



**Urban Land
Institute**
Arizona



ULI Arizona and Maricopa Association of Governments

Sustainable Transportation and Land Use Integration Study **Public and Business Forum One Summary**

June 2, 2011





Introduction

Sustainable transportation, what does that mean to you? They are two words that can conjure many different interpretations.

To assist the Maricopa Association of Governments (MAG) in exploring the opportunities, challenges, thoughts and trends of the private business sector, and bring those concepts forward as considerations during the Sustainable Transportation and Land Use Integration Study, the Urban Land Institute Arizona District Council (ULI) brought together a panel of local experts to offer their opinion on what sustainable transportation and land use development means to them and what is needed to make this approach work in the greater Phoenix Metropolitan area.

Forum One was broken down into two components: a morning public forum attended by approximately 130 individuals representing both public and private sector interests, and an afternoon business sector focus group.

Morning Session - Presentation

To begin the morning public forum, Dena Belzer, President of Strategic Economics, gave a presentation entitled, *“Moving the Needle”: How transportation decisions can impact long-term economic competitiveness and quality of life in Metro Phoenix.* Highlights of Ms. Belzer’s presentation are provided.

Ms. Belzer offered a brief overview of the benefits derived from investing in transit. By and large, the most dramatic impacts are:

- The potential to increase land and property values near transit;
- Improved access to jobs for household of all incomes;
- Reduced infrastructure costs for cities and counties;
- Reduced transportation costs for residents;
- Improved public health due to increased walking and biking;
- Creation of a sense of community and place.

The research done by Alan E. Pisarski, author of *Commuting in America*, has shown a fundamental relationship between transit and land use. By a wide margin, the largest group of transit trips are commute trips, where as work trips account for less than 20% of the total ridership. Commuters are the key to transit’s productivity but what is it that impacts the ridership?

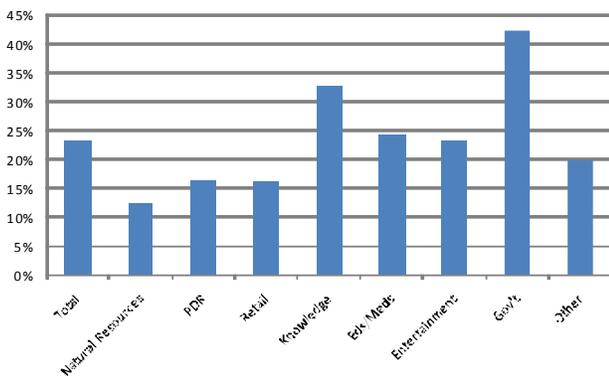
In 2011, a study done by Guerra and Cervero, tries to explain just that and compelling results surfaced. The research found that by doubling the service speed, ridership increased by 129%, whereas doubled fuel prices only increased ridership by 23%. One of the results that had a significant negative impact was the distance of the transit station from the central business district. As the distance between the locales increased by a factor of two, the ridership decreased by 45%.



This highlighted a growing problem in the United States. Nationally, due to local economics, employment has become more dispersed over the past twenty years. As businesses have moved out of core employment districts, the existing transit stops became less effective. As a result of the employment sprawl, ridership diminished.

Some Sectors Are More Likely to be Near Transit Than Others

Transit Zone Capture Rate by Sector Group, 2008



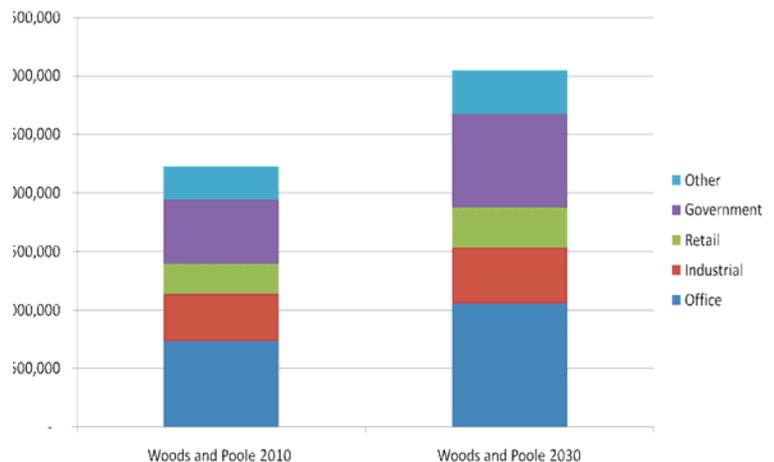
So, if employment has moved outside the central business districts, the question remains, who is riding the transit systems today? A 2008 study gave an indication as to the sectors that were utilizing the transit systems the most. The results showed that the transit zone capture rate was concentrated by the institutions that had a vested interest in the district, government and educational facilities as well as the knowledge work force that follows the two (see graph below). Contrary to popular belief, sectors like retail accounted for less than 16% of the transit areas. With that being said, why are there cities all over the U.S. building light rail today? The answer is market trends.

