



GREAT PLACES WITH TRANSIT



DELAWARE VALLEY
REGIONAL PLANNING COMMISSION

Spring 2002

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Transportation and Land Use Conference

Interested in the interconnectedness of land use, transit and highways? On Monday, June 3rd, the Pennsylvania Environmental Council will hold a conference titled "Transportation and Land Use in the Philadelphia Region" at the Doubletree Hotel at Broad and Locust Streets in Center City Philadelphia. Running from 8:30 a.m. to 4:45 p.m., the conference will feature sessions on a variety of topics, including the basics of TOD, traffic calming, regional transportation planning, and how TOD can build ridership and provide capital for transit projects. PEC is pleased to welcome keynote speakers Harriet Tregoning, Special Secretary of Smart Growth for the State of Maryland, and David Burwell, Executive Director of the Surface Transportation Policy Project, as well as an array of nationally and regionally significant panelists. For more information, contact Avery DeLeon at the Pennsylvania Environmental Council at 215-563-0250.

About This Newsletter

Welcome to another issue of *Great Places With Transit*. With all the recent attention to the proposed Schuylkill Valley Metro (SVM), the critical role of transit-oriented development (TOD) in successful public transit projects has been in the limelight. If our newsletter has piqued *your* interest in TOD and you want to know more, let us make a TOD presentation to your community, conservation agency or professional organization. The Pennsylvania Environmental Council and McCormick, Taylor & Associates, Inc. have prepared an illustrated presentation on the design elements and benefits of TOD and essential means to accomplish implementation. If you would like, a focus on SVM station area development opportunities can also be included. To inquire about a presentation for your group, call me at 215-563-0250, ext. 108, or email me at pstarr@pecphila.org.

The crowd at a recent panel discussion on TOD that I moderated and organized for the Philadelphia Chapter of the Society for Marketing Professional Services (SMPS) seemed to find the topic very intriguing. While many in the audience had some knowledge of and interest in TOD, they were not clear on the details and were not familiar with regional examples of transit-friendly development. According to Sue Caffery, the SMPS-Philadelphia's Sponsorship Chair, "The information we gained and connections we made at the presentation have led to several potential projects for my firm, Timothy Haahs & Associates, Inc., [an engineering and architectural firm that designs parking structures]."

In this issue of *Great Places*, we discuss progress on proposed plans for SVM station areas at 52nd Street in Philadelphia and at

Port Kennedy in Montgomery County. Next, we are pleased to present an article by guest author John Stainback on creative approaches to public/private partnerships for financing TODs. Finally, we take a look at how Chicago's Regional Transportation Authority and local communities in the Greater Chicago area have been working together to make TOD happen. I hope you find the issue informative. ■

— Patrick Starr
PEC Vice President, Southeast Region

SVM Could Bring Significant Investment to Two Very Different Areas

Since Fall 2000, the team conducting the SVM Corridor Station Area Planning and Implementation Study under contract to the Delaware Valley Regional Planning Commission (DVRPC) has worked to design TOD around five of the station areas along the proposed Metro rail line. These stations are located in Douglassville, Pottstown, Phoenixville, Port Kennedy, and Philadelphia (52nd Street). As the Study approaches its conclusion this summer, the planning and design firm Wallace Roberts & Todd (WVRT) has been fine-tuning its station area plans with input from Community Task Forces (CTFs) and other Study team members. In this issue, we focus on plans for two proposed station areas that face different challenges: 52nd Street in Philadelphia and Port Kennedy in Montgomery County.

