

The challenges and opportunities associated with Transit Oriented Development

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Quick Takeaways 1

- **Planners play very pivotal roles in allocating resources for Transit Oriented Development (TOD)**
- **The planning process is complex and looping**
- **Planning principles involving economic analysis and fiscal policy are *frequently* divorced from other public administration issues**
- **Useful to think of TOD as a series of connected planning options and opportunities.**
- **May not be suitable in all settings**
- **Most principles present in TOD could be deemed attractive but there are some limitations**

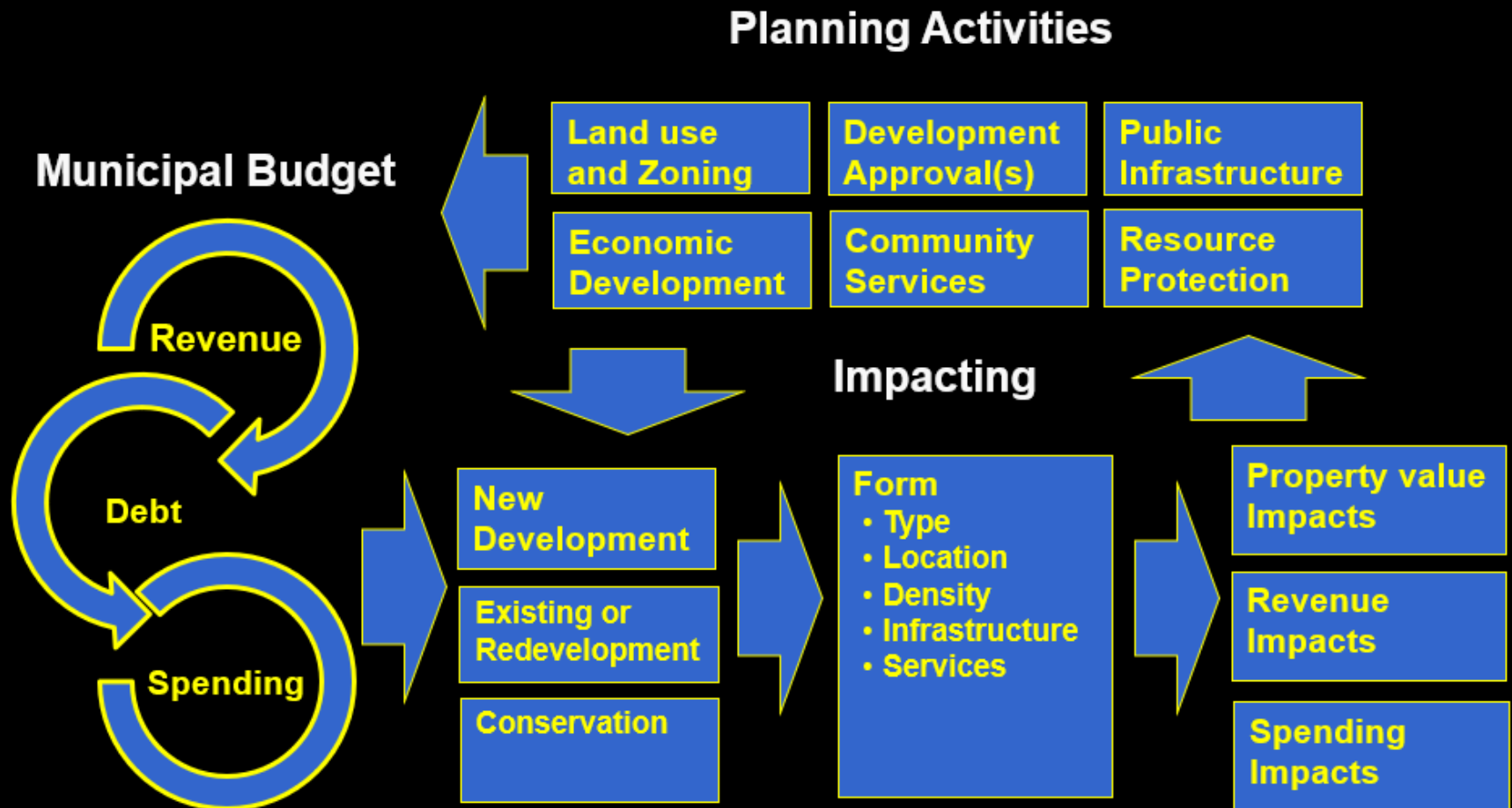
Quick Takeaways 2

- **TOD will be complex**
- **Must deal with parking, finance, and ownership bifurcations**
- **Affordable housing a specific challenge**
- **It will likely be more expensive**
- **Strong interest in PPP but not easily done**
- **There are reasons to evaluate it critically on a cost benefit basis**
- **Regarding all potential benefits, the form itself may be among its most valuable attributes**

