



NEIGHBORHOODSNow

TRANSIT-ORIENTED DEVELOPMENT IN PHILADELPHIA: Using a proven strategy to create more vibrant, livable neighborhoods.

A report outlining opportunities to create more TOD in Philadelphia and its role in supporting a stronger city economy.



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About NeighborhoodsNow

NeighborhoodsNow, a Philadelphia-based nonprofit contributes to the economic vitality of the city and region by collaborating with public and private organizations to strengthen low- and moderate-income communities. We are a catalyst using public policy work, direct revitalization programs and strategic partnerships to re-energize and rebuild neighborhoods. Our Healthy Neighborhoods Initiative focuses on stabilizing ‘middle-market’ neighborhoods through improvements in physical appearance, resident engagement and market health. Our transit-oriented development work seeks to capitalize on existing transit assets by attracting new real estate investments that benefit current and future neighborhood residents. NeighborhoodsNow is governed by a board of directors with expertise in economic development, neighborhood revitalization and policy development.

About Econsult Corporation

Econsult Corporation (www.econsult.com) was founded in Philadelphia in 1979 for the purpose of providing high quality economic research and statistical & econometric analysis in support of litigation. Today Econsult’s practice has expanded beyond litigation to include economic consulting services to assist business and public policy decision-makers. Econsult's academically distinguished consultants and affiliates combine quantitative expertise and experience with customized approaches designed to meet client's needs.

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Foreword

On behalf of Econsult Corporation, I want to thank NeighborhoodsNow for giving us the opportunity to produce this report: “Transit-Oriented Development: Using a Proven Strategy to Create More Vibrant, Livable Neighborhoods.” Whether in my capacity as a consultant, or working on the Governor’s Transportation Funding and Reform Commission or in my former role as Vice Chair of the Board of Directors of SEPTA, I have always believed that Philadelphia needs to make the most of its outstanding transit infrastructure. In many ways, transit is fundamental to the city’s urban character, which is the city’s greatest financial strength and its most distinctive characteristic. Transit-oriented development can be a powerfully effective way to capitalize on Philadelphia’s assets and to do it in a way that has the most impact on neighborhoods.

Transit-oriented development was an integral component of Philadelphia’s development in the past, and deserves to be an integral approach to our development in the future. The notion of orienting residential, retail, and recreational activities to make the most of transit access is as old as some of Philadelphia’s oldest neighborhoods. Sadly, citywide disinvestment during the second half of the 20th century, combined with funding crises at SEPTA, have resulted in little if any development near Philadelphia’s transit hubs.

However, the pieces are in place to stimulate new and exciting development around Philadelphia’s transit stops in ways that make the most of the city’s urban assets and its incredible neighborhoods. The transit infrastructure is still there, of course, and despite past funding woes, SEPTA has continued to make large investments to maintain it. Just as importantly, the funding picture for public transportation has improved considerably as a result of this year’s budget negotiations.

Philadelphia is in the midst of an extended upward trend in residential and commercial development, both in Center City as well as the neighborhoods. Existing and new residents are embracing Philadelphia’s urban renewal as a positive thing, buoyed by amenities like newly renovated parks, improved public schools and vibrant cultural options. Finally, important work is being done at the state level, to provide incentives and targeted funds to facilitate the connection between transit and development.

In short, we are at a crossroads. Can we make the most of transit infrastructure, and the access to jobs, shopping, and recreation that it provides? Can we push to orient new development to transit in such a way that good urban design and safe passageways result? Do we have the collective will to do this all for the benefit of Philadelphia’s neighborhoods and of the city as a whole?

We need to be able to answer yes to these questions. Our report concludes with action items, and it is my sincere hope that all of us will take action to make more transit-oriented development happen in Philadelphia.

*- Dick Voith
Econsult Corporation*

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Executive Summary

Making the Case for Transit-Oriented Development in Philadelphia

Transit-oriented development (TOD) may seem like a new-fangled notion, and in fact has particularly gained momentum and cachet in the past decade; but it is in fact a strategy as old as some of Philadelphia's oldest neighborhoods. Then, as now, neighborhoods became *more vibrant and livable* to the extent that new development could be oriented to transit access and to the value of the mobility it afforded. Conversely, neighborhoods have suffered in vibrancy and livability when reinvestment has been hindered or when there has been little or no coordination with transportation infrastructure.



Germantown neighborhood of Philadelphia

So it is appropriate that transit-oriented development is a major focus of NeighborhoodsNow. It is also an appropriate moment for the release of this publication, *“Transit-Oriented Development in Philadelphia: Using a Proven Strategy to Create More Vibrant, Livable Neighborhoods.”* Philadelphia has enjoyed a resurgence in

development activity in the past decade; and in parallel, the City and other key

stakeholders are bringing to the fore important discussions on related topics such as transportation funding, city planning, and neighborhood development. *The time is right* to return to a concept authentic to urban Philadelphia and to its most storied neighborhoods, that of transit-oriented development.

TOD refers to a mixed-use development in close proximity to a public transit station, which provides a community with a variety of transportation options, multiple uses in a compact setting, and pedestrian-friendly design. If done well, *TOD can confer a variety of benefits to residents and to a region:*

- A sense of place
- Economic development
- Economic equity
- Environmental stewardship
- Greater mobility
- Healthier citizens
- Increased transit ridership
- Public cost savings
- Public/private partnerships
- Public safety
- Quality of life
- Reduced congestion

This list of potential benefits is of great relevance to neighborhoods. Neighborhoods all across Philadelphia, after all, seek to be aesthetically pleasing and authentically designed; they want robust commercial growth but also multiple price points for housing; and they desire most of all an enhanced economic and social quality of life. TODs, at their best, can confer these sorts of *positives to neighborhoods* in which they are located:

- *Affordability.* Higher densities can enable a mixing of house price levels. Also and importantly, proximity to transit stops can lead to a reduction in transportation costs for working families, by reducing or even eliminating the need for a car and related expenses. Thus, connecting with TOD can produce a twofold effect on cost of living for working families.
- *Access.* For the segment of the local population that does not wish to or cannot afford to own a car, being near public transit greatly increases the pool of potential jobs that can be pursued and obtained, as well as the universe of retail outlets that can be reached and utilized. To the extent that TOD brings retail and other employment to neighborhoods, these also represent additional shopping options and job opportunities.
- *Aesthetics.* TOD can bring good urban design to previously disinvested communities. Its value for pedestrian-friendliness can also bring the necessary lighting and access to make safer previously avoided intersections.

These potential benefits represent the upside for neighborhoods of having TOD. The downside for neighborhoods of not having TOD, of course, is that disinvestment imposes higher costs on families, stifles access to employment and retail centers, and creates physical eyesores in once-prominent locations.

Infrastructurally, TOD requires *extensive rail transit service* and a *dense central core*, two conditions that regions around the nation are spending billions of dollars to create or recreate. Meanwhile, Philadelphia has both attributes in abundance. However, good TOD in Philadelphia's neighborhoods has proven elusive. In fact, where development has occurred near transit stops, it has not tapped into the benefits of transit-oriented

development and can generally be best described as merely transit-adjacent development. Even worse, there are a significant number of promising sites in which no meaningful development has occurred at all.

The hindrances to TOD in Philadelphia appear to be more systemic:

- The hollowing out of urban Philadelphia *diminished the value of access* to destinations served by transit. From a development perspective, the value of transit access has been further lessened by cheap auto travel,



Fruitvale Transit Village. Located in Oakland, CA, this 257,000 square foot transit village was built on former BART parking lots and provides 47 units of mixed-income housing, 114,000 square feet of community services (clinic, library, senior center), 40,000 square feet of retail shops and restaurants and a 150-car parking garage. The project's primary goals include reducing poverty, encouraging public/private investment, improving public safety, providing high quality housing and increasing transit ridership. Fruitvale Transit Village is considered one of the most successful inner-city TODs in the country. Citigroup invested \$27 million in construction and permanent financing for this \$100 million, mixed-use development.

regional decentralization, reduced service levels, and uncertainty resulting from the absence of dedicated funding.

- No development, let alone that oriented to transit, will take place if there is no profit to be made in developing. In fact, the City

experienced a significant 50-year pattern of *population and employment loss* after World War II.

- Although Philadelphia does not lack for viable TOD sites, its *antiquated zoning code* does not go far enough to encourage TOD.

These barriers, however discouraging, also represent opportunities to act now to stem the existence of transit-adjacent development and transit-anemic development and to stimulate the movement towards transit-oriented development. In many ways, *the time is right for transit-oriented development in Philadelphia:*

- There is a distinct increase in the quality and quantity of conversations at the highest levels over the important subject of *dedicated funding for public transportation*, coupled with the recent multiyear funding commitment by the Commonwealth of Pennsylvania for SEPTA.
- The City is no longer bleeding residents and jobs, and in fact, thanks in part to a citywide ten-year tax abatement on new construction and significant renovation, there has been a notable *increase in residential and commercial development*.
- There has been much discussion recently over the updating and *reforming of the City's zoning code*, and many groups are particularly urging the City Planning Commission to spearhead a more aggressive and coordinated agenda to zone key transit-proximate sites to encourage TOD.

Transit Service and Its Impact on Development

As much as public transit in Philadelphia is disdained in the media and on the street, it is unmistakably a core asset for the City. It could become a key advantage in an increasingly competitive regional, national, and global economy. The continuing suburbanization of jobs, houses, and retail only underscores this reality: *Philadelphia's edge lies in its urbanness*. From this perspective, the City's vast transit infrastructure is an asset around which to build, literally, rather than a liability to starve or avoid.



West Philadelphia neighborhood

Many of Philadelphia's neighborhoods grew up around transit and railroad lines. In fact, much of the real estate development in the first half of the 20th century was undertaken jointly with transit development. Before the predominance of the car, private incentives were well aligned for TOD; with the advent of the car, that link has been broken. Highways are developed and financed independently of residential and commercial development, and as there is no single entity that has the incentive or authority to undertake TOD, there is *no easy coordination between land use, transportation planning, and private development*. Further, as the region has decentralized, more and more areas are not accessible except by car.

In evaluating sites for TOD, one must consider *the value of the site's nearby transportation*

services. The extent to which transit offers real value to residents and businesses in a TOD will determine the profitability and therefore the viability of its realization. After all, developers engage in a TOD when they can expect a sufficient return for their efforts. Developer's profits, in turn, depend on the extent to which households and firms are willing to locate in the TOD.

The price that the site commands, then, will increase if the transit service is perceived as having long-term value, value that people and businesses are willing to pay for to be in close proximity, and value that is determined in part by the following considerations:

- *The long-term certainty of the service.* The prospect of insufficient funds has frequently resulted in SEPTA proposing to cut or end services and/or raise fares. The significant uncertainty regarding the frequency, cost, and very existence of SEPTA services is a major impediment to successful TOD. Conversely, positive developments, such as the State's recent multi-year commitment of funding to SEPTA, are positively accounted for in the decisions of people and organizations that depend on transit.
- *The number and desirability of destinations.* An important aspect of the value derived from proximity to a rail station is the access afforded by that station. For example, of the considerable evidence demonstrating that people are willing to pay more to live near transit stops, it has been proven that much of the value conferred is as a result of access to employment centers. *Access to employment centers is of huge consequence to neighborhoods*, particularly low- to moderate-income ones. To the extent that car ownership percentages are low, access for such neighborhoods to employment centers via public transit is the difference between a relatively small

universe of job opportunities and a much larger, more promising universe.

- *The frequency of service and integration with other services.* High frequency routes, wide spans of hours of operation, and service integration, all increase the comfort level riders have about the transit system and thus the value developers can derive from locating new uses in close proximity to its stations.
- *The importance of service amenities.* Riding transit can be made to be a more enjoyable means of traveling, since riders do not get stuck in traffic, they can concentrate on their work or on a good book, and do not have to worry



SEPTA's Market East Regional Rail Station

about the cost or hassle of parking once they have arrived at their destination. The stations themselves could be sources of value enhancement, to the extent that they adhere to the TOD principle of being aesthetically pleasing, friendly to pedestrian access, and authentic to their particular place. Well-lit and well-greened transit stations could *reduce crime, noise, and pollution*, three important potential factors that otherwise could confer negative value on transit-proximate sites.

- *How automobile access integrates with TOD.* Successful TODs are able to balance the need for cars with the need for

density, and are designed in such a way to extract the value of good automobile access without that accessibility rendering the transit service less valuable. At the very least, parking structures could be designed to enhance the pedestrian experience, by including retail or other visually appealing uses at the street level.

Barriers to Transit-Oriented Development in Philadelphia

Construction costs in Philadelphia are significantly higher than those in the surrounding suburbs, making it expensive to supply Philadelphia with TOD.

Furthermore, decentralization of residential, employment, and retail centers has resulted in a significant loss of population, jobs, and shopping activity in Philadelphia.