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(SVM, continued from page 1)

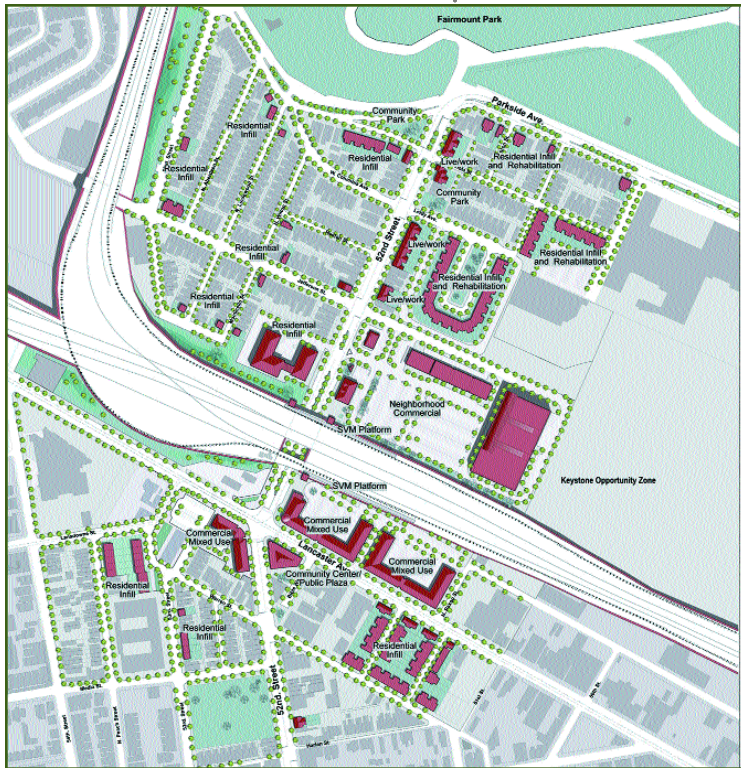
52nd Street

Located north of the 52nd Street and Lancaster Avenue intersection in West Philadelphia, the proposed station area, while exhibiting signs of disinvestment, has great potential due to its proximity to the section of Fairmount Park that contains the Mann Center for the Performing Arts, plus access to transit. The area is served by the Route 10 trolley, buses, a bike route, Lancaster Avenue (Route 30) and 52nd Street. Currently, the SEPTA R6 and R5 lines and Amtrak pass through the area without stopping on tracks elevated above 52nd Street. Implementation of a SVM station in this location would dramatically improve local access to the regional transit system and enhance regional access to the area's assets.

The neighborhood contains a mixture of local businesses and moderate-density residential areas, with some industrial and commercial properties. There are pockets of vacant buildings and land within the station area, and portions of the neighborhood have been designated as tax abatement and reinvestment areas, including a Keystone Opportunity Zone, an Enterprise Zone, an Empowerment Zone and a Blight Recertification Area.

WRT has worked closely with the CTF, which includes neighborhood leaders from the West Parkside, Carroll Park, Cathedral Park, Overbrook and Wynnefield neighborhoods, as well as City Planning and Commerce Development staff, to develop a plan that includes 140,000 square feet (SF) of commercial office development, 160,000 SF of retail, and more than 200 residential units for the station area. The CTF expressed a clear preference for the preservation of existing housing, rather than large-scale residential clearance and redevelopment, and was instrumental in raising local issues and helping to develop solutions for incorporation in the final plan.

Community residents hope that an already-proposed shopping center will help anchor new commercial development. In addition, proposed new housing would be designed to be compatible with the neighborhood's existing scale and would occur in scattered infill developments as well as two larger concentrations on vacant land. According to Richard Redding, a CTF member and West Philadelphia planner with the Philadelphia City



Illustrative plan of 52nd Street Station, West Philadelphia. Courtesy of Wallace, Roberts & Todd

carefully to the community, and therefore, the recommended plan contains a good mix of transit enhancements and neighborhood reinforcement."

The CTF also had concerns about the feasibility of a single large-scale TOD project should the proposed SVM station or shopping center be significantly delayed or fail to materialize. Therefore, it was suggested that the station area proposal be phased in realistic steps that could happen before the SVM is built or could succeed even without the new rail line.

Two suggestions made by the CTF were the designation of a plaza for street vendors and the provision of additional parking for SVM patrons who wish to park their cars near the station. A vendor plaza would accommodate vending in a manner that would help boost overall commercial prospects in the area and enliven it with more pedestrians.

