

# WHAT'S MODE GOT TO DO WITH IT? REAL ESTATE DEVELOPMENT FUNDAMENTALS

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# Does Mode Make a Difference for Real Estate?

- Heavy Rail
- Light Rail
- Commuter Rail
- Bus Rapid Transit



# LRT, BRT and TOD?

- Do “Lighter” Modes = Light TOD?



# Perceptions

- Notion that BRT is less permanent and therefore more risky for TOD
- Idea that there is a hierarchy of TOD by mode
- Heavy rail systems have a longer history than LRT, more TOD
- Lack of empirical data on TOD and BRT, as a newer mode

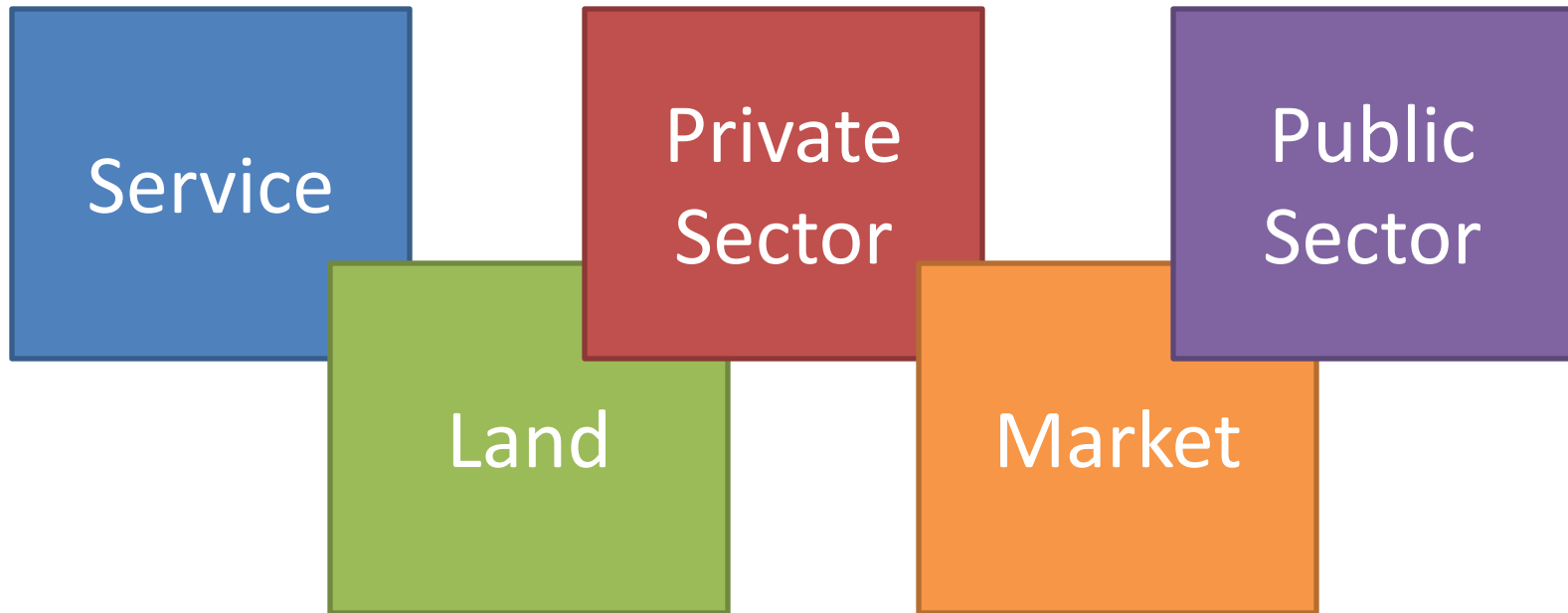
## TOD Typologies and Transit Modes

TOD Type	Transit Mode
Urban Downtown	All Modes
Urban Neighborhood	Light Rail Streetcar Rapid Bus Local Bus
Suburban Center	Rail Streetcar Rapid Bus Local Bus Paratransit
Suburban Neighborhood	Light Rail Rapid Bus Local Bus Paratransit
Neighborhood Transit Zone	Local Bus Paratransit
Commuter Town Center	Commuter Rail Rapid Bus

Source: Dittmar and Poticha, 2004. "Defining Transit-Oriented Development."

