Equitable TOD Investment Honolulu

Shifting from Plans to Implementation

William Fleissig
Communitas Development
October 28, 2014

HOME of HAWAII
EGHOLM'S DIAMONDS
KING

(0173-3-917C-11)(1-18-34-2:45P)(12-1200) WAIKIKI AREA AND DIAMOND HEAD, HONOLULU, T. H.

Kamaaina56
LICKRIGAN

Shifting from planning to implementation

Existing condition of International Blvd at 81st Ave.

Design Vision for International Blvd at 81st Ave with Bus Rapid Transit service.

Many communities have advanced station planning in designated Priority Development Areas…..

Is it time to:

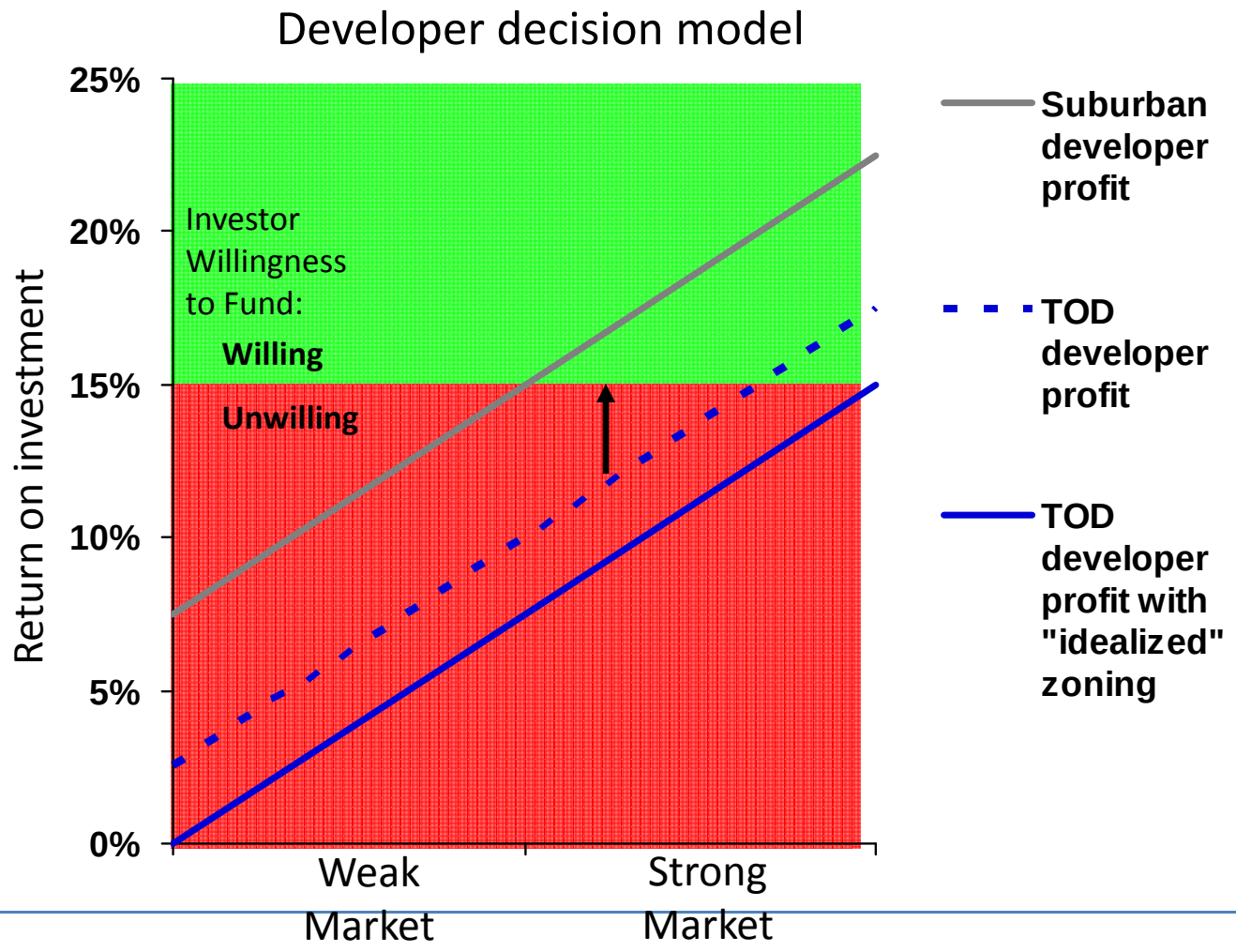
- Form a district?
- Build infrastructure?
- Acquire a site?
- Invest in projects?

How to target initiatives

Which implementation levers are appropriate for a station area given:

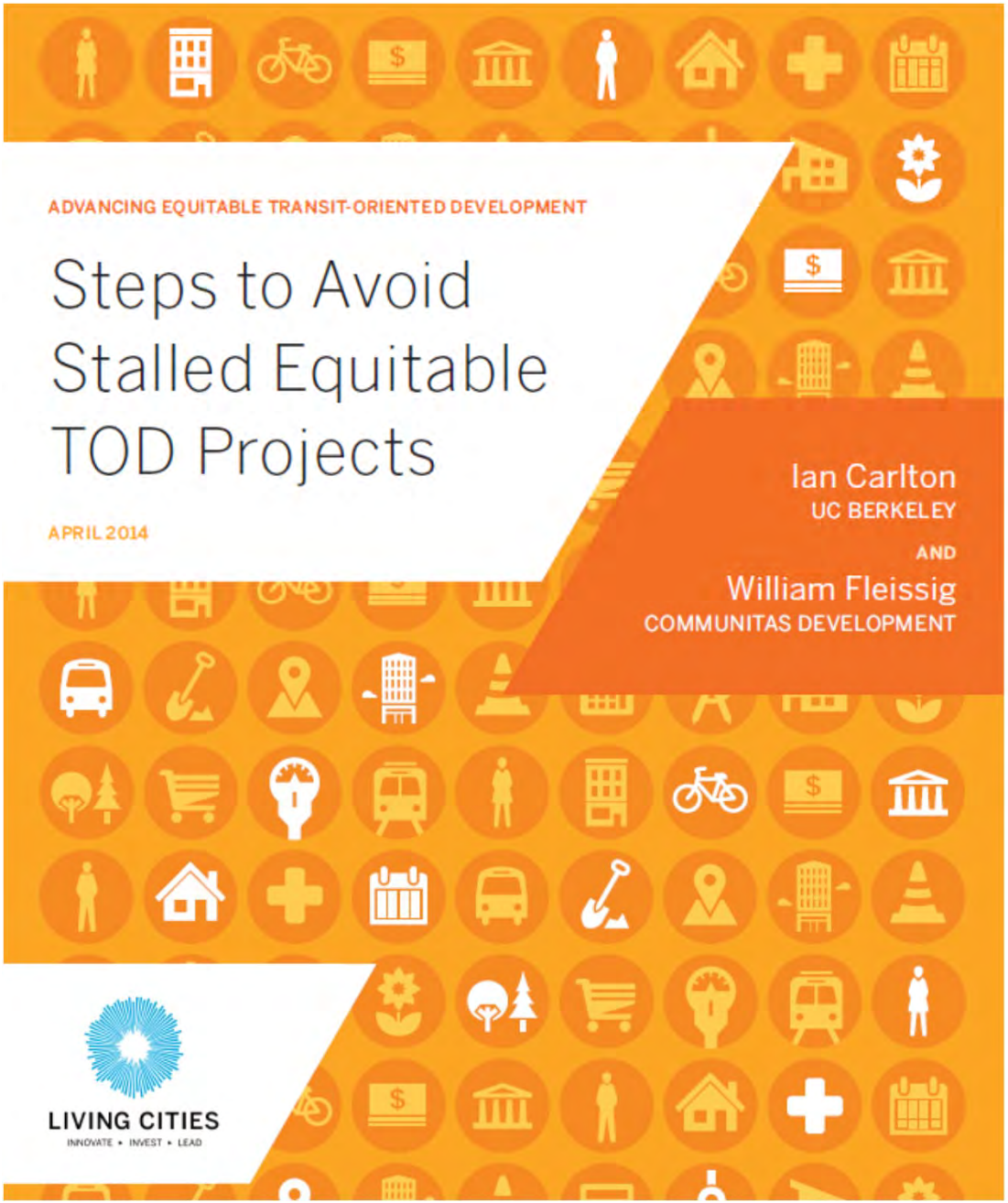
- *Level of transit orientation?*
- *Real estate development potential?*
- *Local resources?*
- *Community interests?*
- *Political alignment?*
- *Larger land parcels?*

Suburban development attracts equity over higher-cost, lower-profit TOD



Which public financing tool to use?