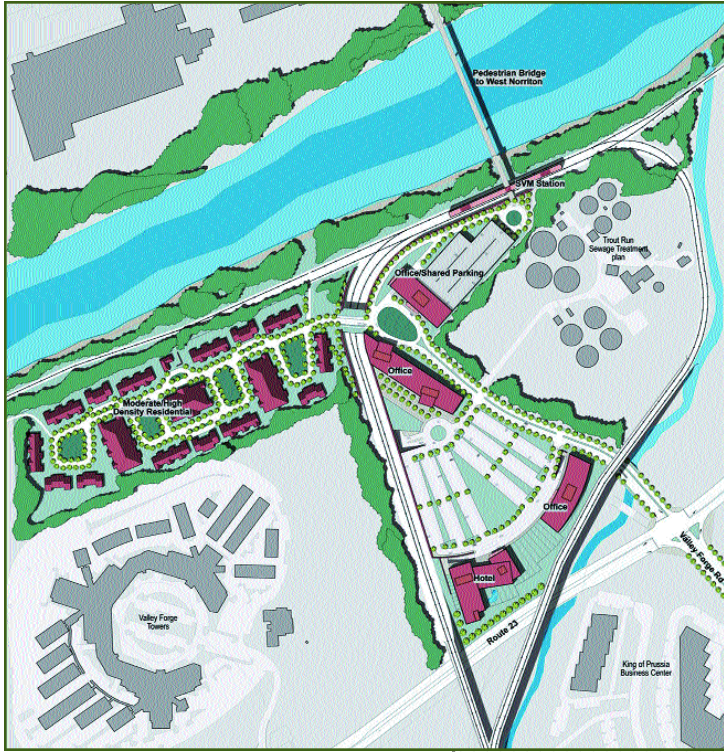
The recommended plan also includes modifications to the existing street system to enhance the quiet character of residential areas while improving access to commercial areas and the station, providing safe and attractive pedestrian and bicycle routes, and promoting safer traffic flow.

Port Kennedy

The Port Kennedy station site, in Upper Merion Township, Montgomery County, is about three miles west of Norristown. Located in the northwest corner of the Township, the site occupies a former industrial property with a capped landfill, just west of the Trout Run Sewage Treatment Plant and east of the Route 422 bridge over the Schuylkill River. This portion of the Township is heavily developed with a mix of high-density residences and a major office park. The station site is located near the Valley Forge Towers, a large apartment and condominium residential complex. A portion of the station area includes West Norriton Township on the north side of the Schuylkill River, a primarily residential area with vacant industrial space along the water. The latter is currently proposed for redevelopment as a major mixed-use project.

WRT prepared a plan with a mix of commercial and residential development on the site, plus an extension of the Schuylkill River Trail.

(SVM, continued from page 2)



Illustrative plan of Port Kennedy, Montgomery County. Courtesy of Wallace, Roberts & Todd

The residential and commercial areas would be separated from each other by a new access road heading toward the river from Route 23. The plan proposes 210 residential units located upriver from this road in their own neighborhood, with pedestrian access to the SVM station to a proposed extension of the Schuylkill River Greenway on the south side of the river and, over a proposed pedestrian bridge, to the north side of the river. The commercial portion of the station area could contain about 360,000 SF of office space, a 200-room hotel, and parking for the SVM station and other uses.

One of the challenges facing the plan for this site is the desire of one of the

landowners to begin a project soon. While the developer may consider medium- to high-density residential development compatible with his development proposal, current zoning permits commercial and office uses, but not residential. In addition, site access is constrained by the capacity of the existing

road system. From the developer's perspective, these zoning and access road issues require quick resolution if the proposed development plan is to proceed. As a part of the SVM study, recommendations are being prepared to address zoning options for the site, which will be reviewed by the CTF at its next meeting. ■

Creative Public/Private Financing Is Key to Successful TODs

By John Stainback

For TODs, things seem to be coming together. First, there are an increasing number of public policy and fiscal reasons to implement TODs. Second, legislation supporting the finance and development of TODs is being introduced more often. Third, there are a multitude of creative financing sources at all levels of government for both transit and transit-related building development. Fourth, governments at all levels are beginning to embrace smart growth and New Urbanism. Fifth, private developers and the capital markets are realizing that they can secure premium rental rates for housing and retail space with immediate access to transit stations. Developers also are realizing that they can leverage public sector investment in transit and transit-related land. And finally, there is an increasing portfolio of successful public/private real estate projects across the country.