The fact that the impacts of this decline in population and jobs were not felt equally across the city is even worse for the existence of TOD in Philadelphia. Typically, the oldest, most obsolete development is abandoned first. In Philadelphia's case, this meant that the oldest communities that developed along the major transit lines were the most adversely affected. Thus, *instead of TOD-friendly sites attracting more development, they experienced more disinvestment.*

Structural Hurdles

- Site assembly with multiple small and/or odd-sized lots
- Demolition and environmental clean-up costs
- Union costs – rates and work rule changes required

Governmental Hurdles

- Time consuming and uncertain zoning permitting and entitled processes
- Regulatory requirements with excessive costs

- Lack of government promotion of TOD
- Outdated and excessively restricted zoning
- SEPTA's regulatory and monetary constraints in advocating for TOD
- Need for public subsidy

Therefore, all things being equal, developers will tend to gravitate towards developing in the suburbs rather than in the city. The City could change that equation and *make development in the city more desirable* in terms of amenities, and/or by lowering the cost to develop in the city.

Thus, for example, the continuation of the ten-year property tax abatement is vital to continuing to make development economically feasible in the city. Other citywide policy decisions, such as reducing the wage tax and Business Privilege tax, improve the viability of TOD by making access to Center City and its retail and employment locations all the more valuable.

Finally, the City could work with SEPTA to shore up its uncertain funding base. There is very little contribution to transit services at the local level, and this translates into *a lack of focus on transit at the local level and a lack of coordination between SEPTA and the City around transit and development.* This lack of collaborative mindset has resulted in major investments in transit infrastructure, such as the rebuilding of the elevated portion of the Market Frankford Line (MFL) in West Philadelphia, with virtually no consideration of TOD surrounding its station areas.

TOD, with its focus on transit access, good urban design, and multiple housing price points, could be an effective mechanism by which previously disinvested locations, such as those around MFL stations in West Philadelphia and Broad Street Line (BSL) stations in North Philadelphia and South Philadelphia, could be rejuvenated in ways that are aesthetically pleasing and that produce lively, mixed-income settings. Other opportunities exist in communities



TOD opportunity at Broad and Spring Garden Streets

served by the Regional Rail and bus transit service. Thus, such an uncoordinated effort as what has taken place with the reconstruction of the elevated portion of the MFL in West Philadelphia represents a huge loss in opportunity to consider approaches that foster healthy and vibrant neighborhoods and that encourage development that fully capitalizes on the transit resource that the MFL represents to the City.

Solutions That Encourage More Transit-Oriented Development

There are three key steps that the City of Philadelphia and SEPTA must take to make transit-oriented development (TOD) a reality:

Creation of transit-oriented zoning overlays for neighborhood TODs and regional TODs. In order to encourage and facilitate TOD, the City could create zoning overlays appropriate for neighborhoods near transit stations.

- For station areas in Philadelphia that are appropriate for residential *neighborhood TODs*, the zoning rules could include parking maximums, higher residential density allowances, facilities for pedestrian access, neighborhood-oriented mixed-use development and transit inter-connections. Such mechanisms could

help ensure that development activity results in affordable housing, safe passageways, good urban design, and other positive outcomes for neighborhoods.

- Zoning overlays could also be used to stimulate *regional TODs*, where existing transit services make the station area accessible to a wide area of the region by transit. These overlays can attempt to spur development by increasing allowed densities. The developments can be multimodal in nature, providing good auto access as well as transit access. Zoning overlays could ensure, however, that parking does not interfere or detract from transit access.

Transit Revitalization Investment Districts (TRIDs). The Transit Revitalization Investment District Act was enacted in 2004 by the Commonwealth of Pennsylvania to enable local governments and transit authorities to create TRIDs. TRIDs enable municipal governments and transit authorities to more closely coordinate transportation infrastructure, land use, and private development. Both the City and SEPTA have much to gain from the aggressive pursuit of TRID as a means to creating more TOD:

- The enabling mechanism of *value capture*, whether through tax increment financing or other avenues, means that TOD-related development and amenities could be funded with no negative impact on the City budget, but rather by taking a portion of future property tax increases that will materialize around the site as a result of the new enhancements. A typical value capture at a neighborhood level might, for example, generate anywhere from two to four million dollars upfront, which could be used for infrastructure improvements and paid off over time with the incremental increase in property tax revenues that result from

higher property values in and around the TOD.

- As for SEPTA, it has already been discussed that TOD could equate to *increased ridership*; TRIDs are an effective way for SEPTA to work with the City towards that end.

Developing a priority list of TOD sites. In addition to an overall, citywide TOD strategy, the City could develop a priority list of TOD sites, and mobilize funding, leadership, and administrative efforts



Temple University SEPTA Station

towards developing such sites, in order to achieve early success and build momentum for even more aggressive and comprehensive action. Specifically, all possible sites could be identified and then classified by demand and by use. Perhaps early successes will provide lessons for stakeholders to warm to the potential of TOD to rejuvenate other locations around the city. Not insignificantly, TOD is somewhat fuzzy to grasp on paper but distinctly clear to all when built out, so quick wins are not only useful for building momentum but also for creating images around which more and more supporters could rally. In parallel, City funds could be identified and allocated towards this effort, which would further stimulate additional private sector attention and investment.

- In the long-term, *all MFL and BSL stops could be considered for TOD*; after all, these very areas were once major residential and retail centers, during the first half of the 20th century, when such uses truly were transit-oriented. Such an orientation to transit use has a deep lineage in Philadelphia, and is a major reason for the remarkable socio-economic diversity of its neighborhoods. It is inspiring to think that sites that once thrived because high density and transit access were considered assets, and then deteriorated because those same characteristics were deemed liabilities, could now be evaluated anew as promising places for development.
- The need for early successes from which to build leads us to suggest that a few attractive sites should be targeted for immediate action. We agree with NeighborhoodsNow's focus on the *46th and Market* and the *Temple University* sites, as they represent highly attractive, high-density locations primed for early TOD success. Importantly, both sites represent opportunities to organize existing positive momentum around private development towards ends that ensure a healthy evolution to mixed-use, mixed-income communities that are transit-oriented and aesthetically pleasing.
- Other locations, particularly the *Wayne Junction* station, the *North Philadelphia* station, and the *Broad and Girard* station exhibit characteristics conducive to TOD, as do other subway, bus, and rail stops.

Recommendations for Stakeholders

Transit-oriented development (TOD) is, like all real estate development, a collaborative exercise. Thus, it is important that all stakeholders work collectively to pursue both

individual TOD sites as well as an overall environment that is more conducive to TOD. Several nonprofits including the Pennsylvania Environmental Council, the Economy League of Greater Philadelphia, and PennTrans are contributing to elevating the significance of public transportation. The following stakeholders are critical to ensuring successful TOD:

- *The City of Philadelphia.* The City should pursue an aggressive implementation of *TRIDs* and of *TOD zoning overlays*, as well as of *value capture mechanisms* to generate funds to support reinvestment, and *affordable housing initiatives* that induce a greater mixing of house price levels. City funds could be identified and allocated, further stimulating additional private sector attention and investment. Accompanied by *reduced development costs* (via the continued property tax abatement on new development) and *reduced administrative costs* (via unified TOD checklists and inter-agency orientations), these measures help create *an environment friendly to development* and especially to TOD.
- *The Commonwealth of Pennsylvania.* The *TRID Act* is a great start and the Commonwealth resources it commits could be appropriately expended; the Commonwealth could also work with the City to identify *dedicated funding sources for transit*, thus reducing uncertainties around service levels, as well as additional *public subsidies in support of TOD*. The Commonwealth's recent commitment to funding SEPTA is also a huge step towards fully capturing the value of transit proximity, and thus represents positive momentum upon which to build.
- *SEPTA.* The TRID Act provides SEPTA with greater flexibility to consider *collaborations with the City*, as well as operational objectives that more closely *coordinate land use and development opportunity with transportation infrastructure*; SEPTA could also *build TOD plans into all major infrastructure investments*.
- *Developers.* If the public sector is stepping forward with incentives to encourage TOD, private and non-profit developers need to step forward with proposals that deliver the intended results: *mixed-income, pedestrian-friendly, and aesthetically pleasing developments*.
- *Institutional Anchors.* Institutional anchors including universities and hospitals could enter into dialogues with the City and SEPTA, such that issues of mobility, parking and pedestrian friendliness are incorporated into their development plans.
- *Neighborhood Groups.* Neighborhood groups could take advantage of their strong community voice and demand not no TOD or any TOD, but TOD that helps lead to more vibrant, livable neighborhoods; they could also sell residents and policymakers alike on the merits of TOD by *championing small-scale examples of successful TODs* that have been brought into existence by the efforts of local CDCs.
- *Delaware Valley Regional Planning Commission (DVRPC).* The big-picture perspective of metropolitan planning organizations (MPOs) comes in handy as TOD initiatives intersect with regional issues of land use, transportation policy, and environmental stewardship. Accordingly, DVRPC could advocate for more dedicated and secure sources of funding for SEPTA, and could continue to make TOD a priority in its funding allocation process, thus using its influence in setting land use to encourage private development that is oriented to transit and that adheres to TOD principles.

Chapter One

Making the Case for Transit-Oriented Development in Philadelphia

Transit-oriented development (TOD) may seem like a new-fangled notion, and in fact has particularly gained momentum and cachet in the past decade; but it is in fact a strategy as old as some of Philadelphia's oldest neighborhoods. Then, as now, neighborhoods became *more vibrant and livable* to the extent that new development could be oriented to transit access and to the value of the mobility it afforded. Conversely, neighborhoods have suffered in vibrancy and livability when reinvestment has been hindered or when there has been little or no coordination with transportation infrastructure.

So it is appropriate that transit-oriented development is a major focus of NeighborhoodsNow. It is also an appropriate moment for the release of this publication, "*Transit-Oriented Development in Philadelphia: Using a Proven Strategy to Create More Vibrant, Livable Neighborhoods.*" Philadelphia has enjoyed a resurgence in development activity in the past decade; and in parallel, the City and other key stakeholders are bringing to the fore important discussions on related topics such as transportation funding, city planning, and neighborhood development. The time is right to return to a concept authentic to urban Philadelphia and to its most storied neighborhoods, that of transit-oriented development.

What is Transit-Oriented Development?

While there is not yet a universally accepted definition of TOD in the US, most experts would agree that it refers to a mixed-use development in close proximity to a public transit station, which provides a community with a variety of transportation options, multiple uses in a compact setting, and pedestrian-friendly design. Recent examples in the Philadelphia region include Frankford (Market-Frankford Line) and Cecil B. Moore (Broad Street Line),¹ while a recent publication profiled successful TODs in Dorchester, Massachusetts; Washington, DC; and Decatur, Georgia.²

Defining TOD

Reconnecting America's program, The Center for Transit-Oriented Development, uses the following definition: "Transit-oriented development is often defined as higher-density mixed-use development within walking distance – or a half mile – of transit stations. We use a performance-based definition, and believe that projects should also:

- Increase 'location efficiency' so people can walk and bike and take transit
- Boost transit ridership and minimize traffic
- Provide a rich mix of housing, shopping and transportation choices
- Generate revenue for the public and private sectors and provide value for both new and existing residents
- Create a sense of place

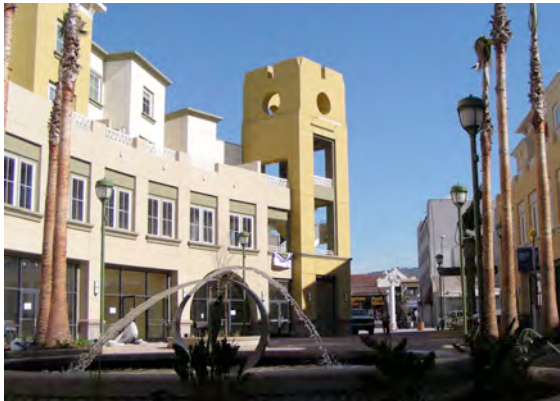
We believe that TOD is really about creating attractive, walkable, sustainable communities that allow residents to have housing and transportation choices and to live convenient, affordable, pleasant lives – with places for our kids to play and for our parents to grow old comfortably."

If done well, TOD can confer a variety of benefits to residents and to a region:

¹ Pennsylvania Environmental Council, SEPTA.

² "Preserving and Promoting Diverse Transit-Oriented Neighborhoods," Center for Transit-Oriented Development (December 2006).

- *A sense of place.* In contrast to the sameness of blandness of many suburban developments, TOD values the physical form, and its designs seek to be visually appealing and authentic to a particular community.



Fruitvale Transit Village, Oakland, CA

- *Economic development.* Retail and other commercial development catalyzed by TOD can result in job creation, commercial growth, and tax revenues.
- *Economic equity.* By making available housing at different price points, all within walking distance to public transportation, TOD can truly create mixed-income communities and address affordable housing concerns.
- *Environmental stewardship.* The high-density approach of TOD means greater recapture of brownfields, increased preservation of open spaces, and fewer resources wasted in providing infrastructure to far-flung developments.
- *Greater mobility across all generations.* Proximity to transit means more social and vocational options for teens, boomers, and the elderly, in comparison to more car-oriented suburban developments.