- Low-interest municipal/infrastructure bond financing
- Tax abatements/Tax increment financing
- Transfer or lease of government owned land at below market rates
- Expedited building permits/reduced permitting costs
- Direct financial grants for:
  - Housing affordability
  - Infrastructure
  - Land procurement
  - Minority-Owned Business Development
- Land acquisition fund


ADVANCING EQUITABLE TRANSIT-ORIENTED DEVELOPMENT
Steps to Avoid Stalled Equitable TOD Projects
APRIL 2014
Ian Carlton
UC BERKELEY
AND
William Fleissig
COMMUNITAS DEVELOPMENT
LIVING CITIES
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Financial feasibility factors were critically important for the test cases we evaluated

Case study	Financial factors	Readiness factors	Offsite factors	Onsite factors	Other complicating factors	TOD Score	Expected outcome	Actual performance
Adams & Central, Los Angeles, CA						73	*Modest Stall*	*Modest Stall*
Quincy Center, Quincy, MA						69	*Moderate Stall*	*Prolonged Stall*
MacArthur Park Apartments, Los Angeles, CA						66	*Moderate Stall*	*Moderate Stall*
Denver Design District, Denver, CO						44	*Prolonged Stall*	*Prolonged Stall*
The Crossings, San Leandro, CA						42	*Prolonged Stall*	*Prolonged Stall*
Fruitvale Village, Oakland, CA						33	*Prolonged Stall*	*Prolonged Stall*
Market Creek, San Diego, CA						19	*Prolonged Stall*	*Prolonged Stall*

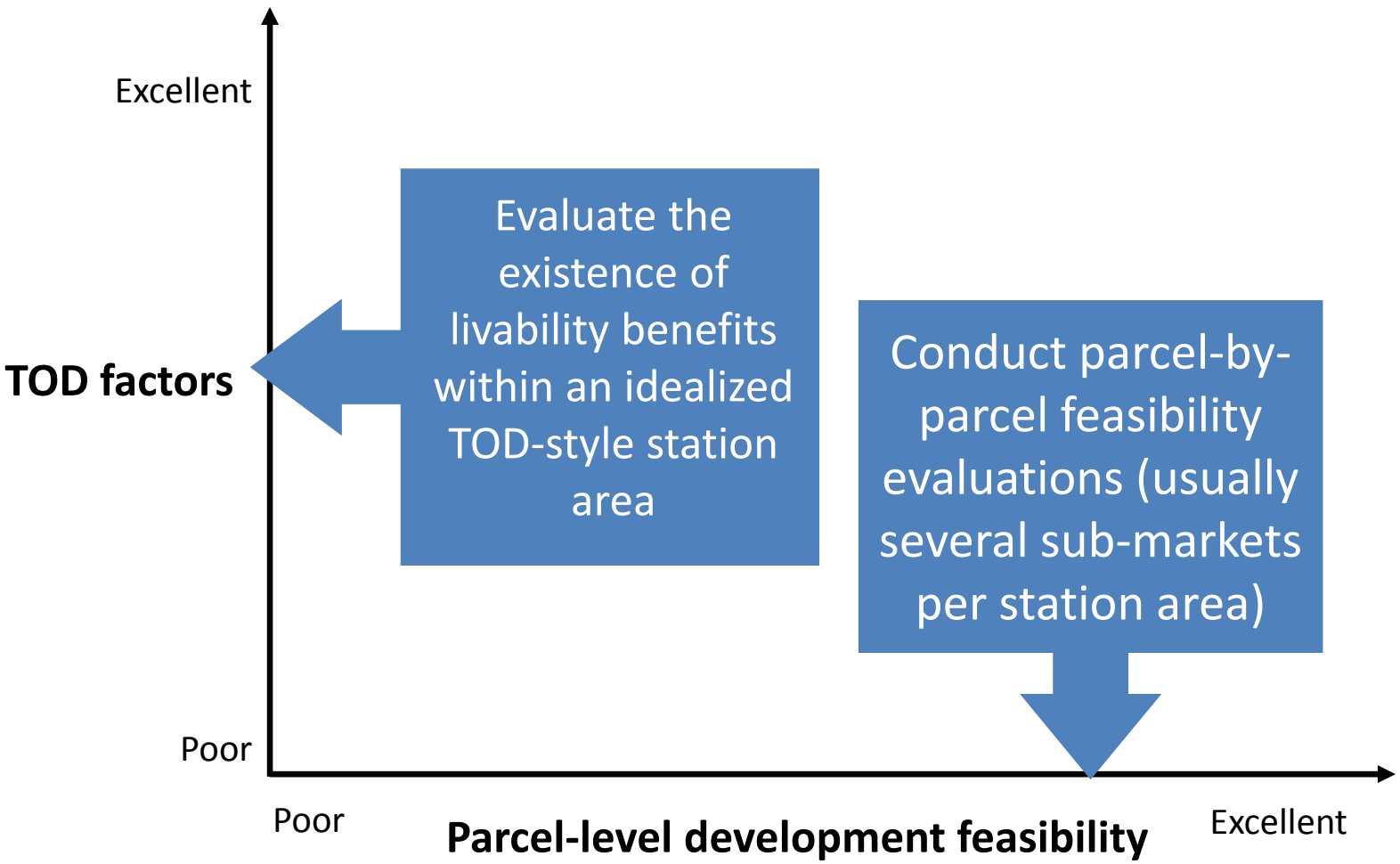
Gap funding is the most common means of overcoming Pre Dev issues

- Proposed projects that could not justify their feasibility according to common underwriting criteria were forced to seek additional funding from public and private sources
- It was not feasible for project sponsors to wait until market demand “turned a corner”
- Seeking gap funding was the most common cause of delay exhibited by “stalled” case study projects

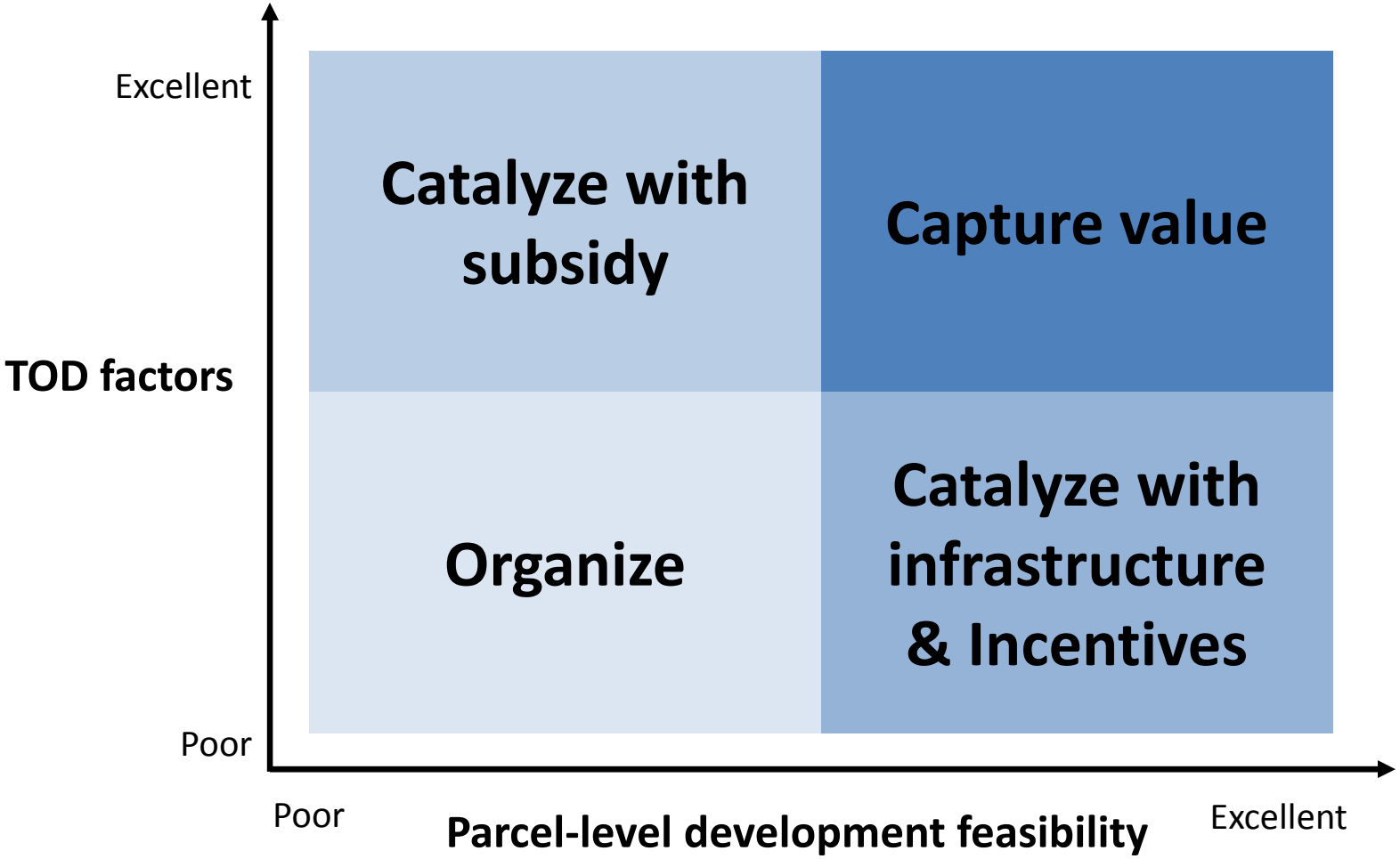
Honolulu should articulate an equitable TOD strategy

