

ALTERNATIVE FINANCING OPTIONS FOR TOD

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STRATEGICECONOMICS

Tools and Strategies to Achieve Smart Growth in
Fresno

The TOD Financing Challenge

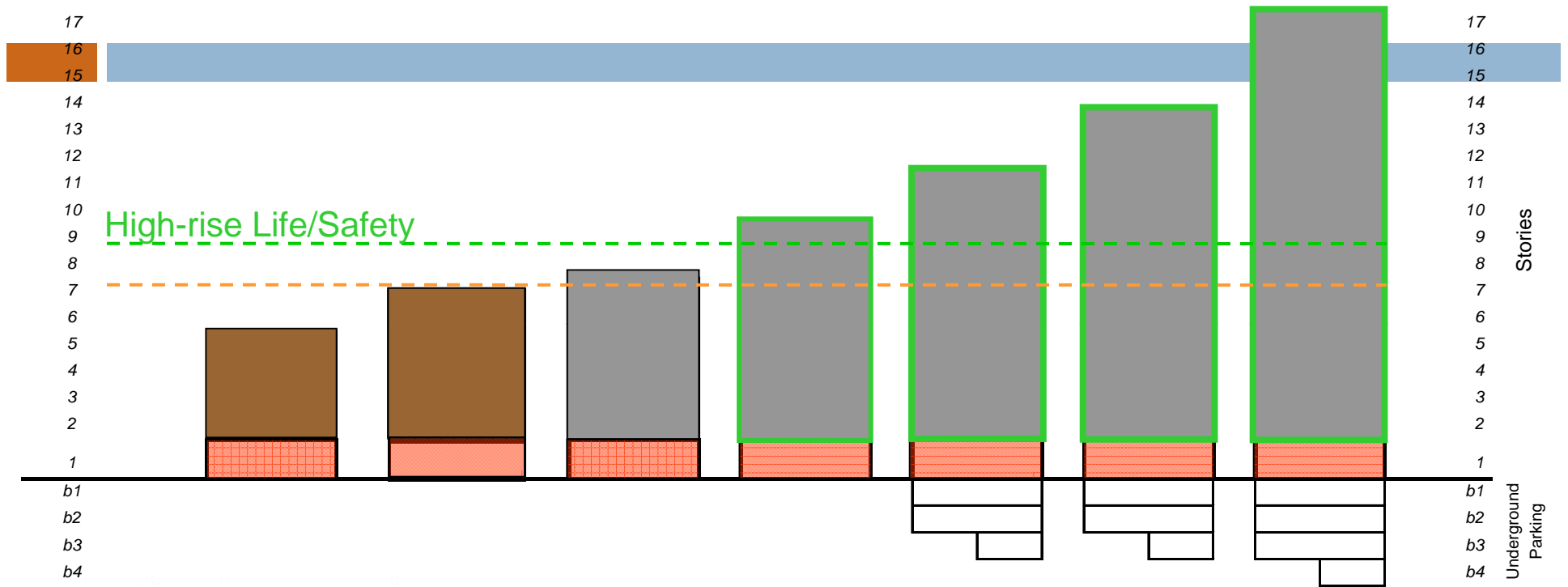


The Basic Challenges:



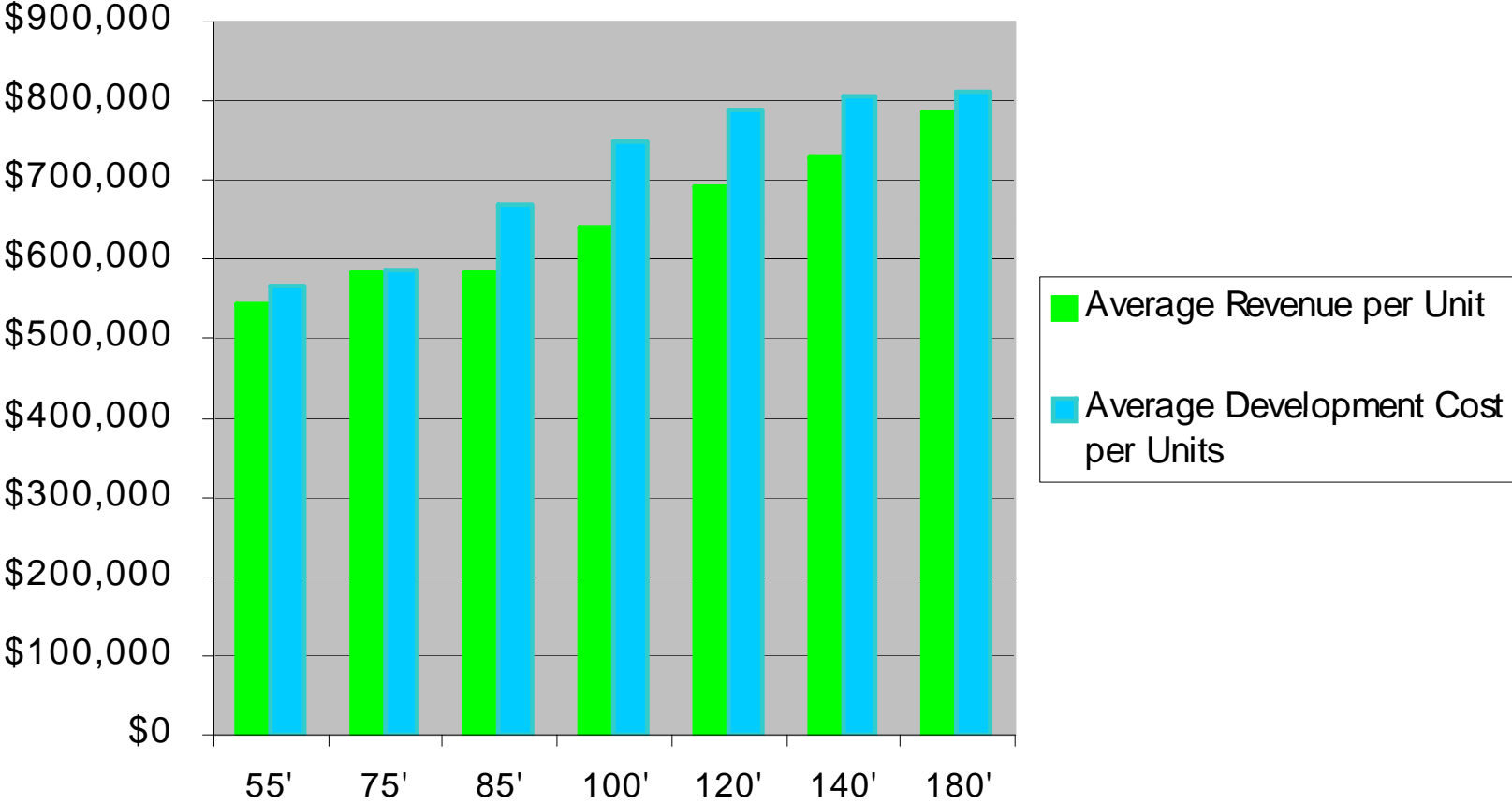
1. High land costs for desirable locations
2. Increasing construction costs with greater density
3. As densities increase, the “market” values for units may not be high enough to offset the higher costs
4. Very Dynamic relationship between costs and revenues

Building Heights and Construction Types



55'	75'	85'	100'	120'	140'	180'
5-Story	7-Story	7-Story	9-Story	11-Story	13-Story	17-Story
40 Units	50 Units	50 Units	56 Units	68 Units	80 Units	104 Units

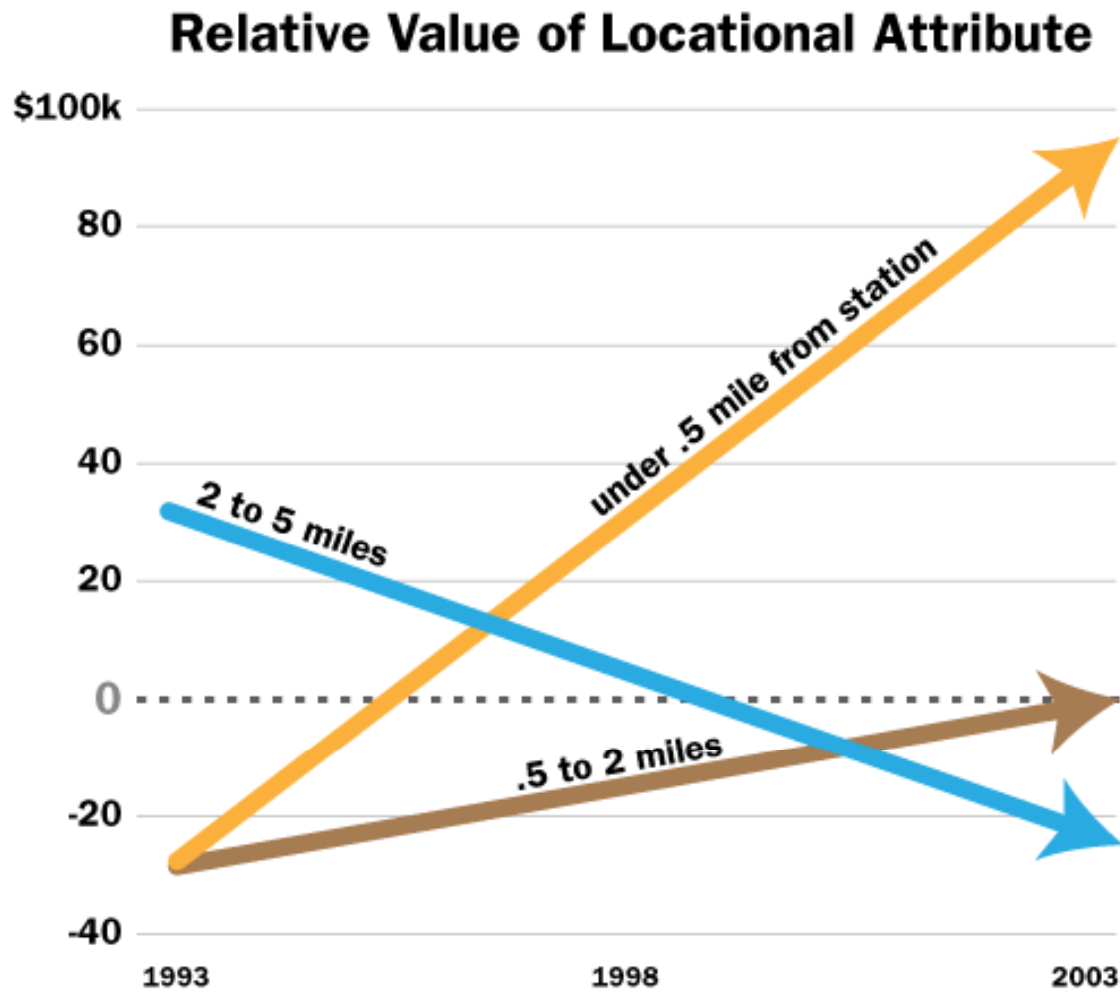
Average Revenue and Costs Per Unit by Building Type




