL ESTATE
REPORT RANKED TOD AS ONE OF THE
BEST BET FOR INVESTORS 3 YEARS IN A
ROW

- 2005: “Locations near transit rank as the No. 1 choice for all development types.”
- 2006: “The distance between where we live and work will matter more . . . TOD near subway or light rail lines almost can’t miss . . . People congregate there.”
- 2007: “Best Bets 2007” . . . Global gateways with 24-hour characteristics and mass transportation “have turned into the nation’s investment property meccas.”

BUT -

Can That Value Be Captured?

Will the growth in *property values*
generated by transit
pay for
transit, related improvements, or more intense development?

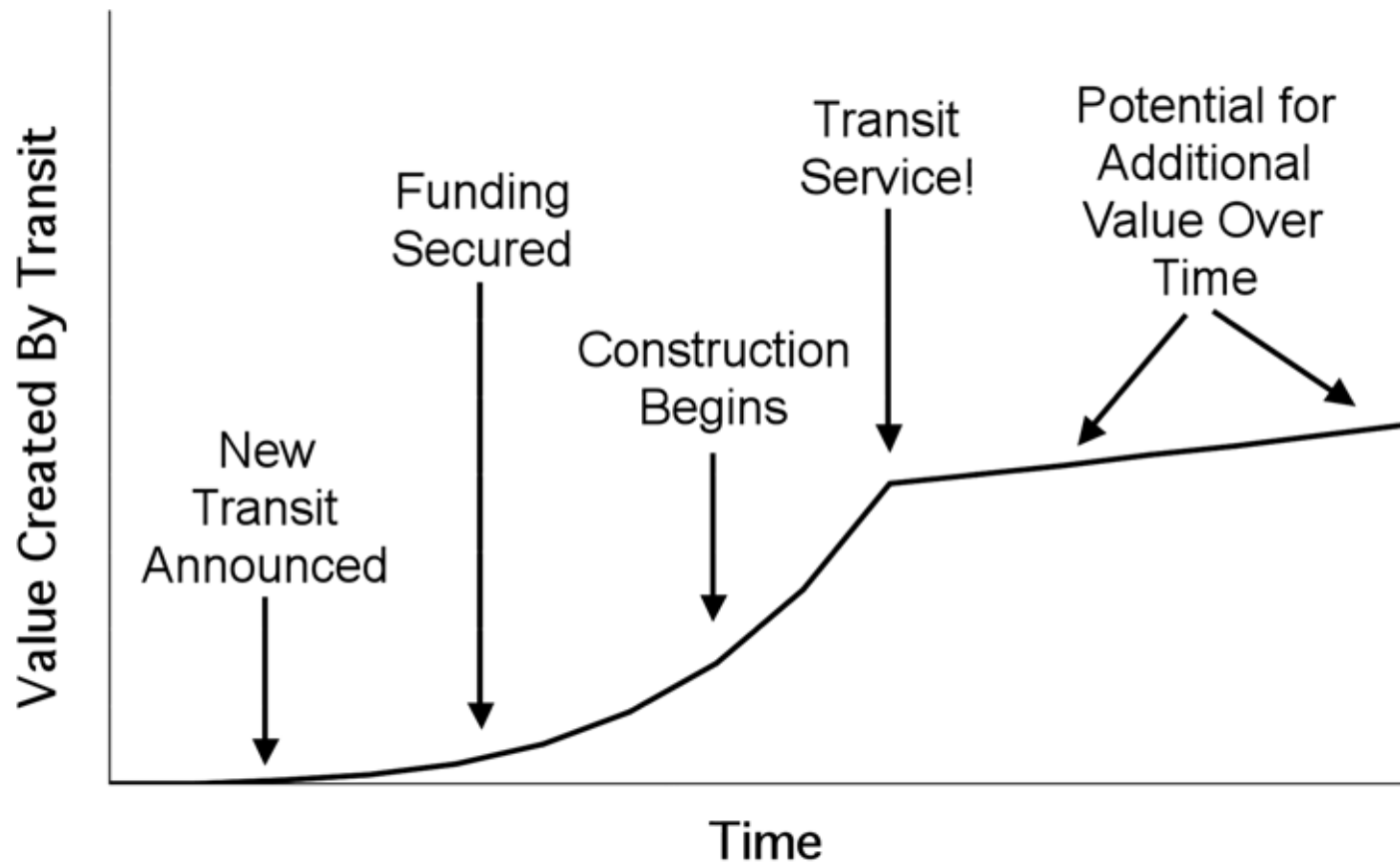


Five Pre-Conditions for Value Premiums in Transit:

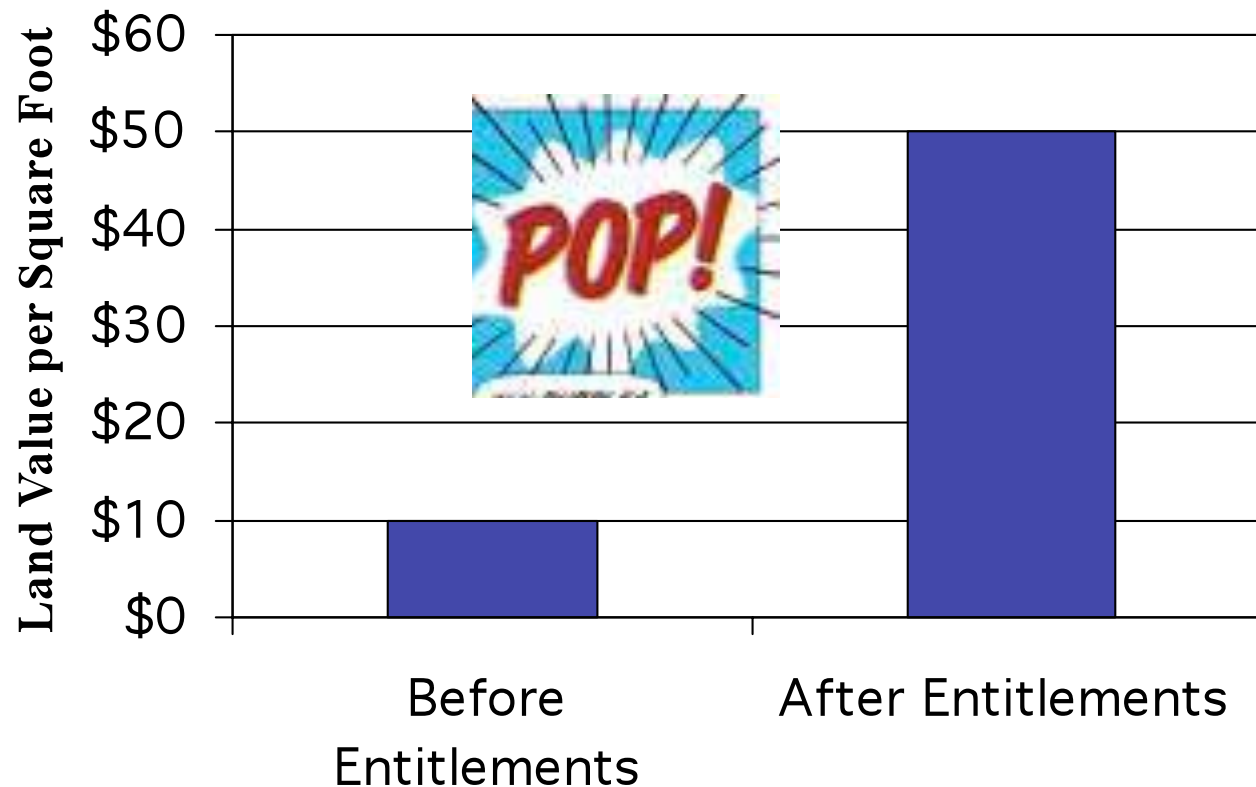
1. Connectivity to regional employment destinations
2. Strong economy
3. Healthy local real estate market
4. Worsening traffic congestion
5. Supportive planning policies (e.g. density, reduced parking ratios)



Value Curve (in Theory) From New Transit



Value Increase From “New” Entitlements (Existing or New Transit)



The Public and Private Sectors Have Different Methods for Capturing Value from TOD

Five Ways the Public Sector Captures Value:

1. Assessment Districts
2. Tax Increment Districts
3. Development Impact Fees
4. Joint Development
5. Development Agreements

One More Critical Ingredients for Public Agency Value

Capture:

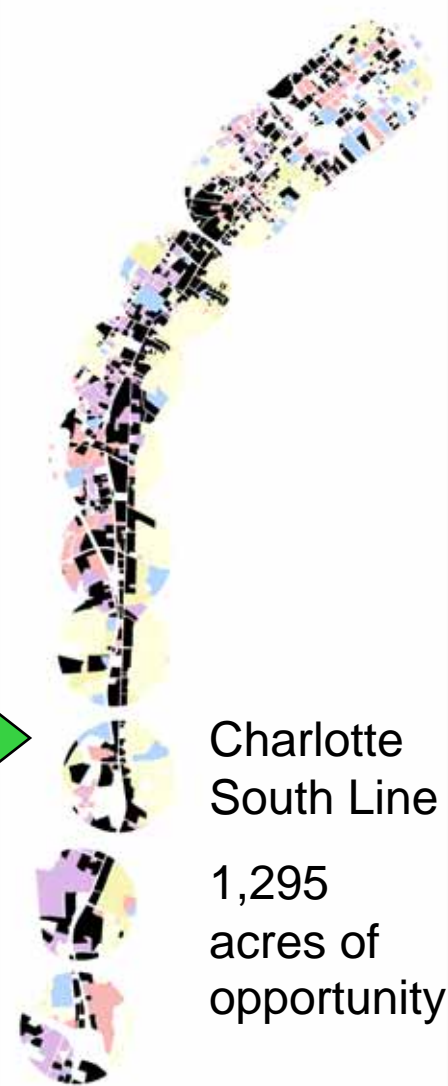
Future Development opportunities (Land)



Boston Indigo Line
340 acres of opportunity

Good Candidate for Value Capture

Poor Candidate for Value Capture



Charlotte South Line
1,295 acres of opportunity

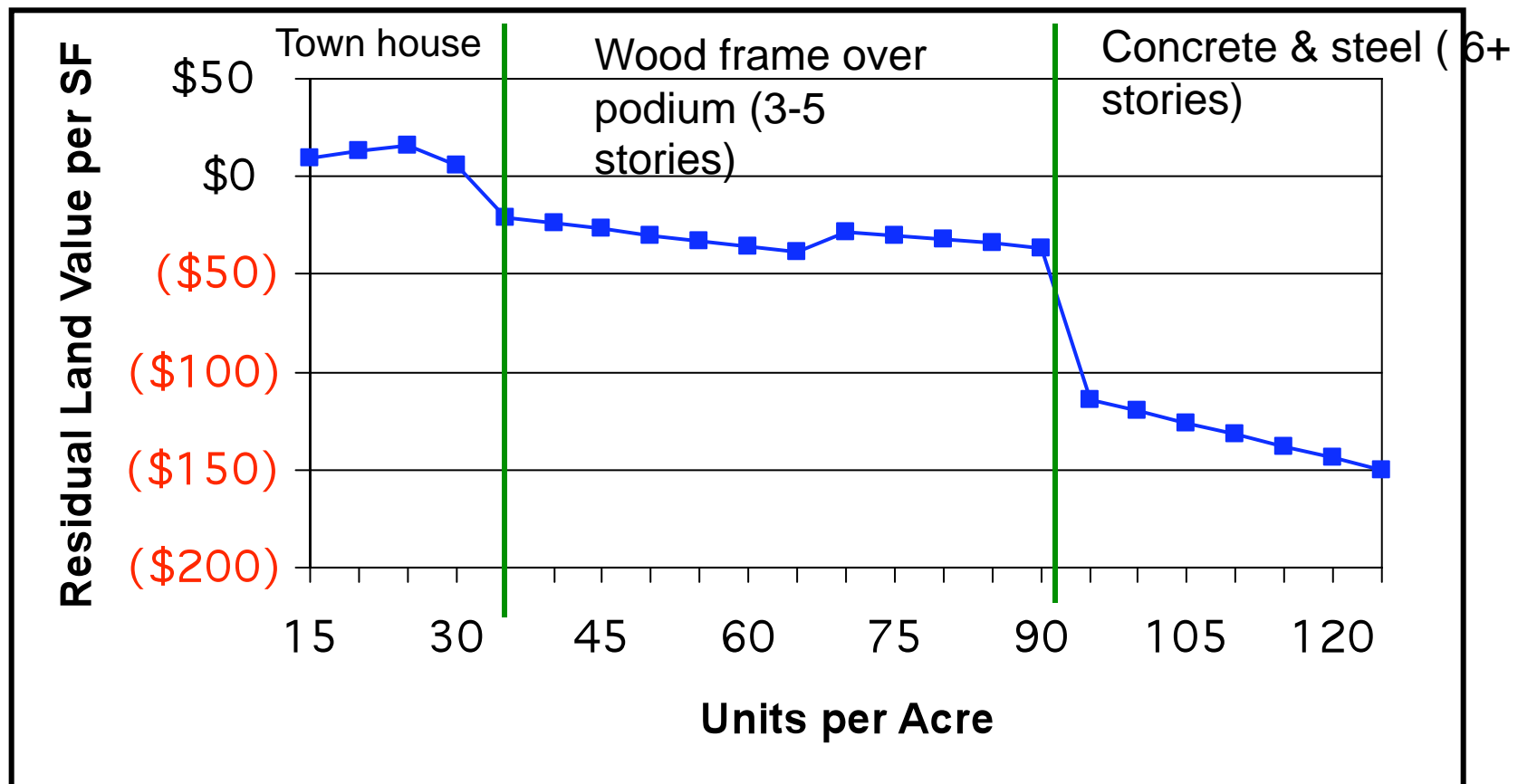
Five Ways Developers Capture Value (in theory):