- Acquisition, predevelopment and remediation financing
- Infrastructure financing
- Debt/equity access during construction and permanent financing phases
- Gap Financing - philanthropic and public resources

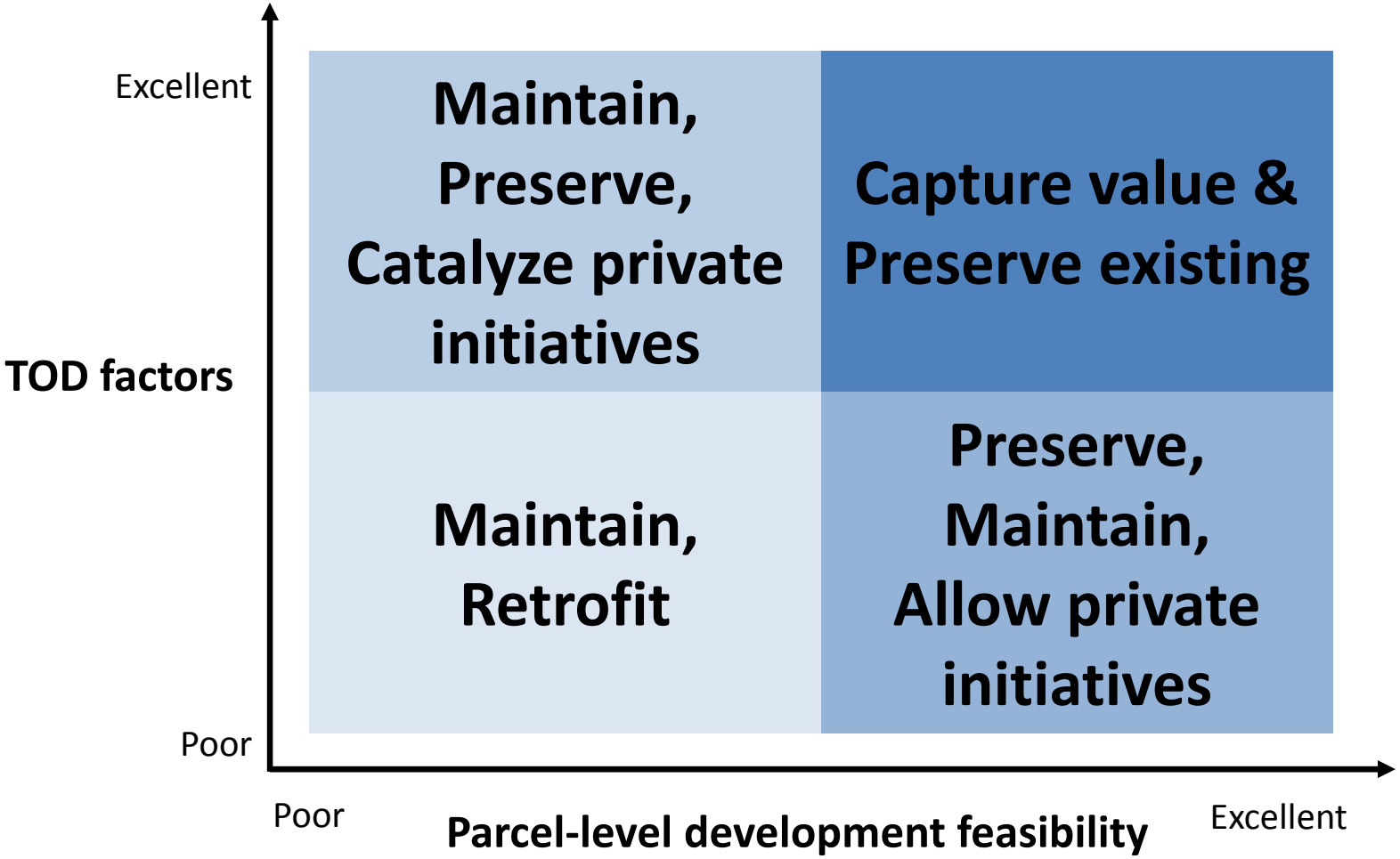
What bets to place where and when?



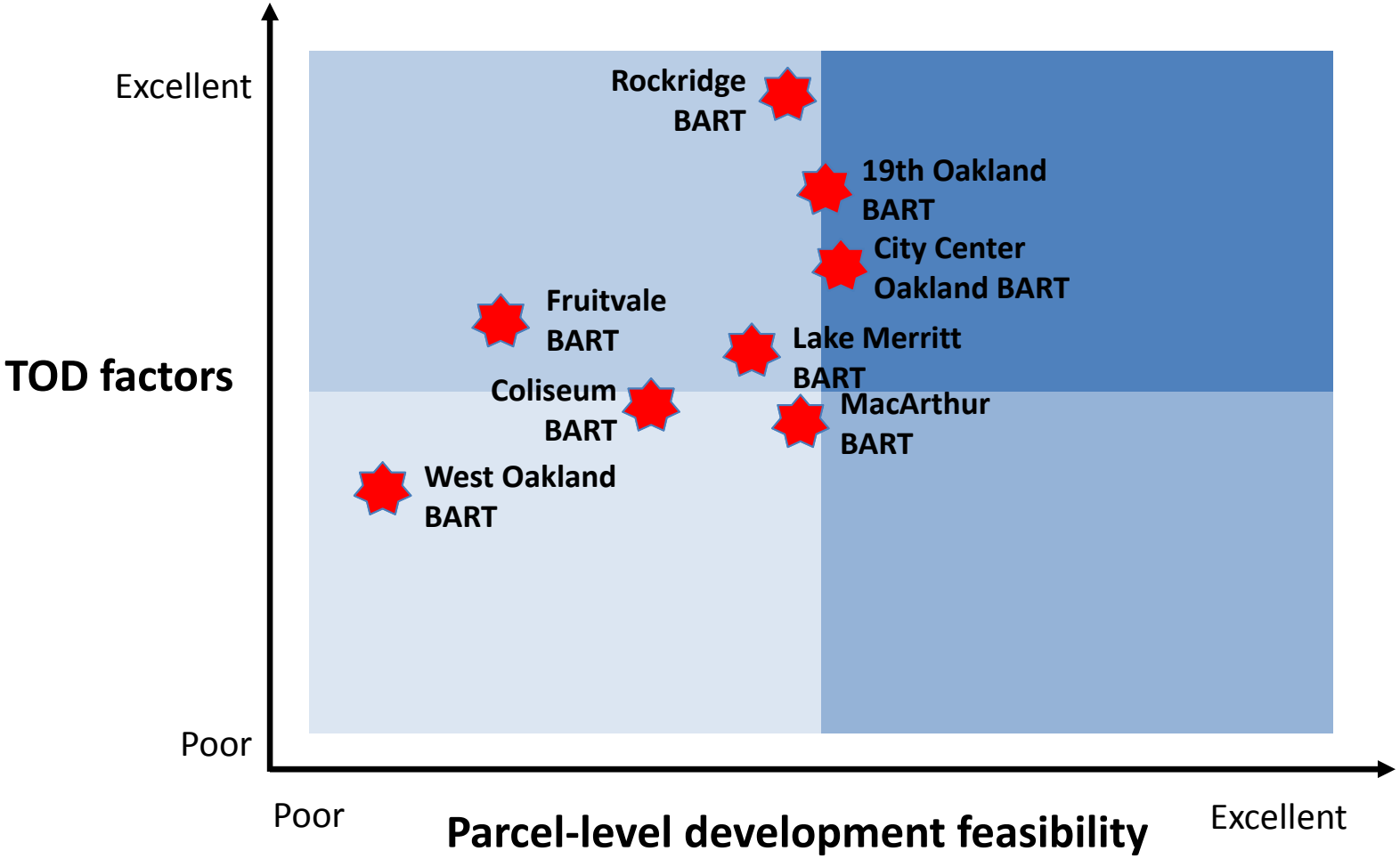
Targeted development initiatives for station area submarkets