By 2030, three quarters of the US population are going to fit into one of three categories: empty nesters, single professionals, or young couples without children. These demographics have shown their preference by moving into developments near transit. Already today, there are 76 million Baby Boomers and 80 million Millennials; couple that with the projected employment growth in the knowledge-based sectors and increased gas prices, and the trend starts to look more like a movement.

By taking the research done by Woods and Poole in 2011 on the Metropolitan Phoenix market, certain conclusions can be drawn. The office-based employment (ie: knowledge-based sectors) comprises a significant proportion of the regional economy. Those sectors are shown to have the greatest increase over the next twenty years. As a result, the Phoenix region's population and economic structure will become increasingly supportive on Transit Oriented Development (TOD). The changing preferences for both employers and younger households also reinforce this demand. Therefore, maintaining dense employment "clusters" will be key to creating viable transit lines. To make it work, place making and pedestrian connectivity are also critical to the success of TODs and transit ridership.

By 2030, three quarters of the US population are going to fit into one of three categories: empty

Employment Forecasts by Sector



Source: Woods and Poole; Maricopa Association of Governments; Strategic Economics 2011



Dena Belzer –

“Moving the Needle”

How Transportation Decisions Can Impact Long-Term Economic Competitiveness and Quality of Life in Metro Phoenix.

- Transit: Benefits from Investing in Transit.
 - The potential to increase land and property values near transit;
 - Improved access to jobs for household of all incomes;
 - Reduced infrastructure costs for cities and counties;
 - Reduced transportation costs for residents;
 - Improved public health due to increased walking and biking;
 - Creation of a sense of community and place.

- Fundamental Relationship between Transit and Land-use.
 - By a wide margin, the largest group of transit trips are commute trips
 - Commuters are key to transit’s productivity

- What Impacts Ridership? Change in Transit Ridership as a result of Doubling Key Factors
 - Service Speed (x2) increased ridership by 129%.
 - Station area job density increased ridership by 60%.
 - Service frequency increased ridership by 54%.
 - Station area population density increased ridership by 37%
 - Fuel price increased ridership by 23%.
 - Distance from commercial business district reduced ridership by -45%.
 - Average fare decreased ridership by -33%.

- Sectors: Center of Transit Oriented Development

- Property Values as an Effect of TOD
 - Transit is not a market maker, it’s a market enhancer.

- Market Trends Driving Demand for TOD
 - 76 million Baby Boomers
 - 75-80 million Millennials
 - Projected employment growth in knowledge based sectors
 - Almost half of all households are single people
 - Increasing gas prices.



- Conclusion
 - The Phoenix Region’s Population and Economic Structure Will Become Increasingly Supportive on Transit Oriented Development
 - Changing Preferences for Both Employers and Younger Households also Reinforce This Demand
 - Proximity to Employment Centers Drives Demand for Dense Housing
 - Maintaining Dense Employment “Clusters” Will Be Key to Creating Viable Transit Lines
 - Place Making and Pedestrian Connectivity are Also Critical to Successful TOD and Transit Ridership

Morning Session – Panel Discussion

To provide MAG and the consultant team with comprehensive private sector, development community interest thoughts and perspectives to inform the study process, ULI Arizona brought together an array of top executives representing development, finance, design, commercial, and residential expertise. The thoughts, opinions and ideas shared by the private sector experts offered a solid foundation for discussion and consideration as the study moves forward.

Leading the morning panel discussion was Steve Betts, Chair of ULI Arizona. The panel of experts consisted of the Honorable Scott Smith, Mayor of the City of Mesa; David Larcher, Executive Vice President of Vestar; James Lundy, CEO of Alliance Bank; Will Bruder, world-renowned architect with Will Bruder + Partners; Wm. Timothy Sprague, Managing Member of Habitat Metro, a TOD development company; and Ellen Greenburg, Associate Principal at ARUP.

