



# Developers' perspectives on transit-oriented development

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## ABSTRACT

The success of transit corridors in promoting sustainable regional growth hinges on location decisions made by private-sector developers. This paper centers on a series of interviews with 24 residential and commercial developers in the Twin Cities region. Developers were recruited for interviews using random sampling by residential/commercial and urban/suburban specialty. The authors analyzed interview transcripts using close readings and computerized content analysis focused on word frequency analysis and topic co-occurrence statistics. Recommendations for promoting transit-oriented development include reforming zoning and development regulations, broadening the focus of TOD to include frequent bus routes, providing greater certainty of future transit improvements. Recommendations for integrating TOD with affordable housing development include pursuing affordable-by-design solutions and engaging with affordable housing specialists.

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## 1. Introduction

In the United States, high quality transit is no longer the exclusive domain of large, coastal cities with legacy rail systems. Across the nation, more modestly sized regions that abandoned rail entirely at the end of the streetcar era are turning back to fixed-guideway transit to provide regional mobility and catalyze sustainable regional development. A common characteristic of these “New Start” transit systems is that they serve regions with decades worth of automobile-dominated metropolitan development. This pattern presents planning opportunities and challenges. Opportunities arise as stations serving as the nuclei of transit-oriented regional growth, leading in turn to increasing ridership and further demand for transit-focused housing and commercial space, and so on (Lund, 2006; Schwanen and Mokhtarian, 2007). It is increasingly apparent that stations must so serve if the public is to reap the full rewards of the massive capital investments required for fixed-guideway transit (Tilahun and Fan, 2014). Challenge-wise, the popularity of transit-accessible locations can price low-income residents and entry-level employers out of the market in station areas, raising concerns over whether transit improvements serve those who most need improved transit. (Immergluk, 2009; Kahn, 2007) Finally, transit-friendly built forms do not inevitably follow the implementation of transit improvements: “Build it, and they will come!” seems not to be a

viable strategy on its own. (Hurst and West, 2014; Loukaitou-Sideris and Banarjee, 2000) Transit Oriented Development (TOD) may now be a watchword of comprehensive and regional growth plans, but the visions put forward by such plans are in the hands of developers to realize – or not. Despite a large body of research on the demand for and benefits of TOD, little research to date explores how developers themselves relate to the concept. Research indicating developers often attempt to build denser, more compact projects than regulations allow suggests developers' perceptions of and motivations for pursuing TOD are important to consider (Levine and Inam, 2004).

How do transportation and transit access factor into developers' decision making? How do private developers perceive their relationships to public plans, policies and processes in pursuing TOD? When developers choose to build transit-oriented projects, what motivates them? How can planners and local governments induce more developers to make such a choice? How can we integrate TOD and affordable housing development, rather than pursuing them separately? These are crucial questions for the success of transit investments and the hopes for regional growth riding on them. They also cannot be answered by common methods in TOD research, such as travel behavior modeling and analyses of residential self-selection (Cervero, 2006a, 2007). We explore these questions in the Twin Cities region of Minneapolis-Saint Paul, Minnesota. The region is in the process of developing a regional transit system of light rail and bus rapid transit lines, intended to play a transformative role in the region's future growth. The region has identified 15 major transit corridors for

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further development by 2030. These corridors, called “transitways” in the region’s 2030 Transportation Policy Plan, are designed to offer fast, reliable, and frequent service all day, as well as an improved passenger experience both in vehicles and at stations.

The Twin Cities region as a case for studying TOD is relevant to many regions now building or contemplating fixed-guideway transit. In regions as diverse as Charlotte, North Carolina, Denver, Colorado, Houston, Texas, and Seattle, Washington, planners are wrestling with no less a task than fundamentally changing the foci and form of their regions’ future growth. In particular, the Twin Cities region is a major metropolitan area, but not a megacity on the order of New York or Chicago. Its suburbs primarily arose after World War II with an automobile-dominated growth pattern. This pattern is juxtaposed, however, against a revitalizing urban core. Finally, the region is going through a transition from a bus-only transit system designed to serve existing development and travel patterns to a system centered around a network of rail and bus rapid transit corridors intended to create new development and travel patterns.

Forming part of a transit-focused sustainable regional planning initiative, this research aims to explore the attitudes towards, and interest in TOD among private developers. The research proceeds from an underlying hypothesis that significant obstacles stand in the way of TOD in the region. Beyond that, however, TOD is a new enough phenomenon in the region (and many similar regions) to warrant a general scoping out of developers’ perceptions of TOD and the impediments to it. To that end, the authors conducted in-depth, open-ended interviews with 24 Twin Cities developers with diverse backgrounds. Interview transcripts were analyzed using content analysis techniques including word frequency and topic co-occurrence. Findings from the analyses were used to propose incentive, regulatory, and public-private partnership programs for attracting market-rate and affordable housing development near transitways.