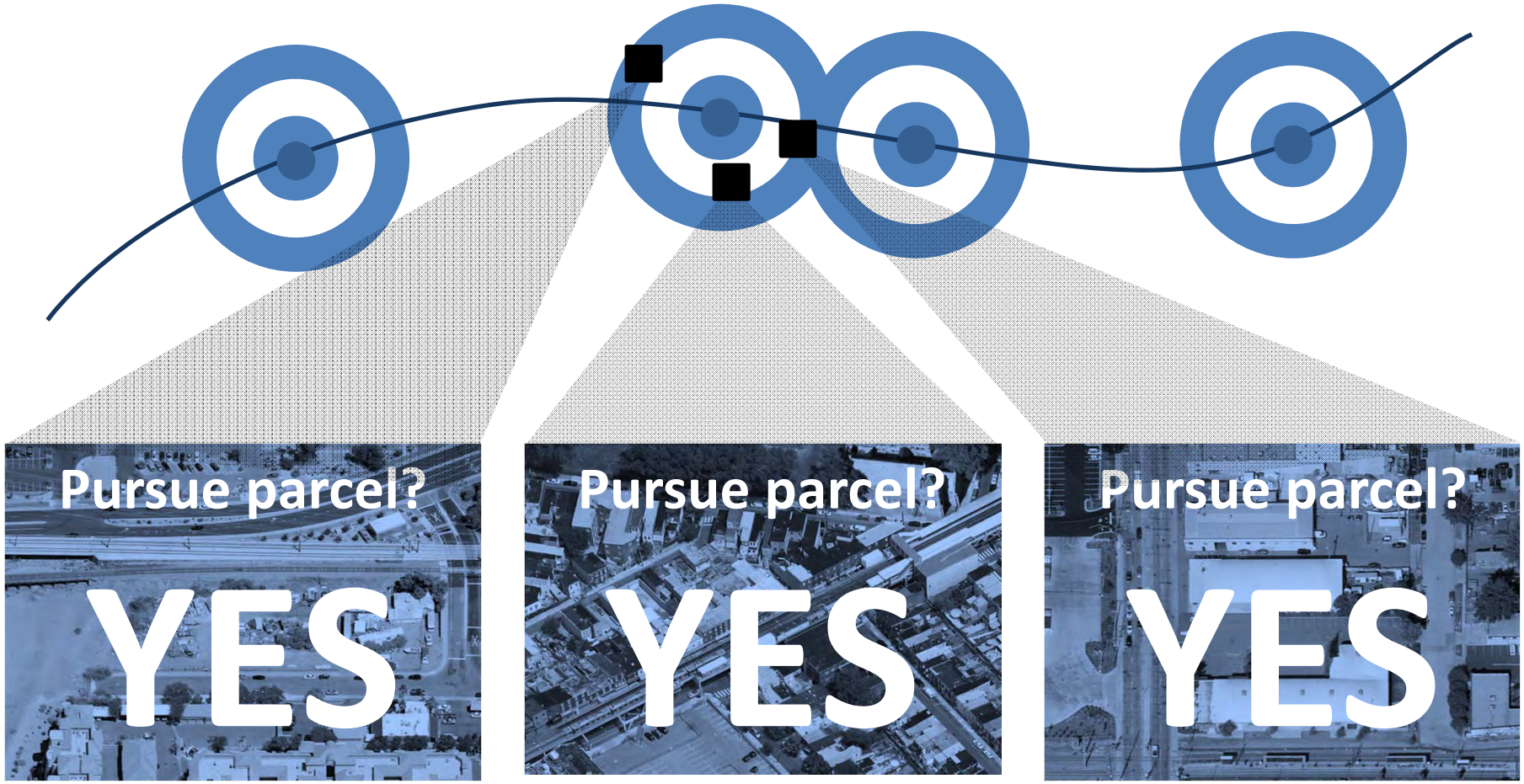
Targeted affordable housing initiatives for station area submarkets



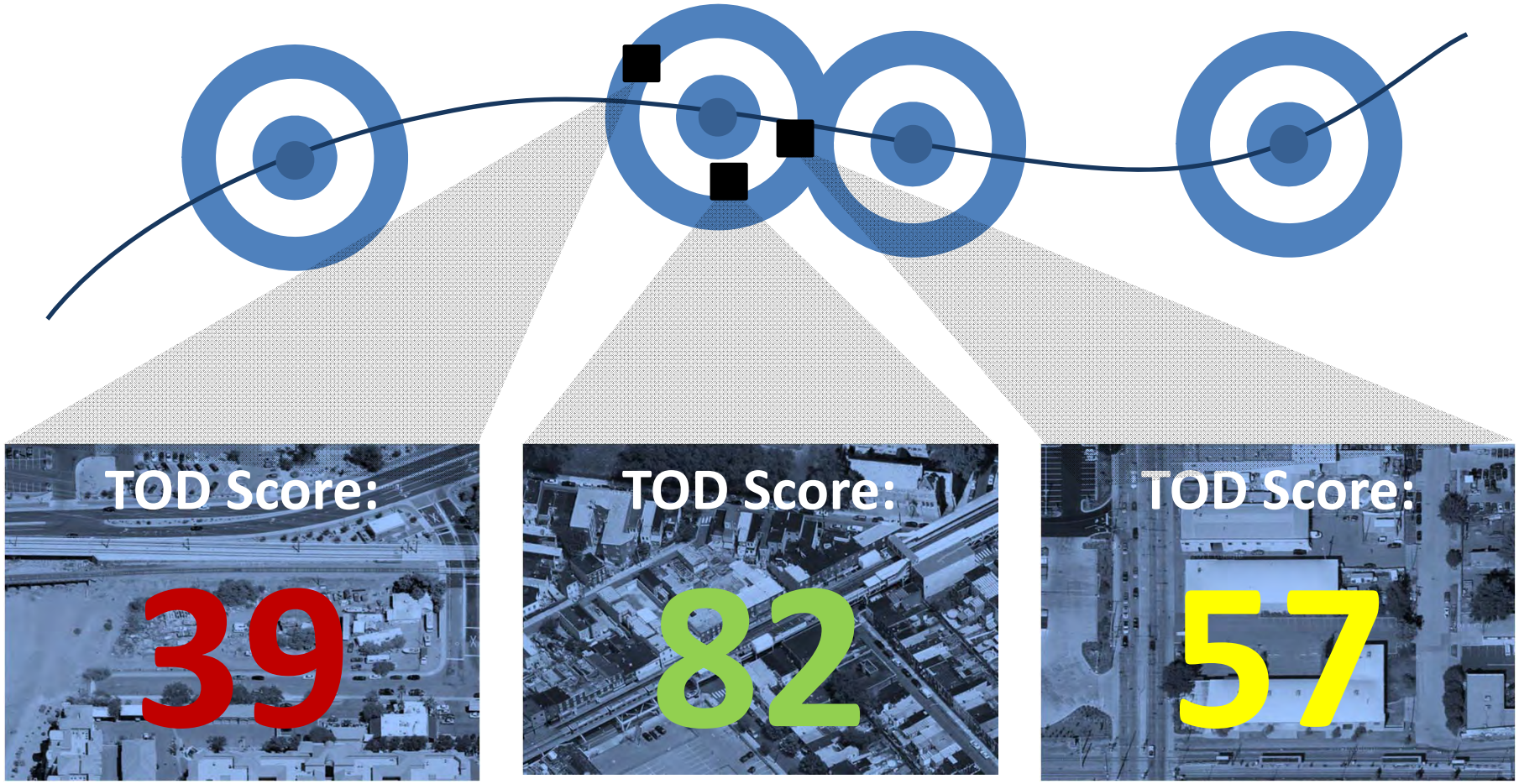
Targeted initiatives for Oakland station area submarkets



