Making Transit-Oriented Development Work for Rhode Island

Grow Smart RI
TOD Forum
June 15th, 2018

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**LOCUS:** The only organization working directly on behalf of developers and investors of walkable urban, transit-oriented, and smart growth development
What’s so great about TOD?

Organizing development around transit hubs…

… reduces household spending on transportation, making housing more affordable.

… lowers auto-dependence, congestion, and traffic accidents.

… connects residents to better jobs and life services.

… lessens environmental impacts of development.

… stimulates economic growth and community revitalization.
Across the country, the state of TOD is strong...

... 60% of Americans are demanding to live in compact and connected neighborhoods

... Individual savings on transit net up to $10,000 annually

... Since 2012, over **30 U.S. metros have begun building new transit lines**

... This year, **340 new miles of fixed guideway transit** will open across North America and construction will begin on 366 additional miles

... The country’s high cost markets will see openings of new **heavy, light, and commuter rail, streetcars, and bus rapid transit (BRT)**
… however, maintaining affordability for housing and commercial spaces is still a challenge.

Factors contributing to rising TOD costs include:

- Increased consumer demand
- Rise in regulatory costs, including the effects of building codes, land use, environmental, and other rules
- Soaring prices of building materials (tariffs)
- Elevated count of unfilled construction jobs
Primary markets are plateauing, while second tier cities are booming. These secondary markets are where industry attention is focused.

Top ranked market and cumulative population of top 10 markets by year

Top Destination Markets for Migration from Primary Markets, 2011-2015

- Inland Empire
- Philadelphia
- Miami/Fort Lauderdale/West Palm Beach
- Baltimore
- San Diego
- San Jose
- Phoenix
- Dallas/Ft. Worth
- Atlanta
- Houston
- Sacramento
- Seattle/Tacoma
- Norfolk/Virginia Beach
- Tampa-St. Petersburg-Clearwater, FL Metro Area
- Orlando
- Raleigh/Durham
- Denver
- Charlotte
- Portland
- Austin
- Nashville
The top programs, policies, and partnerships that make TOD work today
Value capture: Collecting a share of the increased value of land that occurs as a result of new or improved transit access.
Before you capture value, you must create it...

... incorporate **TOD planning from the beginning** of the planning process.

... reduce regulatory barriers to TOD implementation.

... focus TOD investment around **what you have**, not what you hope to acquire.

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**Kansas City Streetcar**  
Kansas City, MO

Sales tax, special assessment district

**Chicago Red Line Modernization**

TIF Districts
The federal **Opportunity Zones** program is a chance to use TOD to create value in Rhode Island’s most distressed communities.
The governor of every U.S. territory and state has nominated 25% of the total number of low-income census tracts in their respective jurisdictions as qualified Opportunity Zones.

Together, these census tracts...

... are home to 30 million Americans, 60% of which are demographic minorities,

... have a 30% percent poverty rate,

... and only 8.5% of them have at least one transit station.
Rhode Island has 25 designated Opportunity Zones, 9 of which have TOD potential

- **Census Tract 161**
  - Home to Pawtucket/Central Falls Station
  - 35% poverty rate
  - 44% H + T
  - Bordered by **Census Tract 151**

- **Census Tract 8**
  - Home to MBTA’s Providence Station
  - 40% poverty rate
  - 43% H + T

- **Census Tract 180**
  - Home to Amtrak’s Westerly Station

- **Census Tract 508.01**
  - Woonsocket commuter rail hub in the works

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![Map showing Providence and Woonsocket with highlighted Census Tracts and stations](image-url)
How is the Opportunity Zone program set up?

3 scalable tax incentives for investors...

- Temporary tax deferral
- Step-up in basis
- Permanent exclusion from taxable income of capital gains

...who reinvest their unrealized capital gains into designated Opportunity Funds...

...that invest those dollars within their designated Opportunity Zones for community development, activities.
Opportunity Funds are the private investment vehicles through which the Opportunity Zones program operates.

1) Organized as corporations or partnerships that invest or hold at least 90% of their assets in a qualified Opportunity Zone business or property.

