Transit Oriented Development: What Works—What Doesn’t

Marilee Utter, CRE
Citiventure Associates

Southwest Transit Corridor
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It is difficult to design a space that will not attract people. What is remarkable is how often this has been achieved.

--William H. Whyte
Loss of Village...

• Then

• Now
The TOD Opportunity…
mixed-use villages with a transit anchor

- District orientation
- Compact development
- Mix of uses
- Pedestrian priority
- Civic uses
- Transit use
- Transformation
What’s in a Name?

- Transit-Oriented Development (TOD)
- Transit-Oriented District
- Transit Village
- Town Center
- Transit-Ready Development
TOD: An organizing principle to do what we should be doing anyway--creating great people places
Images by Urban Advantage
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KEY POINT:

The TOD value premium comes more from creating the place than from the transit itself

(except in very mature transit markets)
Trip and VMT Reduction

• Walkable places with a strategic mix of uses cuts auto use more than almost any transit

• Not enough TODs include jobs—too much Main Street retail with condos
Getting the right development isn’t as easy as it looks....
TOD’s work best where...

• Congestion is perceived as bad
• Housing prices are rising
• Driving costs are high
• Transit connects anchor destinations
• Transit is extensive, affordable, convenient, attractive
• TOD is part of a walkable “district”
TOD: What Works Today

• Best TOD uses:
  -- Townhouse/Multifamily Housing (rental or condo, affordable or premium, senior)
  -- Offices (high employee count)
  -- Civic Buildings (libraries, schools, postal)
  -- Entertainment (cinemas, theaters, arenas)
  -- Service Retail (cleaners, child care, banks)
TOD: What Works Today

- Minimum for a “TOD village”: 5+ acres
- As many uses as possible in a 360 degree, ¼ mile development ring
- Deep, strong connections for peds, bikes, cars
- Key elements of TOD zoning:
  --Mixed use horizontally and/or vertically
  --Reduced and shared parking
  --Increased densities
  --Strict design guidelines
TOD Depends on Private Sector Developers

- Public capital finances transit
- Private capital finances TOD.
- Most development money is institutional
- The project *must* show profit
- TOD = Public-Private Partnership
Single Tenant, Single Use, Private Building

- Single family residence
- Single user industrial
- Single user office
- Lowest complexity
- 9 months-2 years
Multi-Tenant, Single Use, Private

- Apartment building
- Office building
- More tenants to secure—more complex
- 2-3 years
Multi-Tenant, Multi-Use, Private

- First floor retail with residential/office above
- Different types of leasing, different types of construction, atypical zoning
- 2-5 years
Multi-Tenant, Multi-Use, Public-Private Financing

- Office/residential over retail
- Public benefit such as affordable housing, historic preservation
- Public process, special requirements for “fair return” on public monies
- 3-7 years
Multi-Tenant, Multi-Use, Public-Private Financing, Public Landowner and/or Tenant

- Development such as residential/office over civic use such as transit, city facilities
- TOD joint development
- More public design, security, leasing complexities
- 3-10+ years
A Developer’s Successful TOD

- Healthy market
- Land assembled
- Predictable process
- Public investment for the regional amenities
- Knowledgeable, sophisticated public partners
- Reasonable profit in 3-5 years
Why would a developer bother???
TOD Value Sources

- Higher rents/revenues—transit and place amenity
- Higher density—more revenue
- Easier entitlements
- Less parking—reduced expense
- Public investment/subsidy
- Opens new sites for development

(Strategic Economics 2008)
Development Value Capture Tools

- Property and sales taxes
- Real estate lease and sales
- Farebox revenues
- Fees on everything from parking to business licenses
- Joint development
- Tax increment financing
- Special assessment districts
- Equity participation
- Public-private partnerships
TOD Lessons Learned

- TODs don’t happen on their own
- Transit technology and stations matter—including BRT
- A community vision/plan is the essential first step
TOD Lessons Learned

Often competing objectives among:

– Local Jurisdiction
– Developer
– Neighborhood
– Transit agency
– DOT
– School District
TOD Lessons Learned

- TOD’s are complex--harder to design, entitle, finance and build

- TOD’s need market, infrastructure and zoning. *Transit alone is not enough.*
TOD Lessons Learned

- Parking drives the economics and design of the project.
- Land assembly is often the deal-breaker.
- Density usually helps.
TOD Lessons Learned

• Projects lose money in the short run; make money in the long, long run

• Successful developers are specialized, well-capitalized, patient and rare
TOD Lessons Learned