Most TOD frameworks do not distinguish development feasibility



Not all locations are created equal

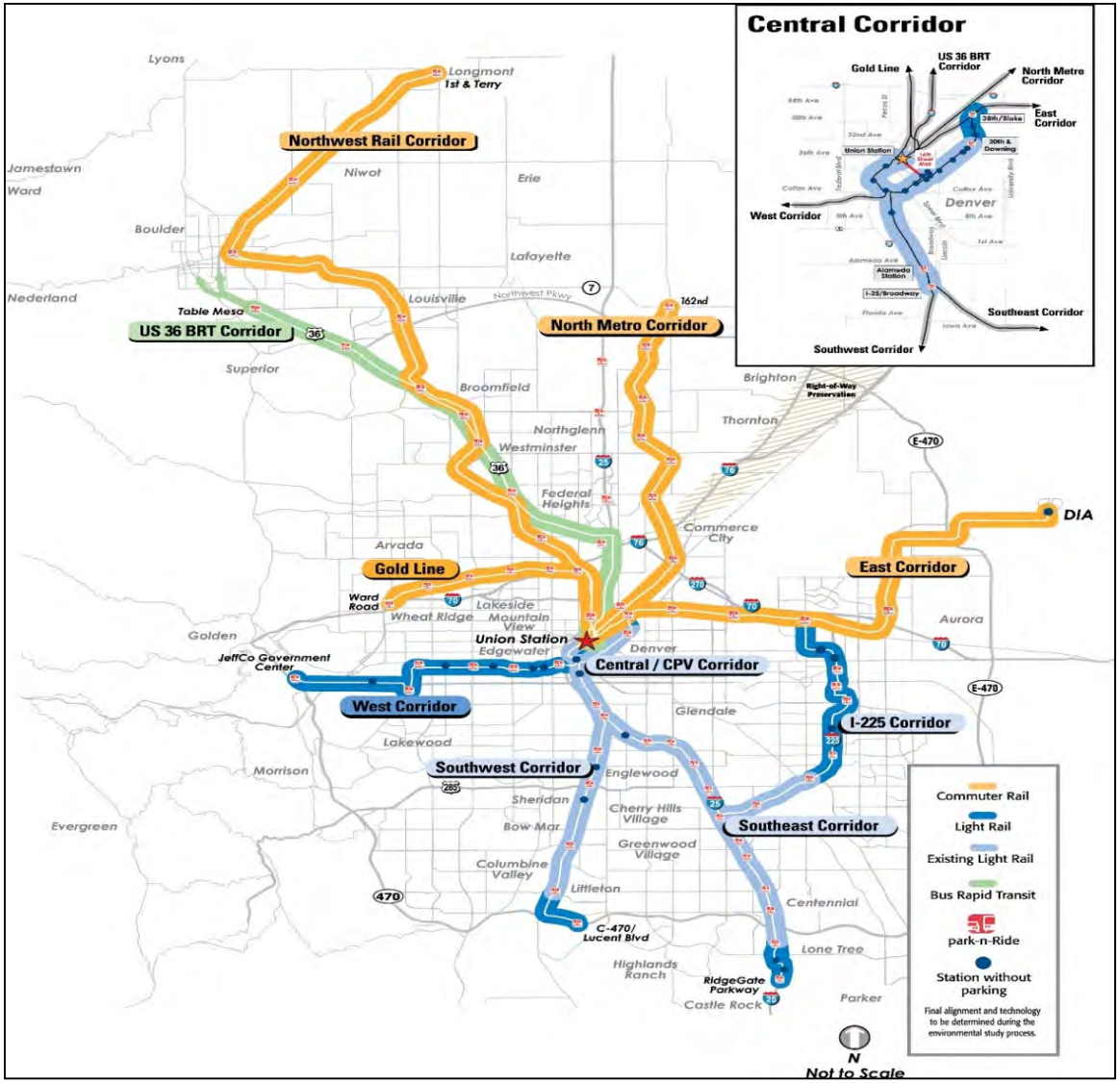


TOD potential is defined by numerous metrics

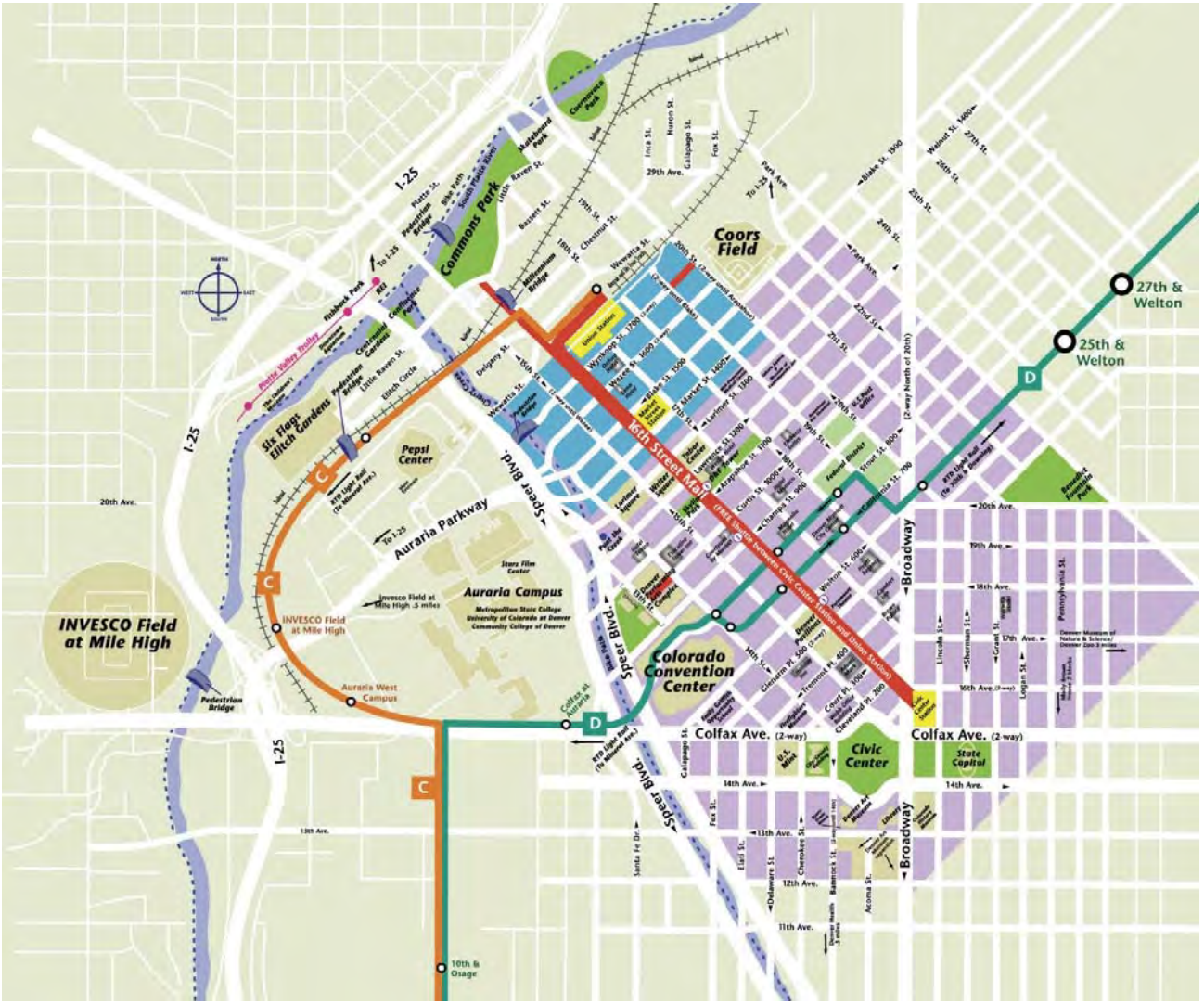
TOD Site	Financial factors	Readiness factors	Offsite factors	Onsite factors	Other complicating factors	TOD Score	Expected outcome
Site 1						57	*Project will require assistance*
Site 2						39	*Site is inadequate*
Site 3						82	*TOD is likely to succeed*