1. Creates project amenity
2. “Justifies” higher densities
3. Public subsidy
4. Lower parking ratios
5. Increased access

In Reality -

Current Market Relationships Between Density and Land

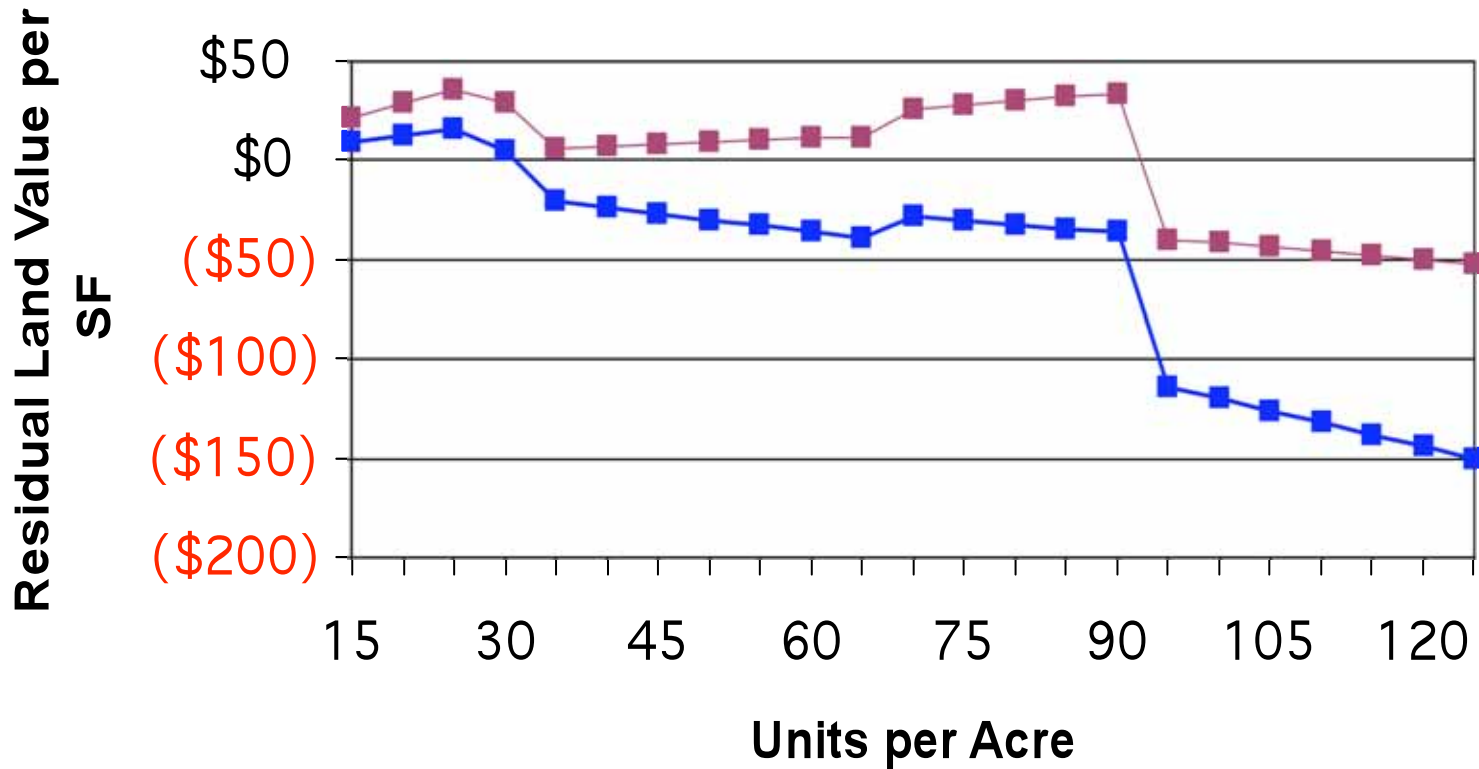
Values Don't Always Add Up to Value



But:

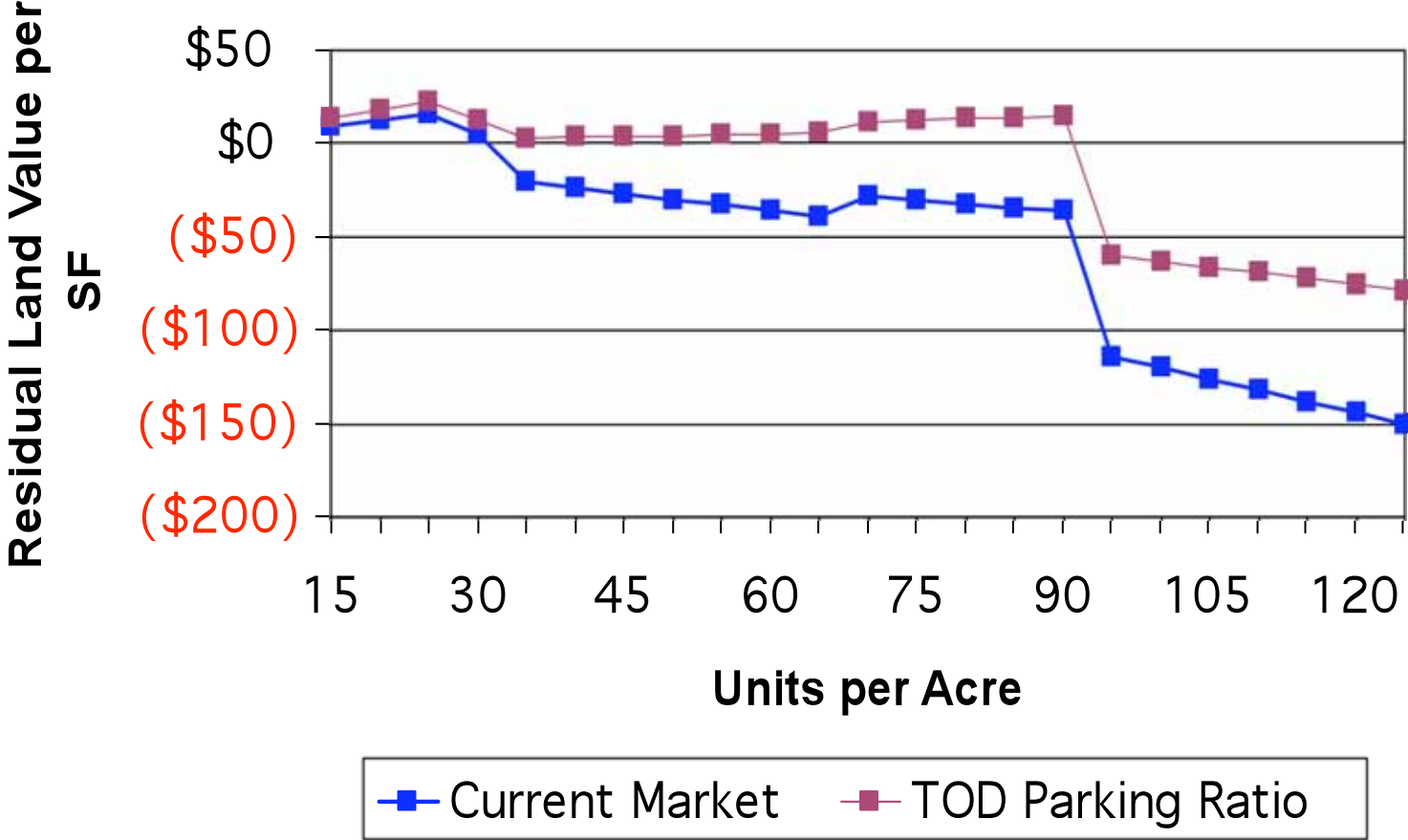
- High quality, mixed-use projects achieve higher rents and sales prices – 10% to 20% premium
- TOD projects require fewer parking spaces

Potential Impact of Place Making (20% increase)

