WHY TRANSIT-ORIENTED DEVELOPMENT AND WHY NOW?

Reconnecting America and the Center for Transit-Oriented Development
ON THE COVER:
Solana Beach, CA, station
Rob Quigley Architects

©Reconnecting America
All rights reserved under International and
Pan-American Copyright Conventions.
No part of this book may be reproduced in any form
or by any means without permission in writing from
Reconnecting America,
436 14th St., Suite 1005, Oakland, CA 94612
RECONNECTING AMERICA is the only national non-profit organization devoted to promoting best practices in transit-oriented development (TOD) and development-oriented transit. Our Center for Transit-Oriented Development, a collaboration with the Center for Neighborhood Technology and Strategic Economics, has been funded by the federal government to serve as a national TOD best practices clearinghouse. We also do fee-for-service work in regions across the U.S., which helps inform our nonprofit work.

Demand for housing near transit spurred development that's revitalized the historic downtown of Plano, TX.
WHAT IS TRANSIT-ORIENTED DEVELOPMENT (TOD) AND WHY SHOULD YOU CARE?

TRANSIT-ORIENTED DEVELOPMENT or TOD is typically defined as more compact development within easy walking distance of transit stations (typically a half mile) that contains a mix of uses such as housing, jobs, shops, restaurants and entertainment.

At Reconnecting America we believe projects should also achieve the goals listed here. TOD is really about creating walkable, sustainable communities for people of all ages and incomes and providing more transportation and housing choices (including townhomes, apartments, live-work spaces, and lofts). These neighborhoods provide for a lifestyle that’s convenient, affordable and active, and create places where our children can play and our parents can grow old comfortably.

TOD IS NOT JUST DEVELOPMENT NEAR TRANSIT. IT’S DEVELOPMENT THAT ALSO:

- Increases “location efficiency” so people can walk, bike and take transit;
- Boosts transit ridership and minimizes the impacts of traffic;
- Provides a rich mix of housing, jobs, shopping and recreational choices;
- Provides value for the public and private sectors, and for both new and existing residents;
- Creates a sense of community and of place.

The water feature in Jamison Square: Portland’s Pearl District is one of the best examples of TOD, with a mix of housing types (including 25% affordable), a mix of uses, high-quality public space, and little car traffic. (Bruce Forster Photography/Viewfinders)
WHY BUILD TRANSIT AND TOD NOW?

BECAUSE CHANGING DEMOGRAPHICS ARE CAUSING FUNDAMENTAL SHIFTS IN THE HOUSING MARKET:

- Singles will soon be the new majority in the U.S.
- Older Americans will outnumber younger Americans by mid-century;
- By 2010 Echo Boomers (the children of Baby Boomers) will total 34% of the population;
- Almost half the U.S. population will be non-white by 2050;
- The demographic groups growing most quickly — older, non-family, non-white households — have historically used transit in higher numbers.

AFTER DECADES OF out-migration to the suburbs many people are returning to the city to live, in part because traffic is so bad that commuting has become less and less appealing. But the changing housing market has much to do with demographics: While the vast majority of U.S. households used to be families with both a mom and dad and more than one child living in the same household, this demographic group now comprises just 25 percent of households and it’s shrinking. More and more households are childless or headed by single parents, and single adults comprise 41 percent of households. The demographic groups that are increasing in size – smaller, older, and more ethnically diverse – are the same demographic groups that have historically shown a preference for higher-density housing near transit.

Baby boomers. Echo boomers. American households are older, smaller and more diverse, and they want more housing and transportation choices.
AMERICANS WANT MORE HOUSING CHOICES

TODAY MANY PEOPLE want a “room with a view” within walking distance of coffee, restaurants, yoga, a dog park, art, film and culture. Lifestyles are changing, and convenience and affordability are paramount considerations. The former office building shown in this ad is the new glamour address in downtown Los Angeles, where there are 90 residential projects in development. Twenty six of these projects are lofts. This recent L.A. Times Magazine “Home” issue was about the new popularity of high-rise living. Long-known as the stronghold of the suburbs and the car, Los Angeles like almost every other city in the U.S. is undergoing tremendous redevelopment around transit.

A ROOM WITH A VIEW: THE AMERICAN DREAM IS BEING RE-IMAGINED

- Wall Street Journal: median sales price for condos topped the price of single-family homes for first time in 2005, the 9th consecutive year of record condo sales;
- Cover of Dwell magazine: “Small Is the New Big”;
- Professional Builder: 37% of households want small lots and clustered development;
- Business Week: biggest homebuilders open infill divisions;
- AARP: 71% of older households want to be within walking distance of transit.