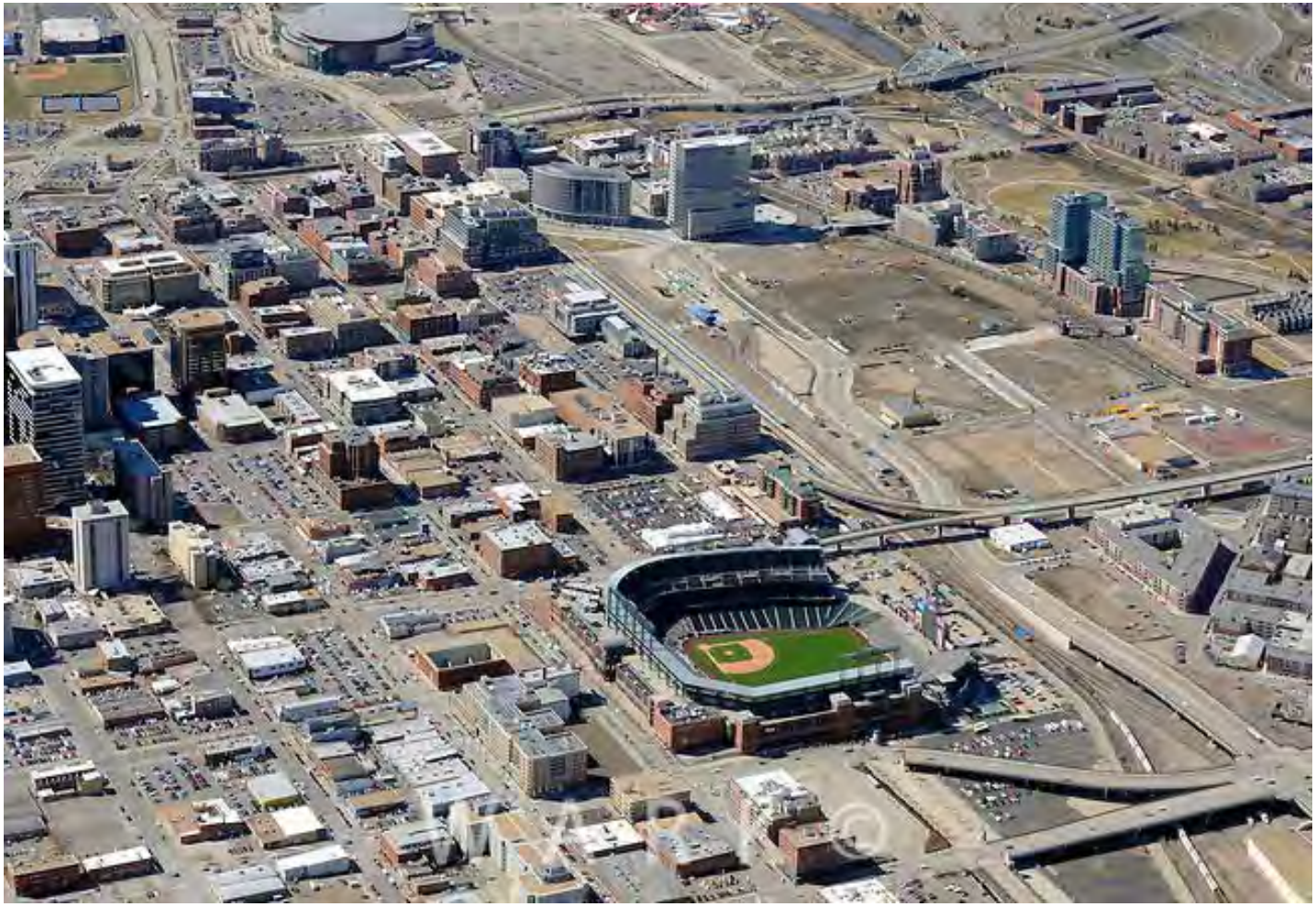
Denver Union Station Case Study

Denver Union Station – Hub for Six Lines



Denver Union Station - Context





Denver Union Station - Phasing

Public Infrastructure Completion: Early 2016

Two Major Components:

1. **Redevelopment of Station and Development of Transportation System**

2. **Development of Surrounding Neighborhood**

UNION STATION
UNION STATION
STOP
VALET

DUT – Hotel Interior

Denver Union Station - Financing

- **$500M Public Transportation Infrastructure Project**
  - 5 Public/Private Partners
  - 9 financing Sources

- **Federal & State Grants**
  - $50M FHWA (CDOT)
  - $28.6M ARRA Funds (DRCOG and RTD)
  - $9.6M FTA
  - $2.5M TIP
  - $18.6M Senate Bill 1(CO)

- **Federal Loans**
  - Transportation Infrastructure Finance and Innovation Act (TIFIA)- $145M
  - Railroad Rehabilitation and Improvement Finance (RRIF) - $155M

- **Property Sales Proceeds**
  - $1.5M North Wing Parcel
  - $1.5M South Wing Parcel
  - $3M Triangle Parcel
  - $10M A Block Parcel
  - $10M B Block Parcel
  - $11M Market Street Station

Master Developer; Multiple Architects + Builders

NEIGHBORHOOD DEVELOPMENT

19.5 Acres and 20+ Parcels of Land

20 Current & Planned Developments

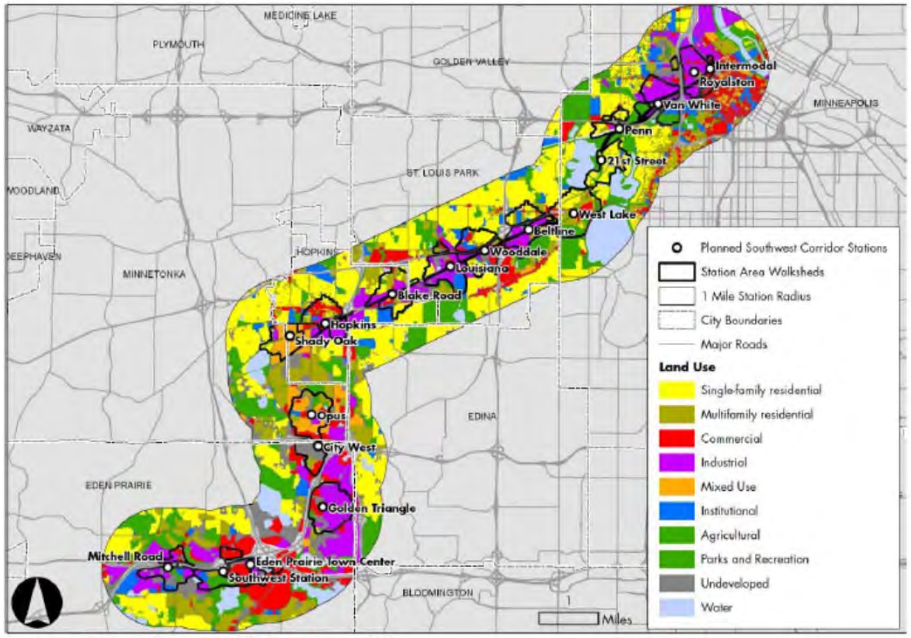
- Office: ~1,670,000 SF
- Retail: ~182,000 SF
- Residential: 2,623 Units

