A New Tool for Tracking Home and Rental Values in TODs

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Founder:
TOD Group
TOD Group Consulting
TOD Index
Denver TOD Fund
Why do we need better ways to track values in rail station areas, including TODs?
1. Transit agencies are looking for new revenue sources – value capture.

Comparing House & Senate 2018 appropriations

<table>
<thead>
<tr>
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<th>Enacted 2017 levels</th>
<th>President Trump's request for 2018</th>
<th>House 2018 Appropriations</th>
<th>Senate 2018 Appropriations</th>
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</thead>
<tbody>
<tr>
<td>TIGER Grants</td>
<td>$500 million</td>
<td>$0</td>
<td>$0</td>
<td>$550 million</td>
</tr>
<tr>
<td>Transit Capital Grants</td>
<td>$2.4 billion</td>
<td>$0</td>
<td>$1.75 billion</td>
<td>$2.133 billion</td>
</tr>
<tr>
<td>Amtrak &amp; passenger rail</td>
<td>$1.495 billion</td>
<td>$795 million</td>
<td>$1.4 billion</td>
<td>$1.6 billion</td>
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<td>(All cuts come from eliminating federal funding for all long-distance routes)</td>
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<tr>
<td>TOTAL THUD FUNDING</td>
<td>$57.65 billion</td>
<td>$47.4 billion</td>
<td>$56.5 billion</td>
<td>$60.058 billion</td>
</tr>
</tbody>
</table>
Value sharing mechanisms can create revenues that can support project finance.

- **Policy change** (e.g., planning scheme update)
- **Project announcement**
- **Infrastructure Construction**

Additional value created by infrastructure investment

Baseline value (no project)

Value uplift captured

Value retained by beneficiaries

Years:
- Planning
- Pre-construction
- Project opens
- Project operations

**Land Values and their attribution (Suzuki, H, et al 2015)**

- Increases in land value due to population growth and economic development
- Increases in land value due to public investments in infrastructure and changes in land use regulations
- Increases in land value due to landowner's investments
- Land buyers (or lessees) pay sellers (lessors) to obtain the property rights of land.
- Private land owners should profit from this portion of the increment.
- Public service providers should capture this portion of the increment to cover the costs of public infrastructure and local service provision.

The government, on behalf of the general public, should keep this portion of the land value.
Guide to Value Capture Financing for Public Transportation Projects

Sasha Pape
DMG Basel
Bethesda, MD

William L. Bishop
DEVELOPMENT PLANNING & FINANCING GROUP, INC.
Chapel Hill, NC

Waihung Wong
DMG Basel
Bethesda, MD

Figure 10. Tax increment finance value capture mechanism.
2. New federal loan tools for TOD – TIFIA & RRIF Loans

Figure 15. Illustration of typical TIFIA loan cash-flow features.
| Purpose | • Fill financing gaps left by private capital markets  
|         | • Leverage federal funds by attracting substantial private and other non-Federal co-investment |
| Risk    | • Federal Government takes on lending risk  
|         | • Provides same low interest rate to all projects |
| Cost    | • Low interest rate offered even when TIFIA loan is subordinate or senior debts receive a credit rating below AAA |
| Flexibility | • Loans are repaid once construction is completed  
|         | • Repayment may be delay for additional 5 years following construction  
|         | • Loan payments sculpted to match project revenues |

Source: LOCUS | Smart Growth America | Making Neighborhoods Grow Together
20 acres of land redeveloped as a result of Union Station:

- 1 million square feet of office space
- 300,000 square feet of residences

- A business hotel of 120 -200 rooms
- 100,000 square feet of retail and other commercial uses
Power of Value Capture - Denver Union Station

Denver Region: 2.6 million people

FasTracks: $7.4 billion regional plan
- 122 miles of new commuter and light rail lines
- 18 miles of bus rapid transit,
- Major redevelopment of Denver Union Station

Denver Union Station:
- Only project to ever close both a TIFIA and RRIF loan
- Repayment covered by multiple sources of value capture and regional sales taxes
- Coverage ratio of nearly 2:1

DUS Project Cost: $489.9 million

Source: LOCUS
3. Private Investment in Rail and TOD

The Conventional Rail Model by turning the process on its head:

- Estimate TRANSIT numbers
- Get FINANCE/FUNDING based on this
- See what LANDUSE is possible

The Entrepreneur Rail Model

- See what LANDUSE is possible
- Get FINANCE/FUNDING based on this
- Estimate TRANSIT numbers
Value Creation

- Fully privately-led
  - Private capital for rail infrastructure
  - Private capital for real estate development
  - Land is assembled by private sector
  - Value captured from real estate profits

- Substantially privately-led with some public assistance
  - Private capital for rail infrastructure
  - Government may make government land available for development
  - Land assembly assistance from government
  - Value captured from real estate profits
    - May also work with government to capture efficiency gains (e.g. reduced parking) and use fee/tax mechanisms

Value Capture

- Substantially publicly-led with some private funding
  - Public funding for rail infrastructure
  - Government may purchase and/or make government land available for sale
  - Surplus government land in station precinct sold to developers
  - Fee and tax-based value capture
    - Developer contributions

- Fully publicly-led
  - Public funding for rail infrastructure
  - Private land for rail infrastructure acquired by government or compulsorily acquired
  - Left over small land parcel sold to developers

General Tax
ALL ABOARD FLORIDA

ALL ABOARD FLORIDA's roots trace back to Florida trailblazer Henry Flagler, founder of the Florida East Coast Railway and the descendant companies that have provided rail service for over a century.

This privately owned, operated and maintained passenger rail service will be running in 2014, at no risk to Florida taxpayers.

100% PRIVATE

6,000 CONSTRUCTION JOBS FOR FLORIDIANS
An additional 11,000 jobs will be needed to operate the rail service.

50 MILLION TRAVELERS
The number of annual passengers who can benefit from rail service to travel between South Florida and Orlando in approximately three hours.

$6+ BILLION*
The amount of money traffic congestion costs Florida travelers each year due to 276 million hours in travel delays and 216 million excess gallons of fuel consumed.

3 MILLION CARS OFF THE ROAD
Less highway use means taxpayer savings on reduced highway maintenance and repair.
Downtown West Palm Beach Station
MiamiCentral Station
National TOD Database

4,400 fixed transit stations across 54 regions (90% rail)
Recent Studies based on National TOD Database:

Wrapping up study of Last Mile Tensions where TODs intersect with Ports

Guide to Facilitate Historic Preservation through Transit-Oriented Development

The Cost and Affordability Paradox of Transit-Oriented Development: A Comparison of Housing and Transportation Costs Across Transit-Oriented Development, Hybrid and Transit-Adjacent Development Station Typologies

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Center for Urban and Regional Development Studies, University of New Orleans, LA, USA.

Department of City and Metropolitan Planning and Metropolitan Research Center, University of Idaho, Salt Lake City, USA.

ABSTRACT

This study presents a comparison of housing and transportation costs (HTC) in 4,559 fixed-route transit station areas across the United States. Each station area is classified as a transit-oriented development (TOD), hybrid, or transit-adjacent development (TAD) based on walkability and housing density. We consider TODs to be areas with a housing density of 8 units per acre or more that also meet the criteria for transit-oriented development. Hybrid areas are those that meet the criteria for TODs but also have significant amounts of housing. Because TODs are more likely to have higher housing density, they are more affordable than hybrids and TADs. The findings reveal a paradox that whereas TODs are more expensive to buy and rent, they are more affordable than hybrids and TADs. We argue that policies to increase the density and walkability of hybrid and TAD station areas, which account for two-thirds of all station areas across the United States, should be a top priority for both housing and transportation officials.

Keywords: Housing cost; Transit; Affordability; TOD; Development; HTC

Research in Transportation Economics

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Transit commuting, the network accessibility effect, and the built environment in station areas across the United States

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* Department of City and Metropolitan Planning and Metropolitan Research Center, University of Idaho, Idaho Falls, USA

ABSTRACT

This study examines how commuting and the network accessibility effect of the built environment on the daily commute for station areas across transit systems. The study uses data from 1,026 fixed-route transit systems across the United States. The results show that the built environment in station areas has a significant effect on the daily commute for transit users. Specifically, the study found that the built environment in station areas is associated with higher levels of accessibility and lower costs. These findings have important implications for policymakers and transportation planners who are considering investments in transit-oriented development projects.
Transit-Oriented Development (TOD) – Transit Adjacent Development (TAD) Spectrum

Gross housing density greater than 8 units per acre + Average Walk Score greater than 70

• 1,441 stations across the US are TODs
• 1,180 stations are hybrids
• 1,775 are TADs
Pioneer Square Transit Mall:
Portland, OR
Gross Housing Density: 14.84 units per acre
Walkscore: 100
Index Category: TOD

Bethesda, MD Metro Station
Gross Housing Density: 9.69 units per acre
Walk Score: 94
Index Category: TOD
If it’s not a TOD, then what is it?

