Market Readiness for TOD
Transit Oriented Development Implementation Forum

JACOBS CENTER FOR NEIGHBORHOOD INNOVATION
JANUARY 27 and 28, 2015
Factors Influencing Market Readiness

- Regional demand for TOD
  - Demographic and employment trends
  - Household and business location preferences
- Transit connectivity to major employment centers
- Station area market strength – not just about transit
- Local land use context and local government support
Changing Demographics will Drive Regional Demand for TOD

- Millennial and Baby Boomer Generations are driving housing market
- Surveys show both groups have a preference for transit- and amenity-rich neighborhoods, shorter commutes
Businesses are Increasingly Choosing Locations Based on Quality of Life and Amenities

- Knowledge-based and educational and medical employers are most likely to locate near transit

*Employment by Sector for Major U.S. Regions: Transit Sheds (1/2 Mile Station Areas) Compared to Transit Regions*, 2009
Employment Destinations are Essential to Transit Because Commuters Ride Transit

- By a wide margin, the largest group of transit trips are commute trips
- Commuters are key to transit’s productivity

Source: Pisarski, *Commuting in America*  
TOD Implementation Forum - Jan 27, 2015
Many Major Employment Centers in San Diego are Not Yet Served by Transit

- Existing high-frequency transit primarily serves Central San Diego and the South Suburbs, where population density is the highest
- Major employment centers are concentrated to the north
  - 75 percent of region’s office inventory located in North City and North County
  - 18 percent located in Central San Diego (including downtown)
  - 7 percent located in South and East Suburbs
- Planned transit expansions will create some new connections
Market Strength is Also Critical for TOD Implementation

• Development feasibility is tied to unit value

• Strongest markets (highest prices, lowest vacancy rates) are concentrated along the North Coast and in Downtown

• However, research has shown that San Diego properties near rail transit experience a significant premium
  – 16 percent premium for condominiums located within ¼ mile of Trolley station
  – 6 percent premium for single-family homes located within ¼ mile of Trolley station

Source: Duncan, 2008 and 2011
Mismatch between Market Conditions and Local Land Use Policies Can Affect Feasibility in Many Ways

For example:

- Low height or density requirements do not permit new development
- High intensity development is envisioned, but not supported by market conditions
- Zoning for ground floor retail exceeds demand
- On-site parking requirements drive up development costs

Minimum Rent Threshold for Feasibility: 3-4 Story Residential Over Podium

Source: Strategic Economics, 2014.
Local Land Use Context Matters, but Not Always in the Ways We Might Expect

**Charlotte Blue Line: Land Area and Development by Neighborhood Type**

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<tbody>
<tr>
<td>Existing Downtowns/Urban Business Districts</td>
<td>10%</td>
<td>13%</td>
<td>68%</td>
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<tr>
<td>Major Suburban Employment Areas</td>
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<td>Legacy Industrial Areas</td>
<td>3%</td>
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<td>3%</td>
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<tr>
<td>Mixed-Use Neighborhoods/Main Streets</td>
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<td>Industrial/Distribution Areas</td>
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<td>Low Density Residential Neighborhoods</td>
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<td>Major Greenfield/Infill Sites</td>
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<tr>
<td>Other</td>
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<tr>
<td>Total Corridor</td>
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Conclusions

• Future transit investments to major employment centers could help
  – Support growth and mitigate traffic congestion
  – Increase the value of the overall transit system
  – Build value for TOD over the long term

• TOD will continue to occur unevenly, reflecting differences in market strength, availability and quality of transit service, and local land use policies

• Local governments have to be proactive, strategic, and nimble over time

• Consider market strength and specific barriers to development in targeting regional investments (planning, infrastructure, place-making)