- *Healthier citizens.* TOD encourages residents to get out of their cars and make at least part of the trip from point A to point B by walking or biking.
- *Increased transit ridership.* Co-locating residential, retail, and office uses near transit gets more people out of their cars and onto public transportation, spreading out the fixed costs of transit infrastructure over more users.
- *Public cost savings.* Aggregating development in a compact fashion means governments need not stretch out their sewer, water, and other infrastructures in costly ways.
- *Public/private partnerships.* Because it promises profits for private developers, quality-of-life gains for residents, and property tax revenue increases for municipalities, TOD can be a meeting point for dynamic alliances between the public and private sectors.
- *Public safety.* The re-orienting of transit stops to facilitate pedestrian access can achieve great gains in the perception of safety, both for users of the stop and for residents and workers near it.
- *Quality of life.* Residents, now given central locations to congregate and interact, can build a richer sense of connectedness that is not often found in isolated, car-centric suburbs.
- *Reduced congestion.* Moving people towards greater public transit use takes cars off the road, reducing pollution costs, highway wear and tear, and time lost while stuck in traffic.

The Payoff for Neighborhoods

While we will distinguish later between regional TODs and neighborhood TODs, and between the more expansive versus the more localized advantages of TOD, it is important to note here that this list of potential benefits is of great relevance to neighborhoods. Neighborhoods all across Philadelphia, after all, seek to be aesthetically pleasing and authentically designed; they want robust commercial growth but also multiple price points for housing; and they desire most of all an enhanced economic and social quality of life.



Both photos: Mt. Airy neighborhood of Philadelphia

TODs at their best can confer these and other *positives to neighborhoods* in which they are located. A neighborhood-framed review of the above list of benefits would yield the following main payoffs at the neighborhood level:

- *Affordability.* Higher densities can enable a mixing of house price levels. Also and importantly, proximity to transit stops can lead to a reduction in transportation costs for working families, by reducing or even eliminating the need for a car and related expenses.³ Thus, connecting

³ The Center for Housing Policy contends that affordable housing measures must also account for transportation costs, with access to public transit being

inclusionary zoning programs with TOD can produce a twofold effect on cost of living for working families.

- *Access.* For the segment of the local population that cannot afford or does not desire to own a car, being near public transit greatly increases the pool of potential jobs that can be pursued and obtained, as well as the universe of retail outlets that can be reached and utilized. To the extent that TOD brings retail and other employment to neighborhoods, these also represent additional shopping options and job opportunities.
- *Aesthetics.* TOD can bring good urban design to previously disinvested



communities. Its value for pedestrian-friendliness can also bring the necessary lighting and access to make previously avoided intersections safer.

These potential benefits represent the upside for neighborhoods of having TOD. The downside for neighborhoods of not having TOD, of course, is that disinvestment imposes higher costs on families, stifles

one significant way to ease the cost burden for low- to moderate-income families. "The Combined Housing and Transportation Burdens of Working Families," Center for Housing Policy (October 2006).

access to employment and retail centers, and creates physical eyesores in once-prominent locations.

Transit-Oriented – Not Transit-Adjacent or Transit-Anemic

TOD is not a new-fangled notion but actually dates back to the original streetcar suburbs of the late 19th century and early 20th century, although such clustering of jobs and homes around rail stops is often more correctly referred to as “*development-oriented transit*,” since developers built transit around existing uses rather than vice versa. These original locations are often the very sites that hold the most promise for modern-day TOD. However, general disinvestment in older urban corridors, combined with fragmented or no planning, has resulted not in TOD but in what we refer to as “*transit-anemic development*,” represented by crumbling infrastructure and minimal active use.

This clustering of residential and commercial districts near streetcar stops was followed by a more car-driven land use pattern after World War II, as heavy investment in roads and highways greatly accelerated Americans’ reliance on the automobile. During this time, what little public transportation that remained focused on buses, which of course used the same streets and added even more traffic congestion. Thus, any public transit initiatives put forth during this period tended to focus on relieving congestion, and were not connected to any sort of comprehensive or strategic development of land. We consider this “*transit-adjacent development*,” facilitating auto-oriented access and not fully capitalizing on the benefits of proximity to transit and the increased mobility it affords.

Within the last ten years or so, conversations about transit and land use began to re-emerge, as federal legislation started to level the playing field for public transit versus

highways, and as developers realized that closer proximity to transit stops could increase land value. At this point, the full-range of TOD-related benefits had not yet been considered, so transit projects were considered solely on the basis of increased financial value, not for how they could synergistically and aesthetically interact with adjacent development.

This sort of development, often referred to as “*transit-related development*,” is now giving way to a broader approach, coined “*transit-oriented development*” by industry godfather Peter Calthorpe, a Berkeley architect and planner who envisioned TOD as an important aspect and manifestation of a growing “New Urbanist” movement in the US. Far from being just about dollars and cents, Calthorpe advocated for TOD as a way to restore identity, texture, and beauty to neighborhoods. Meanwhile, other advocates were beginning to formulate their own economic cost-benefit cases in favor of TOD, seeing it as not just marginal improvements tacked onto existing approaches but as a completely new and more holistic paradigm of development.⁴

Infrastructural Prerequisites for Transit-Oriented Development

There are two infrastructural prerequisites to doing TOD well and accruing its many potential benefits:

1. *Extensive rail transit service.* TOD is typically near a rail station, not only because such facilities provide transportation access, but because they represent a long-term, fixed infrastructure commitment.
2. *Dense central core.* Dense central cores enhance the attractiveness of a

⁴ “Transit-Oriented Development: Moving from Rhetoric to Reality,” Brookings Institution (June 2002).

TOD because they provide a major destination where automobiles are not required.

Across the nation, regions are spending billions of dollars to create or recreate these two conditions. For example, Denver, Phoenix, and Seattle have invested billions of public dollars into building transit lines; while older cities like Chicago and Washington, DC have seeded major mixed-use initiatives to generate new foot traffic in struggling neighborhoods around social services, arts and culture, and retail. In all of these cases, the hoped-for return on such public investments is clear: higher property tax revenues resulting from the enhanced property value of locations that have experienced greater private reinvestment and more public amenities from TOD.

Meanwhile, as other cities expend massive public funds to achieve the rail infrastructure and physical density necessary to achieve such a return, *Philadelphia has both attributes in abundance*. Philadelphia is one of five metropolitan areas that have more than 200 stations and are thus classified as having “extensive systems.”⁵ Its dense, easily walkable downtown, which is heavily served by public transit, suggests to some that all of Center City Philadelphia is one big TOD. In addition, Philadelphia has enjoyed success in creating what we will consider “regional TODs,” such as the Gallery Mall at Market East, the Cira Centre at 30th Street Station, and the soon-to-be-completed One Pennsylvania Plaza near Suburban Station.

However, in recent years, *good TOD in Philadelphia’s neighborhoods has proven elusive*. In fact, where development has occurred near transit stops, it has not tapped into the benefits of transit-oriented development and can generally be best described as merely transit-adjacent development. Even worse,

there are a significant number of promising sites in which no meaningful development has occurred at all.

The Time is Right for Transit-Oriented Development in Philadelphia

As mentioned above, some of Philadelphia’s oldest and most storied neighborhoods were early examples of TOD success; while more recent successes in TOD have tended to be more regionally-oriented sites, such as the Cira Centre in University City. It is possible *we are at the cusp of yet another set of successes*, this time again at the neighborhood level, based on the promise of up-and-coming developments, particularly at 46th and Market Streets in West Philadelphia and at the Temple University Regional Rail station in North Philadelphia.

Nevertheless, such promising developments are still too few and far behind. Where Philadelphia has fallen short in catalyzing TOD, it has not been because of a lack of the requisite physical infrastructure. Rather, *the hindrances in Philadelphia appear to be more systemic*. Consider three necessary ingredients for TOD to take root:

1. There must be a perception of *added value from transit services*. The hollowing out of urban Philadelphia diminished the value of access to destinations served by transit. From a development perspective, the value of transit access has been further lessened by cheap auto travel, regional decentralization, reduced service levels, and uncertainty resulting from the absence of dedicated funding.
2. There must exist a potential for *profitable development*. No development, let alone that oriented to transit, will take place if there is no profit to be made in developing.

⁵ “Preserving and Promoting Diverse Transit-Oriented Neighborhoods,” Center for Transit-Oriented Development (December 2006).

In fact, the city experienced a significant 50-year pattern of population and employment loss after World War II.

3. Available sites, and *TOD-friendly zoning* at such sites. Although Philadelphia does not lack for viable TOD sites, its antiquated zoning code does not go far enough to encourage TOD.

These barriers, however discouraging, also represent opportunities to act now to stem the existence of transit-adjacent development and transit-anemic development and to stimulate the movement towards transit-oriented development. In many cases, *the time is right for transit-oriented development in Philadelphia:*

1. *Transit funding and use.* There is a distinct increase in the quality and quantity of conversations at the highest levels over the important subject of dedicated funding for public transportation. A recent multi-year funding commitment by the Commonwealth of Pennsylvania means that for the first time in its history, SEPTA anticipates adequate and stable funding for the foreseeable future, opening its window to a more long-term perspective.
2. *Development is taking place in Philadelphia.* The city is no longer bleeding residents and jobs, and in fact, thanks in large part to a citywide ten-year property tax abatement on new construction and significant renovation, there has been a notable increase in residential and commercial development. While it is impossible to predict what the future will hold, especially in light of the current pullback in residential real estate, it is safe to say that the past few years have seen a commendable reversal of a decades-long disinvestment.

3. *TOD zones.* There has been much discussion recently over the updating and reforming of the City's zoning code. Many groups are particularly urging the City Planning Commission to spearhead a more aggressive and coordinated agenda to zone key transit-proximate sites to encourage TOD.

We will discuss each of these points in further detail in the sections to follow, beginning with the importance of transit service, followed by TOD from a development standpoint, and concluding with implementable solutions. We close our report with some specific recommendations for key stakeholders. For while the time is right for transit-oriented development in Philadelphia, actual success will come only from the actions of specific players and of all entities working in concert.

Chapter Two

Transit Service and Its Impact on Development

As much as public transit in Philadelphia is pilloried in the media and on the street, it is unmistakably a core asset for the City and one on which its residents and workers rely heavily (see below). If properly managed, it can become a key advantage in an increasingly competitive regional, national, and global economy. The continuing suburbanization of jobs, houses, and retail only underscores this reality: *Philadelphia's edge lies in its urbanness*. From this perspective, the City's vast transit infrastructure is an asset around which to build, literally, rather than a liability to starve or avoid.

2006 SEPTA Ridership, Selected Lines

All City Transit bus lines	146.7 M
Market-Frankford Line	52.2 M
Broad Street Line	33.5 M
All Subway Surface lines	19.1 M
All Regional Rail lines	28.6 M

Source: SEPTA (2007)

Transit and Development

Many of Philadelphia's neighborhoods, and some of its older suburbs, grew up around transit and railroad lines. In fact, much of the real estate development in the first half of the 20th century was undertaken jointly with transit development, often by the same entity. Before the predominance of the car,

private incentives were well aligned for transit-oriented development (TOD).

With the advent of the car, that link has been broken. Highways are developed and financed independently of residential and commercial development, and our primary transit provider was previously prohibited from being directly involved in TOD.⁶ Thus, there is no single entity that has the incentive or authority to undertake TOD, *no easy coordination between land use, transportation planning, and private development*.

Since the time that most of the transit system was put into place, we have invested heavily in roads and cars, with the net result that the region has spread out tremendously, in most cases in places and with densities that are not amenable to transit access (see below). As the region has decentralized, more and more areas are not accessible except by car. This means that households need to own more cars, and that the value of the region's transit system is diminished as a general mobility tool.

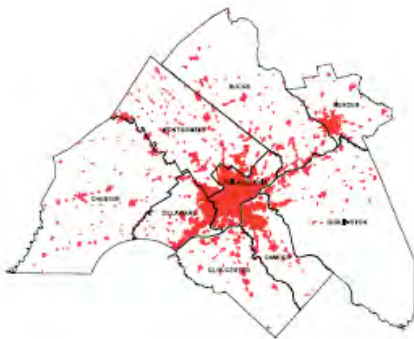
As the region decentralized, the transit system increasingly became stretched beyond its resources as it tried to provide at least minimal transit services to increasingly far-flung suburban areas, despite no significant growth in resources. To provide service to the spreading region, SEPTA reallocated resources by reducing frequency on core urban routes while creating new suburban routes. In addition, in an attempt to be more competitive on long distance regional rail routes, SEPTA eliminated urban stations and reduced frequency on many of the remaining urban stops. Thus,

⁶ This barrier appears to be on its way to being removed, as the Pennsylvania State Legislature recently passed the Transit Revitalization Investment District (TRID) Act. This act authorizes state public transportation agencies to work with counties, local governments, transportation authorities, the private sector, and Amtrak to create and designate Transit Revitalization Investment Districts (TRIDs). TRIDs are discussed in further detail later in the report.

the process of decentralization has tended to reduce the value of transit service in urban areas.

