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## BUILDING A TOD?

HOW TO KEEP ON TRACK

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# Building a TOD?

## HOW TO KEEP ON TRACK

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Should you consider building a TOD? Transit-oriented developments have been around for more than 25 years. A unique blend of transit infrastructure and office, retail and residential development, TOD is an approach to leverage the opportunities provided by access to high-quality public transportation. The purpose of TODs is to reduce the dependency of the public on automobiles, reducing the amount of vehicle miles traveled (VMT). TODs are often located near light rail or trolley stations, but also can be located near transit centers that may also include a combination of bus and light rail and/or trolley lines.

There are a series of issues that need to be analyzed in making the determination on whether a TOD is the right project for you.

The first is whether it is economically feasible and can be financed. Twenty years ago, most lenders did not understand or have the ability to underwrite TODs. There were very few examples to draw upon to judge the success of TODs. There are adequate examples today, and lenders are showing more of an interest in lending, assuming that the TOD is otherwise economically feasible.

The second issue is whether the local jurisdiction is committed to supporting TODs through proper zoning and financial incentives. TODs tend to be expensive projects due to higher land costs, structured parking and complex regulatory issues. Some jurisdictions have developed zoning schemes or overlay zones that contemplate TODs and allow for greater density than might otherwise be possible.

A good example is located here in Portland, OR, next to a trolley line where the building code was changed to allow for a five-story wood construction apartment complex with podium parking and ground-floor retail. This apartment

building has a sign on it that says “Go by Rail,” and is a poster child for TODs.

Does your jurisdiction have a TOD coordinator? Metro, the regional government for the Portland metropolitan area, has a TOD coordinator and a TOD Implementation Plan.


Does your jurisdiction provide economic incentives for a TOD project? Portland and other jurisdictions have TOD Implementation Programs that include some or all of the following incentives:

- :: The use of federal transportation funds to stimulate TOD construction
- :: Assistance in site acquisition or direct financial participation
- :: Federal Congestion Mitigation Air Quality (CMAQ) funds. As of 2007, Portland has invested \$3.5 million of CMAQ funds in nine different TOD projects
- :: Ten-year property tax exemption for TOD improvements
- :: Use of state or city tax-exempt bonds and low-income housing tax credits; and/or
- :: Density bonuses for TOD projects

There are different successes around the country for the implementation of TOD projects.

In February 2007, a study was done by the Greater Cleveland Regional Transit Authority titled “Transit Oriented Development Best Practices.” Simply Google it. Seven TODs around the country were analyzed in depth, and the report concludes with a list of lessons learned. The report notes that while TODs have been embraced over the past two decades by numerous governments, regional agencies, districts and developers, “[s]uch interest in TODs by so many groups has often resulted in an ad hoc and fragmented regional approach.” You need to determine if your jurisdiction has coordinated its TOD supportive activities.

How you measure the success of a TOD is not easy. As mentioned above, the metric VMT is one measure. For a recent study see Performance-Based Transit-Oriented Development Typology Guidebook, produced by the Center for Transit Oriented Development. This study looks at a number of case studies, including one project along Portland’s light-rail line known as MAX. This TOD project included most all of the financial incentives discussed above.

TODs are gaining more recognition through such studies. Historically, transit lines went in and then the planning began. Hopefully the past 25 years have taught major cities and regions that only with comprehensive planning and economic incentives will builders be willing to get on track and undertake TOD development. 



**MIKE SILVEY** is a Shareholder at Lane Powell, where he focuses his practice on representing developers, investors and businesses in all aspects of commercial real estate, including

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