

The Benefits of Public Transportation

Building Investment Value in Our Economy and Marketplace



Many of America's original streetcar lines had a dual purpose: to develop real estate as well as provide transportation to and from work and the market. Today, this concept is undergoing an exciting renaissance. Communities across the country are reaping the enormous economic benefits of affordable, modern public transportation:

- *Increased value and income* for property owners
- *Expanded markets, rising productivity and increased revenues* for business and commercial owners/occupants
- *Enhanced tax revenues* for local governments—from rising land values, expanded development and an upsurge in business transactions

The Lasting Value of Public Transportation

Location...location...location. The fundamental truth behind this well-known axiom is that access to people, markets, goods and services is what makes any property location desirable—and valuable.

Across the country, dial-a-ride, bus, rail and commuter rail services are providing enhanced travel options and expanding access, often in dramatic ways. Better access means rising market value for adjacent properties and buildings. The competition for improved access also encourages greater development intensity and a more diverse mix of businesses and consumers that can improve productivity and profitability. And the combination of higher real estate values and greater economic vitality provides local governments with increased tax bases and revenues to support public services.

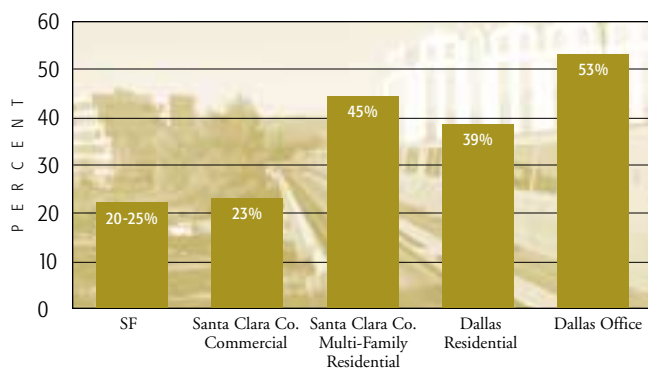
By helping to build vibrant, high-value neighborhoods and communities, efficient public transportation:

- *Protects personal freedom, choice and mobility*
- *Enhances access to opportunity*
- *Enables economic prosperity*

Property Values Rise Near Public Transportation

Throughout the U.S. and worldwide, it is clear that real estate—residential, commercial and business—served by high-quality public transportation can command higher rents and maintain higher value than similar properties not as well served by transit. “Across America, properties that are within a 5 to 10 minute walk to a train stop are selling for 20-25 percent more than comparable properties further away.”¹ Analyzing 41 studies of 15 rail systems in the U.S., California State-Fullerton researchers found that “...light rail transit has enhanced residential property values 2-18 percent in Portland, Sacramento, San Diego and Santa Clara, with larger changes in cities with commuter rail systems.”² According to the Urban Land Institute (ULI), residential properties for sale near commuter rail stops in California consistently enjoy price premiums, including a 17 percent advantage to properties in the San Diego region.³ Other studies indicate that “...there are premiums of 4–30 percent for office, retail and industrial

Property Value Premiums for Transit-Oriented Development



Across the country, transit-oriented development has significantly greater value than property not near transit.

buildings located near rail transit in Santa Clara, Dallas, Atlanta, San Francisco and Washington, DC.”⁴

Larger urban areas experiencing boosts in property values include:

■ **Dallas, TX.** “Residential properties near light rail stations on average increased in value 39 percent more than comparable properties not served by rail. ...office buildings near DART Light Rail increased in value 53 percent more than comparable properties not near rail.”⁵

■ **St. Louis, MO.** “The St. Louis Region has seen substantial TOD [Transit-Oriented Development], redevelopment, and real estate investments near its MetroLink light rail stations since the system was opened in 1993, generating approximately \$1 billion in Metro’s service area.”⁶

■ **Portland, OR.** “Portland’s Tri-County Metropolitan Transportation District of Oregon reported more than \$3 billion in real estate and overall economic development taking place within walking distance of its MAX light rail stations since the agency began planning its 38-mile system in the late 1970s...”⁷

■ **San Francisco, CA.** “Transit-oriented developments in San Francisco...are overall the most valuable properties in the metro area, averaging a premium of 20-25 percent over comparable non-transit sites.”⁸

Smaller systems are generating similar impacts:

■ **Corpus Christi, TX.** Investments in the Regional Transportation Authority’s Six Points Station have spurred occupancy in empty store fronts and development of new high-quality retail and business services in an economically diverse neighborhood. Commercial property valuations have risen from \$5 million to \$8 million.