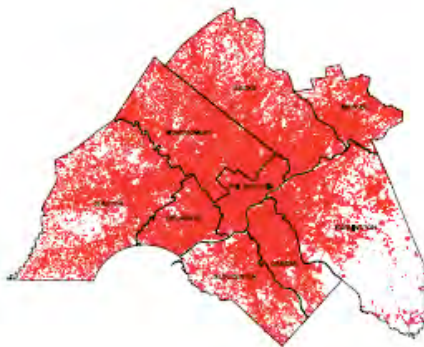
Philadelphia Metropolitan Development: 1930 - 2000

1930



3,324,183 people
221,936 acres developed
9% of region developed*

2000



5,387,407 people
920,200 acres developed
38% of region developed*

Source: DVRPC: "2030 Report"

It may seem obvious but it is all too often overlooked: in evaluating sites for TOD, one must consider *the value of the site's nearby transportation services*. The extent to which transit offers real value to residents and businesses in a TOD – that will determine the profitability and therefore the viability of its realization. After all, developers engage in a TOD when they can expect a sufficient return for their efforts. Developer's profits, in turn, depend on the extent to which households and firms are willing to locate in the TOD.

The price that the site commands, then, will increase if the transit service is perceived as having long-term value, value that people and businesses are willing to pay for to be in close proximity. In unpacking this concept, we will discuss the following considerations:

- The long term certainty of the service
- The number and desirability of destinations
- The frequency of service and integration with other services
- The importance of service amenities
- How automobile access integrates with TOD

The Long Term Certainty of Transit Service

Transit-oriented development (TOD) is generally considered most appropriate around fixed-rail facilities, in part because these facilities represent significant, immovable infrastructure with very long lives. In general, it is believed that once a community bears the high fixed cost of rail investments, it will continue to bear the marginal cost of providing service. Thus, in contrast to bus stops, there is greater assurance that the value conferred by the

transit service will be a long-term proposition.

Still, the existence of infrastructure does not guarantee the quality or even continuation of service. Notably, as will be discussed below, in Philadelphia, the lack of good TOD activity in the region can likely be traced to *uncertainties in quality and in service levels as a result of ongoing budget shortfalls*.



Market East SEPTA Regional Rail Station

Since its inception in 1964 from a conglomeration of failing private transit providers, SEPTA has lurched from budget crisis to budget crisis, each with a resulting effect on the long term certainty of part or all of its system:⁷

- There were significant reductions in rail services in the early years, including the Newark and Pottstown lines.
- There have been eliminations and downgrades of service to Regional Rail lines and service in the city, including, for example, the off-peak

⁷ We do not count periodic service disruptions arising from infrastructure reinvestment. While they can greatly inconvenience riders as well as neighboring residents and businesses, if managed well they can and should have a positive and long-term impact on a location's value and its desirability as a TOD site, to the extent that they represent investments in delivering better and more stable transit service.

and weekend service on the Chestnut Hill West route being cut by half.

- Numerous stations have either seen their service eliminated, downgraded, or threatened with closure.⁸
- The Market-Frankford Line and Broad Street Line have also been periodically reduced due to budgetary issues.
- There have been extended service disruptions for strikes (108 days on Regional Rail in 1983, and 40 days on buses, subways, and trolleys in 1998).

Perhaps even more important than the slow downward trend in the level of SEPTA's rail services within the City of Philadelphia is the periodic threat of drastic service reductions in response to budgetary crises. The prospect of insufficient funds has almost every year led SEPTA to state its inability to predict if it will have to cut or end services



SEPTA Regional Rail train

and/or hike fares. Conversely, positive developments, such as the State's recent multi-year commitment of funding to SEPTA, are positively accounted for in the decisions of people and organizations that depend on transit.

⁸ The reasons for these closures or threatened closures ranged from low use to attempts to speed up service by eliminating interim stops to budgetary savings.

Fundamentally, *TOD is based on the long-term viability of transit service.* Therefore, the significant uncertainty regarding the frequency, cost, and very existence of SEPTA services is a major impediment to successful TOD. To the extent that developers have perceived this very real uncertainty for a number of years in a row, they will be accordingly discouraged to pursue projects that depend on monetizing peoples' perceived value of proximity to transit.

The Number and Desirability of Destinations

An important aspect of the value derived from proximity to a rail station is the access afforded by that station, i.e., where one can get to from the rail stop. If a rail station has trains that go to multiple destinations, or if there are convenient connections from one transit service to another, the transportation advantages of the station are greater than if the travel opportunities are basically limited to stations along the one line, all other things being equal.

Many, but not all, of the Regional Rail stations in the city essentially provide convenient service only to other stations along a single line. This means that most neighborhood regional rail services are oriented to providing commuter service to the central core of the city, including Temple, Market East Station, Suburban Station, 30th Street Station and University City. Their value as transit-oriented development (TOD) areas are thusly limited to residential and neighborhood service retail development.⁹

⁹ Regional Rail service, unlike buses, subways, and trolleys, is too infrequent to transfer to or from another trip, whether a bus, subway, trolley, or another Regional Rail line. Instead, riders time their arrival to Regional Rail stations based on a schedule, and thus their use of Regional Rail is limited to that trip's starting and ending point.

In contrast to most of the Regional Rail stations, stops along the Market-Frankford Line (MFL) and Broad Street Line (BSL), as well as a limited number of Regional Rail stations, provide *access to a wide variety of destinations.* In the case of the MFL and BSL, their frequent service (average wait times under five minutes) allows for easy transfer to other services, while for some Regional Rail stations such as Wayne Junction, North Philadelphia, and Temple, the entire system passes through these stations, so in theory, there is region-wide access. Finally, in the case of North Philadelphia and Temple, there is also subway service. These features, in an ideal world, should confer significant value to these locations as places to live and to work.

Of course, while the sheer number of destinations is an important indicator of a station's desirability, the quality of those destinations is just as important, particularly in the case of employment opportunities. Of the considerable evidence demonstrating that people are willing to pay more to live near transit stops, it has been proven that much of the value conferred is as a result of access to employment centers.¹⁰

Research has shown that in Philadelphia, the value of living near Regional Rail stations increases when employment in Philadelphia increases.¹¹ One need only scan this region's major employment centers to see that the ones that enjoy the densest concentrations of jobs, most notably Center City and University City, are the very ones that are relatively well-served by transit, while for the ones that have lower job densities, the mode of choice is the car (see below).

¹⁰ "Public Investment Strategies: How They Matter for Neighborhoods in Philadelphia," Gillen and Wachter (2006); "Has Suburbanization Diminished the Importance of Access to Center City?" (Voith, 2000).

¹¹ "The Suburban Housing Market: The Effects Of City And Suburban Job Growth" (Voith, 1996).



SEPTA Railroad & Rail Transit



Ten Largest Employment Centers in the Pennsylvania Sub-Region 2005

Employment Center	County	# of Employees	Employees per Acre
Center City	Philadelphia	287174	180.0
West Phila./Univ. City	Philadelphia	74353	26.3
Rt.30/Devon-Haverford	Delaware	56486	13.9
King of Prussia	Montgomery	49812	11.3
Rt.202/Great Valley-Malvern	Chester	48023	8.5
Far Northeast	Philadelphia	45350	6.9
West Chester	Chester	42539	10.0
North Broad Street	Philadelphia	41931	13.2
Willow Grove/Horsham	Montgomery	40045	8.1
Rt.30/ Exton-Coatesville	Chester	39414	5.7

Source: Delaware Valley Regional Planning Commission (2005)

Access to employment centers is of huge consequence to neighborhoods, particularly low- to moderate-income ones. To the extent that car ownership percentages are low, access for such neighborhoods to employment



Market-Frankford Line subway car

centers via public transit is the difference between a relatively small universe of job opportunities and a much larger, more promising universe.

Simply put, proximity to a transit station confers value to the degree that one can use that station to go to and come from other desirable locations. This connectivity, particularly to employment centers, also

works the other way, in that employers seek locations their workers can reach in multiple ways, including transit. *The quality and quantity of destinations* is therefore an important characteristic that both private and non-profit developers and public decision-makers need to consider in identifying suitable candidates for TOD.

The Frequency of Service and Integration with Other Services

The high quality and vast quantity of destinations that a particular station can access can, however, be trumped by infrequent and un-integrated or under-integrated service. In too many cases, that is

the case for transit, particularly for Regional Rail users, who must schedule their trips to be consistent with services that may run only once an hour; and who are essentially limited by the discrete destinations of the line. In contrast, two of the great advantages of a car, at least in theory, are that the driver does not have to wait for it and he can go to any destination he chooses.

However, it is possible to create a transit system that requires relatively little waiting and scheduling, while also providing access to a wide variety of destinations. What is required is a combination of *high frequency routes, wide spans of hours of operation, and service integration*, three characteristics that, if co-existing together, greatly increase the comfort level riders have about the transit system and thus the value developers can derive from locating new uses in close proximity to its stations.¹²

Fortunately, SEPTA currently has many of these elements in place. The MFL and BSL are high frequency services that also connect with bus services (which, unfortunately, are often less frequent) and light rail services.¹³ Still, SEPTA is not perceived as an integrated system providing a wide variety of travel options, because riders experience so much uncertainty regarding successful connections, due in large part to incomplete or missing information.

In theory, SEPTA is close to what is necessary to create significant value-added for development near transit stops. Unfortunately, this value has yet to be realized to its fullest potential. Rectifying that missed opportunity will make TOD more likely to happen.

¹² Of course, the elimination of paper transfers, which was proposed this past summer, would have made the system less integrated and therefore less valuable.

¹³ With some notable exceptions, the integration of the Regional Rail and other transit services is, unfortunately, limited. This is a result, in part, of the relatively infrequent Regional Rail service, as described above.

The Importance of Service Amenities and Station Aesthetics

There has been a great deal of research on how people value their time when traveling, but much less on how people value the pleasantness and amenities associated with their travel. However, it is clear that limited funds cause SEPTA to make difficult trade-offs in terms of passenger amenities. Philadelphia transit services are utilitarian at best. Stations are frequently in disrepair, many vehicles are crowded, and passenger information is very limited if not non-existent. One only has to compare this to a trip in one's own car – with stereo, air conditioning, privacy, frequent traffic reports, and other pluses – to recognize the amenity deficit SEPTA faces.

It does not have to be so. *Riding transit can be made to be a more enjoyable means of traveling* from Point A to Point B. Fixed-rail transit riders do not get stuck in traffic, they can concentrate on their work or on a good



Temple Regional Rail Station

book, and do not have to worry about the cost or hassle of parking once they have arrived at their destination.

The stations themselves could be sources of value enhancement, to the extent that they adhere to the TOD principle of being aesthetically pleasing, friendly to pedestrian access, and authentic to their particular place. As municipalities get smarter about generating a return through increased property tax

revenues on public investments in such amenities as parks and waterfront recreation areas, they can consider that the same principles are in play when it comes to building, improving, and beautifying transit stops in neighborhoods.

Importantly, part of the value enhancement achieved by well-designed transit stations is in reducing any real or perceived negative impacts of proximity to a transit station. For example, well-lit and well-greened transit stations can *reduce crime, noise, and pollution*, three important potential factors that otherwise could confer negative value on transit-proximate sites.

Unfortunately, all too often transit infrastructure is built without regard to pedestrian-friendliness, station amenities, or any other aesthetic considerations by users or by the neighborhoods in which these sites are located. To the extent that it is always rebuilding stations, SEPTA has many future opportunities to incorporate good urban design into these projects.

How Automobile Access Integrates with TOD

Cars are ubiquitous in today's society. Good development oriented to transit stops must simultaneously account for that reality. Successful TODs are able to balance the need for cars with the need for density, and are designed in such a way to extract the value of good automobile access without that accessibility rendering the transit service less valuable.

Specifically, a review of effective TOD designs yields the following insights on how to integrate automobile access into a TOD:

- Parking can be located near, but not at the transit facility, thus avoiding congestion and encouraging drivers to

patronize local shopping and services. At the very least, parking structures could be designed to enhance the pedestrian experience, by including retail or other visually appealing uses at the street level.

- A shared parking area or structure



9th and Race St. parking garage with no ground floor retail

complements mixed-use development. Ground floor retail, restaurants and entertainment near transit can take advantage of varying peak use times to serve drivers with relatively fewer parking spaces. The parking area is thus destinational for local residents and transit users as well as drivers from outside the TOD.