While most public officials and private developers now realize the benefits of TODs, they are still learning about the sources of public financing, creative public/private financing and credit enhancement techniques, and how to develop a basis for public capital and non-capital investment in TODs.

The Basis for Public Investment in TODs

TODs can provide much-needed tax revenue and non-tax income for all levels of government. If TODs are market driven and achieve traditional occupancy rates, the leasehold improvements generate significant sales and property tax revenue for state and local governments and school districts. If the TOD includes a hotel, Transient Occupancy Tax will also be generated. What's more, commercial development at stations will generate fee income for the local government from monies such as utility and development fees. Equally important, if a public entity owns the land surrounding the transit station, a well-negotiated public/private partnership will generate land lease income for the public landowner. These lease payments should be both contingent and non-contingent on the economic performance of the commercial development. Both tax revenue and non-tax income serve as the basis for capital and non-capital investments in TODs by primary and secondary public partners.

Sources of Public Financing

There are numerous sources of financing for TODs available from the various levels of government. These include the Transportation Infrastructure Finance and Innovation Act (TIFIA), the Transportation Equity Act for the 21st Century (TEA-21), the Surface Transportation Program (STP) and the Urbanized Area Formula Grant Program. Equally important, there are six types of land lease payments that can be negotiated to be paid by private developers to the public owner of the land under the TOD.

At the federal government level, a variety of financing options are available from the Federal Transit Administration (FTA), including two sources of financing from Fannie Mae and three from the U.S. Department of Housing and Urban Development (HUD) for TOD housing. At the state and local levels, a multitude of transit-related tax funds, as

(Financing, continued from page 3)

well as several types of taxes and development-related fees, can support bond financing. In 46 states, all – or a portion – of the taxes and fees generated by a TOD can also be used for Tax Increment Financing (TIF).

Public/Private Financing and Credit Enhancement Techniques

In most states, numerous public/private financing techniques can be used to fund the commercial development included in TODs. In addition, if there are projected cash flow shortfalls, techniques to reduce development costs can be utilized, such as reducing the number of parking spaces required for the commercial development or allocating a portion of land lease payments made to the transit agency by the developer to cover the debt service for one of the buildings. Also, savvy developers can enhance cash flow of TOD commercial developments by reducing operator fees or providing tax abatements during the important “ramp-up” years.

The Bottom Line

With the multitude of public sources of financing, the wide variety of public/private financing techniques and the numerous options for reducing development costs and enhancing cash flow of commercial developments, there is no reason why a creative public/private partnership should not be able to structure a TOD finance plan that is attractive to the capital markets. ■

Contributing writer John Stainback is the Managing Partner of Stainback Public/Private Real Estate (SPPRE), based in Malvern, PA.

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How a Public/Private Partnership Supports Financial Feasibility