Certain Patterns in TOD Development Have Emerged



Land Value Increases with Proximity to Transit



But, the Evidence on Transit and Property Values is Uneven



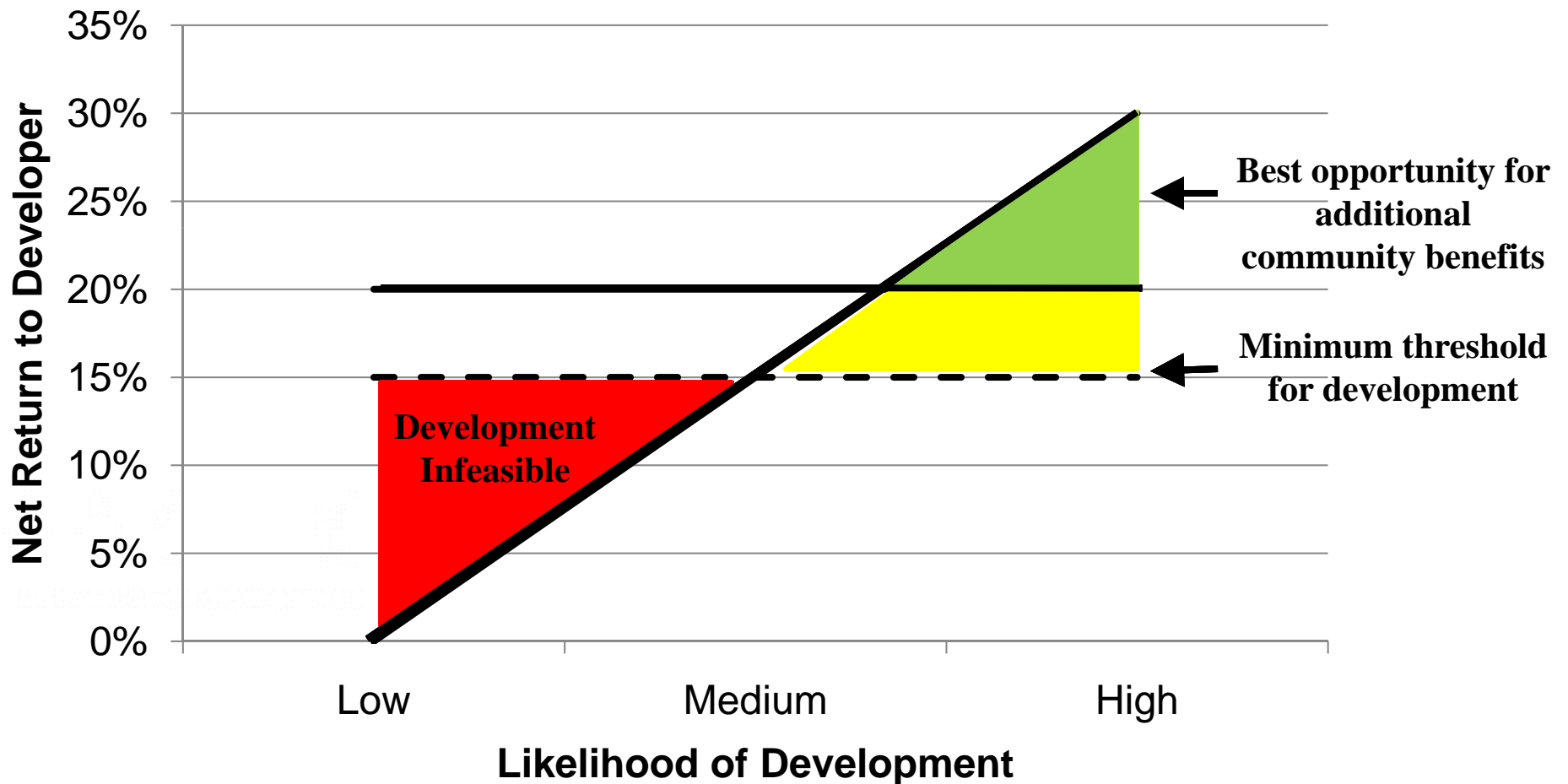
WHY?