- Variable access pricing provides an incentive for turnover of parking spaces, while increasing the price of on-street parking discourages congestion caused by cruising for spaces and long-term occupancy, and further incentivizing the use of transit.

- SEPTA has demonstrated an innovative approach to the intersection between transit use and driving by partnering with Philly Car Share, a



Philly Car Share location at Carpenter Lane R8 Regional Rail Station

non-profit car sharing entity, to reimburse drivers who use Regional Rail en route to picking up their rented cars.

Washington, DC is home to two excellent examples in this regard, both located less than 0.1 miles from a Metro station and yet integrating automobile access into other commendable TOD design elements:¹⁴



The Ellington, Washington DC

- The Ellington, in the U Street District, was named “Best Mid-Rise Apartment Building of 2005” by the National Association of Home Builders. This development consists of 190 rental units and 17,000 square feet of ground floor retail, as well as 177 parking spaces in a two-level, below grade, parking garage.

- Tivoli Square also makes use of a shared parking lot, located behind the development and off of the main thoroughway. The lot can be accessed from two different streets and is shared by the residents of the development’s 45 condominium units, as well as by employees and patrons of its grocery



Tivoli Square development, Washington DC

store and local-serving retail and the 28,000 square feet of office space located in the development.

¹⁴ “TOD Case Studies: Implementation in Low-Income, Ethnically Diverse Neighborhoods,” Reconnecting America: Center For Transit-Oriented Development, January 2007.

Chapter Three

Barriers to Transit-Oriented Development in Philadelphia

Stating the obvious, to achieve the advantages of transit-oriented development (TOD) requires that development actually take place. Different stakeholders can play their part in creating an environment that is friendly to such development, but ultimately developers have to decide whether or not to risk their own time and capital.

When some of Philadelphia's oldest neighborhoods were developed, these developers found transit-proximate sites to be worth that risk. In contrast, for much of the past 50 years, very few sites, transit-proximate or not, have been developed. With the city now enjoying a resurgence in new construction, it is important to consider what needs to be done to induce development that is near transit stops and that capitalizes on the mobility that such locations afford.

How Supply and Demand Determines If and Where Transit-Oriented Development Will Succeed

Basic supply and demand theory tells us that the price and quantity of a good is determined by the intersection between producers' motivation to supply a good and consumers' preferences to demand that good. These simple economic principles hold true in the case of TOD, so it is instructive to consider the supply and demand of TOD in Philadelphia.

It is well documented that construction costs in Philadelphia are significantly higher than

those in the surrounding suburbs. These higher costs have led to a lower supply of new housing in Philadelphia than would have occurred if the production costs were more in line with regional averages.¹⁵

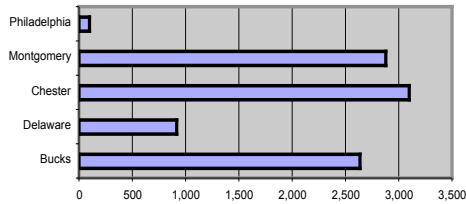
High construction costs also accelerate the rate of decline in neighborhoods. When construction costs are high, existing residents reconsider whether they should reinvest in their homes, or move to another home, where they could perhaps get more for their investment dollar. High construction costs therefore lower reinvestment in neighborhoods, accelerating the decline of older neighborhoods.

Those locations, unfortunately, tend to be the ones near our best transit services. In other words, relative to other places, *it is expensive to supply Philadelphia with TOD.*

What about the demand for TOD in Philadelphia? From 1960 through 2000, the population of Philadelphia fell from approximately 2 million to 1.5 million, a decline of almost 25 percent. This meant that roughly one quarter of the housing in Philadelphia was no longer needed. Up until recently, this trend in decline in the demand for housing looked as if it would continue indefinitely. Given the population decline, it is not surprising to learn that there were less than 100 new housing starts in Philadelphia in 1999; in contrast, the average number of starts in 1999 for each of the four Pennsylvania suburban counties was 2,383 (see below).

¹⁵ "Construction costs within the city were considerably higher than elsewhere, whether another urban center or an adjoining suburb. Even as recently as 2000, Philadelphia had the sixth highest construction costs among the 50 largest markets in the nation – 20 percent above the average. The result was a situation in which construction costs exceeded market values, plaguing growth in city centers and precipitating a further decline in both jobs and population in the city itself." "Advancing Regional Equity: The Second National Summit on Equitable Development, Social Justice, and Smart Growth," Federal Reserve Bank of Philadelphia (2005).

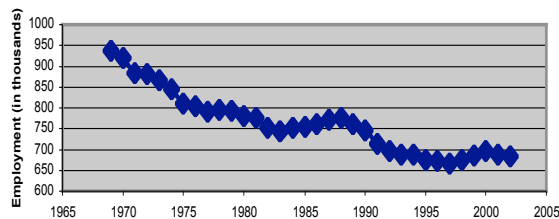
Housing Starts, 1999



Source: Pennsylvania Builders Association

These negative population and housing trends went hand in hand with an even more severe decline in employment: from 1969 through 2002, employment in the City plummeted 27 percent from 939,000 to 683,000 (see below).

Philadelphia Employment, 1969-2002



Source: Bureau of Labor Statistics

During this time, manufacturing became much more mechanized, evaporating the employment base that was distributed throughout the City, and taking with it the demand for housing in these neighborhoods. As jobs and population left the City, simply providing basic services such as public safety and education became increasingly challenging. Tax bases were declining, and entrenched interests made fiscal adjustments difficult. Rising tax rates in response to declining tax revenues only accelerated the decline.¹⁶

¹⁶ “The city’s share of U.S. employment in four of the six industry divisions displayed an inverse relationship to changes in the wage and gross receipts tax rate. In three of the four cases this relationship was statistically significant for the impact of the wage tax rate. The

Even worse for the existence of TOD in Philadelphia, the impacts of this decline in population and jobs were not felt equally across the city. Typically, the oldest, most obsolete development is abandoned first. In Philadelphia’s case, this meant that the oldest communities that developed along the major transit lines were the most adversely affected. Thus, rather than increasing density around the Market-Frankford Line, the Broad Street Line, and regional rail stations, density was actually decreasing; *instead of TOD-friendly sites attracting more development, they experienced more disinvestment.*

Despite significant development efforts, Center City Philadelphia, which was and is the focal point of the region’s transit system, substantially lost its role as the predominant retail center for the region. In a sense, the spreading out of purchasing dollars is the equivalent story as the physical erosion near transit stops: as the region decentralized and cars made traveling to far-flung suburbs more convenient, once-vibrant neighborhoods and commercial corridors lost their residents, commercial activity, and retail dollars, creating a vicious cycle of disinvestment and uncompetitiveness.

To further compound matters, some people during this time believed that this “de-densification” was not bad and perhaps even highly desirable. In fact, there was serious discussion at the highest levels about how to best “manage” decline; that rather than fighting the loss of people and jobs from the city, the city should become more like the suburbs in offering the type of low-density, auto-friendly environment that it seemed more and more households were demanding.

relationship between gross receipts tax rates and tax bases is always significant for these sectors.”

“Choosing the Best Mix of Taxes for Philadelphia: An Econometric Analysis of the Impacts of Tax Rates on Tax Bases, Tax Revenue, and the Private Economy,” Econsult Corporation (2003).

Recall that TOD is valued to the extent that the mobility that access to transit affords is valued. Combine lower density in neighborhoods and the declining retail role of Center City with the relative convenience of retail and employment options in the suburbs as a result of easy automobile access, and it is clear that *the demand for TOD plummeted* during this time.

Any good that is expensive to supply and diminishing in demand is going to see its quantity plunge. Even worse for TOD, this downward trend became a bit of a self-fulfilling prophecy, as disinvestment repelled interest even more, begetting even more disinvestment. If there was any consolation for Philadelphia, it was solely in the notion that other, older cities were experiencing similar pains from the industry shifts and changing residential and employment patterns of the second half of the 20th century.

Fortunately, in recent years, these negative trends have largely run their course, re-opening the possibility that TOD could be reasonably considered in Philadelphia:

- The transition of the city from a manufacturing-heavy location to a service-heavy location has been largely completed;
- The rapid expansion of the suburbs, as associated with massive highway investment and low land costs, has slowed; and
- The negative association that many people have towards all things urban is dissipating.

With expectations of the future improving for urban areas, it is likely that transit could once again contribute to the positive value and growth of neighborhoods. This creates a development context that is more welcoming to TOD.

Development Hurdles Philadelphia Faces

At the most basic level, development occurs when a developer can make a competitive rate of return on a project.¹⁷ Projects are undertaken when the value of the revenue generated by the project, either through the rent or through the sale of the project, exceeds the construction costs.¹⁸

For most of the last 40 years, it has been difficult to develop in Philadelphia, especially in the neighborhoods, for the simple fact that demand has been insufficient to set rents and prices high enough to justify the costs of development and construction. Unfortunately, the conditions that made development unprofitable in Philadelphia also made TOD even less likely to occur.¹⁹ What little development that did take place near transit stops could only be charitably described as transit-adjacent (physically proximate to transit but not really leveraging the full value of transit proximity).

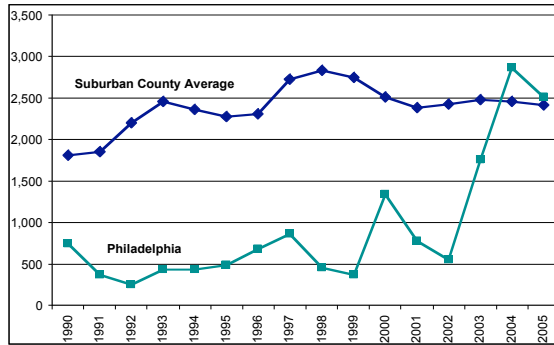
However, due in large part to a citywide ten-year property tax abatement on new construction and major renovations, and aided by a national movement towards urban living, these negative trends are easing if not completely reversing (see below). This creates a genuine opportunity for TOD to take root in Philadelphia.

¹⁷ Note that it is not sufficient for a project to simply be profitable, but it must also earn a rate of return that is greater than or equal to other, similarly risky investment options.

¹⁸ This is the case for for-profit developers; in parallel, a growing number of equally sophisticated non-profit developers are capitalizing on tax credits, grants, and other funding sources to bring developments to light.

¹⁹ Additional barriers experienced by Philadelphia are endemic to locations in many, older urban centers: the need for environmental remediation, the cost of fixing debilitated infrastructure, and fragmentation of lot ownership.

Residential Building Permits 1999-2005



Source: US Census Bureau (2006)

Believe it or not, though, changing peoples' location preferences and even changing the fundamental costs associated with building in Philadelphia is not enough. We must address the role of transit and of SEPTA, the region's main transit service provider, as was discussed previously. Here we consider the mindset of the developer, and the public policy hurdles that need to be addressed to clear the way for additional development, particularly that which orients itself near transit.

Again, for TOD, as for any sort of development, to be successful, it must deliver a sufficient return on investment. Relative to its suburbs, Philadelphia begins with higher input costs and longer turn-around times, both of which diminish a developer's return and lessen the likelihood of taking on a project. Some of the reasons for these differences are structural, and some are governmental:

Structural Hurdles

- Site assembly with multiple small and/or odd-sized lots
- Demolition and environmental clean-up costs
- Union costs – rates and work rule changes required

Governmental Hurdles

- Time consuming and uncertain zoning permitting and entitled processes
- Regulatory requirements with excessive costs
- Lack of government promotion of TOD
- Outdated and excessively restricted zoning
- SEPTA's regulatory and monetary constraints in advocating for TOD
- Need for public subsidy

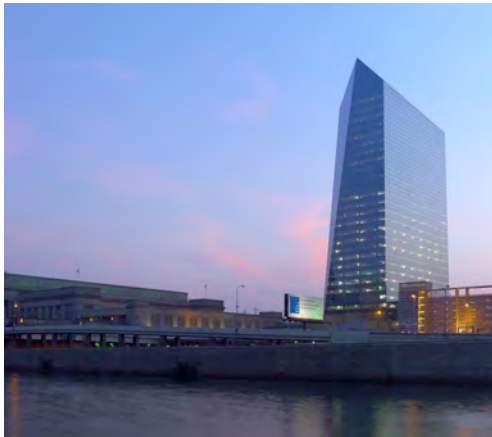
Therefore, all things being equal, developers will tend to gravitate towards developing in the suburbs rather than in the city. The City could change that equation by *making development in the city more desirable than in the suburbs*, such that developers are willing to bear the higher cost of developing in the city because of the higher potential payoff.