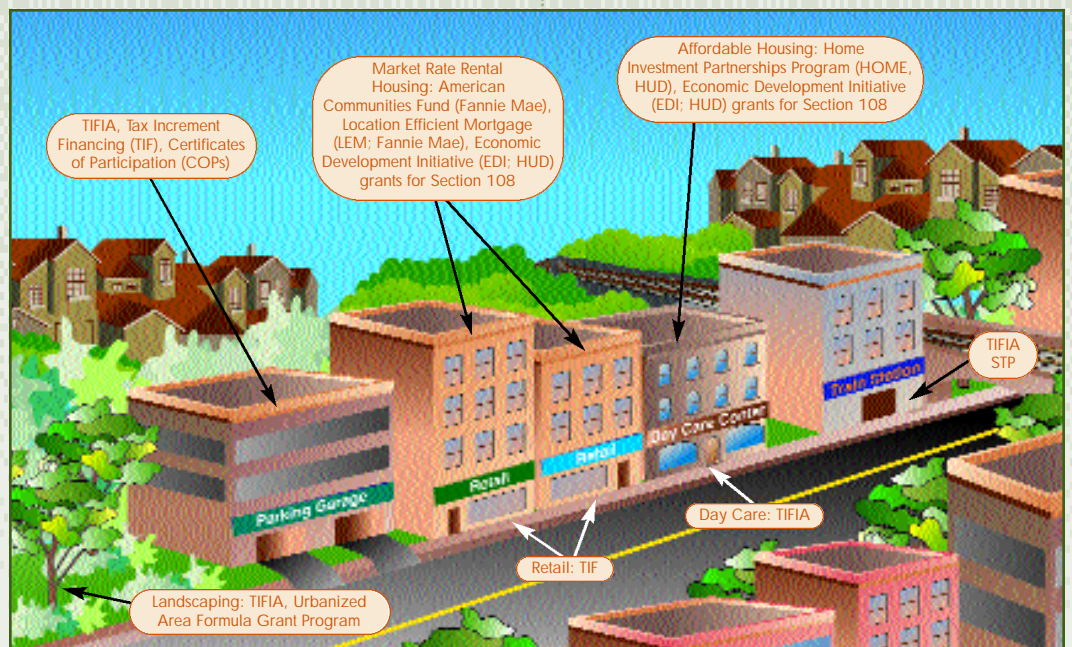
Imagine a TOD project that includes market-rate rentals and affordable housing, retail and a parking garage. Assume that the local transit agency owns the land surrounding the transit station and the initial project finance model reveals a shortfall in the net operating income (NOI) using traditional private debt and equity. For this project to proceed, at a minimum, a public/private partnership must be structured between the developer (the primary private partner) and the transit agency (the primary public partner).

The primary public and private partners should explore all of the six-part approach described here to take this project from being financially infeasible to being attractive to the capital markets. The six options include:

1. Utilizing the various sources of financing for transit systems and TODs mentioned in “Creative Public/Private Financing.”
- 2a. Obtaining additional public capital or credit enhancement by structuring “public-public” partnership(s), or intergovernmental agreements, between the transit agency and other governmental entities (secondary public partners), which will receive tax revenue from the project once it is operational.
- 2b. Obtaining additional private equity or credit enhancement by structuring partnership(s) between the developer and potential secondary private partners, such as the construction contractor, a private garage operator and/or the asset manager for any housing component.
3. Lowering development costs by reducing the number of parking spaces required for the commercial development and/or allocating a portion of the land lease payments made to the transit agency by the developer to cover all, or a portion of, the debt service for one of the buildings or the public improvements included in the TOD.
4. Enhancing cash flow by reducing the operator fees, leasing naming rights of the TOD and/or transit station, and/or obtaining tax abatements during the critically important “ramp-up” years.
5. Utilizing the many public/private financing techniques, including TIF, Assessment District Bonds (using the station as the core of the assessment district) and/or Payments-In-Lieu-Of-Taxes (PILOTS), where the developer would cover all, or a portion of, public partner debt, if any, in lieu of paying a selected tax.
6. Using the investment, development and operational incentives available from the local, county or state government.

Public and private partners should not underestimate the cumulative effect of using some combination of this six-part public/private financing approach. The impact of one individual action on the NOI may be minimal, but the impact of several actions can transform a project that is not “pencilin” to one that provides the returns required to optimize private equity and debt financing and possibly, more importantly, allow the partnership to successfully implement the TOD. ■

— John Stainback



Chicago: Full Court Press for TOD

In Chicago, everyone seems to be interested in promoting development around transit. From likely suspects such as the Regional Transportation Authority (RTA) and its operating arms, Metra (commuter rail) and the Chicago Transit Authority (CTA, bus and elevated), to a less likely suspect, the Civic Committee of the Commercial Club (major corporate leaders), all are engaged in a full court press for more focused development with transit at the core.