The panel proceeded in a Question and Answer format as opposed to individual presentations, allowing for greater discourse on a variety of subjects related to sustainable transportation and land use.

Steve Betts: Your thoughts on Dena Belzer’s presentation?

Mayor Smith: We treat TOD as a mystery and it’s not. Light rail development is akin to freeway development. Look at it as an opportunity to identify and develop corridors just like we do on the freeway. Planners look far ahead to where freeway alignments are. Land plans have been developed that span out ten years but that has not happened with TODs. A lot of it has to do with the location of TODs being situated within existing development. Phoenix’s light rail is already a success. We should be looking at TOD as an opportunity to plan long term.



David Larcher: How do we create density around light rail stations? How can government facilitate density? The key: real estate development is very cyclical. When the window is open in the capital markets most developers take the path of least resistance. That has led to sprawl. The government can open the doors by providing freeways, and such, but we still have to respond to the capital markets. Interestingly, on the employment graph, if you look back 15 years ago the high density employment is really where the early freeways existed 20 year ago. That being said, looking forward 30 years, now is a good time to begin incentivizing development along the new transit corridors.

James Lundy: Two things stood out to me. One, the post-WWII development of this country was built on the back of the freeway system and \$.20/gallon gas. Those days are gone. Two, Phoenix is the FIFTH largest city in the United States. We have plenty of land available [in the metro region] to continue with the current growth pattern, but the new demographic in combination with \$4/gallon fuel price are going to change everything. The government cannot afford NOT to shift to TOD. Tax-credit-based affordable housing is being done today.

Will Bruder: Density has to become a positive word. When the light rail was in design we looked at the 25 stations. We looked at the density in comparison to cities like Chicago, Brooklyn and Paris. We determined if we added 4,000 people per square mile to those locations, at a density which is significantly higher than we now have, we would grow the city by a million new residents [in the metro area] with very little impact to the surrounding area. That was very interesting. Garden living, like the Vale project in Tempe with the four-story building without elevators, is what the density in Brooklyn and Paris look like. Also, Phoenix has a great spine but, like Portland, it should be coupled with the use of an integrated, multi-modal (foot, bike, street car, etc) infrastructure. The street car can push Phoenix towards the “20-minute city” like the ones mentioned above.

Tim Sprague: We really need to think about the Millennial generation. The dream of living in a house has now been translated to them as a nightmare. To see their parents live in a house that they’ve refinanced a couple times, that now isn’t worth what they owe, they [Millennials] don’t want to get caught in a trap. They don’t want to own something. They want mobility and I think we are going to find a great deal of development around it. It needs to be done properly. They don’t want the same old standard, garden, walk-up apartment. They want something smaller, they want something that’s very efficient. There’s one thing that I thought was very interesting, it’s the challenge you’re going to have in developing TOD, retail. How are you going to make retail work? Take a look at the existing property along the light rail. There is a lot of vacant retail. The planners say, ‘This is great! Let’s have mixed-use, lets have single floor retail with residential on top, you know that’s what it’s all about.’ It maybe what’s all about in theory but as I’m looking around there’s an awful lot of vacant retail space.

Ellen Greenberg: Something struck me. The power of those components of population trends, workforce trends and nesting trends that can make the future different. I think that power is going to be particularly helpful to ULI as a growing agent of change in Arizona, and to everyone who’s working in the public arena, because we are talking about real change in people’s preferences and real change in behavior when we look at prospective sustainable transportation habits.



So we need to be able to make the case that there is a reason to believe that change will happen and the demographic trends, as well as the workplace trends, are the motor of that change. So, when we are working in what is a car-focused region it is incredibly powerful to reflect on the change of that demand. That is to say, we are going to need to provide different systems and different networks and products to meet the demand. I think that the data is going to support those findings.

Steve Betts: You were an early catalyst to bringing the light rail to Mesa. What are the lessons learned from that experience that you'd like to share with others?

Mayor Smith: You need to find what you want to accomplish. We talked a lot about walkable communities and things like that but I'm not sure that discussion raises us over the hump. City council tends to be too touchy-feely. They react to nuts-and-bolts kind of stuff and the reality is TOD is good business. It's good for the communities. Concentrate on how this benefits. Mesa's downtown development plan is completely different than it was three years ago and that is because light rail is a major component of our sales pitch. And the types of industries talking to us do so because light rail is part of that discussion. We then take that as an economic development tool and ask "What type of community do we want to create around it. What works?"