2) Investors are any individuals, organizations, corporations, cities, or agencies with unrealized capital gains.

3) Funnels unrealized capital gains into distressed communities through eligible projects.
Align equitable development strategies around new Opportunity Zones and utilize all available stakeholders.

- Cities
- Advocates
- Philanthropies
- Private Sector
Establish an affordable TOD Fund that invests in transit-oriented development projects in newly designated Opportunity Zones.

1) Create a state or local TOD Fund from commingled stakeholder assets

2) Engage various constituencies, including:
   - Transit agencies
   - Private developers
   - Local residents
   - Cities
   - Neighborhood organizations
   - Philanthropies

3) Commit constituencies to 10-year build-out of transit and other TOD projects

4) Utilize stakeholder-specific capacity:
   - Cities: Create do-no-harm policies and city-owned Opportunity Funds
   - Advocates: Sponsor funds
   - Private sector: Develop TOD project pipelines
   - Philanthropy: Provide capacity building
Washington’s support for transit is steady despite Trump Administration resistance; make the most of key federal financing programs while they remain.

RRIF expires December 2019
RRIF: Railroad Rehabilitation Improvement Financing

Purpose: To provide federal direct loans and loan guarantees for development of railroad infrastructure at low interest rates

Risk: Taken on by the federal government

Flexibility: Loans are repaid once construction is complete and may be delayed an additional 5 years; payments are sculpted to match project revenues
Eligible **RRIF TOD Projects** (up to 75% of project costs) and Applicants

Eligible applicants: **States and local governments, Amtrak, railroads, government-sponsored authorities and corporations, limited option freight shippers, joint ventures**

Eligible TOD Projects: **Commercial and residential development, TOD-related infrastructure**
TIFIA: Transportation Infrastructure Finance and Innovation Act

Purpose: To fill financing gaps left by private capital markets and leverage federal funds by attracting substantial private and other non-federal co-investment

Risk: Taken on by the federal government

Flexibility: Loans are repaid once construction is complete and may be delayed an additional 5 years; payments are sculpted to match project revenues
Eligible TIFIA TOD Projects (up to 33% of project costs) and Applicants

Eligible applicants: States and local governments, transit authorities, private firms, public-private partnerships, special authorities

Eligible TOD Projects: Property acquisition, demolition of existing structures, site preparation, utilities, transit station improvements, open space, safety and security improvements, building foundations, walkways, pedestrian and bicycle access, intermodal transfer facility, facilities incorporating community services, construction of space for commercial uses TOD infrastructure
Innovative transit options are on the rise and will impact the way we do TOD in the future; BRTs, AVs, and ride sharing services may help fill capacity gaps in our nation’s public transit systems by:

- Encouraging development of pedestrian-friendly transit corridors
- Allowing TOD to expand to areas not previously connected to transit
However, we must be mindful of how we use technology to improve the communities we call home. If we do not hold technological innovations accountable to place, we will end up with cities without human connectivity to the built environment and community spirit.
We are our own worst enemy when it comes to the future success of TOD.

Last month, Nashville voters shot down a transit improvement plan that would have given the metro 26 new miles of light rail, 4 new rapid bus lines, improved service on existing buses, 19 transit centers, and improvements to signals, sidewalks, and bike infrastructure.
Why did Nashville’s transit referendum fail?

“Highest Sales Tax in the Nation AND It Won’t Fix Traffic”

“Trains and buses never pay for themselves”

1. Lack of unified leadership and development planning
2. Public misunderstanding of the benefits of TOD
What can Rhode Island do now?

1) Apply for RRIF before the financing deadline
2) Convene an Opportunity Zones task force to align state and local development resources
3) Create Rhode Island’s first affordable TOD fund
4) Build a cross-sectional stakeholder coalition in support of transit
5) Develop a real attainable housing strategy now, before it’s too late
6) [Join LOCUS](#)
Thank you!

Questions? Contact Christopher Coes at ccoes@locusdevelopers.org

Don’t forget to check out the LOCUS Opportunity Zone Navigator at www.locusdevelopers.org