Hybrid

1. Gross housing density = 8 units per acre
   (4,000 units within a half-mile of a station)
   OR

2. Walk Score must be 70 or greater

Transit Adjacent Development (TAD)

• Neither of the Above
Hybrid stations

1,180 Hybrids in USA

Englewood Station
Denver, CO
Gross Housing Density: 2.43 units per acre
Walk Score: 83
Index Category: Hybrid

Mockingbird Station
Dallas, TX
Gross Housing Density: 3.5 units per acre
Walk Score: 85
Index Category: Hybrid
BWI Airport Station
Baltimore, MD
Gross Housing Density: 0.0 units per acre
Walk Score: 29
Index Category: TAD

Cisco Station:
San Jose, Ca
Gross Housing Density: .47 units per acre
Walk Score: 20
Index Category: TAD
Sustainable Commuting (Walk, Bike and Transit)

- TOD: 57.8
- Hybrid: 28.7
- TAD: 17.6
Total Vehicle Miles Traveled (VMTs) per Household per Day

- Transit Adjacent Development: 40
- Hybrid: 31
- Transit Oriented Development: 19
Household Budgets on Housing + Transportation

- **Average HH Budget % on Transportation**
  - TOD: 13%
  - Hybrid: 19%
  - TAD: 22%

- **Average HH Budget % on Housing**
  - TOD: 24%
  - Hybrid: 24%
  - TAD: 27%
The average home value in TOD zip codes surpassed $600 per SF in March 2017. By June 2017, the average home value in a TOD was $609.87 per SF, more than 3.6 times the value of the average home in the United States, which was valued at $168.22 per SF.
The June 2017 TOD Index for Home Values was 417.0 points compared to 224.1 points for the national average. Since the market recovery starting January 2012, the TOD Index for Home Values has gained 158 points as compared to a gain of 59 points for the national market for home values.
In June 2017, year-over-year growth in TODs was 5.8% as compared to the national market of 6.3%.

June 2017 was the 12th month in a row that the national market growth exceeded the growth in TOD zip codes. Prior to that, the last time the national market outperformed TOD growth was in April 2006.
For the first time, average rents in TODs reached $3.00 per SF in June 2017, which is 1.6 times more than the national average of $1.85 per SF.
• The June 2017 TOD Index for Rental Values was 149.7 points compared to 111.7 points for the national average.
• Since the market recovery starting January 2012, the TOD Index for Rental Values has gained 41.5 points as compared to a gain of 27.5 points for the national market for rental values.
In June 2017, year-over-year growth in TODs was 2.2% as compared to the national market of 3.1%.

June 2017 was the 5th consecutive month of positive year-over-year growth in rental values in TODs and the 2nd consecutive month of positive year-over-year growth for the national market.
### Top Performing Home Value Stations: June 2016 - June 2017

<table>
<thead>
<tr>
<th>12 Month Change Rate</th>
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<th>Zip Code</th>
<th>City</th>
<th>State</th>
<th>Region</th>
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<td>35.7%</td>
<td>Cadrecha Plaza Station</td>
<td>33605</td>
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Applications for Transportation and TOD Planners

- Value capture modeling – data at various geographic levels, down to the individual property. Neighborhood, corridor and regional modeling

- Modeling for new federal loan programs: TIFIA & RRIF

- Market analysis for TOD: public sector, public-private partnerships and private-sector

- Travel behavior modeling and analysis

- Affordable housing modeling and analysis

- Guidance to investors on TOD site selection and due diligence – private sector, institutional and public sector TOD land banking funds

- Ability to merge data in GIS with other “big data” sets for other types of analysis (ie. public health, crime, school quality, etc.)