# Key Factors for Real Estate Development

- Five Key Interrelated Factors



# Factor #1



## ■ Level of Rail Service/ Transportation Advantage

- Speed
- Reliability
- Frequency
- Connectivity
- Image
- Design
- Congestion

Transport Modes						
Mode	Right-of-Way Characteristics	Level of Investment in Transit Facilities	Typical Stop/Station Spacing	Vehicle Speed	Service Reliability	Typical Transit Technology
<b>Semirapid transit</b>	Operates in dedicated right-of-way with regular crossings	Moderate to heavy investments (platforms, shelters, lighting, etc.)	1/2 to 2/3 mile	Moderate	High	BRT, LRT
<b>Regional transit</b>	Operates in dedicated right-of-way with limited crossings	Moderate to heavy investments (platforms, shelters, lighting, etc.)	3/4 to 3 mile	High	High	BRT, LRT, Commuter Rail
<b>Rapid Transit</b>	Operates in dedicated right-of-way with grade separation	Heavy investment (stations/protected waiting areas)	1/3 to 1 1/3 mile	High	High	Heavy Rail

Source: APTA, "Defining Transit Areas of Influence"

# Factor #2

## ■ Land Availability

- Undeveloped land
- Infill opportunity (i.e. parking lot)
- Redevelopment (improvement value low relative to building value)
- Consolidation opportunities



# Factor #3

- Private Sector Interest
  - Willingness of owners to sell property or participate in development
  - Already development activity/interest
  - Developer's perception that transit system will provide additional value
  - Presence of TOD savvy developers



# Factor #4

- **Market Strength**
  - Transit changes access, and can redistribute demand
  - Consider demand (growth, turnover)
  - Compare to trends in supply (absorption, sales, vacancy)
  - Transit is one factor in choosing home or office locale
  - Residents and firms must value access advantages provided by transit

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## Growth Trends to 2040: Cooperative Forecasting in the Washington Region


Local governments in the Washington region have worked cooperatively for many years to develop region-wide and neighborhood level forecasts of employment, population, and households. Through this effort, a consistent set of local and regional forecasts is developed for use in program and facilities planning throughout the region.

The Cooperative Forecasting Program, established in 1975 and administered by the Metropolitan Washington Council of Governments (COG), enables local, regional, and federal agencies to coordinate planning decisions using common assumptions about future growth and development in the region. Each series of forecasts, or a "Round," provides land use activity forecasts of employment, population, and households by five-year increments. Each Round covers a period of 20 to 30 years.

The Cooperative Forecasting process provides data necessary for regional planning activities including analyzing the effects of growth and developing policy responses to regional issues. In addition, the forecasts are used to determine the demand for public facilities including schools, parks, medical facilities, roads, stores, and services.

The Cooperative Forecast is a multi-stage, "top-down/bottom-up" process undertaken by COG's Planning Directors Technical Advisory Committee and the Cooperative Forecasting and Data Subcommittee. It employs a regional econometric model and local jurisdictional forecasts. The model projects employment, population, and households for the metropolitan Washington region based on national economic trends and local demographic factors.

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**Metropolitan Washington Council of Governments  
Membership**

**Process**

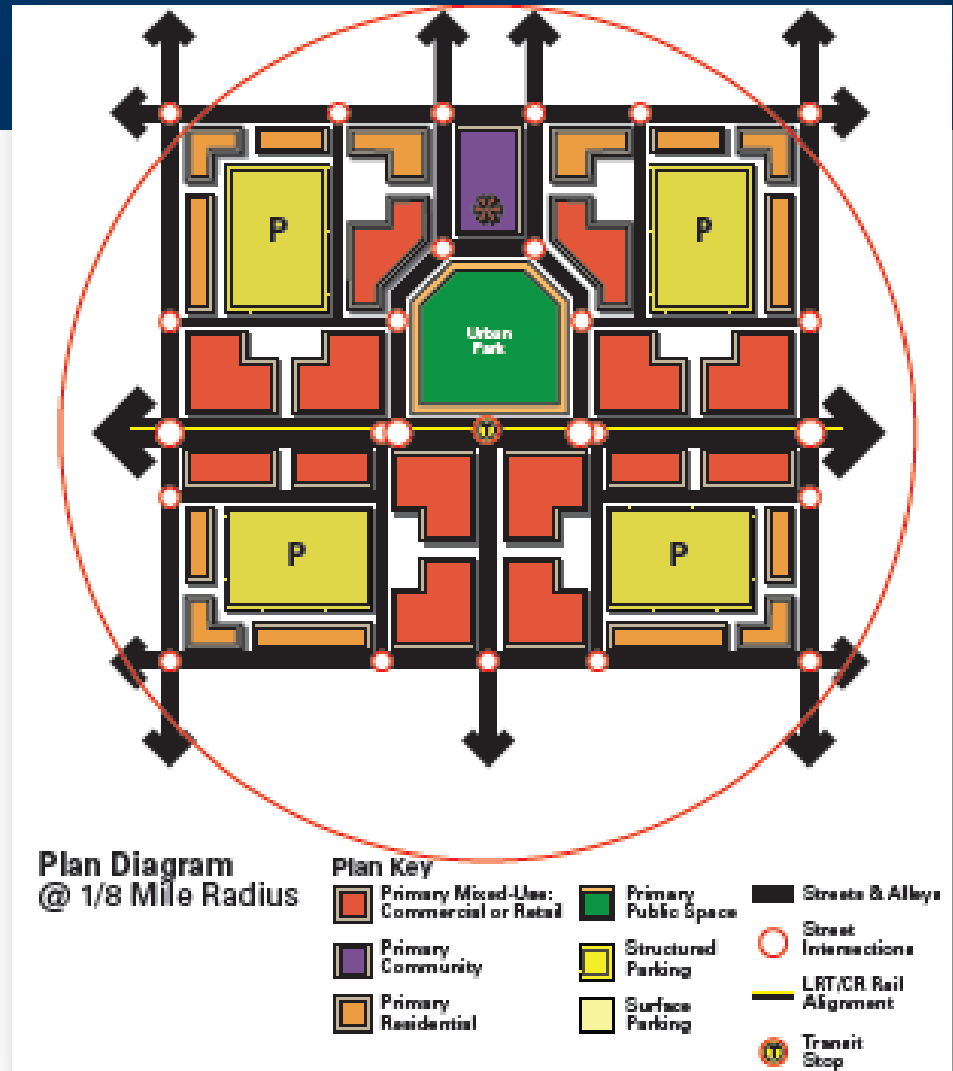
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# Factor #5

