

Transit-Oriented Development and TIF



Geoffrey H. Dickinson, AICP

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Outline

- Overview of Transit-Oriented Development (TOD)
- Transit and TOD Financing Challenges
- Potential Sources of Transit and TOD Funding
 - State and Federal Funds
 - New Illinois Legislation for TIF-for-TOD
 - Hypothetical Model of TIF-for-TOD in Illinois
- Other States' Experiences
- Conclusions

Community Transit-Oriented Development (TOD)

- Compact Development Within ¼ Mile to 1 Mile of a Commuter Rail or Other Transit Station
- Mixed-Use Areas of Residential, Retail, and Service
- Moderate Density and Up
- Good Connections to the Transit Stop by Foot, Car, Bike, and Bus

These Areas Can All Support Transit



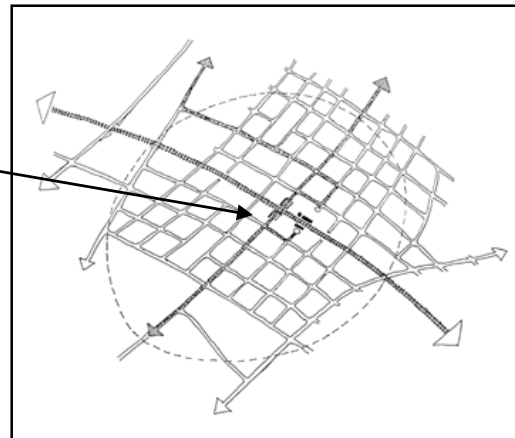
Common Principles

1. Provide Comfortable, Pleasant Walking Environment in Station Area



2. Establish Good Vehicular & Pedestrian Access to Station

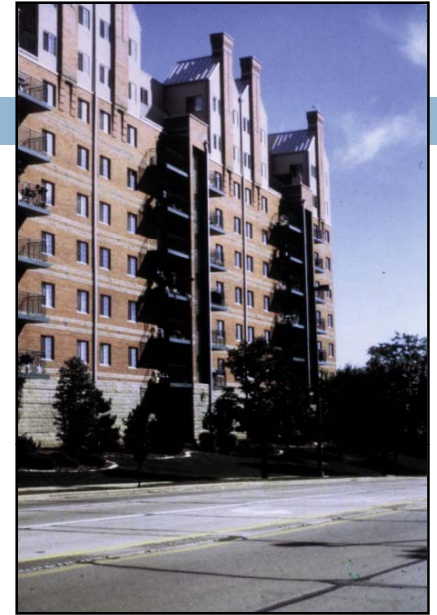
Short, Direct
Blocks



Common Principles, cont.

3. Ridership Can Be Supported by Predominantly Moderate Density (4-7 DU/Acre), Plus Some Multi-family

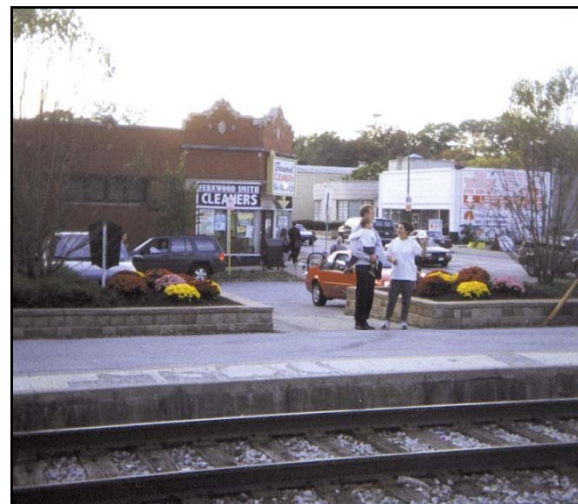
4. Provide a Diversity of Housing Types and Densities



Common Principles, cont.