• Large scale projects and master developers are virtually extinct

• Public entities now have to step forward to guide cohesive districts/places

• TOD/mixed-use “places” usually require public investment—can’t afford to absorb regional costs
TOD Lessons Learned

• Developers worry about market demand, but *fear* public process

• Smart communities establish zoning, process, incentives ahead of time
TOD Lessons Learned

- Transit stations in the suburbs are more transformational than in the city core
- But they usually take longer to build critical mass
TOD Lessons Learned

Suburban TOD’s biggest challenges:
- No local street grid
- Citizen fear of density (traffic)
- Suburban parking requirements
- Unsophisticated regulators and regulations
TOD Lessons Learned

- Few transit agencies really think TOD is their business

- *Very* few understand TOD/value capture/PPP’s

- Many FTA land “protections” are well-meaning but naïve—major development deterrents
TOD Lessons Learned

- Park-n-rides are often the last (instead of the first) to become TOD’s because of FTA regs and eminent domain restrictions
Lessons Learned

• Mixed-use “places” often requires public investment

• Mixed-use doesn’t happen without rock solid political will/champions
What Can the Public Sector Do?

- State Level
- Regional Level
- Local Level
State Level

- Channel more money directly to the regions/local jurisdictions
- Require DOT’s to work with local jurisdictions on street standards
Regional Level

- Transit corridor that goes somewhere—connects anchors
- Good transit system (vehicles, frequencies, connections)
- Corridor by corridor plan for non-competing uses, housing, parking
- Require local zoning and infrastructure to receive funds
Local Level

• Common development vision
• Stations in the right places
• Street grids and utilities
• Zoning
• Predictable process
• Infrastructure investment
• Public sector expertise
Will A TOD Work Here??

Acid Test
- Common Vision
- Market Demand
- Land
- Leadership
Test 1: Common Vision

- Consensus vision
- What is the problem that is being solved?
- Business leadership?
- Community process at some level
- Zoning in place if possible
Test 2: Market

- Are rents high enough to pay for additional costs associated with placemaking?
- Can you get a tenant/user for the location?
- Overlooked submarket?
- Market studies judiciously
- Developer forums
Test 3: Land

• Can you get control of enough land to be transformational?
• Can you buy it at a price the rents can support? (Inverse of market)
• TOD raw land values grossly misunderstood
• Get the land NOW
Test 4: Leadership

- “Champions” that will bond, trust, and collaborate for the vision
- Champions change as project matures
- All three sectors essential
Development Champions

• Role of the Public Sector
  – Work with community to set long term vision
  – Identify priority development areas
  – Implement meaningful entitlements/incentives
  – Regulate design over use

• Role of the Private Sector
  – Bring capital and expertise to implement vision
  – Make reasonable profit in short term
Development Champions

• Role of the Not For Profit Sector
  – Call the question
  – Convene the players
  – Initiate thoughtful planning
  – Educate the community
  – Insist on good design
  – Advocate for good projects
  – Support elected officials
Common Problems: Land Assemblage

- Talk to landowners first in private meetings
- Paint a vision
- Explain the opportunity
- Find out if
  - in now
  - in later
  - out
- Respect it
- OK to start small!
Common Problems: Connections

- Can I walk?
- Would I walk?
- Go 1-3 miles deep
- Connect streets wherever possible
- Shuttles are a modal change and expense—last resort
Common Problems: Public Property

• Nice opportunity

BUT:

– Post-Kelo redevelopment restrictions
– Golden Rule with extra amenities, public disclosure, FTA rules, politics
Common Problems: Infrastructure

• Regional amenities in a local project—need regional funding (public)
• Special District financing
• TIF funding; TIF for TOD
Common Problems: Park and Ride Location

- Up to ¼ mile away
- IF it’s a good walk
- Use the “people hose” for retail
- Share parking with commercial
- Plan on charging for transit parking
- Streets for buses
Common Problems: Transit Ready in a Decade

- Pretend it’s coming tomorrow—plan allows transit to just be “dropped in”
- Value from the place
- Market driven development—but mixed-use and intense
- Zone it now to protect it
What Do I Do Tomorrow??

- Step 1: Deal-breaker Scan
- Step 2: Assign a Project Manager
- Step 3: Get the land
  - 5+ acres
- Step 4: Common Vision
  - Craft a “but for” story
What Do I Do Tomorrow??

• Step 5: Get users/developers
  – Start with jobs

• Step 6: Figure out the financing
  – Expect layers and fees

• Step 7: Budget 5+ years to groundbreaking
  – Start NOW!
LET’S GO !!

Marilee Utter, CRE

Marilee@Citiventure.com
303-534-6620