The Business Opportunity for Smart Growth
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New Partners for Smart Growth – Charlotte, February 3, 2011
AGENDA

Market Impact of Smart Infrastructure

- Response of Private Property Owners
- Smart Growth and Investment Risk
Summary of National Case Study Data – Transit Premiums on Land Values

TRANSIT INVESTMENTS CREATE VALUE
SMART GROWTH INFRASTRUCTURE = UPSIDE POTENTIAL
NEW TRANSIT INCREASES PROPERTY VALUES
PORTLAND, OR

Portland Streetcar
Property Value
Change 1997-2003

Legend
- Streetcar Stop
- Streetcar Line
- MAX Light Rail

Percent Change 97-03
- < 0
- 0 - 50
- 50 - 100
- 100 - 150
- 150 - 200
- 200 - 250
- 250 - 300
- 300 - 350
- 350 - 400
- 400+

Original cost - $54M
Catalyzed Investment - $3.8B

Multiplier – 74X

SOURCE: RCLCO, Reconnecting America
NEW TRANSIT INCREASES PROPERTY VALUES
TAMPA, FL AND SEATTLE, WA

SOURCE: RCLCO, Reconnecting America
TRANSIT INVESTMENTS CREATE VALUE
SMART GROWTH INFRASTRUCTURE = UPSIDE POTENTIAL

Summary of Case Study Value Premium – Seattle, Tampa, Portland – 1997-2008

- Average Premium
AGENDA

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The major developers agreed to contribute $25 million, or 33%, of the originally projected $75 million station cost (though the final total cost was $105 million).

Based on a city general obligation bond financing, a $1.5 million annual debt service calculation was made.

Individual contributions decline as more properties are added to assessment roll.

Rentable Square Feet in Area (2000) 4,330,791
Rentable Square Feet in Area (2001-2009) 8,909,877
**Total Square Feet in Area** 13,240,668
CRYSTAL CITY BID (Arlington, VA)
PRIVATE FUNDING FOR NEW STATION/INFRASTRUCTURE
CRYSTAL CITY BID (Arlington, VA)
PRIVATE FUNDING FOR NEW STATION/INFRASTRUCTURE

<table>
<thead>
<tr>
<th></th>
<th>TIF through 2016</th>
<th>TIF through 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>$82M</td>
<td>$798M</td>
</tr>
<tr>
<td>Medium</td>
<td>$98M</td>
<td>$960M</td>
</tr>
<tr>
<td>High</td>
<td>$112M</td>
<td>$1.1B</td>
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</tbody>
</table>

- 33% of the above used to fund infrastructure, including streetscape, streetcar, and pipes/roads

- **NEW** 20 cent special assessment district to fund Potomac Yard metro station
  - New developments pay into assessment, which is layered with TIF and contributions
  - Proposed residential special assessment in discussion
  - Property owners led this charge – got unanimous Council approval

- **Little-known fact** Potomac Yards Shopping Center was always a “temporary use”
WHITE FLINT (Montgomery County, MD)
PRIVATE FUNDING FOR NEW INFRASTRUCTURE
Commercial Special Assessment
- 10% new assessment for all commercial property owners

Residential Impact Fees
- impact fees for new residential developments

### FUNDING STRATEGY SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>Share</th>
<th>Public</th>
<th>Fund Use</th>
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</thead>
<tbody>
<tr>
<td>Ia</td>
<td>$2.97M</td>
<td>100%</td>
<td>Road Narrowing</td>
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<tr>
<td>Ib</td>
<td>$58.9M</td>
<td>78%</td>
<td>Roads, ROW Acquisition, Utility Undergrounding</td>
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<tr>
<td>II</td>
<td>$97.7M</td>
<td>65%</td>
<td>Circulator Bus, Roads, Utilities</td>
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<tr>
<td>III</td>
<td>$130.9M</td>
<td>54%</td>
<td>Metro Entrance, Roads</td>
</tr>
</tbody>
</table>
Private Financing Taskforce -

- Residential property values near streetcar would rise 5% to 12%
- Commercial property valuations rising by 2% to 10%
- Value of existing real property in the District would increase by $5B-$7B
- Will add $5B to $8B in new property
- Adds $13.2M in annual retail sales tax after ten years
- Adds $71.4M per year in income tax in 10 years
## IMPACT ON COMPETITIVENESS
### WINDOW OF OPPORTUNITY IS NOW

<table>
<thead>
<tr>
<th>Metro Areas with Transit</th>
<th>Average GMP Per Capita</th>
<th>Average GMP Growth 00 - 10</th>
<th>Average Population Growth 00 - 10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$46,056</td>
<td>21.3%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Metro Areas without Transit</td>
<td>$42,106</td>
<td>20.1%</td>
<td>12.4%</td>
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<tr>
<td>% Difference</td>
<td>9%</td>
<td>6%</td>
<td>15%</td>
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</tbody>
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<tr>
<th>Metro Areas with Transit</th>
<th>Average GMP Per Capita</th>
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<th>Average Population Growth 00 - 10</th>
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<tbody>
<tr>
<td>Seattle</td>
<td>$57,765</td>
<td>22.0%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Portland</td>
<td>$47,902</td>
<td>42.4%</td>
<td>17.9%</td>
</tr>
<tr>
<td>% Difference</td>
<td>25%</td>
<td>60%</td>
<td>25%</td>
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</table>
AGENDA

- Market Impact of Smart Infrastructure
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WALKSCORE AS A PROXY FOR SMART GROWTH

www.walkscore.com
Walk Score Destinations

- Grocery Store
- Restaurant
- Coffee Shop
- Bar
- Movie Theater
- School
- Park
- Library
- Bookstore
- Fitness
- Drug Store
- Hardware Store
- Clothing and Music Store
Walk Score Values

- 90–100 = Walkers’ Paradise
- 70–89 = Very Walkable
- 50–69 = Somewhat Walkable
- 25–49 = Car-Dependent
- 0–24 = Car-Dependent (Driving Only)
HIGHER WALKSCORE = HIGHER VALUE

Two Neighborhoods

- Ashley Park:
  - Median Walk Score
  - Walk Score 54
  - Median Value: $280,000

- Wilmore:
  - 75th Percentile Walk Score
  - Walk Score 71
  - Median Value: $314,000

Gain: $34,000 or 12%

SOURCE: CEOs for Cities
Rauterkus, Thrall, and Hangen, 2010
Examination of 4,000 mortgages outstanding as of December 2008
Adjusted for location by:
  - Vehicles per households, normalized for incomes
  - Walkscore

HIGHER WALKSCORE = LOWER DEFAULT RISK
WINDOW OF OPPORTUNITY IS NOW
Chicago Example

**A hypothetical buyer has the following characteristics:**

- FICO: 680
- Debt-to-Income: 41%
- LTV: 80%

*Their location does impact their probable default rate:*

- Default probability for average location efficiency: 9.9%
- Default probability for location-efficient home: 7.2%

**AND**

*The default rate rises with the rate of vehicle ownership*
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