
NJ TRANSIT & Value Capture: Experience, Analysis & Strategies for the Future

Vivian E. Baker, Assistant Director

Transit Friendly Land Use & Development

NJ TRANSIT

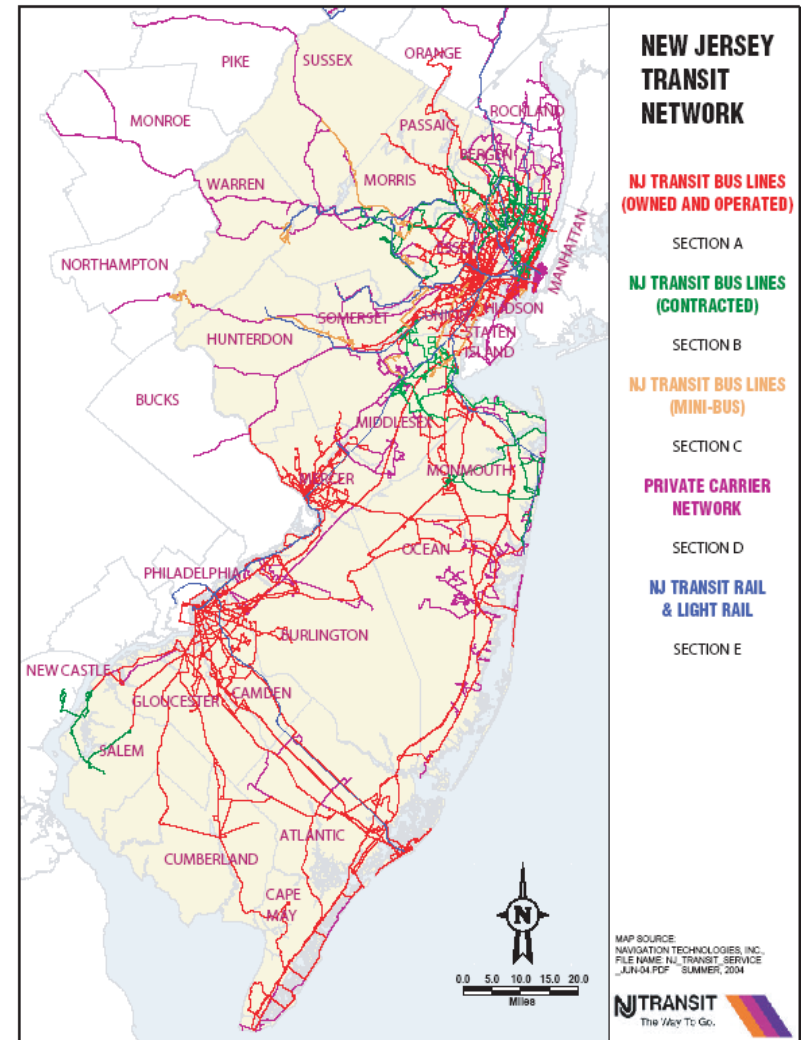
RailVolution - October 17, 2011

NJ's Rail and Bus Network



Third largest commuter transit system in the country

- Commuter Rail, Light Rail, Express Bus, Intra-state Bus, Private Bus Carriers, Bus Rapid Transit “Lite” & **Community Transit (by private carriers and/or counties)**
- Connecting NJ to Center City Philadelphia, Atlantic City, Newark, Jersey City and Lower and Midtown Manhattan



NJ's Light Rail Network

Newark Light Rail

River LINE

Hudson Bergen Light Rail

3 different lines (Newark, River LINE, Hudson-Bergen)

60 stations in 21 NJ communities



NJ's Land Use and Transit Policies



- **NJ TRANSIT** created in 1979 to reverse decline of public transportation
- **State Development & Redevelopment Plan** adopted (1986)...encourages growth in areas where population, jobs and infrastructure exist
- **NJ TRANSIT's Transit-Friendly Planning Assistance Program** (1999)...community engagement, visioning and TOD plan adoption
- **NJ's Statewide "Transit Village Initiative"** (1999)...rewarding communities who "get" TOD
- **NJ's Green House Gas Plan** (2008)... reduce emissions to 1990 levels by 2020, and cut emissions to 80% under the 2006 level by 2050
- **Urban Transit Hub Tax Credit Act** (2009)...incentivizing commercial and residential development in NJ (tax breaks and job creation)
- **Economic Redevelopment & Growth Grants** (2009)...incentivizing redevelopment (up to 75% of state or local tax) in State Plan targeted growth areas

Our award-winning “Transit Friendly Planning Program” focuses on...

- **CHANGING GROWTH PATTERNS**

Encourage Transit Supportive Development/TOD and support Sustainable Growth.

- **INCREASING TRANSIT MODE CHOICE**

Maximize each mode’s functional capabilities. Emphasize need to divert auto trips to transit. Seek incremental solutions.

- **MEETING MOBILITY NEEDS**

Serve transit dependent populations. Access to economic development clusters and jobs. Assist in containing growth of congestion.

- **ENERGY & ENVIRONMENT**

Emphasize diverted auto trips.

- **FINANCIAL**

Costs vs benefits, Value Creation, “Value Capture” and sustainable operations.

- **PARTNERSHIPS**

Collaborate with MPO’s, state agencies, communities, private sector and non-traditional partners (e.g., CBO’s, foundations) to bring projects forward; pool limited resources.