Getting to this point has taken years. The first highly visible actions were a series of RTA-sponsored conferences and reports. These focused on the benefits of developing around transit. Reports created include *Developing Choices for the Future* (What, Why & How of TOD, 1995), *The Market for Transit-Oriented Development* (1995), and *The Effect of CTA and Metra Stations on Residential Property Values* (1997).

RTA subsequently got its own house in order to promote and facilitate TOD: It generated an internal policy, "A Transit Review Checklist," designed to get transit capital project staff to think early and often about TOD opportunities. This policy was implemented in 1996.

RTA also created the Regional Technical Assistance Program, which provides both staff planning assistance and direct grants to local governments. Eligible projects must increase transit use, alleviate congestion, improve access to rail and bus



The new train station at Arlington Heights, a transit-friendly "village" northwest of Chicago with some 75,000 residents.

facilities, promote multi-modalism and support TOD. RTA assisted Metra in the development of agency-specific materials that send a clear message to municipalities and developers that train station areas are special and that high-density development should be encouraged.

And rather than leave communities to their own devices, RTA has aggressively pursued partnerships and used agency funds to advance its own interests. Said John DeLaurentis, RTA Director of Planning, "We bring money to the table, so we can be at the table."

Communities have definitely taken the bait. From inner city New Bethel Life Community Development Corporation (on the Green Line), to the City of Elmhurst to suburban locales such as Tinley Park and Arlington Heights, TOD projects are on the drawing boards and/or underway.

The most impressive of these is Arlington Heights (AH), a "village" northwest of Chicago with some 75,000 residents, shopping and office parks (think King of Prussia area). In fact, AH was thinking smart about managing growth in the mid-'70s and began to lay the groundwork with revisions to its zoning code. However, nothing happened until the Village became more aggressive and created TIF districts to provide financial incentives to developers. The first was enacted in 1983, and the impact has been dramatic. The designated station area development zone had 350 residents in 1980; today, there are more than 2,200 (1,500 units of housing). \$27,000,000 in TIF investment has leveraged \$175,000,000 in private developer financing.

Development has brought amazing new amenities to the Village. The first was an entirely new train station (see photo, left) with improved "kiss & ride," pedestrian and bike facilities, and station services including a McDonald's (see photo, below). Other facilities nearby include the new Metropolis Performing Arts Center (a 350-seat theater with condo lofts, retail and office space), a six-screen multiplex

cinema, and a town square shopping plaza housing the ubiquitous Starbucks, among other businesses. Additionally, 2,200 parking spaces are now available in four public garages supplemented by another 2,300 spaces on the street and in private facilities.



The interior of the Arlington Heights train station includes a McDonald's, Heinemann's Bakery and seating areas.

AH has been aggressive in pursuit of its town center vision that would provide a high level of services for residents. The Village issues general revenue bonds to provide low-cost equity to the developer, then pays off the bonds from the increased tax revenues. Similarly, the Village has actively managed the construction of the new train station, which it owns and manages in addition to the four parking garages.

Although many talk TOD in Chicagoland, the key to success there is readily apparent. TOD is an objective that is "planned for." At the RTA, procedures are in place to identify opportunities early and often, and incentives are in place to attract interest and reserve a "place at the table" in local development activities. Local communities also take TOD very seriously. They have organized themselves by adopting appropriate zoning, participating financially to get what they want, and staying the course by insisting on their vision and not settling for less. ■