Quick Takeaways 3

- **TOD evolves as the market evolves**
 - Must deal with the varied parking, economic, and locational needs of employers, users, and investors
- **Similarly, political support for the form must also evolve**
 - Must deal with use, density, parking, and traffic
- **Policy and its focus must evolve as technology, parking and traffic evolve**
- **Public participation must be dynamic and continuing**
- **Encourage early adopters and major potential users.**
- **A good solution will be tested and “future proofed”**
- **Compelling strategies linked to these ideas**

Planning and the sustainable budget



Conventional definition of TOD includes these considerations

- **Dense, especially relative to nearby or competing development**
- **Objective is to facilitate access to transportation options**
- **Such access provides ridership to promote a system's financial viability**
- **Includes multiple uses facilitate walking to key activities**
- **Reduced parking, perhaps integrated and convertible**
- **Active and inviting pedestrian environment**
- **Design important to all the above**

Implications of this definition

- **Mixed use**
- **Patterns of movement match work/residential, work/service or residential/service needs**
- **If transportation access is the key variable, all locations treated as relatively equal in value**
- **All rail options or technologies convey substantive development opportunities**
- **Car dependence is reduced**
- **Desirable form of development: TOD or MOD**

The challenges for planning and their impact on the real estate market

- Fixed route opportunities vary by rail option
- On demand options may change opportunities
- All uses and their mixes will vary by location despite the access
- Density not equally suited at each location
- Reminder that parking, trips, and traffic are not the same
- Temporal and content dimensions generate cost
- Market evolves less quickly than policy



The challenges for planning and their impact on the real estate market

- Transit alone does not create demand nor does development assure ridership
- Reconciling the proper value of underlying land or sites
- Density has imputed costs
- Parking management or provision
- These added costs may be a constraint to certain uses
- Making the final connection: the last mile



Principal real estate challenges to TOD

Considerations associated with location

- Suburban demands have historically differed materially from core urban needs
- In the short term difficult, if not impossible, to eliminate car dependent requirements
- All uses not equally supportable at every location
- In the high density model, added development costs pose a distinct pricing penalty or disadvantage
- This added cost is especially a discriminator in suburban locations
- Fragmented ownership will be a challenge in urban and suburban settings but probably a bigger issue in the former

Principal real estate challenges to TOD

Considerations associated with form and use

- **True mixed use [vertical] is among the most difficulty to implement**
 - Balance of uses
 - Parking
 - Phasing
 - Infrastructure
 - Leasing/Sales
 - Market Timing
 - Management
 - Service
 - Conflicts among residential owners, residential tenants, and commercial users



Principal real estate challenges to TOD

Considerations of site

- **Complications of infill**
- **Underlying infrastructure expensive**
- **Typically experienced as front end cost**
- **Possible, but difficult, to phase in conformance to policy or active needs**
- **On the smallest of sites, parking will be especially difficult to address feasibly**
- **All sites will not have equal surface access**
- **Size can be an issue depending upon final design scheme**
- **Publicly owned sites**



Principal real estate challenges to TOD

Considerations associated with design

- Ideal floor plates are different for retail, office, and residential uses
- Inefficiencies in floors and building envelope
- Interaction of public and private spaces
- Potentially higher parking needs for non-residential
- Integrated parking may challenge reuse or adaptation
- Horizontally oriented TOD requires larger sites
- Parking solutions generally
- Parking solutions involving publicly owned land

Principal real estate challenges to TOD

Considerations associated with the mix of uses

- Ideal floor plate of office is 20,000 sq ft
- Ideal depth of store (small) about 70-80 ft
- Overall inefficiency in space allocation
- Setting minimum performance standards or composition of activity
- Long term sustainability of all uses as turnovers occur



Principal real estate challenges to TOD

Considerations associated with economics and finance

- **Emphasis on mixed use to achieve intensity has a cost burden**
- **Affordable housing and social equity**
- **Construction requirements**
- **Life safety requirements**
- **Limited parking or structured parking will be especially hard to justify in the suburban setting**
- **Bifurcation of ownership and responsibility**