Many factors influence the impact of transit on property values:

- Frequency of Transit Service
- Transit Connectivity
- Real Estate Market Conditions
- Land Uses in the Station Area
- Ease of Access to the Station (Pedestrian Connectivity, Parking)
- Disincentives to Driving (Congestion, High Gas Prices)

Transit is not a market maker, it's a market enhancer

Market Conditions Play A Significant Role in Creating Financing Options for TOD



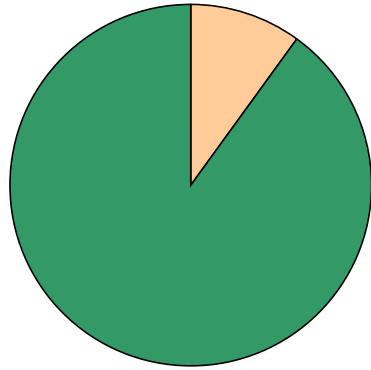
In Strong Markets, the Public Sector Uses Value Capture Tools To Finance TOD



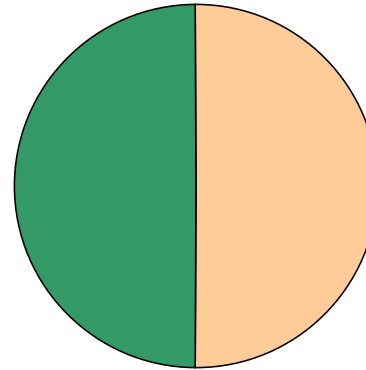
- **Assessment districts:** usually require a vote of property owners; motivated property owners are typically planning to develop
- **Tax increment financing districts:** increment is much greater when development occurs
- **Developer fees and negotiated developer contributions:** paid by developers
- **Joint development projects**
- **Inclusionary housing ordinances**

But, Value Capture Tools Work Best Where There Is Significant Potential for New Development