Montgomery County MD Zoning Ordinance

Montgomery County, Maryland established Transit-Oriented Mixed Use Zones in 2005 to achieve a development pattern that "encourages pedestrian activity and access, promotes use of transit, and creates a coherent arrangement of buildings and uses that contribute to a sense of place." The Code requires all buildings to open at the street, include sufficient street lighting to provide access and security, avoid blank walls, locate off-street parking to the side, rear or below grade if feasible and provide continuous, direct and convenient pedestrian and bicycle pathways, and connections to transit stations. In addition, the County requires significant public amenities to be added to new developments such as pocket and urban parks, public plazas and water features, wide sidewalk areas, bus shelters, and benches. Rather than providing a list of prohibited uses, the Code lists all permitted uses encouraging those that create an active pedestrian environment such as restaurants, shops, and services from day care to drycleaning that commuters seek to use conveniently during their commute.

But the City could also change that equation by *lowering the cost to develop in the city*. Thus, for example, the continuation of the ten-year property tax abatement is vital to continuing to make development economically feasible in the city. Other citywide policy decisions, such as reducing the wage tax and Business Privilege tax, improve the viability of TOD by making access to Center City and its retail and employment locations all the more valuable.

Nevertheless, despite these important improvements, *some sort of public subsidy is assumed to be needed, at least at this stage, to get projects off the ground*. This is particularly true in cases where mixed-income housing is desired. Thus, the topic of public funding will be further elaborated below.



Cira Centre, 30th Street, Philadelphia

These policy solutions not only facilitate development mechanically, by improving the financial and logistical challenges of physically developing in Philadelphia; they also help change the mindset of developers and of the residential and commercial consumers they are developing for. For example, TOD-friendly public policies like the ones described above turn a perceived liability – high density – into a real asset. Plus, they signal an openness to collaborate and to get things done, a most welcome

contrast to far too many experiences developers are increasingly facing as they propose development programs to various municipalities and townships.

SEPTA and the City of Philadelphia

The continued uncertainty regarding SEPTA funding and services is a major obstacle to TOD. As stated earlier, developers, businesses, homebuyers, and apartment renters will not consider long-term transit-oriented locations, or at the very least will significantly discount the value of such locations, in cases where the quality and quantity of transit in the future is uncertain.

Most of the uncertainty regarding the future of SEPTA transit services is a result of its *uncertain funding base*. It is almost an annual event that SEPTA is forced to consider eliminating major elements of its service in response to budgetary problems. It is well documented that this is truly a funding commitment problem rather than a case of SEPTA spending its funds inefficiently.²⁰

In general, the focus of discussions about solutions to this funding issue has been at the state level, but there is also some action that could be taken at a local level. There is very little contribution to transit services at the local level, and this translates into *a lack of focus on transit at the local level*. Any long-term solution to SEPTA funding uncertainties should therefore include incentives for increased ridership, which would over time increase SEPTA's interest in TOD.

²⁰ “Operating support is so limited that transit agencies are using significant portions of capital funds for maintenance. This practice results in higher costs for deferred capital needs.” “Investing in Our Future: Addressing Pennsylvania’s Transportation Funding Crisis,” Pennsylvania Transportation Funding and Reform Commission (2006).

It is also important to note that some of the uncertainty with respect to transit services is a result of choices made by SEPTA. SEPTA has consciously reduced service in some urban Regional Rail stations and eliminated others in an effort to save time and money on the lines. In addition, SEPTA has floated proposals to eliminate entire lines in the city. This kind of discussion all but eliminates the possibility of TOD associated with these facilities, and undermines the confidence of the public in the certainty of service at other locations.

Unlike some transit agencies, SEPTA has not been a leading participant in the TOD development process. SEPTA's enabling legislation has not allowed it to acquire land for non-transportation purposes, and SEPTA owns relatively little land in areas suitable for TOD. Further, SEPTA has not made it a priority to alter these institutional constraints. Finally, SEPTA's funding woes have forced it into a short-term mindset, through which long-term investments such as TOD are hard to entertain.



Under-utilized site adjacent to North Philadelphia Amtrak / SEPTA stations

Recent legislation, however, has allowed the creation of Transit Revitalization Investment Districts (TRIDs), which will be discussed in further detail below. This relatively new legislation at least provides the mechanism through which SEPTA and municipalities could work together to create TOD. The jury remains out as to whether the tools are sufficient to result in significant

TOD, but the possibility is there to include SEPTA in such conversations that intersect TOD, transportation planning, and land use.²¹

As for SEPTA's institutional relationship with the City, whether a consequence of the SEPTA board structure (much less City representation on the board than its proportion of ridership) or of the relative small share of local funding, *SEPTA and the City have not tended to work cooperatively with respect to transit or development*: SEPTA's budget



Market-Frankford Line, 56th and Market St.

woes constrain its willingness to think collaboratively, while the City no longer has a cabinet-level transportation coordinator position within its administration, although certainly there is a new opportunity to reinstate such an office with the City's upcoming change in mayoral leadership.

This lack of collaborative mindset has resulted in major investments in transit infrastructure, such as the rebuilding of the elevated portion of the MFL in West Philadelphia, with virtually no consideration of TOD surrounding its station areas. Rather than representing a (literally) once-in-a-lifetime chance to coordinate new

²¹ This is a particularly welcome development in light of recent public and legislative backlash against the use of eminent domain in the wake of the historic *Kelo vs. City of New London* case in 2005, which to some extent validated economic development as a permissible "public use" in the taking of private property.

transit infrastructure with neighborhood development and integrated design, the track and station reconstruction has simply been one big, expensive construction project that has produced only disruption for businesses on Market Street and congestion for people driving through West Philadelphia.

TOD, with its focus on transit access, authentic design, and multiple housing price points, could be an effective mechanism by which previously disinvested locations, such as those around MFL stations in West Philadelphia, could be rejuvenated in ways that beautify physically and that produce lively, mixed-income settings. Thus, such an uncoordinated effort as what has taken place with the reconstruction of the elevated portion of the MFL in West Philadelphia represents a huge loss in opportunity to consider approaches that foster healthy and vibrant neighborhoods and that encourage development that fully capitalizes on the transit resource that the MFL represents to the city.

In order for TOD to become a reality in Philadelphia's neighborhoods, the City and SEPTA must form a coherent, cooperative relationship to foster TOD. The lack of a good relationship between the City and SEPTA has often meant that the City's economic development activities have remained independent of transit considerations, leading to far too little TOD. However, cooperation could take place, as is evidenced by SEPTA's recent collaboration with the City Planning Commission on the Allegheny West TOD study.

Chapter Four

Solutions that Encourage More Transit-Oriented Development

Although transit-oriented development (TOD) holds the potential for financial gain – no development would take place unless it was profitable – the public nature of such initiatives presuppose the participation of the public sector, from a financial and regulatory standpoint. In this discussion, we focus on our assessment of key steps that the City of Philadelphia and SEPTA, as two key public stakeholders, must take to make TOD a reality. There are three specific items that could be addressed:

- Creation of transit-oriented zoning overlays for neighborhood TODs and regional TODs
- Creation of TRIDs at every stop on the Market-Frankford Line and Broad Street Line and for selected Regional Rail stops
- Development of a priority list for funding TOD sites

Zoning Overlays for Neighborhood TODs and Regional TODs

The areas around too many of our most significant transit hubs are characterized by crumbling infrastructure, anemic and low-density development, and/or transit-adjacent development that does not fully capitalize on the value that could be captured from access to transit. In order to encourage and facilitate TOD instead, the City could create zoning overlays

appropriate for neighborhoods near transit stations.

There is a wide range of zoning tools that could be applied to TOD. These tools could be carefully assessed and incorporated into the transit zoning overlay, to expedite collaboration towards the pursuit of TODs. For example, Phoenix, AZ, which has had a great deal of success in implementing successful TOD, has recently created a transit-oriented zoning overlay for parts of the city. The transit-oriented zones, though not very extensive in terms of area covered, could be extremely effective in assuring that TOD occurs in a way that takes full advantage of nearby transit stops and stations.²²

For station areas in Philadelphia that are appropriate for residential *neighborhood TODs*, the zoning rules could include parking maximums, higher residential density allowances, facilities for pedestrian access, neighborhood-oriented mixed-use development and transit interconnections. In areas where transit service is located near significant green space such as a park, this amenity could be leveraged along with the transit access to create higher value and higher density residential development.

To the extent that mixed-income housing is a principal objective of a neighborhood TOD, density bonuses could be tied to the construction of affordable housing units. In other words, such incentives could be zoned into a targeted neighborhood, such that the added cost of building housing units and then selling them below market rates is offset by the added profits that are enjoyed by the developer when he or she is allowed to build

²² For example, the zoning code requires that structured parking facilities located adjacent to transit stops must provide non-parking uses on the ground floor. Additionally, sidewalks are required to be a minimum of 8 feet wide, while parking lots must be located to the rear or interior of a parcel. These measures enhance walkability, an important element of TOD.

more units on a site than was previously allowed.²³

These and other mechanisms could help ensure that development activity results in affordable housing, safe passageways, good urban design, and other positive outcomes for neighborhoods. In contrast, in many cases, current zoning regulations not only do not facilitate TOD, but they literally make TOD illegal to pursue, by restricting the sort of flexibility needed to achieve the advantages promised by TOD.

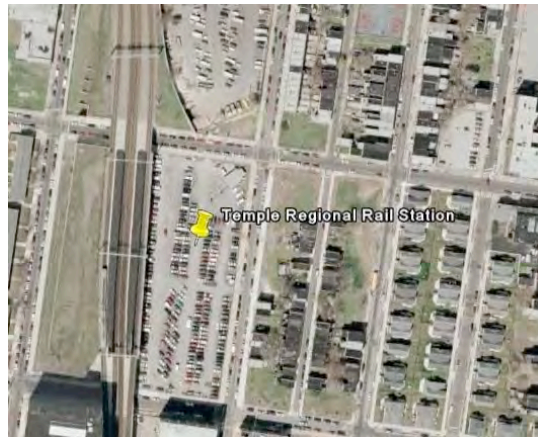
Zoning overlays could also be used to stimulate *regional TODs*. There are a number of areas throughout the city where existing transit services make the station area accessible to a wide area of the region by transit; current examples include the Cira Centre at 30th Street Station and the Gallery Mall at Market East. Specific zoning overlays that combine dense mixed-use development – residential, commercial, and retail – could be created. These overlays could attempt to spur development by increasing allowed densities. Moreover, these developments could be multimodal in nature, providing good auto access as well as transit access. Zoning overlays could ensure, however, that parking does not interfere or detract from transit access.

Transit Revitalization Investment Districts (TRIDs)

The Transit Revitalization Investment District Act was enacted in 2004 by the

²³ The Holly Street Village Apartments in Pasadena is a remarkable example of this coupling of incentives for affordable housing and for TOD. Completed some ten years before the introduction of the Gold Line, the complex came together because city officials planned for transit access and, seeking mixed-use housing oriented to the future station, provided the necessary density incentives to the developer to make the project happen.

Commonwealth of Pennsylvania, and with aggressive initial and ongoing leadership from the Delaware Valley Regional Planning Commission, to enable local governments and transit authorities to create *Transit Revitalization Investment Districts (TRIDs)*. TRIDs enable municipal governments and transit authorities to more closely coordinate transportation infrastructure, land use, and private development in the following ways:



Temple Regional Rail Station (Source: Google Maps 2007)

- Providing incentives for transit-oriented development,
- Establishing mechanisms to capture the value added by development around transit stops,
- Encouraging community involvement in the location, design, and implementation of development activities, and
- Receiving priority for grants and technical assistance through the state's Department of Community and Economic Development (DCED).

A local government could designate a TRID in any geographic area within 1/8 to 1/2 of

a mile from a transit stop. Once a location is identified, a four-step process begins:²⁴

1. *Planning* – A municipality undertakes a TRID Planning Study, which provides the rationale for the designated TRID and which must be publicly reviewed.
2. *Program management* – The municipality then forms a management entity to implement the TRID, and the municipality and transit agency prepare public infrastructure improvement lists and coordinate value capture shares with the applicable school district and county.
3. *Implementation* – The TRID Implementation Program, which is also subject to public review, is then executed by the municipality and transit agency, and developer interest is solicited and development proposals reviewed.
4. *Execution* – Finally, a Development Agreement is executed, construction begins, and the management entity administers the value capture revenues and expenditures in accordance with the TRID Implementation Program.

Early examples in the Philadelphia area, all of which are still in the planning phase, include the Temple University, 46th and Market, Marcus Hook, Bryn Mawr, and Allegheny regional rail stops. However, as will be further elaborated below, there are numerous additional sites that the City and SEPTA could designate as TRIDs. In fact, every stop on the Market-Frankford Line and Broad Street Line, as well as selected Regional Rail stops, could be considered for TRIDs. Such designations will rally collaboration between developers and community groups, facilitate the cooperative

²⁴ Delaware Valley Regional Planning Commission (2005).

development of land use plans, and stimulate TOD.