Principal real estate challenges to TOD

Considerations associated with phasing and timing

- **Parking in short and longer term scenarios**
- **High initial costs vs longer term value and social good created**
- **Transportation commitment or real estate commitment**
- **Routing flexibility**



The basic challenges by the numbers

1. Retail will only work on parts of the first floor
2. Multiple stories drive costs
3. Service requirements for residential and retail differ
4. Parking needs [counts/accessibility] differ
5. Condos and rentals need different approach
6. The commercial and retail floors will need to be financed separately
7. Areas must be isolated
8. Floor plates and ceiling heights
9. Space inefficiencies throughout
10. Overall cost burdened by 1-9



More challenges by the numbers

Example Number 1

- City block 264' x 900'
- Total of 237,600 SF or 5.4 AC
with 2.5 FAR in 7.0 stories (594,000 SF)
 - 85,000 SF retail
 - 500 apartments/ 756 people (1.5/DU)
 - \$12,000-\$15,000 per person
- Supports 37,800 SF retail (\$250/SF)



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Example Number 2

- City block 311' x 350'
- Total of 108,900 SF or 2.5 AC with 2.5 FAR in 5.0 stories (272,500 SF)
 - 54,000 SF retail
 - 216 apartments/324 people (1.5/DU)
 - \$12,000-\$15,000 per person
- Supports 11,100 SF retail (\$350/SF)



Opportunities

- **New paradigm: age, money, choice**
- **Transit sensitivity can boost property values**
- **These values may be more greatly enhanced on the basis of work/residential connections, that is, housing and jobs**
- **Multiple uses and variations in density need to be considered**
- **Multiple solutions suggest varying concepts and niche solutions can be used to address multiple needs, demands, and locations.**

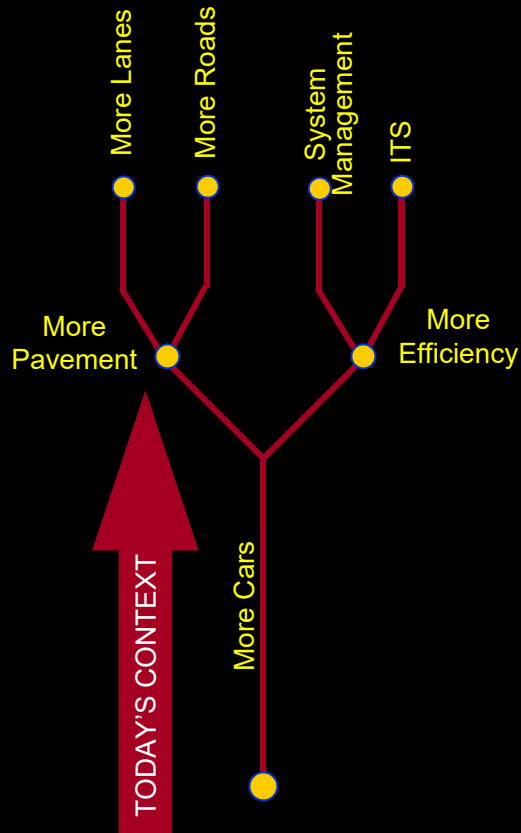


More opportunities

- **Elements of good form that extend to other decisions and activities enabling market forces to minimize sprawl by creating more efficient nodes and centers**
- **Transit enables a city to be more corridor-oriented, making it easier to provide infrastructure**
- **Opportunity to connect employers and users**
- **Can be many other vacant or underutilized sites proximate key locations**