Station 1
10% Vacant

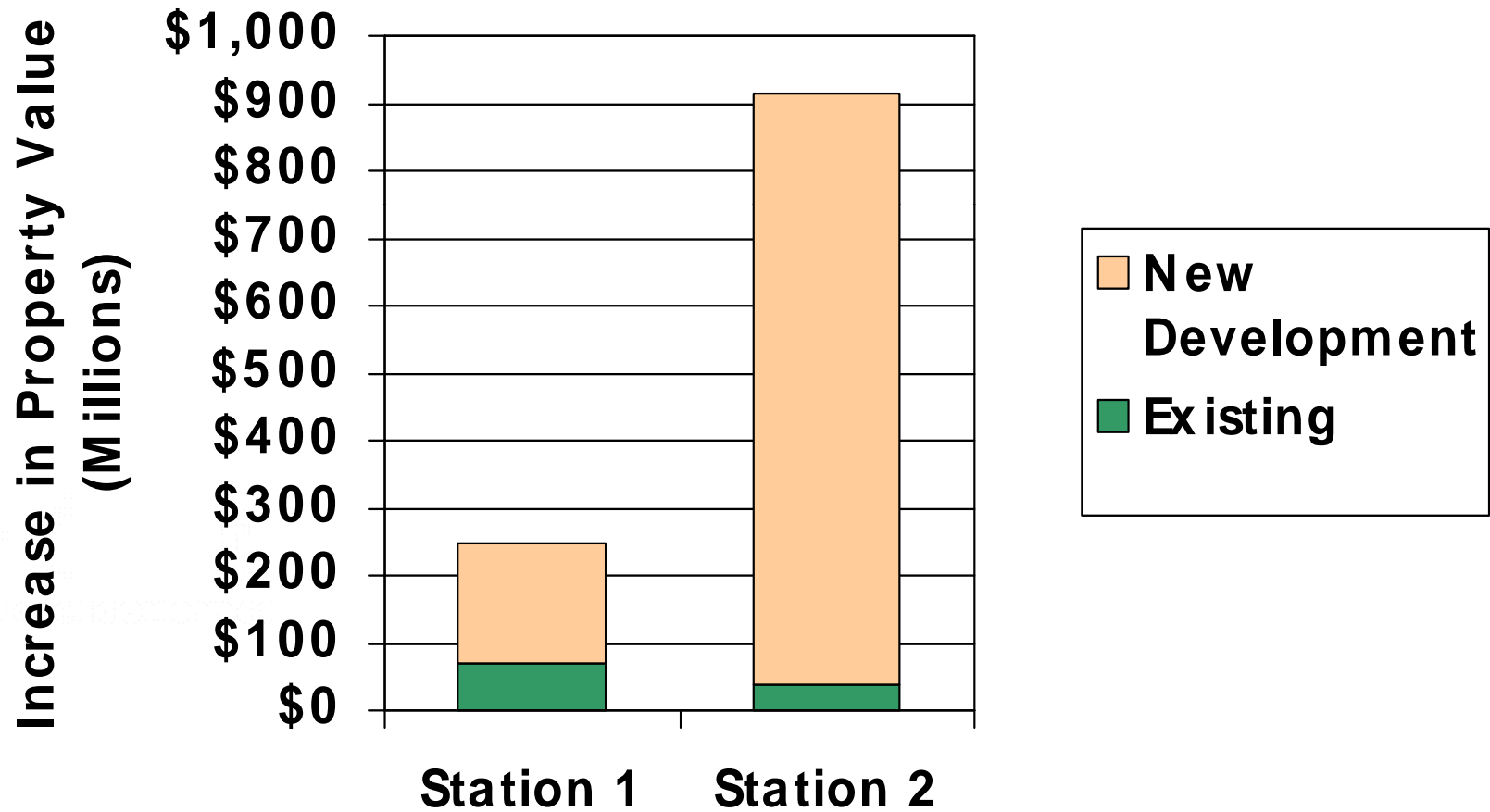


Station 2
50% Vacant

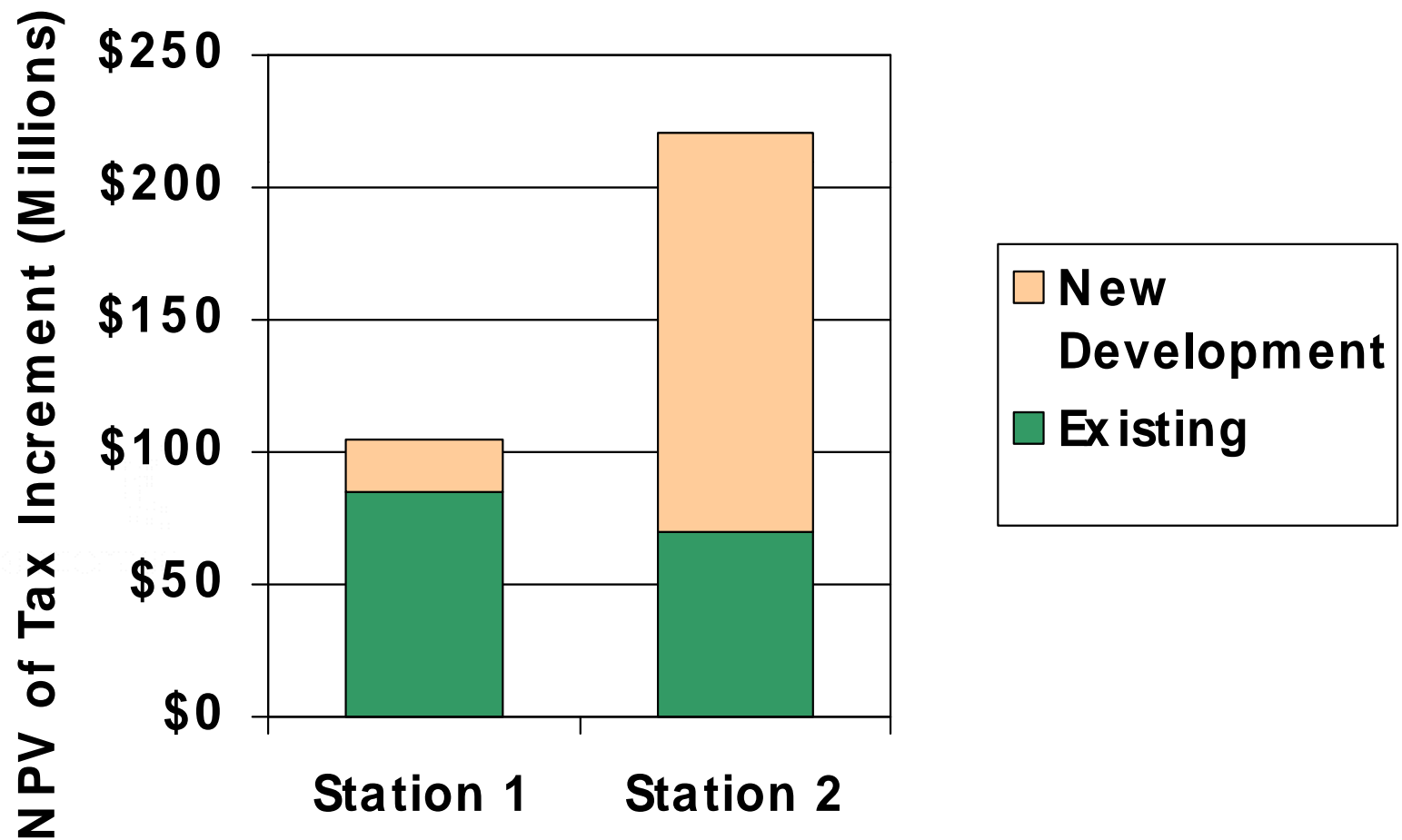


- Existing land use - 15 units/acre
- New development - 50 units/acre

Relative Value Created



Relative Value Captured



Value Capture Strategies Don't Work For Financing TOD in "Weak" Market Areas

Financing Strategy in Warm or **Hot** Market Locations
(aka "Value Capture"):



Financing Strategy in **Cooler** Market Locations
(aka "Unlocking Private Capital"):



Case Studies in Financing TOD in Weak Markets



1. Seattle, WA

- In low income neighborhoods, sidewalks were often blocked by vehicles, endangering the school kids nearby and other pedestrians.
- Other areas with kids walking to school had no sidewalks.
- In 2005, Seattle established a sidewalk fund.
- In 2006, Seattle pushed for a ballot measure to raise funds to improve pedestrian infrastructure.
- Adopted a Ped. Master Plan and Sidewalk Development Program.