## 2. Literature review

Although the past several decades have been marked by automobile-dominated suburban “sprawl” (Burchell et al., 2002; Ewing et al., 2003; Pendall, 2011), the concept of compact, walkable, mixed-use development served by high-quality transit is nothing new. Indeed, it is the hallmark of the numerous, traditional central-city and inner-suburban neighborhoods that grew up around first-generation streetcar lines a century ago (Gin and Sonstelie, 1992; Hess and Lombardi, 2004).

The basic principles of purposeful TOD have been understood for many years (Calthorpe and Mack, 1989; Cervero, 1984). Whatever planners’ goals in supporting TOD, consideration of developers’ goals and desires is crucial (Renne, 2009; Utter, 2009). In a nationwide survey of developers, Levine and Inam found that developers perceived an unmet market demand for TOD. They also found developers perceive development regulations requiring low-density, single-use development in most areas as a primary obstacle to implementing alternative development forms (Levine and Inam, 2004). Levine and Frank reach a similar conclusion regarding demand for compact, transit- and pedestrian-friendly development (Levine and Frank, 2007).

Cervero offers a detailed exploration of how TOD fits into the residential development market in the San Francisco Bay area. Residents of transit-oriented housing tend to be young, childless professionals working downtown or in transit-served areas. Cervero suggests allowing lower parking ratios in transit-oriented housing and location-efficient mortgages as strategies for promoting further TOD projects (Cervero, 1996). Renne points to “a nation of near-empty rail station precincts” in arguing that the

capacity exists for a dramatic expansion of TOD at a national scale, and further argues that business and real estate interests are poised for a shift from automobile-dominated suburbs to TOD on par with the dramatic metropolitan form changes of the 1950s (Renne, 2013). The Center for Transit Oriented Development (CTOD) estimates more than one in five households will desire housing in a TOD by 2025 (Dittmar et al., 2004). This trend appears to have intensified in recent years: as of 2015, the Urban Land Institute found 32% of Americans – and 39% of Millennials – listed convenient public transit as either a top or high priority in choosing where to live (Urban Land Institute, 2015).

In addition to the positive evidence of a latent market demand for TOD, empirical evidence also confirms the development impacts of premium (usually rail) transit investments (Levine and Inam, 2004). These studies often seek to quantify the impacts of transit investments on regional development patterns (Cervero, 1984, 2006a, 2006b; Cervero and Landis, 1997; Dueker and Bianco, 1999; Fan et al., 2010, 2011; Fan and Guthrie, 2012a; Fejarang, 1994; Guthrie and Fan, 2013; Landis et al., 1995; Loukaitou-Sideris and Banarjee, 2000) or the impacts of TOD projects on travel behavior (Brown and Werner, 2009; Cao and Jordan, 2009; Crowley et al., 2009; Knowles, 1996; Loukaitou-Sideris and Banarjee, 2000; Lund et al., 2004; Walters et al., 2000). In addition, TOD can play an important role in promoting location efficiency. Considering location efficiency allows for a more complete assessment of the functional accessibility of housing than traditional measured employed by the real estate sector (Jewkes and Delgadillo, 2010). More importantly, TOD allows residents to offset their housing costs (often higher than for otherwise similar housing in automobile-dominated areas) with significant transportation cost savings (Bernstein and Makarewicz, 2005). The location efficiency of TOD can be especially beneficial to low-income residents if affordable housing is included in TOD projects (Haughey and Sherriff, 2011).

Looking beyond why a regional planner might desire TOD to how that regional planner might go about promoting it, Cervero et al. identify the most common current TOD promotion strategies as overlay zones allow for higher densities, more diverse use mixes, reduced parking requirements, etc. and funding for planning, required infrastructure and ancillary improvements (Cervero et al., 2004). Considering developers’ views, Cervero, et al. found that developers generally saw TOD in a positive light, but saw obstacles to realizing it, particular with regards to financing projects; lenders see TOD as increasing complexity and risk, particularly when tied to specific transit projects or improvements. Though they were divided on the merits of reducing parking requirements in TOD’s, Cervero et al. also found developers consistently believed appropriate parking ratios in TOD projects could be better determined by market forces than regulation (Cervero et al., 2004).

Fan et al. (2012) found that the Twin Cities’ first LRT line, along with surrounding bus service changes, significantly increased employment accessibility in the region for all income groups. Tilahun and Fan (2014) conducted future oriented scenario research and found significant regional-scale accessibility benefits of the proposed 2030 Twin Cities regional transit system. Tilahun and Fan (2014) also found accessibility gains would be much greater if future housing development and/or job growth were concentrated in transit-served areas, with the greatest gains from the concentration of both. There is no guarantee, however, that TOD will follow transit investments (Goetz et al., 2010; Hurst and West, 2014; Loukaitou-Sideris and Banarjee, 2000). Indeed, regional success stories in TOD tend to be carefully nurtured by supportive public policies (Arrington, 2000; Boarnet and Compin, 1999). Our study aims to identify such supportive policies for the Twin Cities region by considering TOD and its surrounding policy environment

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