We found that when we talked in the abstract we didn't get very far but when we got down to the nuts-and-bolts, all of a sudden, people get it. They understand why an institution likes to be next to light rail. It sounds so basic but in many ways you have to talk to people like it's a freeway. Plus, you have to get the right people on board. High density takes a different type of person. You have to get people who understand high density development. Risk profile is off the chart. You need to attract the right people who are excited about TOD.

Steve Betts: Why are the factors that caused you to want to develop TODs?

Tim Sprague: First off, we saw the success of the light rail in Portland, and when we heard it was going to be a reality here in Phoenix, we began looking for a site. In looking at the Roosevelt property, there were two key elements. One, it was close to a light rail station. It was also in a neighborhood that was in a transition. People were starting to come back to the Roosevelt historic neighborhood. Things had really started to happen there and you could see the first kindling of the fires that were really the growth and the renaissance of downtown Phoenix. The other thing was we were not the first to market. The Roosevelt Square Apartments were already there. At that time, around 2003, they had already been in operation for about three years, the occupancy was ok and the rents were ok, not great. We learned some lessons there.

Keep in mind, when you come into a community with plans of higher density you are changing someone else's neighborhood. To create a symbiotic relationship among all the constituents, you must have help from the City government. One way in which the City can help the most is by creating clustered parking around the stations that can be utilized both by riders and residents.



Steve Betts: Project forward 3-5 years. What will be the challenges for financing?

James Lundy: Sprawl will continue to be a problem because capital will go where there is least resistance. Fringe building has the least amount of restrictions. The local and county governments need to make the easier route of sprawl building MORE difficult. Capital requirements for funding will be in the range of 30%-50% in the future. If local governments really want to see the shift to the urban core, as sought after by the new demographics, then they have to get with it and be more sophisticated in their ability to support good projects and their ability to make it more difficult to just go build houses in the next cotton field. To the extent that we don't do that as a community, we are going to set ourselves up for another cycle.

Steve Betts: What advice can you give to designers, city planner to help advance TOD?

Will Bruder: I can give you an example with the Vail project in Tempe. We looked at the property, and because of our naïveté, we ended up with seventeen variances required to achieve that project through the Tempe process. All seventeen of them were approved on the first go. We had almost zero citizen concern due to great public interaction, a great workshop, where we were more focused on getting the public educated on where we were and where we were going. So, we need to be more progressive as designers.

The next project was Loloma in downtown Scottsdale. No variances required at all. It was live-work, five units on the lot - maximum density, it was great. Then we had design review. It's interesting, again it's what we have to go through, and the presentation was A-plus. We got to the end of it and it was expletive – you know, "What the hell is this and how does it fit into downtown Scottsdale?" We ended up doing a bit of education here. So I asked for a work session with design review and I had two 43x44 boards with probably 350 photographs with everything from art pieces to the old plastic shop with colors and texture, reaching outside the bounds a little bit with Taliesin. We went to a 9-0 vote with conversation because we were willing to listen. So we can't say 'they won't let us, the City's not there' because everyone is willing to. The challenge to all of you as developers, as designers, as city officials is that we all work together and ask questions. This town is so ready for it!

Steve Betts: Retail – how difficult is it to do retail in TOD projects?

David Larcher: Well I think it's important to talk about what kind of retail you're talking. In general at a light rail station, retail is really a service and amenity to the neighborhood. Whether it's for convenience shopping and that sort of things, it's certainly not a driving force by and large, but it can be an integral part. Once again, it comes down to density. You must have the density within walking distance for any retail to be successful. Also, light rail, to a degree, can create boundaries. In terms of crossing that rail, it can be intimidating, whatever it may be. By and large, that's the challenge with retail.



On the other hand, I talk about density but density doesn't have to mean residential or office. A large retail project, like Scottsdale Fashion Square or Tempe Marketplace, where we have 20 million people a year, certainly light rail could be a very important supplemental component to those projects. I think that, from a planning point of view, it's important to look at existing retail as opposed to planned-for retail on the light rail. Interestingly, in San Diego we developed a power center where there was a stop for the San Diego trolley in the middle of this suburban community. The problem was, they could never get anything going at this community but they wanted some economic development – sales tax and so forth. So we developed a typical 400,000 thousand square foot anchored center with the light rail stop bisecting the site- right in the middle. We went into the project feeling that there were going to be challenges, from a developer's perspective, having this thing bifurcate the shopping center from pedestrians and traffic. The city built a park-n-ride next to the rail stop where the commuters would park everyday.