Seattle



- In 2007 to 2009, the Seattle Department of Transportation received over **\$40 million** each year from the **Seattle General Fund**.
- In 2006, Seattle voters also passed a nine-year **\$365 million levy** (assessment) for transportation maintenance and improvements.
- Funds also come from a **commercial parking tax** (\$127.5 million) and employee hours tax (\$51.5 million)
- Among the planned capital projects are **117 blocks of new sidewalks**.

Seattle

50th Avenue and Barton Place -



BEFORE



AFTER

source: sdotblog.seattle.gov

Seattle

Sixth Avenue –



BEFORE



AFTER

source: sdotblog.seattle.gov

2. San Jose (CA) – Strong Neighborhood Initiative (SNI)



After pouring millions of dollars into downtown revitalization for two decades, San Jose neighborhoods wanted more investment.

City built on strong interdepartmental collaborative culture to create SNI

A key funding source for SNI was **tax increment** created by establishing a single SNI “Project Area”

2. Strong Neighborhood Initiative

- Initiated in 2000 – Collaboration of Planning, Redevelopment, and Parks Departments
- Tax increment provided major funding source
- Since the Initiative launched, \$2.7 billion in public and private funds have been invested into the 19 neighborhoods. Agency and City investment in SNI neighborhood priority projects total \$75.7 million.
- Of a total \$75.7 million spent, \$35.5 million were spend on the safety and improvement of streets.
- 15 of 19 neighborhoods placed pedestrian infrastructure, such as sidewalk replacement, as their top priority. Five of these neighborhoods requested the installation of new sidewalks in low-income areas.

Source: Seifel Consulting, 2007; Strategic Economics, 2010

San Jose SNI Results

- For every \$1 of public investment, the private sector invested \$1.86
- Property values in SNI neighborhood almost doubled in six years.



5. Better Denver Bond Measure (2007)

- \$550 million to fund 211 infrastructure projects including improvements at five transit stations.

Station; Funds Given	Overall Purpose	Cost Breakdown	Current Status
Decatur/Federal; \$2.07 million	Provide basic connections to nearby low-income housing and Denver Human Services' offices.	--Police cameras --Xcel lighting --Sidewalk improvements --Yet to determine rest of funds	Construction to start in Q1 2011

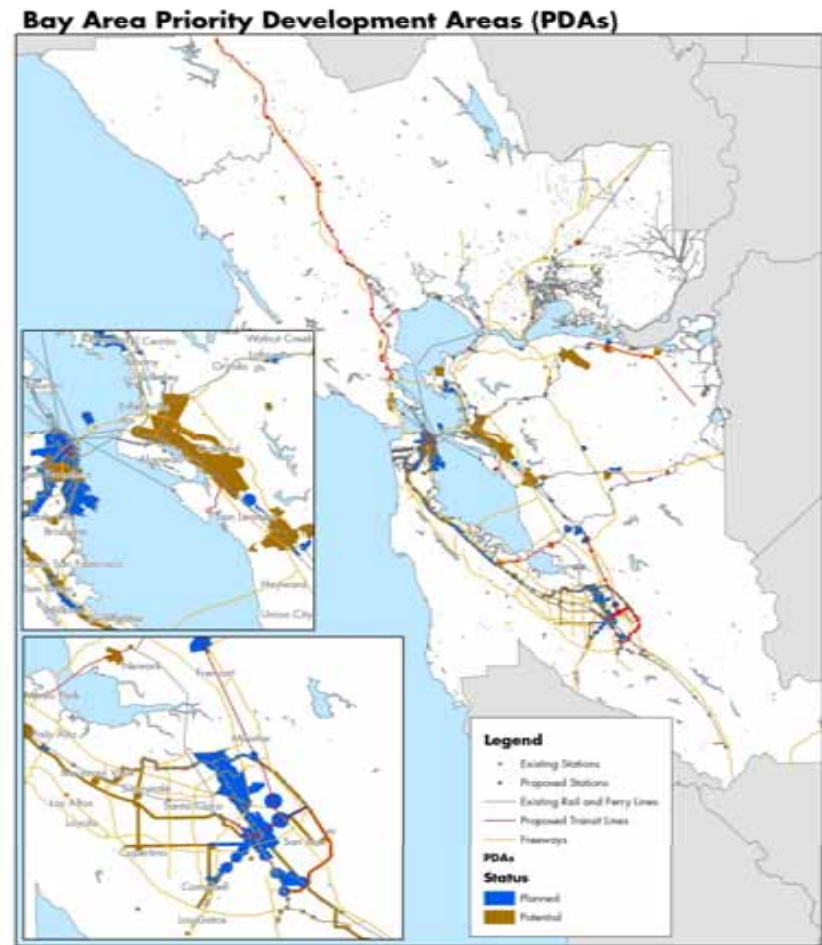


3. Bay Area Property Acquisition Fund

- High cost of living – So strong imperative for putting housing near transit
- Demand for housing near transit projected to increase 40% between 2000 and 2030 – 248,000 potential households
- Half of demand for housing in TOD will come from low income households
- 41% of existing subsidized housing is near transit