Both the City and SEPTA have much to gain from the aggressive pursuit of TRID as a means to creating more TOD:

- The enabling mechanism of *value capture*, whether through tax increment financing or other avenues, means that TOD-related development and amenities could be funded with no negative impact on the City budget, but rather by taking a portion of future property tax revenue increases that will materialize around the site as a result of the new enhancements.²⁵

The utilization of a value capture mechanism such as tax increment financing (TIF) and the City's existing property tax abatement is somewhat, but not totally, mutually exclusive. Property taxes that result directly from new construction or major renovation that is privately developed could either be abated or captured via TIF, but not both.

However, new increments of property taxes that result from property value increases in existing and surrounding properties could be captured via TIF, generating upfront dollars that could be used to build public infrastructure and amenities, like transit stops, plazas, and parks. A typical value capture at a neighborhood level might, for example, generate anywhere from

²⁵ To the extent that these potentially value enhancing improvements are being made in residential neighborhoods, there is always a concern that particularly vulnerable populations, such as low-income residents and elderly people living on fixed income, will be possibly priced out of their existing homes by future property tax increases. This can be offset by the increase in value of their main asset, an increase which can, through various financial vehicles, be converted into cash flow to help pay for any tax increases.

two to four million dollars upfront, which could be used for infrastructure improvements and paid off over time with the incremental increase in property tax revenues that result from higher property values in and around the TOD.

- As for SEPTA, it has already been discussed that TOD could equate to *increased ridership*; TRIDs are an effective way for SEPTA to work with the City towards that end.

Developing a Priority List of Funding TOD Sites

Despite the inherent benefits of transit-oriented development (TOD) and the many suitable locations for considering TOD in Philadelphia, many years of anemic development near transit stops have atrophied decision-makers' willingness to aggressively consider such developments. In order to build positive momentum with leaders around TOD, existing successes will have to be identified, and early successes pursued and celebrated. Not insignificantly, TOD is somewhat fuzzy to grasp on paper but distinctly clear to all when built out, so



Temple University with SEPTA Regional Rail Station and new housing

quick wins are not only useful for building momentum but also for creating images around which more and more supporters could rally.

In fact, as mentioned above, a handful of promising TOD sites are moving forward. To begin with, the Temple University and 46th and Market stations are among a handful of sites that are in the TRID planning phase:

- Development around the *Temple University Regional Rail Station* is being driven in part by the Asociación Puertorriqueños en Marcha, a large social service agency and developer of retail and residential units.
- Development around the *46th and Market Street Market-Frankford Line Station* is being spearheaded by The Enterprise Center Community Development Corporation, highlighted by the Plaza at Enterprise Heights, an environmentally friendly development of 100 residential units, 45,000 SF of commercial space, and 35,000 SF of retail space.

However, in addition to highlighting these early opportunities, the City could also develop a priority list of TOD sites, and mobilize funding, leadership, and administrative efforts towards developing such sites. Specifically, all possible sites could be identified and then classified, based on their potential for TOD, into one of three tiers:

1. *No or low demand.* Fundamental demand is too low, and the value of transit access has been fully captured with little to no prospect for improvement.
2. *Some potential demand.* Current demand is low, but external factors are improving, such that improved transit opportunities could generate sufficient demand to induce new development.

3. *Great potential demand.* Current use is stable or growing, but the site could be made more dense and/or more valuable if transit opportunities were aggressively improved and marketed.

This initial sorting could help prioritize efforts and identify easy early “wins.” A second, more detailed analysis would look at these potential sites from the perspective of various possible uses, particularly retail, residential, and commercial:

- *Retail* – Many of these sites currently have demand for retail that is low and intra-neighborhood in nature, although there may exist some strong candidates for inter-neighborhood retail (see below). Some sites may benefit from an increasing preference in retail towards environmental considerations and urban locations, from a transit access standpoint.
- *Residential* – Housing may very well be the highest and best use for many potential sites, to the extent that transit value is generated from the ability to commute to job centers. Thus, TOD might be most promising in neighborhoods that are seeing large influxes of new residents who work in Center City.
- *Commercial* – TOD that focuses on this use will find its greatest success near institutional facilities, such as hospitals, universities, and government buildings, since a critical mass of jobs is needed to sustain such sites.

By evaluating all possible sites using these general criteria, a priority list could be developed, behind which attention could be generated towards the sort of collaborative and strategic effort required to implement TOD. As for locations, most if not all transit stops could be seriously evaluated for TOD potential, as noted by the Delaware Valley

Regional Planning Commission (DVRPC) in its 2004 inventory of potential TOD sites:

*While the region has over 340 fixed-rail stations, the majority of them have transit-adjacent developments (TADs). Transit-adjacent development is development that is physically near transit but fails to fully capitalize on its proximity, both in promoting transit ridership and as an economic and community development tool.*²⁶

The report goes on to list five main prime candidates: 30th and Market, 46th and Market, the Bridge-Pratt Transportation Center, Girard, and Temple University. However, we believe that in the long run, *every Market-Frankford Line (MFL) station and Broad Street Line (BSL) station could be considered.* Continued high frequency of service on these two lines has led to very large riderships - 52 million for the MFL and 33 million for the BSL in 2006 – and thus making every stop on these two lines a prime candidate for TOD.

In a sense, it is fitting to site TOD at these locations; after all, these very areas were once major residential and retail centers, during the first half of the 20th century, when such uses truly were transit-oriented. It is unfortunate that decades of disinvestment have transformed these once-proud corridors into the locations in the City with the oldest infrastructure and most anemic development. It is, conversely, inspiring to think that sites that once thrived because high density and transit access were considered assets, and then deteriorated because those same characteristics were deemed liabilities, could now be evaluated anew as promising places for development.

In the short term, we agree with NeighborhoodsNow’s focus on the 46th and Market and the Temple University sites, as they represent highly attractive, high-density locations primed for early TOD success.

²⁶ “*Linking Transit, Communities and Development: Regional Inventory of Transit-Oriented Development Sites*”, Delaware Valley Regional Planning Commission (August 2003).

The City's Office of Housing and Community Development is currently working with NeighborhoodsNow to administer a planning grant from DCED and PennDOT to study the prospect of a TRID around these two transit stations.

Importantly, both sites represent opportunities to organize existing positive momentum around private development towards ends that ensure a healthy evolution to mixed-use, mixed-income communities that are pedestrian-friendly, aesthetically pleasing, and oriented to transit use. Such an orientation to transit use, as stated above, has a deep lineage in Philadelphia, and is a major reason for the remarkable socio-economic diversity of its neighborhoods, even after decades of disinvestment and decentralization. Perhaps these two early successes, at the 46th and Market and the Temple University sites, will provide lessons for stakeholders to warm to the potential of TOD to rejuvenate other locations around the City.

Regional Rail lines, eight in all, together carry 78,000 people per day, or less combined than either the MFL or BSL. However, much of that traffic is by commuters, affording certain opportunities for TOD, particularly of the regionally oriented kinds. In particular, we believe that the *Wayne Junction* station has potential, particularly for residential development, based on its many Regional Rail and bus lines that pass through it, its generally attractive housing stock, and its close proximity to Center City.

Other locations, particularly the *North Philadelphia* station and the *Broad and Girard* station exhibit characteristics appealing to TOD, as do other subway, bus, and rail stops. Aerial maps of these and other locations are greatly informative in terms of depicting the extent of the missed development opportunities for TOD: considerable vacant land, vast swaths of pedestrian-unfriendly parking in support of nearby retail and entertainment uses, and

general underutilization and disinvestment. In the Appendix, we provide maps and commentary of some stations around which development is currently far short of its potential.

In parallel of this site analysis, *City funds could be identified and allocated towards this effort, which would further stimulate additional private sector attention and investment.* To give but one municipal example, the City of Boston has a \$30 million TOD infrastructure and housing support bond program, the proceeds of which will help fund pedestrian improvements, bicycle facilities, urban design, and housing initiatives.²⁷

²⁷ City of Boston's Department of Neighborhood Development.

Chapter Five

Recommendations for Stakeholders

Transit-oriented development (TOD) is, like all real estate development, necessarily a collaborative exercise. Thus, it is important that all stakeholders work collectively to pursue both individual TOD sites as well as an environment that is more conducive to TOD. Several nonprofits including the Pennsylvania Environmental Council, the Economy League of Greater Philadelphia, and PennTrans are contributing to elevating the significance of public transportation. Due to both their vested interests as well as their ability to effect real change, the following eight stakeholders will be the most important when it comes to ensuring successful TOD:

- The City of Philadelphia
- The Commonwealth of Pennsylvania
- SEPTA
- Developers
- Institutional anchors
- Neighborhood groups
- Intra-neighborhood and inter-neighborhood groups
- Delaware Valley Regional Planning Commission (DVRPC)

The City of Philadelphia

The public sector could prepare itself to lead in this effort by better understanding and appreciating the important financial,

societal, and environmental benefits that accrue from well-designed TOD. It is clear from the experience of Philadelphia that, absent aggressive and intelligent intervention by local governments, TOD does not happen on its own, resulting in either disinvestment or else development that is more oriented to automobile traffic than transit access. The fact that these potential sites are visually and strategically prominent locations in the city ought to warrant some public sector attention.

The City of Philadelphia could consider *regulatory ways* within its means to stimulate development around transit stops that actually capitalizes on the locational value of these transit-proximate sites:

- For example, the City could work with SEPTA to create *Transit Revitalization Investment Districts (TRIDs)* to encourage TOD. In fact, the City's Office of Housing and Community Development is currently working with NeighborhoodsNow to administer a planning grant from DCED and PennDOT to study the prospect of a TRID around the 46th and Market and the Temple University stations.
- In parallel, the City could also pursue special *transit-oriented zoning overlays*. In fact, the City Planning Commission is currently looking at an overall overhaul of the City's zoning code, as well as special designations for areas around Market-Frankford Line (MFL) and Broad Street Line (BSL) stops.
- These overlays could include parameters concerning *affordable housing* and thus induce a greater mixing of house price levels by offering *compensatory incentives, such as density bonuses*, to offset the cost of providing affordable housing and to

thus effectively induce developers to choose to build at such sites.²⁸

The City could also *lower the cost of development* and of business in Philadelphia:

- First, the City could continue its *property tax abatement program* for new developments. In doing so, it would be continuing to make the city a development-friendly environment.
- Indirectly, *lower business taxes* also contribute to a more TOD-friendly environment, largely by making access to employment centers in Center City more valuable.
- In parallel, City funds could be identified and allocated towards this effort, which would further stimulate additional private sector attention and investment.

The City could also *reduce the administrative costs* required to engage in profitable development in Philadelphia:

- The City could be working collaboratively with developers and neighborhood groups to help *streamline the process* of assembling land, balancing the importance of site control in determining the feasibility, timing, and profitability of a potential TOD project with the need to be sensitive to current residents and the desire to minimize the amount of wholesale relocation of residents and businesses. On the one side, the City could create a unified checklist of forms, agencies, and procedures that are involved in moving forward with a TOD, and/or host integrated

orientation sessions that connect prospective developers with all of the key entities within the city that would be involved in a TOD initiative. On the other side, the City could launch outreach efforts to educate community groups on the neighborhood-level benefits of TOD.

- The City could explore the possibility of creating some sort of *clearinghouse to facilitate the pairing of private and non-profit developers with potential non-residential public sector tenants*. Securing these kinds of stable anchor tenants early in the development process helps lower the risk of development, facilitates the securing of financing, and accelerates the development timetable.

Importantly, the City could also make *public infrastructure investments* that could add value to neighborhoods near transit stops and further induce private development in such locations:

- The City's recent \$150 million bond issue includes \$65 million for *commercial corridors*, many of which are served by major transit lines. These sorts of investments could be incorporated into existing TOD initiatives that similarly seek to strengthen retail centers and improve pedestrian friendliness.
- The City could also pursue additional *tax increment financing (TIF) districts* that, like TRIDs, generate funds in support of necessary infrastructure improvements at the neighborhood and corridor level.
- The City could also assist with *land acquisition and assembly*. For example, TriMet, Portland's regional transit authority, and the Santa Clara Valley Transit Agency have both purchased several sites for resale to TOD projects; while the Contra Costa County Redevelopment Agency

²⁸ Boston and Denver are two examples of municipal governments using inclusionary housing requirements and offsetting developer incentives to ensure that housing is built near transit and that a mixing of price levels is secured, according to "Realizing the Potential: Expanding Housing Opportunities Near Transit" (Reconnecting America, 2007).

assembled land and made infrastructural investments totaling \$20 million in support of development around the Pleasant Hill BART Station.²⁹

Finally, given the upcoming change in leadership, the City could consider reinstating the position of *Deputy Mayor for Transportation*. This would help to foster a



New housing development in North Philadelphia near Temple University

more formal and collaborative relationship with SEPTA, as well as ensure that TOD becomes a major City priority, particularly as it relates to the active participation of the City Planning Commission. It will also facilitate the City's ability to engage in a comprehensive, intergovernmental, and citywide TOD initiative in which it seeks to identify potential TOD sites, create a priority list of those sites ranked according to likelihood of success and feasibility, and pair interested developers with attractive opportunities. In so doing, the City would be making sure that TOD occurs in places in which it is most likely to succeed and by developers with strong incentives to ensure that success.