5. Encourage Convenience Services in Station Area

6. Provide for Street Orientation of Housing



Public Benefits of TOD

- Convenience/Lifestyle and Travel Mode Options for Different Demographics
- Increased Ridership (Critical for Transit Agencies)
- Reduced Congestion and Auto Emissions
- Advantageous Personal Travel Costs/Time
- Enhanced Sense of Community
- More Efficient Use of Public Road and Transit Funds
- Enhanced Regional Economic Performance

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Transit and TOD Funding Challenges

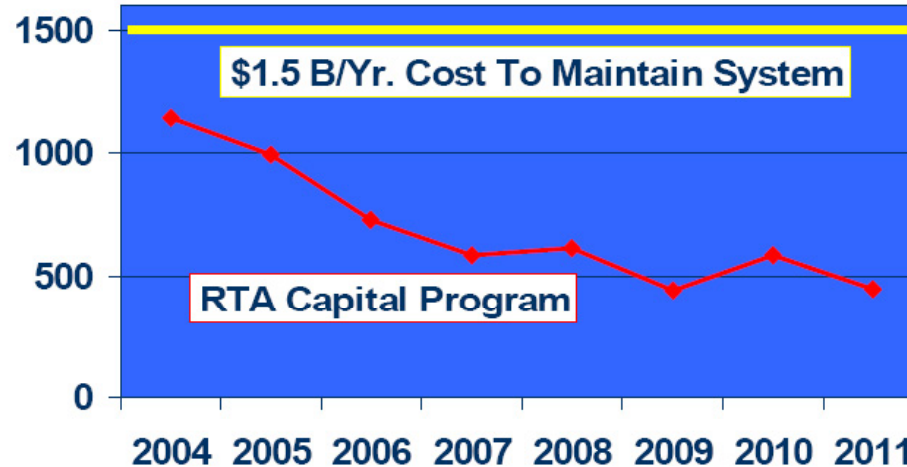
- Transit and TOD are expensive
 - Generally relies heavily on Federal New Starts Money for expansion
 - The Regional Transit Authority (RTA) needs \$10 billion over the next five years to address the crumbling infrastructure of its three service lines – Chicago Transit Authority (CTA), Metra, and Pace.
 - Capital improvements are critical to meeting the system's record growth in ridership, which has surged to 2 million rides per day.

Source: Regional Transit Authority, "RTA's Financial Disposition Fact Sheet," February 18, 2009.

Transit and TOD Funding Challenges

Current RTA capital funding falls far short of the system's needs:

RTA 2004-2011 Capital Program



Source: TFIC Transportation Infrastructure Capital Needs Presentation, April 23, 2008.

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Sources of Funds for Transit/TOD in Illinois

State Capital Bill

- House Bill 210 was approved by the Illinois House and Senate on April 2, 2009:
- Direct funding includes: \$890 million for RTA in Mass Transit Capital Bonds

State appropriation authority for Federal Stimulus Funds

- \$2.556 billion for IDOT for all designated and potential discretionary stimulus dollars, including \$500 million for high-speed rail

Substantial Financial Gaps Remain

Another Potential Source of Funding



Illinois House Bill 2394

- Utilize TIF law to help fund TOD projects
- Spend TIF increment on TOD projects

Illinois House Bill 2394

Introduced in February 2009, House Bill 2394 broadens the TIF redevelopment designation:

- *Includes* all areas within a one-half mile radius of an existing or proposed STAR Line station
- *Does not require* a finding of industrial park conservation area, blighted area, or conservation area

West Chicago Hypothetical Model

- Background: *S. B. Friedman and Company* created a case study to explore how property tax revenue could be used to fund the STAR Line and related station improvements.
- Transit Site: proposed transit station in West Chicago along the Elgin, Joliet & Eastern Line
- TIF Boundary: within one-half mile radius of proposed station
- TOD Hypothetical Development Program:

Program Use	Units	Square Feet
Condominium	270	
Townhome	139	
Single Family	9	
Retail		60,000
Wellness Center		125,000
Civic		60,000
Parking	400	

West Chicago Hypothetical Model



13 - West Chicago Preferred Development Concept

- Train Station
- At-Grade Rail Crossing
- Grade-Separated Rail Crossing
- A** Townhomes (139 units)
- B** Single-Family Lots (9 lots - 0,500 sq. ft. average)
- C** Six Multi-Family Buildings (140 units - 4 stories each)
- D** Existing Fire Station
- E** McConnell Avenue Overpass
- F** Parking Deck - 400 Total Spaces (200 spaces for commuter parking)
- G** Planned Wellness Center (125,000 sq. ft. - 2 stories)
- H** Commercial Use (20,000 sq. ft.)
- I** New Village Hall (60,000 sq. ft. - 3 stories)
- J** Commercial Use (10,000 sq. ft. each)
- K** Mixed-Use Residential over Commercial (30 units over 20,000 sq. ft.)
- L** Existing Northwest Flavors Site
- M** Potential Access to Northwest Flavors
- N** Realigned Washington Street and Cul-de-Sac
- O** Existing Metra Station