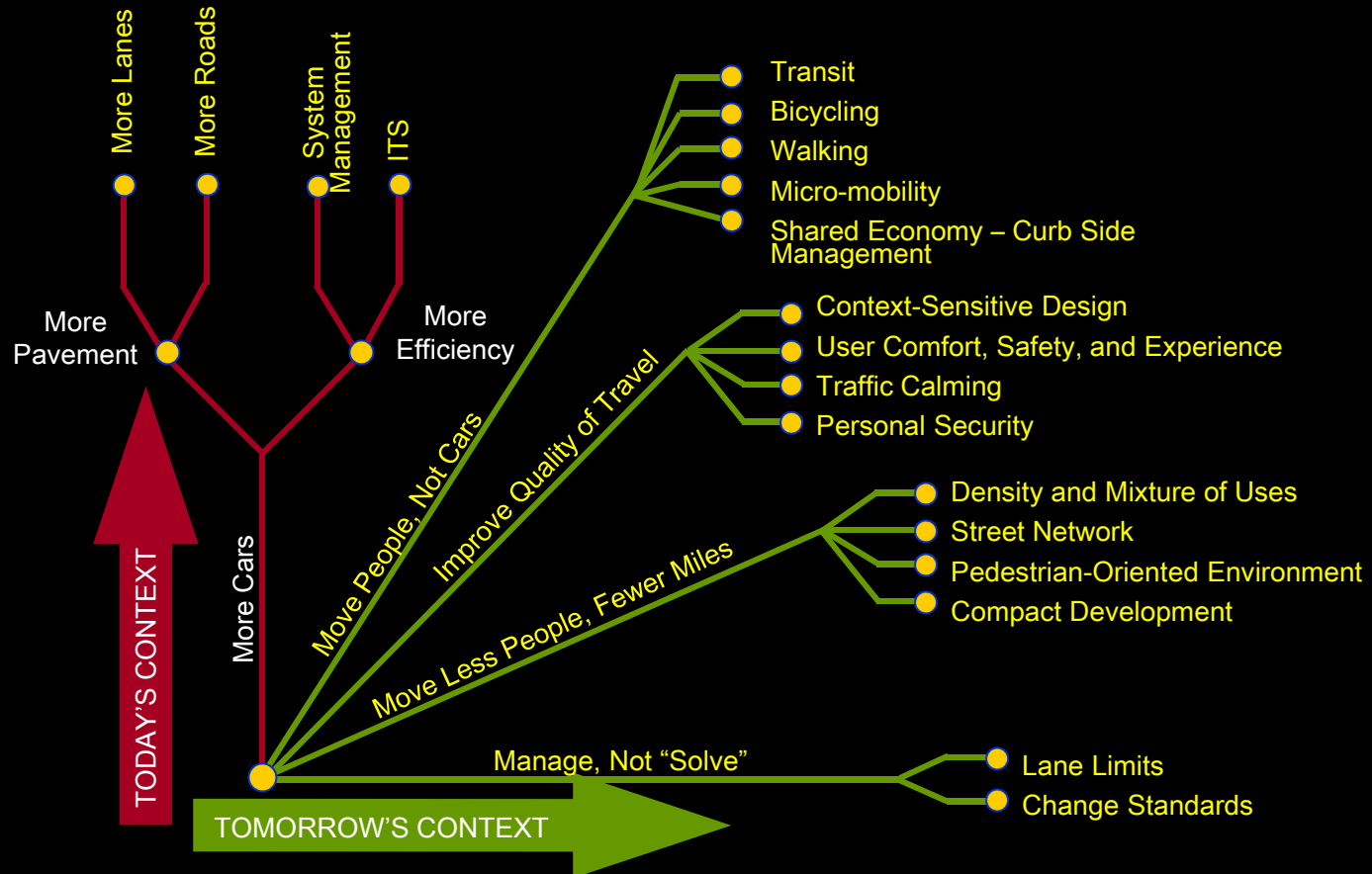
And still more opportunities

- The complex future



And still more opportunities

- The complex future



Implementation: The marketplace

- The private financial markets will resist providing capitalization
- Developers cannot...and should not.... be required to pay for all the objective induced infrastructure
- Investment follows infrastructure investments
- Incentives and strong encouragement warranted initially
- Flexibility
- Sell the people who sell to the community

More implementation: Purposeful thinking

- **Emphasis on infrastructure to sustain true mixed use**
- **Policies need to sync to the needs and requirements of users, developers, and financial community**
- **Marketing to the real estate and development community**
- **Inventory and make available real estate**
- **Adopt performance measures and metrics**
- **Zoning**
- **Must be some focus on the last mile**
- **May be worthwhile to think about MOD**
- **Public investments must be strategic**

Yet more implementation: Public investments

- Development follows strategic capitalization



Public investment
in station



Public investment
in infrastructure

Drives



Private investment nearby

Still more implementation priorities: Time

- **Create a culture of investment**
- **Parking is a transitional issue, especially for early adopters**
- **Encourage early adopters and major potential users**
- **Always look ahead.**

The summary

- **TOD evolves as the market evolves**
 - Suburban, urban, culture of investment
 - May need to think about parking a little differently
- **Political support for the form must also evolve**
 - Must deal with use, density, parking, and traffic.
- **Speak the language of elected officials and investors**
- **Automated travel is likely to require unusual solutions.**
- **We need to look ahead and “future proof”**

Questions and comments

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