In the past 50 years few people lived in downtown Los Angeles, where office buildings like this one are now being converted to residential. Tastes in housing are changing.
Ever since passage of the federal transportation bill ISTEA in 1992 — which made transportation funding more flexible — there’s been an explosion of interest in transit. Because the demand for federal funding far exceeds what is available, and because the federal review process is time-consuming and costly, a growing number of regions are finding ways to fund transit locally. Many are working with the private sector to raise money for stations and transit extensions. Denver, Austin, Houston, the San Francisco Bay Area, Charlotte, Atlanta, New York City and Washington D.C. are all either striking out on their own or partnering with the private sector.

**Americans want more transportation choices**

Denver voters decided to tax themselves to build six rail lines in a dozen years. When the $4.7 billion Fastracks initiative is completed there will be 44 trains an hour pulling into Denver’s downtown Union Station.

**Transit is in a building boom, creating more opportunities for TOD**

- 3,500 existing stations in 33 regions with “fixed-guideway” transit;
- 700 additional stations being built and 15 regions with new systems;
- Some regions are deciding that rather than wait for federal funding they will tax themselves to build transit;
- The private sector is contributing to streetcar systems and new rail stations and new rail lines.
STREETCARS ARE UNIQUELY SUITED TO PROMOTE TOD

THE ENORMOUS SUCCESS of the Portland Streetcar, credited with promoting $2.3 billion in private investment in the Pearl District, has caused tremendous national interest in streetcars. Streetcars represent a paradigm change in the way cities and transit agencies think and plan for transit: They are about redevelopment as much as they are about transportation, so land use planning plays a critical role. And while federal funding is now available, in the past streetcar proponents have had to raise money for construction and operations from the private sector. This has meant projects have had to be responsive to local needs. Because streetcars are smaller, less expensive and less intrusive, they can be built quickly and with minimal disruption to existing residents and businesses.

STREETCARS ARE THE HOT “NEW” TRANSIT TECHNOLOGY

- Streetcar systems are faster and cheaper to build;
- Streetcars are enormously successful in promoting private investment in compact, walkable development;
- Systems have been built for as little as $3 million/mile (Kenosha, WI, in 2000);
- 100 cities have joined the national Community Streetcar Coalition;
- SAFETEA-LU authorized $200 million annually for a “Small Starts” program for small transit projects;
WHY THE SUDDEN INTEREST IN STREETCARS? LOOK AT THE RETURN ON THE INVESTMENT

STREETCARS ARE DEVELOPMENT-ORIENTED TRANSIT

Portland’s South Waterfront: The streetcar was part of a “perfect storm” of planning and policy, development opportunities, and public-private investment. (Bruce Forster Photography/Viewfinders)

STREETCARS RUN IN mixed traffic and stop frequently, and streetcar stops are often shared with buses -- exclusive rights of way, big stations and parking structures are not required. A study of the Portland streetcar quantified its ability to “shape” development: The study found that properties located closest to the streetcar were developed at 90 percent of permitted density compared to 43 percent 3 or 4 blocks away. Prior to selection of the alignment, the reverse was true. In other words, the blocks that were the least attractive for development before the streetcar became the most attractive.

TABLE 1: Private Returns on the Public Investment

<table>
<thead>
<tr>
<th>Start of Service</th>
<th>Initial Track Miles</th>
<th>Initial System Cost Per Mile</th>
<th>Initial System Cost</th>
<th>Development Investment</th>
<th>Return on Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenosha</td>
<td>2000</td>
<td>2.0</td>
<td>3.10</td>
<td>6.20</td>
<td>150</td>
</tr>
<tr>
<td>Little Rock</td>
<td>2004</td>
<td>2.5</td>
<td>7.84</td>
<td>19.60</td>
<td>200</td>
</tr>
<tr>
<td>Tampa</td>
<td>2003</td>
<td>2.4</td>
<td>20.13</td>
<td>48.30</td>
<td>1000</td>
</tr>
<tr>
<td>Portland (1)</td>
<td>2001</td>
<td>4.8</td>
<td>11.50</td>
<td>55.20</td>
<td>1046</td>
</tr>
<tr>
<td>Portland (Ext.)</td>
<td>2005</td>
<td>1.2</td>
<td>14.83</td>
<td>17.80</td>
<td>1353</td>
</tr>
</tbody>
</table>

Source: Reconnecting America (Dollar Figures in Millions)
Our national TOD market study found that by 2030 almost a quarter of all U.S. households looking to rent or to buy are likely to want higher-density housing near transit. To meet this demand we’d have to build 2,000 units of housing at every one of the 4,000 existing and planned transit stations in the U.S. Most of demand will be in the five metro regions with the biggest systems – when it comes to transit systems, size matters.