NJ TRANSIT's "Value Creation" - Morris & Essex Rail Line "MidTOWN Direct" Service

- The **MidTOWN DIRECT** one-seat ride to Manhattan service investment in 1996 created a 27% price premium for homes within a 1/2-mile of affected stations. Prices of homes within 1/2 mile of stations increased 113% compared to 82% for homes between 1/2 mile and two miles away. [Source: *Michaelson, 2004*]

South Orange Station & viaduct
retail under rail line



Maplewood Station vicinity

NJ TRANSIT's "Value Creation" - Hudson River Waterfront

- Since the **Hudson Bergen Light Rail (HBLR)** opened in 2000, **over 10,000 residential** units have been developed near stations along the route. [Source: *Robins, Wells, 2008*]



Essex Street vicinity, Jersey City

As NJ TRANSIT and the State of New Jersey face an increasingly constrained funding environment, innovative financing solutions such as Value Capture will need to become the new business as usual.

HBLR Total TOD Housing Units Built or Under Construction (2000-2008)

**Table I
HBLR
Total TOD Housing units Built or Under Construction*
Major Projects**

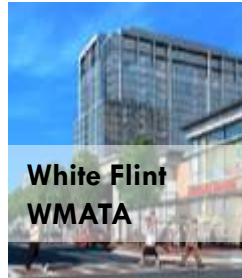
	# of Units	Estimated Sale Value/unit	Total Estimated Sales Value
Hoboken 9th Street	2,230	\$400,000	\$892,000,000
Essex Street-Jersey Avenue	4,265	\$550,000	\$2,345,750,000
34th St Station, Bayonne	450	\$400,000	\$180,000,000
Port Imperial	3,142	\$600,000	\$1,885,200,000
Bergenline Ave.	52	\$300,000	\$15,600,000
Total	10,139		\$5,318,550,000

*Since 2000, the opening of the HBLR

SOURCE: Robins, Wells, 2008

Prevalence of Value Capture for Transit

Joint Development



Negotiated Exaction



Special Assessment



Tax Increment Financing



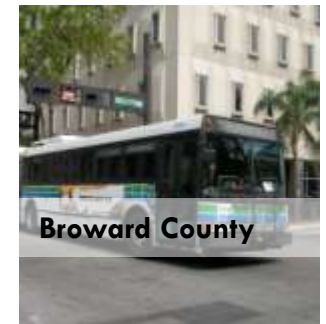
Development Bonus



Air Rights



Impact Fee



Many projects rely on more than one Value Capture mechanism as a funding source

NJ TRANSIT...Value Capture through Joint Development – The Highlands at Morristown

- **\$75 million, mixed-use, transit-oriented development with 217 rental residential units and 8,000 square feet of retail.**
- **Built adjacent to Morristown train station on former NJ TRANSIT parking lot.**
- **724-space garage includes 415 spaces dedicated to NJ TRANSIT commuters, increasing the station's commuter parking capacity by 115 spaces, a \$3.5 million value**
- **Construction began in 2007 and was completed in September 2009.**
- **The 217 units are 100% rented & have yielded roughly 41,400 new annual trips and \$250,000 in non-farebox revenue**





**Project
Site**



Morristown Station

Range of Value Capture Mechanisms Available in NJ based on existing policies

Mechanisms Available for Immediate Use
Joint Development
Negotiated Exaction
Mechanisms Requiring Coordination with Municipalities & State
Special Assessment
Tax Increment Financing
Development Bonus
Air Rights
Mechanisms Requiring Changes to State Legislation or Special State Legislation
Impact Fee
Utility Fee

Looking Ahead: Value Capture Potential for the Hudson Bergen Light Rail Extension to Bayfront, Jersey City



Estimated Cost of HBLR Extension

Cost of HBLR Extension

**Capital Cost
\$214M**

**Operating Cost
\$1.9M / yr**

Bayfront Development Program Dependent on Light Rail Extension



How HBLR Creates Value for Bayfront

Premium rents and sales prices



Higher density of land uses



Fixed horizontal costs spread across more development

What is the Appropriate Value Capture Mechanism?

Negotiated Exaction?

1 on 1 negotiation

Potential for in-kind payment (ROW)

Special Assessment?

Requires City approval

May include adjacent property

Possible opposition from existing residents

~~Joint Development~~

~~Tax Increment Financing (ERG)~~

~~Development Bonus~~

~~Air Rights~~

~~Impact Fees~~

~~Negotiated Exaction (UTHTC)~~

The Future of Sustainable Land Use, Value Capture and Transit Investment in New Jersey...

Emphasizes where there is existing transit service, stations or major bus stops AND is multi-modal, so it absolutely will include locations where highly frequent bus services converge

Needs to reflect market conditions

Transit Friendly Planning Program assistance Is applied strategically where we see local community receptivity; TRANSIT VIEWED & ACKNOWLEDGED AS AN ALLY IN SUPPORTING AND ENABLING LOCAL AND REGIONAL ECONOMIC GOALS

Fully supports connected, center based TOD surrounding our system facilities AND innovative funding strategies/partnerships to support continued infrastructure investments (Value Capture)

Rationalizes internal policies and project activities with external economic objectives and transparencies

Supports statewide policy objectives for sustainability, housing choice, job growth, green house gas reduction and mobility choice

Positions NJ TRANSIT to collaborate successfully with communities and partner with both traditional (i.e., MPOs, state agencies, counties) and non-traditional stakeholders (i.e., CDFIs, NGOs, CDCs) to pursue new funding streams and collaborations

Thank You!

Vivian E. Baker, Assistant Director

Transit Friendly Land Use & Development

NJ TRANSIT

(973) 491-7822 or vebaker@njtransit.com

Eric Rothman,

HR&A Advisors, Inc.

erothman@hraadvisors.com

www.hraadvisors.com

Eric Fang,

Ehrenkrantz, Eckstut & Kuhn (a Perkins Eastman Company)

efang@eekarchitects.com

<http://www.eekarchitects.com/>