The MPO (MTC) Has Put Up \$10 million to “Seed” Acquisition Fund

- \$10 Million “top loss”
- Next tier of capital will come from CDFIs and foundations
- Senior debt will come from banks and other investors
- Fund will be targeted to “priority development areas”



4. Fruitvale Transit Village (Oakland, CA)

CDC led project (The Unity Council)

- Neighborhood revitalization
- New construction
 - *Las Bougainvilleas – 68 affordable units (1998)*
 - *Streetscape improvements (1999-2002)*
 - **Fruitvale Transit Village (2004)**
 - *Public Market (2007)*
 - *Dense Housing “Phase II” – 275 units (2009-2012)*
 - *Cultural & Performing Arts Center (2010)*
- Façade and Street Improvement (Main Street/PBID)
- Graffiti Abatement and Crime Reduction
- Inviting, Safe, Walkable Public Spaces



Many Financing Sources

Main Buildings and BART Parking Garage

- **A. Equity/Grants (Buildings/Plazas) - \$26.0 million**
- **FTA** \$5.7 million
- City of Oakland **Prepaid Leases** \$7.4 million
- City of Oakland Pass through grants \$5.3 million
- **Tax increment financing** \$4.0 million
- Foundations \$2.3 million
- Unity Council/FDC equity \$1.3 million

- **B. Debt (Buildings/Plazas) - \$28.0 million**
- 501c3 Bonds \$19.8 million
- City of Oakland HUD 108/EDI \$3.3 million
- **Citibank** \$1.4 million
- City of Oakland Home \$0.7 million
- Unity Council loan \$1.8 million

- **C. Equity/Debt (BART Parking Structure) - \$12.5 million**
- FTA \$7.6 million grant
- **Alameda County (ACTIA)** \$4.1 million
- Unity Council loan to BART \$0.8 million



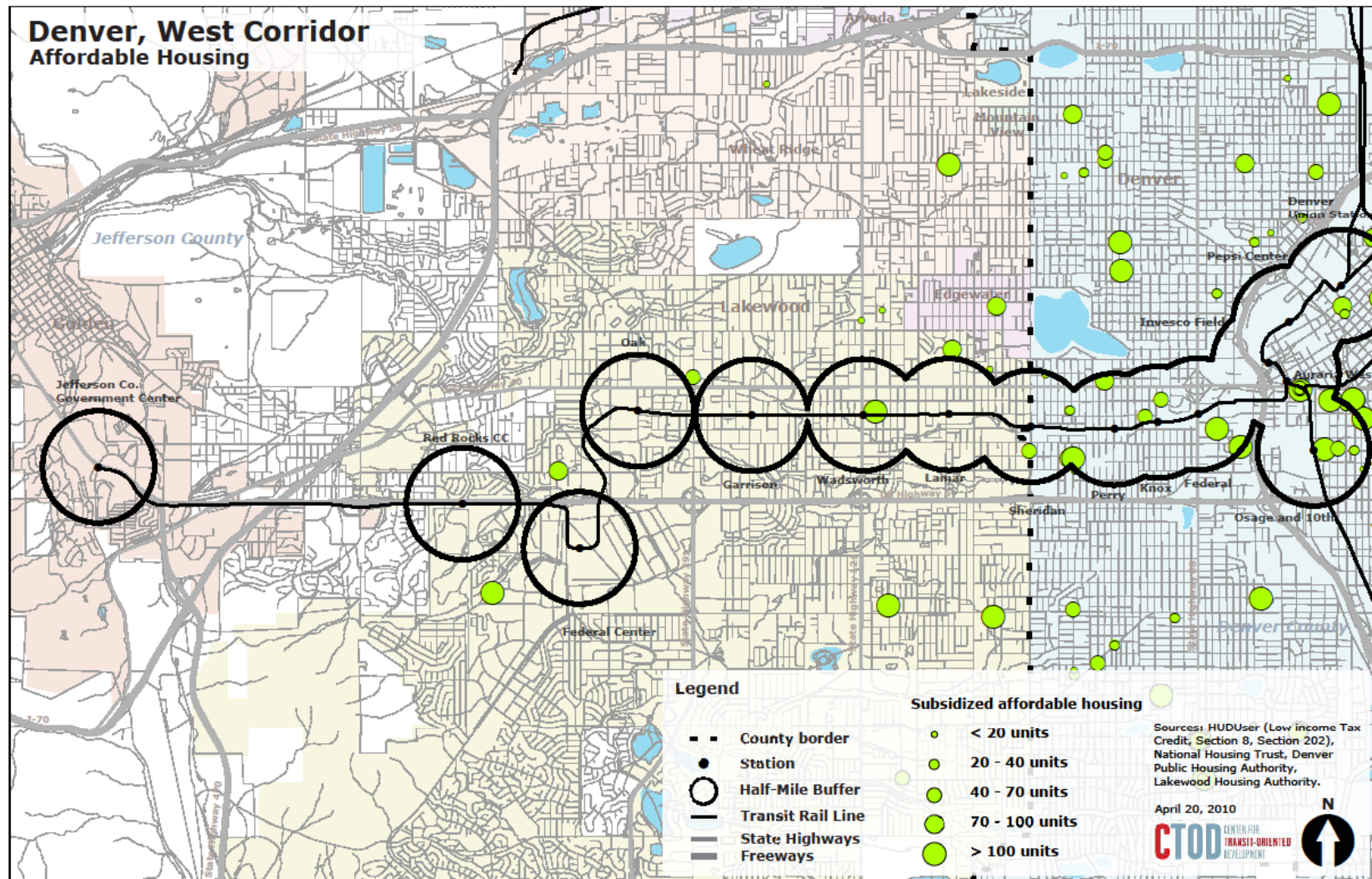
Denver Housing Authority (DHA)