Almost a quarter of all renters and buyers are likely to want TOD housing in 2030

Most demand for higher-density housing near transit will be in the regions with the biggest systems.

**Table 2: Top Ten Regions by Potential Demand for TOD Housing**

<table>
<thead>
<tr>
<th>Region</th>
<th>Existing Stations</th>
<th>Planned Stations</th>
<th>2000 TOD Households</th>
<th>2030 Demand</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>955</td>
<td>6</td>
<td>2,876,160</td>
<td>5,371,866</td>
<td>87%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>113</td>
<td>38</td>
<td>261,316</td>
<td>1,708,447</td>
<td>554%</td>
</tr>
<tr>
<td>Chicago</td>
<td>401</td>
<td>8</td>
<td>787,204</td>
<td>1,503,638</td>
<td>91%</td>
</tr>
<tr>
<td>San Francisco</td>
<td>286</td>
<td>49</td>
<td>409,497</td>
<td>832,418</td>
<td>103%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>370</td>
<td>34</td>
<td>506,058</td>
<td>809,058</td>
<td>60%</td>
</tr>
<tr>
<td>Boston</td>
<td>288</td>
<td>7</td>
<td>396,261</td>
<td>750,726</td>
<td>89%</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>127</td>
<td>11</td>
<td>234,202</td>
<td>688,582</td>
<td>194%</td>
</tr>
<tr>
<td>Portland</td>
<td>108</td>
<td>29</td>
<td>72,410</td>
<td>279,891</td>
<td>287%</td>
</tr>
<tr>
<td>Miami</td>
<td>60</td>
<td>6</td>
<td>62,595</td>
<td>271,326</td>
<td>333%</td>
</tr>
<tr>
<td>Dallas</td>
<td>48</td>
<td>17</td>
<td>46,429</td>
<td>270,676</td>
<td>483%</td>
</tr>
</tbody>
</table>

Source: Reconnecting America
TOD IS CITED AS ONE OF THE BEST INVESTMENT OPPORTUNITIES

ULI/PRICEWATERHOUSECOOPERS “EMERGING TRENDS” REAL ESTATE REPORT RANKED TOD AS ONE OF THE BEST BETS FOR INVESTORS THREE 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 . . . Transit-oriented development 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.”

WE’RE NOT THE ONLY ones to recognize this development opportunity. Before 1987 “24-hour cities” were ranked as the worst opportunities for investors and “edge cities” were ranked as the best. But since then investments in 24-hour cities have consistently outpaced investments in “9-to-5 cities” and in edge cities. “Emerging Trends” is a highly regarded report reflecting the views of 500 leaders in the real estate, development and investment industries.

The real estate market has reconized the value of locations near transit.
WE ARE SPRAWLING AND REINVESTING SIMULTANEOUSLY

Most development is still happening in the suburbs. But there are reasons to believe the balance could shift and that we will need to redevelop our urban and suburban centers to accommodate more growth. Without transit, neighborhoods will be overrun with traffic.

There are indicators to suggest the balance will shift to reinvestment and redevelopment:

- Higher gas and oil prices;
- Infill can be very lucrative and financing is getting easier;
- Capital for infrastructure is tight and getting tighter;
- Fees for greenfield development are high — $100,000 per house in Orange County, CA;
- Major homebuilders and big box retailers are developing infill models.
WHY IS TOD GOOD FOR CITIES AND SUBURBS?

TOD BENEFITS NEW AND EXISTING RESIDENTS, TRANSIT AGENCIES, LOCAL GOVERNMENTS, LOCAL MERCHANTS, DEVELOPERS, INVESTORS, PROPERTY OWNERS, AND ALL THOSE WHO DON’T WANT TO HAVE TO DRIVE

- TOD is more sustainable
- More efficient use of land, energy and resources
- Helps conserve open space
- Less oil and gas consumption
- Cleaner air
- Minimizes traffic increases
- Encourages walking
- Increases revenues, allowing cities to lower tax rates and compete with suburbs
- Increases transit ridership at a lower cost than if bus service or parking structures are needed to bring riders to stations
- Increases property values, lease revenues and rents
- Increases foot traffic for local businesses
- Creates opportunity to build mixed-income housing
- Height and density can pay for community benefits and affordability
- Reduces transportation expenditures
- Promotes healthier lifestyles
- Neighborhoods are safer because there are more people on the street and more “eyes on the street.”

