Capturing the Community Benefits from Smart Growth

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Strategic Economics

New Partners for Smart Growth

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Smart Growth Makes Communities:

- Richer
- Thinner
- More Beautiful
But, What’s the Most Common Planning Response to Implementing Smart Growth?

Common Perception of Density

- Developer Profit in Millions
- Density (units/acre)
When In Fact, More Density Also Costs More For the Developer
And, How Do Neighbors Think Density Will Work For Them?
What Has Emerged Is Tension Between Communities and Infill Developers About “Community Benefits”

“If I let you develop something, then you owe me something because you’re going to make a lot of money and I’m going to lose quality of life”
So How Do We Move Forward To Actually Implement Smart Growth While Addressing This Tension
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
Prepare A Plan That Sets Appropriate Expectations About What Benefits New Growth Can Deliver

Uses a very hot market to deliver lots of community benefits

Weak market, where any new development will be the community core benefit
Santa Monica Set Clear Guidelines Around Community Benefits

Priority Community Benefits:

1. Affordable and workforce housing (money or units)
2. Transportation Demand Management (money or bus passes)
3. Physical Improvements (money or sidewalks)
4. Social/Cultural Facilities and Programs (money or daycare center)
5. Historic Preservation (money or adaptive reuse)
Santa Monica’s Tiered Benefits

- **Base**: A project can build to a low 32’ base height
- **Tier 1**: Additional floor with affordable housing units
- **Tiers 2 and 3**: To request additional height and FAR, a discretionary process is required:
  - Additional community benefits
  - Community participation
Understanding Development Feasibility
By Building Type is Essential

- Provides an understanding of the real estate market’s response to the plan
- Allows for decision-makers to compare alternatives and understand trade-offs of different plans/scenarios
- Communities are increasingly seeking to capture the value of development to fund a wide range of community benefits
Calibrate Zone to Market Conditions

Scenario 5

Scenario 6

Residual Land Value

Parking is Key in Understanding Feasibility

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

Source: Strategic Economics, 2014.
Think About Development and Capturing Value In the Context of Time

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
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<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Low-Rise</td>
<td></td>
</tr>
<tr>
<td>Mid Rise</td>
<td></td>
</tr>
<tr>
<td>High-Rise</td>
<td></td>
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</tbody>
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- Not Financially Feasible
- Financially Feasible in Optimistic Scenario
- Financially Feasible in Conservative and Optimistic Scenarios
Think About What the Community Needs Now – Don’t Wait for the Market to Solve Your Problems
Be Creative About Implementation

Financing Strategy in Strong Market Locations (High Growth):

1. Private Development
2. Public Sector Financing Strategies
3. Transit, Infrastructure and Amenities

Financing Strategy in Cooler Market Locations (Moderate to Limited Growth):

1. Public Sector Financing Strategies
2. Transit, Infrastructure and Amenities
3. Private Development
Value Capture Tools, in Particular, Rely Mostly on New Development

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Source of Value</th>
<th>Reliance on Development</th>
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<tbody>
<tr>
<td>TIF</td>
<td>Property Value Increase/Development</td>
<td>Yes</td>
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<tr>
<td>Developer Fees/Exactions</td>
<td>Development</td>
<td>Yes</td>
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<tr>
<td>Joint Development</td>
<td>Development</td>
<td>Yes</td>
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<td>Assessment District</td>
<td>Estimated Property Benefit</td>
<td>Not in theory, but often in practice</td>
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<tr>
<td>Utility Fees</td>
<td>Fee Based on Property Characteristics</td>
<td>No</td>
</tr>
<tr>
<td>Land Tax/ Split-Rate Tax</td>
<td>Property Value</td>
<td>No</td>
</tr>
</tbody>
</table>
Focus Early Implementation Efforts on Function, Not Just Form – You’ll Get More Grant Money That Way!

PHASE ONE
Creating Connections to the Community

The Area Plan’s first phase of implementation will focus on creating the physical connections throughout the district and to the Expo Light Rail, and in building stronger relationships within the area between local businesses, nearby residents and others who have a stake in the evolution of the former industrial lands.

Completed Projects:
1. Buffer Park at Expo Yard
2. Bargained Expo Station
3. Expo Pad/Bike Path
4. Canterbury Streetscape - Expo Pad/Bike Path
5. Stewart Streetscape - Expo Pad/Bike Path
6. 25th Streetscape - Expo Pad/Bike Path
7. Cloverfield Streetscape - Expo Pad/Bike Path
8. Olympic Streetscape - Stewart to 26th South Side - Bargained Expo Station
9. Bike lanes at Bargained Station wet center
10. City bike lanes leading to 3 district locations

Capital Improvement Related:
11. Connections to Bargained Expo Station entrance across Olympic and completion of Olympic north sidewalk
12. Olympic Crossing at "R" Street (new roads) with new bus stops
13. Nebraska/Olympic/Stewart intersection
14. Stewart Streetscape - bike lanes from Colorado to Exposition
15. Pennsylvania Streetscape - two-way conversion
16. Exposition Streetscape - showrooms Cantilever to Stewart
17. Aranas/Nebraska/Exposition - Oregon, 26th, Stewart, Stanford, Cantilever and Exposition
18. New Road - "E" Avenue

Figure 8.04
Map of Locations of Near-term Implementation Measures
In Conclusion – How To Truly Capture the Benefits of Smart Growth

- Establish a clear understanding of market context and set appropriate community (political expectations)
- Establish implementation priorities that meet community objectives early on
- Don’t be afraid to look for grant money, rather than assuming new development will solve all problems
- Be nimble and proactive!