## ■ Supportive Public Policies

- Land use policies
- Allowable densities
- Density bonus
- Infrastructure investment
- Financing incentives
- Expedited permitting
- Neighborhood support



# Two Communities in Comparison

- Herndon, VA
- Takoma/Langley Crossroads, MD

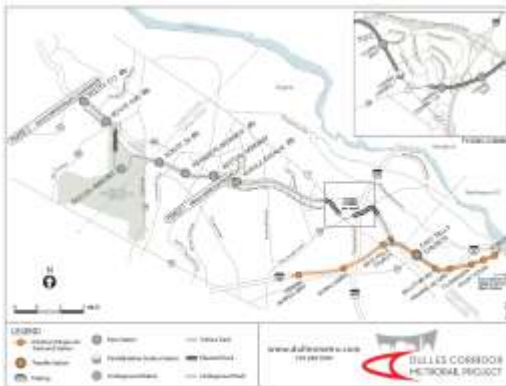


Source: ESRI BAO

# Factor #1

## ■ Level of Rail Service/Transportation Advantage

Herndon  
Silver Line Metrorail



Takoma/Langley Crossroads  
Purple Line LRT

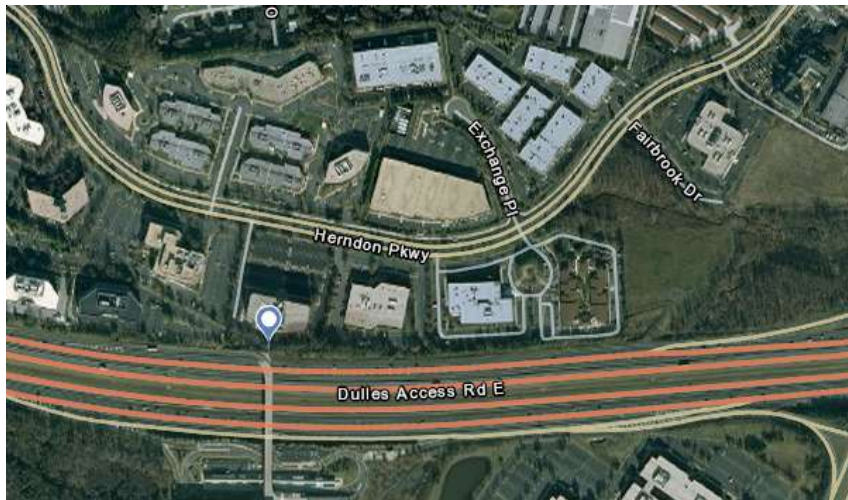


Sources: Dulles Corridor Metrorail Project, MTA

# Factor #2

- Land Availability

Herndon  
Office Buildings  
Redevelopment



Source: ESRI BAO

Takoma/Langley Crossroads  
Shopping Centers  
Redevelopment



Source: ESRI BAO

# Factor #3

## ■ Private Sector Interest

- Property owners expressed interest with reservations:
  - Will future densities warrant redevelopment?
  - Will densities be marketable/can space be filled?
- BBP LLC employees tested financial potential to redevelop:

Herndon  
Silver Line Metrorail

4.5 FAR Works  
13-15 Stories

Takoma/Langley Crossroads  
Purple Line LRT

2.0-4.0 FAR Works  
6-12 Stories

# Factor #4

## ■ Market Strength

- Regional context of growth – Households and Businesses
- Different market orientations:
  - Herndon: Mixed Use with Office Focus
  - Takoma/Langley: Mixed Use with Multicultural Focus

# Factor #5

## ■ Supportive Public Policies

- Proactive communities, detailed area plans (underway or completed)
- Higher densities, mix of land uses considered



# Lessons Learned/Summary

- Remember that transit service is **one** factor impacting real estate opportunities
- All modes have opportunities
- Degree of opportunity shaped by interplay of factors
- For built-out suburban communities, some of the most important factors relate to financial and market issues
- Policies regarding density and land use can have a major impact in redevelopment situations