RESEARCH IN PORTLAND has shown that the residents of neighborhoods with good transit access and mixed-use development use their cars less than residents of suburban neighborhoods: only 58 percent of trips are by auto in mixed-use neighborhoods with good transit access compared to 87 percent in suburban neighborhoods. (Source: Portland Metro.) Research in California has shown that people who live in TOD are 5 times as likely to use transit as resident of the region at large, and people who work in TOD are 3.5 times as likely to use transit. (Source: Rick Willson, Cal Poly Pomona.)
TOD CONCENTRATES development and activity and the tax base in a way that allows for focused value capture strategies. This captured value can be reinvested in communities and in the region, and in creating and preserving affordability.

TOD CREATES VALUE THAT CAN BE CAPTURED AND REINVESTED IN COMMUNITIES

As the “Emerging Trends in Real Estate” report notes, TOD can’t miss because “people congregate there.”

TRIED AND TRUE VALUE CAPTURE STRATEGIES INCLUDE:

- Property and sales taxes
- Real estate lease and sales revenues
- Farebox revenues
- Fees on everything from parking to business licenses
- Joint development
- Tax increment financing
- Special assessment districts
- Public-private partnerships
VALUE CAPTURE AND OTHER BENEFITS IN THE ROSSLYN-BALLSTON CORRIDOR JUST OUTSIDE WASHINGTON D.C.

- Assessed value of land around stations increased 81% in 10 years;
- 8% of county land generates 33% of county revenues – allowing Arlington to have the lowest property tax in Northern VA;
- 50% of residents take transit to work; 73% walk to stations; development has generated only modest increases in traffic;
- Surrounding single-family neighborhoods have been preserved.

THE ROSSLYN-BALLSTON CORRIDOR in Arlington, VA, illustrates how TOD can accommodate tremendous development in a way that benefits both new and existing residents. This was a declining low-density commercial corridor 30 years ago when the local government decided to focus development around five closely spaced rail stations, working with residents and the private sector. The results are extraordinary: Despite the enormous amount of development that has occurred, single-family neighborhoods have been preserved just a short walk away, and there has been only a modest increase in traffic.
PRIVATE INVESTMENT IN TOD IN PORTLAND’S PEARL DISTRICT HELPED THE CITY MEET PUBLIC GOALS AND OBJECTIVES

• 7,248 housing units, 4.6 million square feet of commercial space — worth $2.3 billion — built within 2 blocks of the streetcar from 2001 to 2005;

• Portland’s 20-year housing goal met in 7 years on 1/10th the projected land and 25% of all units are affordable;

• Another 5,000 housing units planned on streetcar extension south of downtown;

• Record number of building permits issued 7 years in a row;

• Properties closest to the streetcar developed at 90% of permitted density, compared to 43% 3 or 4 blocks away.

The streetcar runs through the campus of Portland State University in downtown Portland. Higher-density development near transit brings riders closer.

TRANSIT HAS ALSO LEVERAGED large-scale redevelopment in downtown Portland. The streetcar was built to connect two large parcels of vacant industrial land north and south of downtown. The city struck a deal with the owner of 40 acres: the city would build the streetcar past his property if he would up-zone his property from 15 dwelling units per acre to 125 dua. This was in the early ’90s when there was no market for this kind of development, but today it is the city’s densest neighborhood, and at build-out it will be home to 10,000 residents and 21,000 jobs. The streetcar now runs to the second vacant parcel, the South Waterfront, where an even more ambitious redevelopment effort is underway.
CITIES SHOULD ACT EARLY TO CREATE AND PRESERVE AFFORDABLE HOUSING NEAR TRANSIT BEFORE THE MARKET HEATS UP, BECAUSE:

- Our market study shows that half the demand for TOD housing will come from households with incomes below area median income – or about $50,000;
- Neighborhoods near transit currently support more racial and economic diversity than the average census tract;
- Three quarters of households near transit have one car or no cars;
- TOD residents can use transit, thereby reducing the cost of living;
- Low-income residents are the most likely to use transit.

THERE ARE MANY REASONS that cities should be proactive in their efforts to create and preserve affordable housing near transit. These locations help affordable projects pencil out because developers can build less parking, which helps reduce project costs. Neighborhoods near transit are also the most likely to be zoned for the higher densities that help affordable projects pencil out. And because these projects have reduced traffic impacts, they have an easier time making it through the approvals process.

INCREASED LAND + PROPERTY VALUES = GENTRIFICATION + DISPLACEMENT? YES.