■ **Tampa, FL.** The HARTline bus system coordinated development of its new University Area Transit Center in a chronically depressed neighborhood with development of a nearby community center and renovation of a major mall. The result: over \$75 million of development near the transit center, bringing new vitality, higher land values and increased tax revenues to the area.

■ **Eden Prairie, MN.** On 22 acres surrounding its Southwest Station, SouthWest Metro Transit has guided mixed-use development that annually will return over \$400,000 in residential property taxes and nearly \$300,000 in retail property taxes.⁹

■ **Dayton, OH.** The centerpiece of a series of regional bus transit hubs, the Wright Stop Plaza in downtown Dayton has generated the restoration of a historically significant building and a variety of retail businesses, and has become a popular downtown gathering place.¹⁰

Public Transportation Spawns Vibrant, High-Value Neighborhoods

Heightened land value and rents are only part of the story of the lasting value of public transportation. High-quality transit services provide a major impetus for transit-oriented development (TOD). TOD typically includes attractive, safe, walkable, mixed-use neighborhoods that add excitement, vitality, diversity and economic value to nearby properties above and beyond the value from enhanced access alone. Nationwide, transit-oriented developments or “transit villages” are being designed to serve as the local

neighborhood's "front porch," creating economic vitality and reinforcing a positive image of neighborhoods and communities.¹¹ In fact, Pricewaterhouse Coopers suggests, "24-hour places are the best real estate investment locations."¹²

TOD is appearing in communities of all sizes:

■ **San Diego, CA.** "The San Diego Trolley...has become an attractive magnet for new housing across a range of price points. In downtown alone, where the trolley, buses and commuter rail lines converge, there are 4,000 new apartments and 4,000 condominiums under construction or in the approval process."¹³

■ **Denver, CO.** Shuttle buses on Denver's 16th Street Transit Mall carry 59,000 passengers on an average weekday and have "helped transform a decaying downtown street into a vibrant, modern shopping and entertainment center at the heart of a revitalized central city."¹⁴

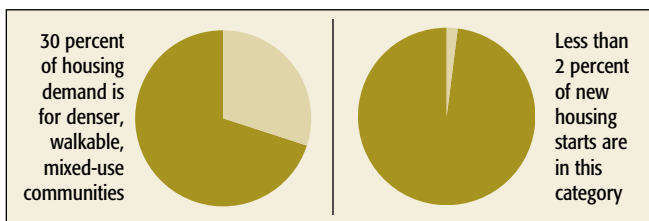
■ **Older and newer suburbs.** "...Palatine outside Chicago; Richardson, outside Dallas; and Englewood, outside Denver—have refocused their attention on developing, or redeveloping, around new or mature transit stations."¹⁵

■ **Smaller communities.** "Redmond, Washington and Eden Prairie, Minnesota offer examples of development at suburban bus terminals; upgrading the image of bus transit can expand such opportunities."¹⁶

Bus rapid transit (BRT) is also spurring development. Nearly 20 BRT projects are underway or in operation across the U.S.—from Eugene, OR, to Miami, FL, from Boston to Los Angeles—leading to increased land values, rising property valuations and revenue streams, and greater community vitality in diverse neighborhoods. Carnegie, PA, Mayor Bob Heinrich reports new development plans from a variety of retailers around the Pittsburgh West Busway project. And in the 13 years after Pittsburgh's Martin Luther King Jr. East Busway opened in 1983, 54 development projects totaling \$302 million had taken place nearby. Related new development, still continuing, is now valued at over \$500 million.¹⁷

Developers Take Heed

More and more Americans are choosing to live in locations that put them within easy walking distance of a bus hub, commuter rail line or light rail station.¹⁸ "Demographers estimate that as much as 30 percent of the demand for housing is for denser, walkable, mixed-use communities, and that less than 2 percent of new housing starts are in this category."¹⁹ Real estate experts and demographers have thus concluded the supply of TOD-style living environments, focused on high-quality public transportation, lags far behind demand.