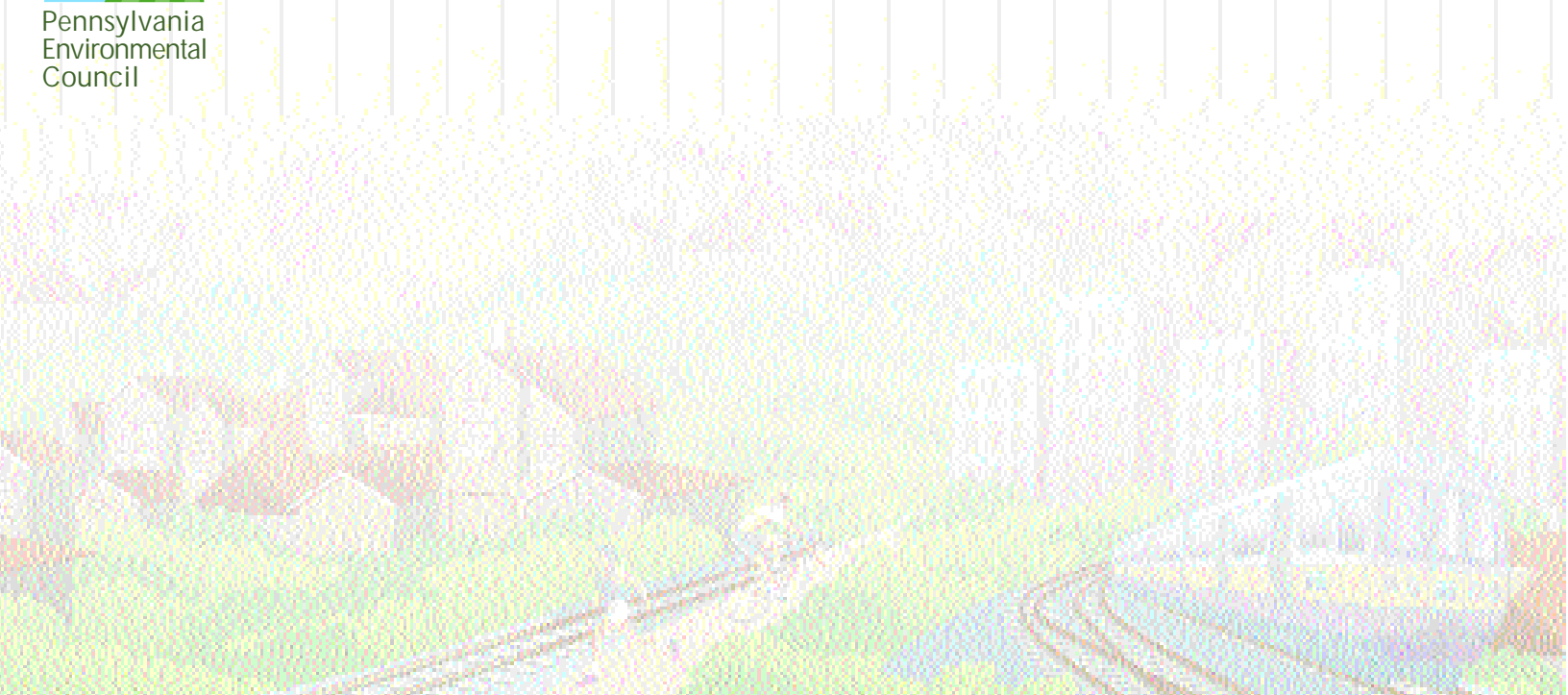


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Erratum

In the Winter 2001-2002 issue of *Great Places With Transit*, an incorrect credit line was given for the illustration of the BellSouth Lindbergh business center on page 4. The illustration was provided by Carter & Associates. ■

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Great Places With Transit is produced by the Pennsylvania Environmental Council (PEC) under contract with the Delaware Valley Regional Planning Commission (DVRPC) and is a component of DVRPC's project "Implementing Transit-Oriented Development in the Philadelphia Metropolitan Area," which is being advanced through a partnership of Berks, Chester and Montgomery Counties, the City of Philadelphia, Southeastern Pennsylvania Transportation Authority (SEPTA), Berks Area Reading Transportation Authority (BARTA), PEC and the Delaware Valley Community Reinvestment Fund.

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DVRPC is an interstate, inter-county and inter-city agency that provides continuing, comprehensive and coordinated planning for the orderly growth and development of the Delaware Valley region. It serves the southeastern Pennsylvania counties of Bucks, Chester, Delaware, Montgomery and Philadelphia and the southern New Jersey counties of Burlington, Camden, Gloucester and Mercer.

PEC is a statewide membership-based educational nonprofit organization dedicated to the enhancement of the environment in Pennsylvania, with a regional office in Philadelphia.

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