There are very real costs to producing below-market-rate housing. The developer of this affordable project at a subway stop in Hollywood, CA, says it’s increasingly difficult to build affordable housing near stations.
AFFORDABILITY IS NOT JUST ABOUT HOUSING COSTS – A BETTER MEASURE IS THE COMBINED COST OF HOUSING AND TRANSPORTATION:

- The average household spends 51% of income on housing and transportation combined; both costs are increasing.
- The average household spends 19% on transportation; households with good transit access spend only 9%.
- This savings can be critical for low-income households: While the average household spends 19% on transportation, very low income households spend 55% or more.

The cost of housing is well-defined as the monthly rent or mortgage payment. But it’s easy to discount the cost of transportation, since the amount is disaggregated into separate payments for insurance, repairs, tires, and gas.

Location Efficient Environment

- 59% Disposable Income
- 32% Housing
- 9% Transportation

Average American Family

- 43% Disposable Income
- 32% Housing
- 19% Transportation
- 13% Food
- 11% Insurance
- 9% Other
- 6% Healthcare
- 5% Entertainment
- 4% Apparel

Auto Dependent Exurbs

- 43% Disposable Income
- 32% Housing
- 25% Transportation

Source: Center for TOD Housing + Transportation Affordability Index, 2004 Bureau of Labor Statistics

Transportation is the second highest household expense after housing.
THE HOUSING AND TRANSPORTATION COSTS TRADE-OFF

WHERE CAN A 3-PERSON HOUSEHOLD EARNING 80% OF AREA MEDIAN INCOME AFFORD TO LIVE IN THE TWIN CITIES? THE LIGHT YELLOW AREAS ARE “AFFORDABLE” WHEN:

CONSIDERING ONLY HOUSING COSTS.

CONSIDERING HOUSING AND TRANSPORTATION COSTS.

THE CENTER FOR HOUSING POLICY FOUND THAT FOR EVERY DOLLAR HOUSEHOLDS SAVED ON CHEAPER HOUSING IN THE SUBURBS IN 2005, THEY SPENT 77 CENTS MORE ON TRANSPORTATION.

WE CREATED AN “affordability index” that is the sum of housing costs plus transportation costs calculated as a percent of income. The map on the left shows neighborhoods that are affordable when one considers housing costs only -- the light yellow areas are the most affordable and the brown areas are the least affordable. The map on the right shows that when you combine the costs of housing and transportation the area that is considered affordable (light yellow) shrinks considerably, and is more or less limited to those neighborhoods served by transit. In Minneapolis, “Affordable” is considered to be up to 28 percent of income when considering housing costs alone, and 47 percent when considering housing and transportation.
THE HOUSING AND transportation cost differential among neighborhoods in the Twin Cities region is significant. For example, in the Longfellow/Seward neighborhood near downtown Minneapolis, which has good transit access, households spend $446 a month on housing and transportation. In the exurban, auto-oriented neighborhood of Farmington, with no transit, households spend $941 a month. Lenders don’t consider the combined costs when scoring home loan applications. And some states don’t consider the combined costs when issuing low-income housing tax credits or Section 8 vouchers.
WHAT CAN WE DO? TOD IS ONE POSSIBLE SOLUTION TO A HOST OF PROBLEMS

LOOMING CRISSES:
• Affordability
• Traffic Congestion
• Suburban Sprawl
• Global Warming and Dependence on Foreign Oil
• Enormous Costs of Maintaining Existing Infrastructure and building New Infrastructure.

ONE SOLUTION:
Build more mixed-income communities around transit to provide Americans with more housing and transportation choices so they can lead affordable, convenient, active lives.

SHIFTING DEMOGRAPHICS and the changing real estate market have opened up an unprecedented window of opportunity for transit-oriented development. One of the most sustainable and low-cost solutions to a host of pending problems is public-private investment in neighborhoods near transit where people don’t have to drive.
BOARD OF DIRECTORS:

Janette Sadik-Khan, Chair
Senior Vice President, Parsons Brinckerhoff

Jeffrey Boothe, Vice Chair
Partner, Holland & Knight LLP

David King, Treasurer
General Manager, Triangle Transit Authority

Shelley Poticha, Secretary
President and CEO, Reconnecting America

Phyllis Bleiweis
Executive Director, The Seaside Institute

William Kohn Fleissig:
Partner, Urban Village Partners

Art Lomenick
Managing Director, High Street Residential/
Trammell Crow Company

William Millar
President, American Public
Transportation Association

John Robert Smith
Mayor, Meridian, Mississippi