Mixed Income; Mixed Use; Mixed Scale

Transition from
Planning to Implementation

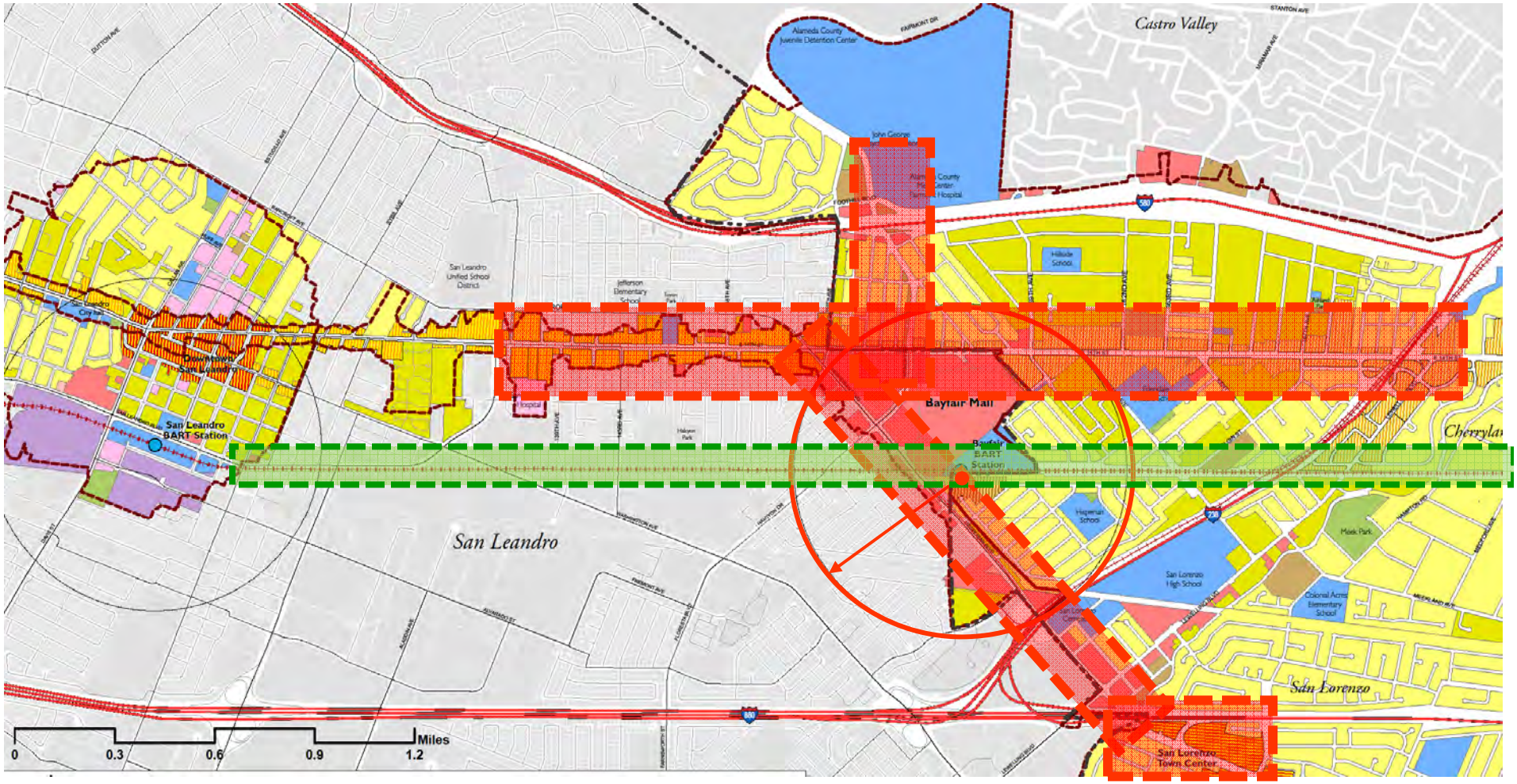
Expand the geography and breadth of TOD investments

- Increase affordable housing zone, expand private partnerships
- Define the opportunities with property owners, businesses and residents
- More families, more units, less subsidy/unit, better mix of unit types



Sources: Metropolitan Council, 2005; Bonestroo, 2008; Strategic Economics, 2011.

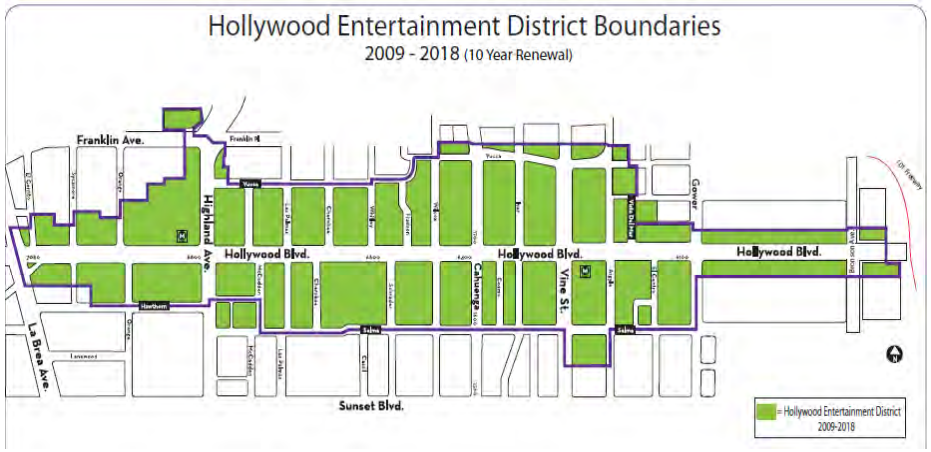
The market is not constrained to circles



Identify catalytic real estate investments to prime station area markets

- The Pearl Lofts is a 27-unit housing development in the Pearl District of Portland, OR.
- **It was built without a construction loan due to the lack of comparable prices in the area at that time.**
- Its success "proved" the market for lenders and was the precursor for all subsequent development in the district.

Seed districts to proliferate benefits



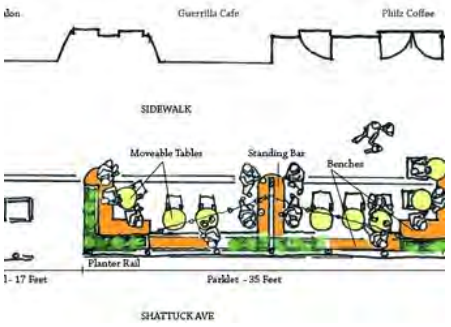
- Achieve buy-in from residents, businesses, developers and institutions
- Establish a sequence of **Transit Oriented Investments (TOI)** over multiple years

Explore boot-strap “angel” investments

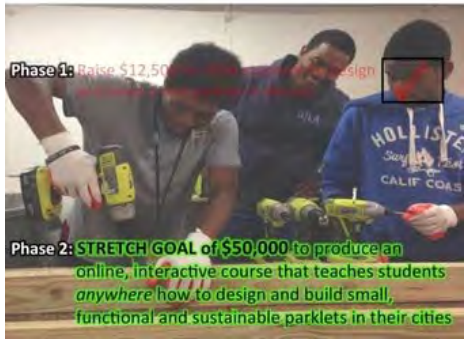
New web and crowd sourcing tools

BuildBrite.com

We work with innovative developers to transform districts and neighborhoods. We use our industry leading visual interactive surveys to quickly engage your potential buyers, find their preferences + collect market intelligence.



Help fund us on KICKSTARTER



FUNDRISE
BUILD YOUR CITY

33,004 members.
12-14% average returns.*

Identify nuggets of opportunity

Piazza at Schmidt's is the new nugget

Livability benefits – Tapas Menu

Category	Livability Benefits
Mobility	• Pedestrian/Bicycle improvements • Parking • Local shuttles • Car/bike sharing facilities
Housing	• Low-income housing • Workforce housing • Supportive housing
Environment and Heath	• Site remediation • Air quality programs • Water resources • Habitat preservation • Walking/Obesity • Wellness programs
Public Space	• Open/green space • Recreation/active space • Community Gardens • Streetscape enhancements • Trails • Façade enhancements • Historic structure preservation • Arts and Culture

Category	Livability Benefits
Services	• Street/Sidewalk cleaning service • Increased police patrols / Ambassador force • Farmers' markets • Other social services
Economic Development	• Job training • Business development • District marketing
Education	• Kindergarten / Daycare / After-school services • Charter Schools • Magnet Schools • Public Schools
Infrastructure	• School facility improvements • Community facility construction • Undergrounding utilities • Upgrading infrastructure • Alternative energy production