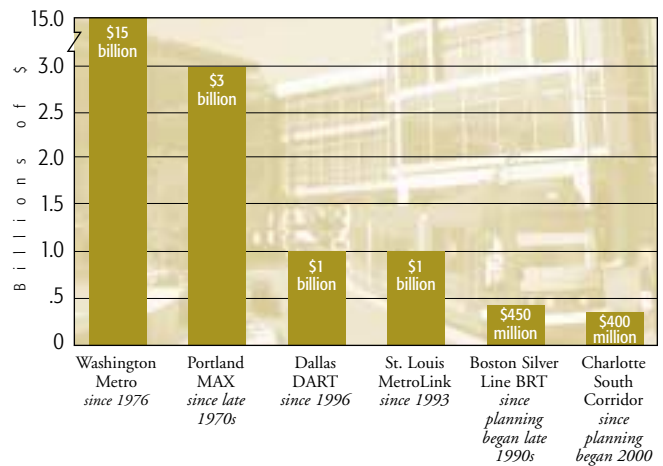
The importance to developers of high-quality public transportation is no longer a secret. The Urban Land Institute observed, "The trick

for real estate developers has always been identifying the hot transit system. Today, highways are out; urban transit systems are in."²⁰

Strengthening the Whole Community—A Broad Reach

The rising value of real property near public transportation provides obvious benefits to nearby property owners as well as business and residential tenants. But the entire community benefits substantially as the local tax base expands, and public revenues from property taxes, sales taxes, and personal income and business taxes increase.

Real Estate Investment Adjacent to Transit



Washington, DC, area

■ The Washington Metrorail system is expected to generate \$2.1 billion in tax revenues for the Commonwealth of Virginia between 1977, when the first station opened in Virginia, and 2010.²¹

■ In Arlington County, VA, development in two WMATA Metrorail corridors is concentrated on six percent of the land in the county but produces almost half the county's tax revenue.²²

■ "Planners and developers in Fairfax, Prince William and Stafford counties are turning previously open and out-of-the-way land near VRE [Virginia Railway Express] stations into mixed retail, commercial and residential communities."²³

Dallas–Ft. Worth, TX

■ More than \$922 million worth of mixed-use projects have recently emerged along the Dallas DART light rail system, bringing total DART-related development to more than \$1 billion.²⁴

Portland, OR

"Businesses located on the light rail line find they have benefited from their visibility to riders as much as from their proximity to stations, and within five years after the line was constructed, over 7 million square feet of new development valued at over \$900 million occurred adjacent to light rail."²⁵

Increased property value and the flow of increased tax revenues to local government from transit-oriented growth and development allow other important public policy objectives to be met as well, often in more effective and efficient ways:

■ Enhanced public spaces and amenities can be supported and the costs shared through public and private partnerships.

(continued on back cover)

■ Greater diversity in housing can be made available more easily and in closer proximity to attractive transportation options.

■ Healthier, more active lifestyles can be encouraged and public safety can be increased through walkable neighborhoods that reduce motor vehicle use and vehicle emissions.

Supportive Public Policies Reinforce Transit Investment

The prospect of substantial increases in property values and economic vitality adjacent to transit terminals, stations and transfer facilities has led many local officials to adopt supportive policies in addition to infrastructure investment to encourage, reinforce and expand on the positive economic potential of transit investments. Among the strategies:

■ Comprehensive joint development programs and policies that combine public and private funding and resources

■ Tax policies, including tax abatement that reduces costs to developers and tax increment financing districts that capture a portion of increasing property values for public use

■ Transit-oriented zoning that provides density bonuses, flexibility in the mix of uses and flexibility in building dimensions and spatial arrangements

■ Less demand for parking, which reduces public and private costs to accommodate private vehicles

■ Location-efficient mortgages that enlarge the opportunity for home-buying near transit services for middle- and lower-income households

■ Co-location of public and private facilities and services for the convenience of residents and riders, such as retail, commercial and convenience shopping, personal services, child care, etc.

■ Coordinated property assembly and expedited permitting processes

Many areas have failed, however, to capitalize on the economic and development potential of transit investment. There are 1,500 development subsidy programs among the 50 states providing over \$50 billion a year in support with little or no relationship to federal, state or local transit spending plans.²⁶ Eleven states had laws, programs, funding initiatives or policies that promote TODs in 2001²⁷, but "...not one single state effectively coordinates its economic development spending with public transportation planning."²⁸

The true value of our investment in public transportation lies in the stimulus it can provide to the creation of enjoyable, vibrant, high-value neighborhoods. Communities around the country are awakening to the value of public transportation. It's time for you to capture the lasting value of transit for your community.

Developers' Perspectives, Washington, DC

"The Metro system was the primary reason that we purchased a large office building and had a second one built for us in Virginia."

— Former Vice Chairman, MCI

"The Charles E. Smith Companies' development of mixed used projects...has been keyed to the parallel development of Metrorail."