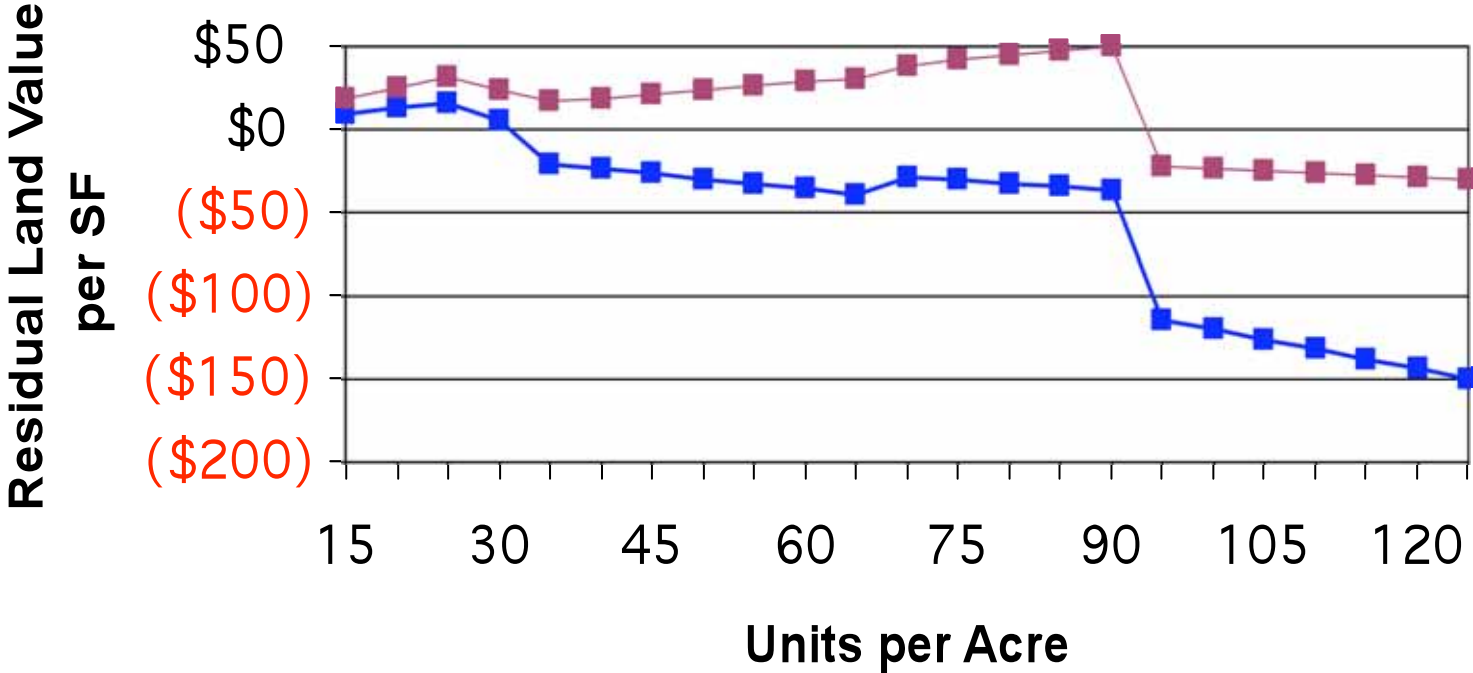


—■— Current Market —■— Potential TOD / Place Making Premium

Potential Impact of Lower Parking Requirements (TOD 1:1 Ratio)



Potential Impact of Place Making & TOD Parking Requirements



- Current Market
- TOD Parking Ratio & 10% Place Making Premium

“State of the Art” Value Capture Examples For Transit Improvements



**New York Station
Washington D.C.
(assessment
district)**



Pearl District, Portland



**South Lake Union Street Car, Seattle
(assessment district)**

Economic Value from Connecting Works and Jobs

Economic Trends Related to the Value of “Access:”

- 78% Gross Quarterly Private Job Growth is from Expansion by Existing Firms
- A Key Source of Economic Expansion Comes from Agglomeration Benefits (businesses clustered together)
- Central Cities No Longer Accommodate the Most Jobs in a Region
- Large “Labor Marketsheds” Contribute to Increased Labor Productivity
- Some Workers have Difficulty Accessing the “New Economy”
- Employers Struggle with Workforce Attraction and Retention

Businesses Take Strength in Numbers (Agglomeration), but Residents Don't.



Downtown Minneapolis: \pm 115, 000 Workers.

Each Worker Needs a House and a Way to Get to Work

For the past 50 years, the connection between jobs and housing has been made primarily by people driving their cars to work. But, this trend is reaching the outward limit of its utility because:

- Global Warming
- Price of Driving
- Knowledge Workers Like “Urban” Environments
- Evidence from “The Option of Urbanism”

Transit Oriented Development Has Two Parts – Can't Have One Without the Other:



**Housing
(Origins)**



**Jobs
(Destinations)**

Access to Transit Is Important to Many Key Economic Sectors:

- Professional, Scientific, and Technical Services
- Financial Services
- Insurance
- Information Services and Data Processing

Transit Connectivity is Reshaping Regional Employment Centers

For Example: The Washington
D.C. Metro Area

Downtown Washington, once given up for “dead,” is now thriving!