What we found was it was really a benefit. Not that the stop brought shoppers to the center, but the people who used the light rail on a daily commute would get off the light rail, before they got in their cars and go home, they would do their shopping. It ended up being a win-win situation. Coming back to what makes it work, in my opinion, would be incentives from the city and the county, in the form of fee waivers or express processing of plans. TIF financing would help spur development.

Ellen Greenberg: First, I wanted to mention that there is a newly formed organization called the California In-fill Builders Association. They are a group of builders, investors and ULI folks who are focused on TOD. The reality that you are all discussing is specific expertise. It's not going to be the same people who have been investing and building the conventional suburban development. It takes a particular interest, a particular psychological make-up if you will. They are coming together and they have a legislative agenda in California so you might want to reach out to those folks.

I just want to tie the conversation back to the MAG study as a whole because TOD is a focus of the study but it's not the only focus of the study. We are looking at sustainable transportation and land use more broadly. In respect to the conversation about TOD and the light rail investment it's worth it for everyone in the region to step back and say, 'Well, what makes this sustainable?' Again, not just for us but for all our conversations with others in the region. The thing that I think we have to continually think about is 'What are the sensible investments for the region in the public side as well as the private?' Transit has to have ridership. We have to have transit productivity in order for investment to make sense and for investments to really stimulate the kind of benefits we are talking about.

So, in this study we are going to be looking at some different land use scenarios asking 'What's the level of change? What's in place now?' so that more of the region can benefit from the transit investment. Still, we have a spread-out region and light rail is going to provide a boost in selective portions but in the bigger study we are looking at 'what are the other sustainable transportation approaches?' We see TOD as a key part in that and we should be focused on how we can capture that in the next period through 2040. The more interconnected, the more we enforce transit productivity, the bigger benefits we bring to our communities.



Morning Session – Open Questions & Answers From Audience

How will the 30 municipalities that are all competing for stadiums, community colleges, etc. Will the study address that?

Bruder: The area is known as the Valley of the Sun.

Sprague: The legislature has started multi-municipality infrastructure funding.

How do we get the necessary retail (grocery, dry cleaners and coffee shops) as part of a TOD?

Larcher: Retailers are now focusing and creating smaller in-fill site retail establishments.

Smith: Ground floor retail has failed time and time again. Retail must be grown organically over time.

TODs are affected by throughput. Portland did not build all its stations at once. Any thoughts?

Belzer: Careful balance while enhancing sustainable mobility. Density does not have to all be residential but allowing access for public mobility is key to growth or ridership and the success of light rail.

Greenberg: Alignment is key.

The general population and the legislature do not have a grasp on the TOD model. What is the one most important tool to facilitate TOD?

Smith: Tax-increment financing.

Larcher: TIF

Lundy: TIF, but it's a big political fight.

Bruder: Build case studies, not write about them. Public-Private Partnerships with tax advantages.

Sprague: TIF and entitlements; adaptively re-use existing space; general cooperation for all light rail stops.

What about bike and pedestrian trails?

Greenberg: Those facilities are an integral part of the study.



Afternoon Session – Business Sector Focus Group

Notable Quotes from the Afternoon:

"We can plan all we want. The market will dictate where development goes."

"This discussion is unique. I've never been brought in at this stage of the process. It's usually after the planning is done (that I'm brought in)."

"There are windows in the financial market. They come and go. Timing has a big impact on what gets built and what doesn't get built."

"People think developers bring growth. They don't. They locate growth."

"If you want to build higher density urban infill in this region you're going to have to change the way government thinks. All of the incentives today are in place to encourage growth on the urban fringe."

"The region needs to take a hard look at rubber tire transit options. In Chicago, the subway doesn't always get you to your final destination, a bus does."

"Four and five story infill development will work along bus rapid transit corridors just as well as it will work along light rail corridors."

Highlights – Key Concepts Discussed and Identified:

- The Millennials have a huge potential.
- As gas keeps increasing, the market will dictate what growth patterns occur.
- All the incentives are for moving to the outskirts. From a capital standpoint, city development is too restrictive. We must make it easier to build infill.
- There are no major builders focusing on the inner city.
- The major problems with infill are land assemblage and parking.
- The problem is that for a mixed-use development the developer has to have both residential and retail expertise in-house and no one developer has both skill sets.
- We are in a "tweener" time. Talk is happening to produce mixed product but action isn't there yet.
- CFD as a funding mechanism. Now with the new impact rules CFD is necessary for infrastructure but critical mass is still required.
- Density and low quality does not have to go hand-in-hand.
- The cities need to have an Urban Planning Team, made up of department heads and managers that can review and streamline the process.