— Former President, Charles E. Smith Companies

Works Cited

1. www.transitvillages.org/pages/448645/page448645.html?refresh=1059744143399
2. Cockerill, Lee and Stanley, Denise, *How Will the Centerline Affect Property Values in Orange County: A Review of the Literature and Methodological Approaches for Future Consideration*, California State University-Fullerton, Institute of Economic and Environmental Studies, Fullerton, CA, October 2002, Executive Summary (<http://business.fullerton.edu/iees/octa/CenterlinePropertyValueStudy.pdf>).
3. Urban Land Institute (ULI), "Apply the Power of Partnerships," *Ten Principles for Successful Development Around Transit*, Washington, DC, 2003, p. 7.
4. Cockerill, Op. Cit., Executive Summary.
5. Weinstein, Bernard L. and Clower, Terry L., *DART Light Rail's Effect on Taxable Property Valuations and Transit Oriented Development*, University of North Texas, Center for Economic Development and Research, Dallas, TX, January 2003, p. i.
6. Cura, Federico, "Transit Agencies Seeing Increased Interest in Transit-Oriented and Joint Development," *Passenger Transport*, Volume 61, Number 33, American Public Transportation Association, Washington, DC, August 18, 2003, p. 4.
7. Ibid.
8. Mastaglio, Linda, "All Aboard. Commuter Rail: A Growing Alternative for Metro Areas," *On Common Ground: REALTORS & Smart Growth*, National Association of Realtors, Winter 2002, p. 32.
9. Interviews with senior managers at the Corpus Christi Regional Transportation Authority, the Hillsborough Area Regional Transit Authority and the SouthWest Metro Transit Authority, October 2003.
10. American Public Transportation Association, "Wright Stop Plaza Brings More Travel Options to Downtown Dayton, Ohio," *Passenger Transport*, Volume 60, No. 18, May 6, 2002, p. 40.
11. Friends of Light Rail and the Real Estate and Land Institute of California State University-Sacramento, *Joint Development of Real Estate at Transit Stations in the Sacramento Area*, Sacramento, CA, 1991, p. 5.
12. www.reconnectingamerica.org/html/TOD/tod_to_scale.htm.
13. Urban Land Institute (ULI), "Encourage Every Price Point to Live Around Transit," *Ten Principles for Successful Development Around Transit*, Washington, DC, 2003, p. 20.

14. Urban Land Institute (ULI), "Make Buses a Great Idea," *Ten Principles for Successful Development Around Transit*, Washington, DC, 2003, p.18.
15. Urban Land Institute (ULI), "Introduction," *Ten Principles for Successful Development Around Transit*, Washington, DC, 2003, p. v.
16. Urban Land Institute (ULI), "Make Buses a Great Idea," op. cit., p. 19.
17. Port Authority of Allegheny County, "Development Along a Busway: A Case Study of Development Along the Martin Luther King Jr. East Busway in Pittsburgh, Pennsylvania, 1996," and interviews with senior PAT staff, November 2003.
18. Still, Tom, "Transit-Oriented Development: Reshaping America's Metropolitan Landscape," *On Common Ground: REALTORS & Smart Growth*, National Association of Realtors, Winter 2002, p. 45.
19. www.reconnectingamerica.org/html/TOD
20. www.transitorienteddevelopment.org/pages/1/index.htm
21. Peat, Marwick, Mitchell & Co., *Fiscal Impact of Metrorail on the Commonwealth of Virginia*, Washington, DC, November 1984.
22. Urban Land Institute (ULI), "Make It Better with Vision," *Ten Principles for Successful Development Around Transit*, Washington, DC, 2003, p. 3.
23. Still, Op. Cit., pp. 46-7.
24. Mineta, Norman Y., U.S. Secretary of Transportation, "Smart Growth and Transportation," *On Common Ground: REALTORS & Smart Growth*, National Association of Realtors, Winter 2002, p. 10.
25. Friends of Light Rail and the Real Estate and Land Institute of California State University-Sacramento, *Light Rail for Profit: Joint Development of Real Estate at Transit Stations in the Sacramento Area*, Sacramento, CA, 1991.
26. Khan, Mafruza and LeRoy, Greg, "Missing the Bus: How States Fail to Connect Economic Development with Public Transit," *Good Jobs First*, Washington, DC, September 2003, p. 4.
27. Ibid., p. 5.
28. Ibid., p. 1.

For more information on public transportation and its many benefits, visit www.publictransportation.org.