“The District is among the top ten U.S. markets in office rent growth” —

Richard Davidson, CB Richard Ellis 2002

One Factor Contributing to this Boom is Transit.

Key Locations within the City where additional development was restricted by traffic constraints are now developable because transit provides the access.



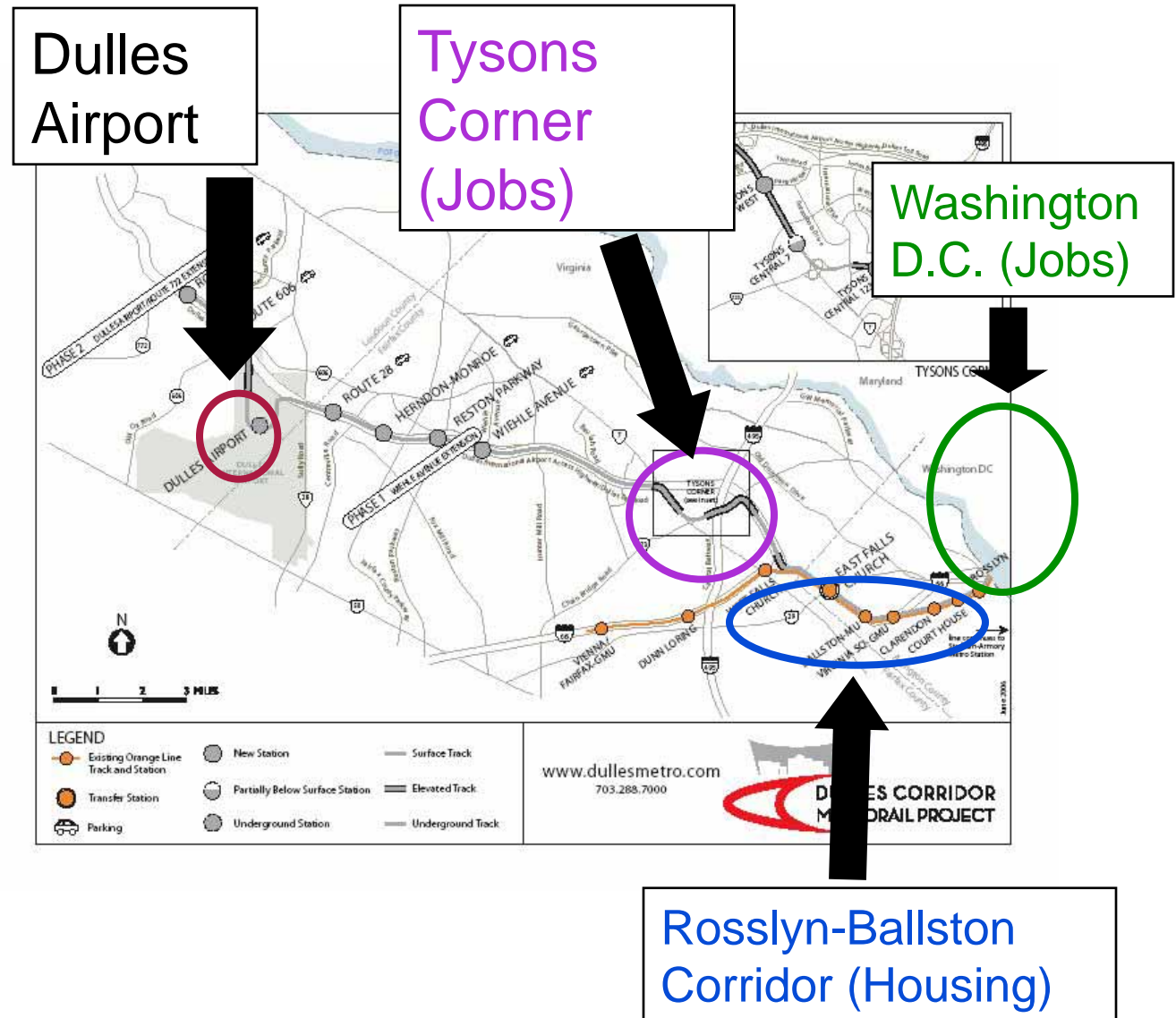
Tysons Corner, a major suburban office Center is now trying to get transit.