10th and Osage transit station

- Replacing 270 low density public housing units with 434 affordable units and 327 market rate units.
- Used Healthy Development Measurement Tools to assess community health needs, will be adding a grocery store to the project
- Project will be LEED Platinum



DHA and Metro West Housing Solutions (Lakewood CO) Assembling Land for TOD



Boston Public Health Commission



In 2005, 26 percent of black adults, 22 percent of Latino adults, and 14 percent of white adults in Boston were considered obese.

In a 2010 study, LRT was found to reduce a passenger's Body Mass Index by 1.18 kg/m² compared to non-LRT users in the same area over a 12-18 month follow-up period. This is equivalent to a relative weight loss of 6.45 lbs for a person who is 5'5.

LRT users were 81% less likely to become obese over time.

BPHC \$6.4 million ARRA obesity prevention grant will be used to:

- Decrease consumption of sugar-sweetened beverages through counter-advertising and policy change
- **Increase active transit through bike share programs and land-use policies**
- Improve neighborhood-based food production and distribution through environmental changes that create additional space for community and backyard gardening
- Enhance the integration of high-quality and frequent physical activity and education into the school day

Lesson Learned For Fresno



Lesson 1: There is no one “Financing Strategy” for TOD

There is no one set of tools, for financing TOD, a financing strategy has to be incremental to respond to changing conditions over time.



Lesson 2: Have a Plan

Different funding sources can match up with each element of an overall plan. Be “shovel ready.”



Lesson 3: Spread Costs Across Bigger Areas when possible

Many neighborhoods do not have the resources to generate sufficient revenues to cover neighborhood improvement costs. These costs should be shared across larger areas (city-wide bond measures, merged RDA project areas)



Lesson 4: Partnerships are Essential

Look for partners who can provide “co-benefits,” like the health department, housing authority, and MPO

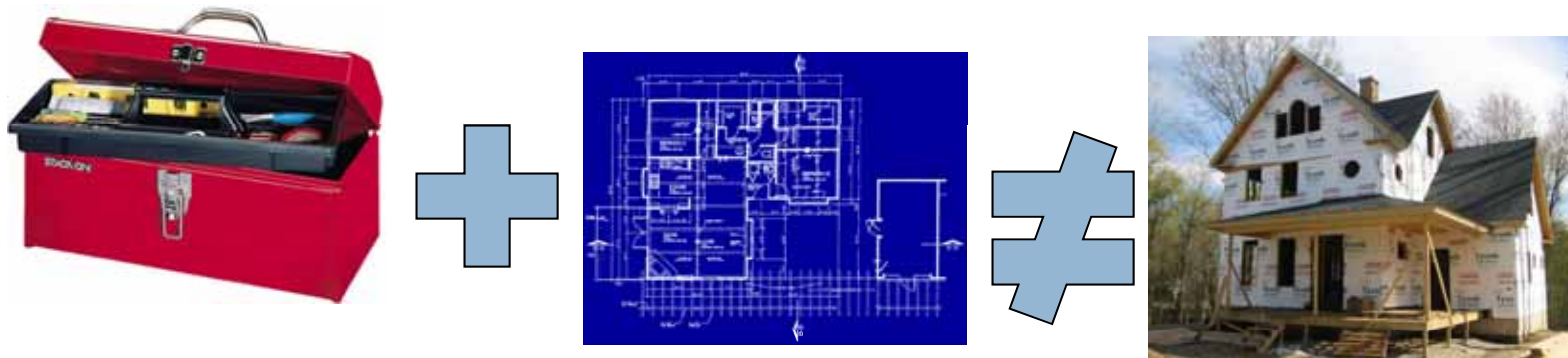


Lesson 5: Look for Long-term Value

Simple neighborhood improvements can pay “dividends” over the long-term, especially with respect to property values and retail sales.



Lesson 6: Leadership is Essential



You Still Need:



leadership, and the right conditions