Land Use	Density
Total Development Area: 52.30 acres	
Residential:	30.71 acres
• Single-Family	9 lots
• Townhomes	139 units
• Multi-Family	270 units
Total	418 units (13.6 units/acre)
Commercial:	60,000 sq. ft. (0.25 F.A.R.)
Civic:	185,000 sq. ft. (1.05 F.A.R.)
Office:	0 sq. ft. (0 F.A.R.)
Parking:	200 commuter spaces

West Chicago West Chicago, Illinois

STAR Line Service - Preferred Development Concept

S. B. Friedman & Company
Real Estate Advisors and Development Consultants

URBAN TRANSPORTATION CENTER



LAKOTA
THE LAKOTA GROUP INC



S. B. Friedman & Company
Real Estate Advisors and Development Consultants

West Chicago Hypothetical Model



Incremental Revenue Projections

- Approximately \$30 million in present value tax increment that could be available for transit improvements and/or redevelopment costs
- Although this model would not solve the challenges for capital, the funding is sizeable

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Other States' Experiences

- Texas
 - TIF Law allows redevelopment zone designation for “land in connection with the operation of an existing or proposed regional commuter or mass transit rail system, or for a structure or facility that is necessary, useful, or beneficial to such a regional rail system.”
 - This law has allowed Dallas to focus development along its DART rail line.

Source: Texas Tax Increment Finance Act.

Texas

DART Station



Other States' Experiences

- Pennsylvania
 - Transit Revitalization Investment District (TRID) Act aims to achieve TOD by allowing TIF revenue to fund “public transportation capital improvements [and] related site development improvements and maintenance.”
 - It specifically excludes "single real estate projects," requiring instead "a collection of projects, usually mixed-use, at a neighborhood scale that are oriented to a transit node."

Source: Pennsylvania House Bill 994.

Other States' Experiences

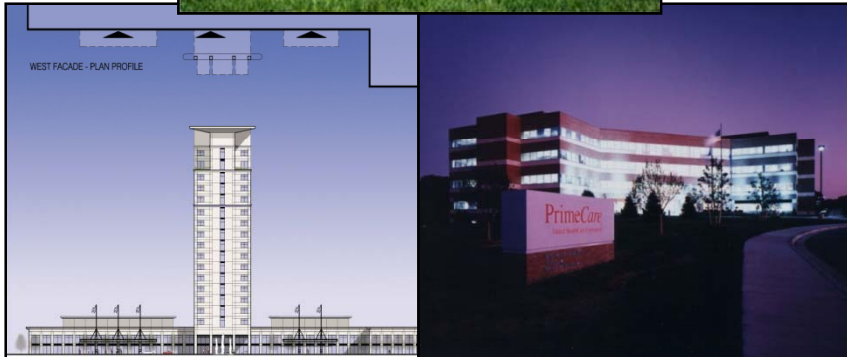
- Value Capture
 - Public Investment creates land value windfalls
 - Roads
 - Rail
 - I-355 Near Lockport
 - Formerly low value rural land
 - Plans for
 - Retail
 - Business Park
 - Residential

Other States' Experiences

- Mechanisms for Value Capture
 - Property and sales taxes
 - Parking and other fees and licenses
 - Land rents paid by developers/tenants (Hong Kong)
 - Joint ventures (BART)
 - Benefits Assessment Districts (L.A.)
- Enhanced Value Capture Challenges
 - Complex
 - Work best in high land value locations or greenfields

Conclusions

- TOD produces broad benefits
- Transit investments and TOD can be costly
- State and Federal Funds have been directed to transit recently
- Other Funding is Needed
 - TIF-for-TOD is one potential source
 - Other states have more expansive TIF-for-TOD laws
 - Other forms of value capture may be worth consideration



- Real Estate Economics
- Public-Private Partnerships
- Developer Solicitation
- Development Management
- Public Financing
- Area Plans & Implementation
- Fiscal & Economic Impact

221 North LaSalle Street
Suite 820
Chicago, IL 60601
(312) 424-4250
www.friedmanco.com