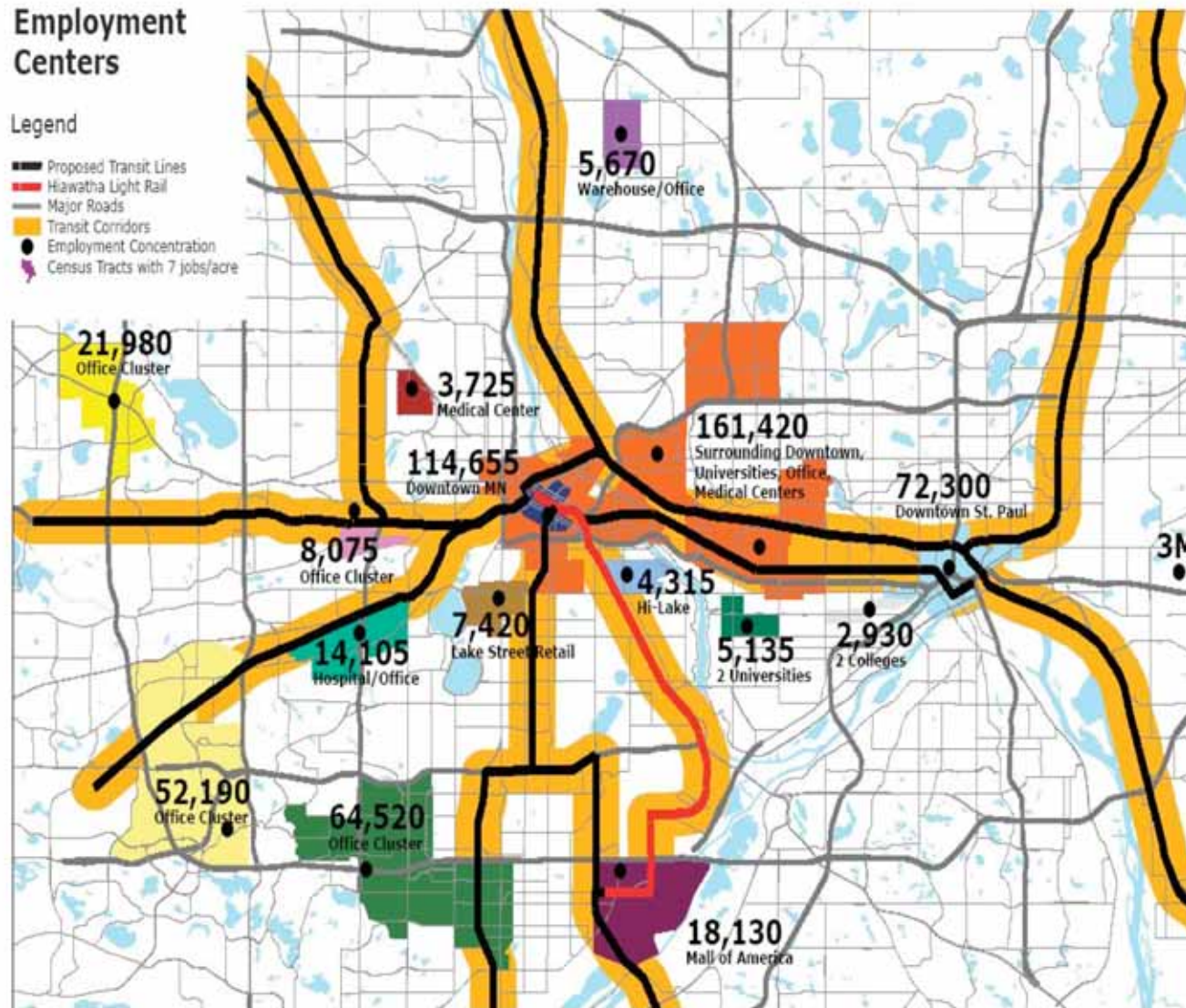
Without increased access, the Center can't grow much more.

Connecting the Jobs/Housing Dots:

- Washington has the highest rents in the region
- Rosslyn-Ballston has almost 40 percent of people living near transit riding transit to work
- Tysons Corner charges half the office rents of Washington and desperately wants transit



Twin Cities Region: Connecting the Jobs/Housing “Dots”



In Conclusion...

The Economic Value of TOD Comes From:

1. Understanding the value proposition of Access.
2. Connecting the Jobs/Housing Dots.
3. Planning for TOD by working from the Regional Scale to the Corridor, to the District, to the Parcel.