- Take advantage of the Affordable Housing tax incentives for re-adaptive use.
- Development needs to truly be mixed-use not just focused on what the capital markets have in their sights.
- Federal transportation money should be able to be used to subsidize parking. Or local funds use that can be replenished by Federal dollars.
- Parking meters should be equipped with debt/credit card readers.
- 1-4 story structure TODs are in demand but zoning around light rail is high rise.
- The municipalities should provide for the open space and allow the public stormwater drainage to cover retention in high density areas.
- We need to start building on what we have.
- The connective centers should be mapped.
- The public needs to shift their thought from subsidy to responsibility in regard to funding development.
- Create a fund to make land owners whole on their land ie: subsidize land values.
- Public-Private Partnership to allow the cities to participate in the development and own a piece of the project, like the parking structure, via a ground lease.
- The bus system is broken. The routing needs to be redone. “Bad bus is worse than no bus.”
- All the public transit systems should be rebranded under one uniform concept with the use of technologies like Net-bus, which uses GPS to track bus schedules, and wireless connectivity.
- There needs to be a shift to ‘unique places’ or placemaking. Millennials are looking for something that has character. Something that is real.
- We are missing a ‘creative class’. They are the one’s that look for authentic design.



The following questions were utilized as the framework to guide the afternoon focus group:

ULI – MAG Forum One Questions for Afternoon Focus Group

Developed by Arup and Strategic Economics
June 2, 2011

1. What struck you most about the morning's discussion? What does this mean for the MAG region and your work?
2. What are the top three obstacles to building TOD in the MAG region today (along existing and planned LRT routes)
 - a. Are there obstacles related specifically to building affordable TOD?
3. What are three actions that can be taken to clear these obstacles?
4. What are the "first tier" opportunities for residential, commercial, and mixed-use TOD in the Valley (*in terms of location and product*)? What are the "second tier" opportunities?
 - a. Residential: rental, owner-occupied
 - b. Mixed Use
 - c. Commercial
5. What are the greatest opportunities for providing affordable housing around transit in the region?
6. Are there approaches from outside the region—incentives, policies, other measures—that should be explored given what you've heard today?
7. What are the implications of demographic change in the region for demand in and viability of TOD?
8. What are some of the "drivers of change" or "game changers" (e.g. continued upward trend in gas prices) outside the region's control that could significantly shift the environment for TOD?
 - a. How would developers likely respond to these?
 - b. Are there ways that MAG and the region can act now to prepare to take advantage of these possibilities
9. What activities, operations or investments can MAG sponsor to help spur TOD?
10. The study's transit productivity analysis is likely to point to the region's core as the place where high capacity transit can be most productive. How can we respond that finding, while still allowing for growth and accessibility in the fringe cities?



Acknowledgements

ULI Arizona would like to thank the talented individuals who participated in the ULI – MAG Public and Business Forum One, and represented an array of perspectives and strategic expertise.

Dena Belzer
President, Strategic Economics

James Lundy
Chief Executive Officer, Alliance Bank of Arizona

Steve Betts
Chair, ULI Arizona

Jeff Moloznik
Development Manager, RED Development

Will Bruder
Architect/Designer, Will Bruder + Partners

Scott Nelson
Assistant Vice President for Development, Macerich/Westcore

Andy Conlin
Realty Resolution Advisors

William Olson
Vice President, Hines

Ellen Greenberg
Associate Principal, Arup

Mark Singerman
Regional Director, Arizona, Rockefeller Development Group

Paul Johnson
President, Old World Communities

The Honorable Scott Smith
Mayor, City of Mesa

David Larcher
Executive Vice President, Vestar

Wm. Timothy Sprague
Owner/Founding Partner, Habitat Metro

Special Acknowledgements

ULI Arizona would like to extend special thanks to Sherief Ayoub, Principal, Emerald Contracting, for his assistance in conducting Forum One and in developing this Summary, and also T.J. Penkoff, City of Phoenix Parks and Recreation Department for his assistance with the A.E. England Building.