Livability benefits are place specific and finite

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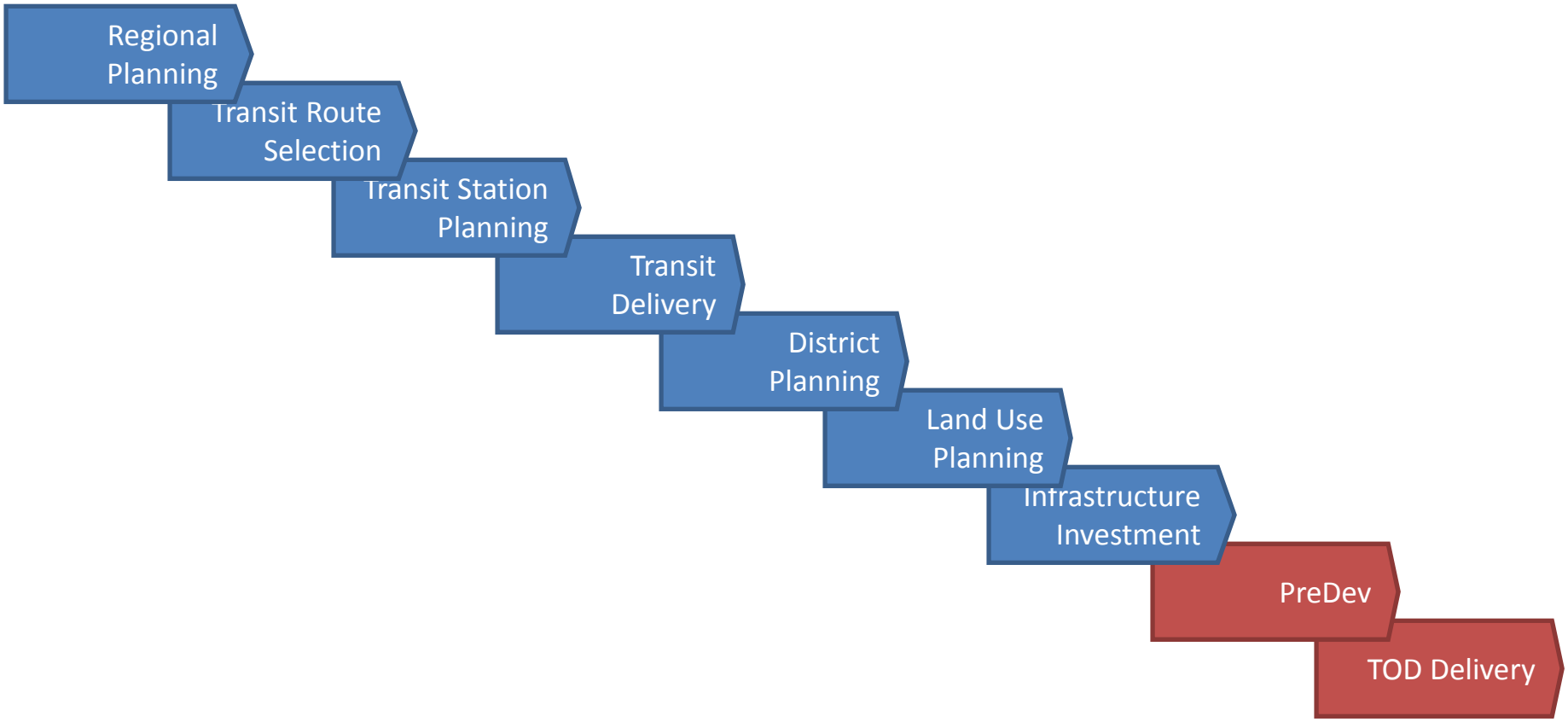
Transition to Implementation

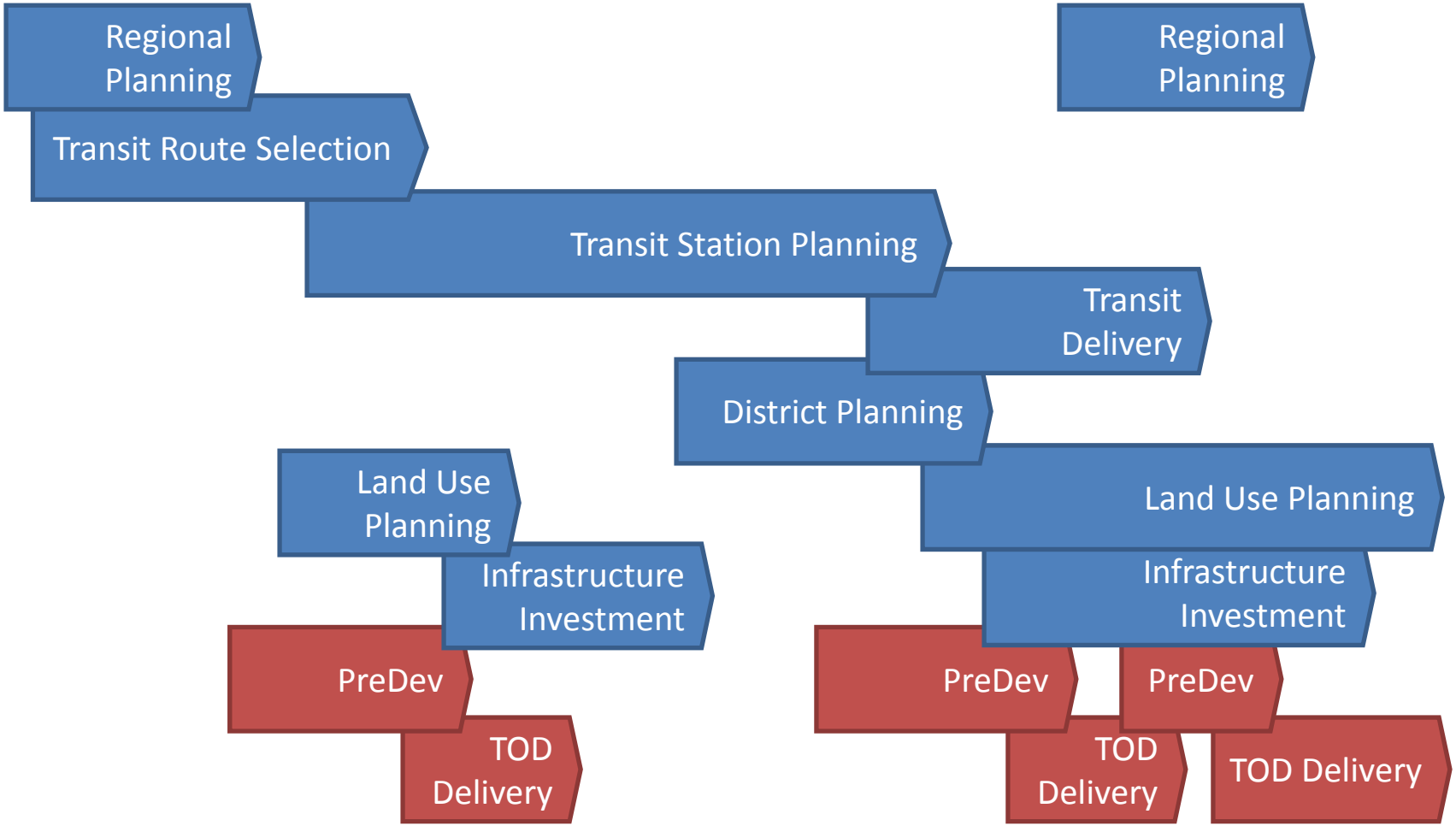
1. **Rethink the geography** – invest beyond station area
2. **Identify catalytic investments** – think like a developer
3. **Seed districts** – establish orgs with the right incentives
4. **Take incremental steps** – look for small "angel" investments
5. **Target funds by submarket** – adjust taxes, fees, infrastructure $
6. **Find the nuggets –** look for emerging places/businesses/orgs
7. **Highlight community benefits** – residents/businesses to choose

Extra Slides

Theoretical TOD implementation process



In reality, successful TOD implementation is iterative, non-linear, and location-specific



Major levers on development feasibility

"Upstream" Decisions

- Density and Open Space Requirements (policy)
- % Affordable and % AMI (policy)
- Infrastructure and Parking Requirements (policy)
- Priority Locations (policy)

"Downstream" Decisions

- Land Assembly and Cost (deal)
- Site Control (deal)
- Property Taxes /Fees (policy)
- Infrastructure Costs (policy + deal)
- Cost of Capital and Underwriting (deal)
- Rents/Cash Flow Assumptions (deal)

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