²⁹ "The New Transit Town: Best Practices in Transit-Oriented Development," Dittmar and Ohland (2004).

The Commonwealth of Pennsylvania

The TRID Act, passed by the Commonwealth in 2004, goes a long way towards enabling municipalities and transportation authorities to work more easily together and to take action to facilitate TOD. It will be important for the Commonwealth to remain engaged in this effort, committing ongoing *technical assistance and financial resources* so that Philadelphia could take full advantage of the flexibility and authority provided by the TRID Act.

- Particularly in these early years, the state's Department of Community and Economic Development and the Department of Transportation will need to guide municipalities, transportation authorities, developers, and neighborhood groups through *the TRID planning, program management, and implementation phases*.
- State agencies have also been directed to provide Commonwealth resources to assist local governments and transit agencies in actually *implementing TRID plans*, while TRID planning and implementation is to receive *priority consideration for DCED grants*. These funding commitments must be honored and carried out.

Secondly, the Commonwealth has an important role to play in *ensuing dedicated funding streams* for SEPTA, such that uncertainty in fare levels and service quality is alleviated. The Commonwealth's recent commitment to funding SEPTA is also a huge step towards fully capturing the value of transit proximity, and thus represents positive momentum upon which to build.

- Specifically, the Commonwealth could follow the lead of other states with large municipalities, and *push more responsibility for transportation funding down to the local and regional level*, in exchange for more programmatic autonomy as

well as legislative permission to generate funds for transportation at the local level. Such local funding sources might include tax increases, regional tolls, or corridor-based value capture mechanisms.³⁰

- What state funds the Commonwealth has committed to the region could be designated in such a way that attention is given to expending them in ways consistent with TOD. For example, as will be noted below, SEPTA could be *required to submit a TOD plan for all major infrastructure investments* that use state funds.

The Commonwealth could also work with the City to *reorient government subsidies designed to induce mixed-income and affordable housing*, such that TOD sites are prioritized. In this way, the impact on low- to moderate-income families would be multiplied by the opportunity to not only buy a home below market prices, but to reduce or even eliminate the carrying cost of car ownership.

SEPTA

SEPTA could make institutional changes to more *actively pursue partnerships with the City* that synergistically catalyze healthy development around its stations. As mentioned previously, successful TOD requires extensive cooperation among large institutional stakeholders, the two most important of which are the City of Philadelphia and SEPTA.

SEPTA could also continue to seek to stabilize its funding and operations so that the value of transit access need not be so steeply discounted on account of the uncertainty of service frequency or existence. This includes continued dialogue

with state and local officials about *dedicated funding streams*.

Finally, SEPTA could seek to broaden its focus and mission from that of narrowly defined operational goals to being more actively involved in *coordinated development efforts*. This would ensure that SEPTA gets a greater return on its transit developments, as well as foster the sort of collaborative environment that is essential to successful TOD.

The TRID process now gives SEPTA the ability to more easily participate in TOD via heightened authority and facilitated partnerships. SEPTA could go one step further and *build TOD precepts into all major infrastructure investments*: parking garages should not have pedestrian-unfriendly ground level floors, stations could be made more safe and accessible, and line-wide improvements could be made in conjunction with broader neighborhood development plans.

Developers

Private and non-profit developers could work with local officials and neighborhood groups to *delineate the advantages of TOD*, thus aligning incentives such that all parties are working towards shared goals rather than conflicting over perceived differences in desired ends. Transit access, high-density development, and pedestrian friendliness could also become greater selling points in attracting users, renters, and buyers.

Of course, profit only comes from creating value, and value is created by responding to customer preferences. So while public sector stakeholders have an important role to play in creating the overall environment and providing the specific incentives such that developers are sufficiently motivated, those developers must actually deliver proposals that deliver the benefits that users,

³⁰ "Transportation Needs Assessment and Financial Analysis in Pennsylvania," Econsult Corporation (2007).

xneighborhoods groups, and local policymakers seek:

- *A range of housing choices.* Providing residential options at different price points will require creative proposals and layouts to win over a variety of users as well as community groups and elected officials.
- *Attractive, authentic design.* Redevelopment of older, historically significant sites has the added challenge and opportunity of melding new techniques and materials with appropriate respect for the past.
- *Safety and privacy.* Proposed layouts must reduce crime, noise, and pollution, balancing the mobility and density of transit-proximate development with the privacy and seclusion needed for living and working.

Institutional Anchors

Institutional anchors have a role to play in facilitating TOD in Philadelphia. Entities such as universities and hospitals have much to gain from *orienting their expansion projects in ways that capitalize on the value of transit access*. Accordingly, it is important for them to enter into dialogue with the City and SEPTA, such that issues of mobility, parking, and pedestrian friendliness are incorporated into their development plans.

Because of the large volume of employees and students that these institutions represent, there is also additional leverage that could be exercised in terms of implementing transportation programming that utilizes the existing public transit infrastructure rather than introducing new, auto-oriented routes. Such a move is cost-conserving for the institution, and it increases the connection between campus and transit.

Intra-Neighborhood and Inter-Neighborhood Groups

Neighborhood residents, or the groups that represent them, may choose to organize against TOD rather than for it, whether it is out of a “NIMBY” sentiment (more typical of a suburban response to TOD) or in response to the specter of “gentrification” (more typical of an urban response to TOD). To be sure, poorly conceived TOD is worse than none at all. Thus, intra-neighborhood and inter-neighborhood groups could play an active role in the rollout of TOD in



Meeting of neighborhood residents

Philadelphia, not in stifling healthy development but in demanding that it is sensitive to local historical, aesthetic, and mobility concerns, encouraging of pedestrian access and commercial activity, and oriented to existing transit infrastructure.

These groups could also mobilize residents to push local government to open up its planning “playbook” to generate *solutions that increase vibrancy, uses, and commerce in neighborhoods*. Neighborhood groups could take advantage of their strong community voice, again not to demand either no TOD or any TOD, but TOD that helps lead to more vibrant, livable neighborhoods.



8th and Race planned development (Source: SPG3)

Of course, many residents are generally skeptical if not outright hostile towards initiatives that seek to enhance the value of certain locations, perhaps fearing that future property tax increases that result will price them out of their current homes. It will be important, then, for neighborhood groups to do just as much “in-reach” as “outreach,” in that just as they are making their case in support of TOD to local and regional decision-makers, they will need to *make a similar case to neighborhood residents*: that increased personal mobility, physical amenities, good urban design, and more residential and retail options are all positive things for neighborhoods.

Both the “in-reach” and the “outreach” could be further supplemented by *championing small-scale examples of successful TODs* that have been brought into existence by the efforts of local CDCs. These success stories provide a role model for developers to envision what larger investments could look like, generating momentum for additional, large-scale private development. They may also allay the concerns of skeptical residents, so that TOD is seen as an attractive amenity to be sought after and not an eyesore to be avoided.

Delaware Valley Regional Planning Commission (DVRPC)

Metropolitan planning organizations (MPOs) have an important coordinating role in the encouragement of more TOD. Their big-picture perspective comes in particularly handy as TOD initiatives intersect with *regional issues of land use, transportation policy, and environmental stewardship*.

DVRPC has been and could continue to actively advocate for more *dedicated and secure sources of funding for SEPTA*. In doing this, they would be helping to reduce the risk associated with TOD in regard to the long-term certainty of transit service.

DVRPC has made *TOD a priority in its Transportation & Community Development Initiative (TCDI) grant program*, and has established a strong planning, education, technical assistance, and implementation program for TOD. It has also been aggressive from the start on the use of TRIDs to stimulate development near transit stops. DVRPC could use its influence in setting land use to encourage private development that is oriented to transit and that adheres to TOD principles. In particular, transportation funding could be allocated to projects that have significant TOD components, and subsequent evaluation based on the land use, development, and environmental consequences of these projects.

Appendix

Site Analysis

Aerial maps of possible transit-oriented development (TOD) locations are greatly informative in terms of depicting the extent of the missed development opportunities for TOD. In this appendix, we provide maps and commentary of some stations around which development is currently far short of its potential.

Market-Frankford Line (MFL) Sites

There are several remarkable features about the aerial photograph in Figure A.1:

- First, some of the old buildings, including the former Provident Mutual Life Insurance Company building, are neither high density nor oriented toward the transit stop.
- Second, there is a considerable amount of land that is simply undeveloped.
- Third, there is very little left of the original, high density but low-rise residential and commercial development near the stop.
- Finally, the new developments, which include a Rite Aid, are decidedly transit-adjacent development (TAD) that are geared primarily to auto access.

Thus, MFL users are forced to walk past large areas of parking on their way to the stop. This phenomenon is sadly repeated throughout the stations along the MFL and BSL.

Figure A.1 - 46th and Market MFL Station



Source: Google Maps 2007

Figure A.2 displays the neighborhood around the 56th and Market MFL station. Near this station, there remains some of the original low-rise, high-density buildings, but one entire adjacent city block is virtually all green space. While green space may be an attractive urban feature, it is an inappropriate use for land located next to a transit stop, unless perhaps it is integrated as a strategic amenity into an overall high density TOD.

Note also the auto-oriented grocery store immediately adjacent to the station, which is an extremely important resource for the immediate neighborhood but which could have been even more effective if it had adhered to TOD principles such that its design and layout were more synchronized with its immediate surroundings. This automobile orientation also characterizes the Erie stop on the MFL (see Figure A.3).

Figure A.2 - 56th and Market MFL Station



Source: Google Maps 2007

Figure A.3 – Erie-Torresdale Avenue MFL Station



Source: Google Maps 2007

Broad Street Line (BSL) Sites

Of course, an extreme use that requires lots of parking is a sporting venue; and the Pattison Avenue BSL station is Philadelphia's premier example (see Figure A.4). Note also the residue of the demolition of Veterans Stadium. The two previous locations, as well as Oregon Avenue on the BSL (see Figure A.5), are adjacent to extensive public parks. As mentioned above, public parks could be integrated with TOD

in order to create highly attractive residential locations or regional public amenities. Unfortunately, this has not yet taken place at the 56th and Market, Erie Avenue, or Oregon Avenue stations.

Figure A.4 – Pattison Avenue BSL Station



Source: Google Maps 2007

Figure A.5 – Oregon Avenue BSL Station



Source: Google Maps 2007

Many stations on the BSL's northern half have very low density uses, which is a surprise given how geographically close they are to Center City. The degree of

underutilization is particularly evident at the Spring Garden BSL Station (see Figure A.6), the Fairmount BSL Station (see Figure A.7), the Girard Avenue BSL Station, which also has light rail service (see Figure A.8), the Wyoming BSL Station (see Figure A.9), and the North Philadelphia BSL Station, which is also adjacent to Regional Rail stops serving all lines and Amtrak (see Figure A.10).

Figure A.6 – Spring Garden BSL Station



Source: Google Maps 2007

Figure A.7 – Fairmount BSL Station



Source: Google Maps 2007

Figure A.8 – Girard Avenue BSL Station



Source: Google Maps 2007

Figure A.9 – Wyoming BSL Station



Source: Google Maps 2007

Figure A.10 – North Philadelphia BSL Station



Source: Google Maps 2007

Regional Rail Stations, Trolley Stops, and Bus Terminals or Transfer Points

In addition to the stations on the MFL and BSL, there are communities throughout the city with Regional Rail stations, trolley and light rail stops, and bus terminals or transfer points that are potential candidates for TOD. All rail stations do not offer the same opportunities, and none of these services provide the frequent service that is provided by either the MFL or BSL; however, in a number of cases, there are a mix of lines that come together, creating a multi-modal hub that could potentially enhance TOD opportunities. Most notably, these include:

- Wayne Junction
- North Philadelphia
- Girard Avenue
- Wissahickon Transfer
- Olney Terminal

While Wayne Junction does have some dense, rowhouse-style housing nearby, overall the station area is not well connected to its surrounding area. Given its high level of rail and bus service, it should be able to support significant mixed-use development. It could be an attractive residential and employment destination, since several regional rail lines pass through this intersection. Additionally, it is a very short 15-minute ride to Center City from Wayne Junction (see Figure A.11).

Figure A.11 – Wayne Junction Regional Rail Station



Source: Google Maps 2007

In North Philadelphia, there are two Regional Rail stations, North Philadelphia and North Broad, as well as a stop on the BSL and an Amtrak stop, all within a three-block radius (see Figure A.12). Every regional rail line passes through these stations, thus making for a shorter transit commute for most suburban commuters. Because of its excellent transit service and intercity rail service, this location is a natural one for transit-oriented development. Yet, remarkably, the area around the stations has seen virtually no redevelopment.

Figure A.12 – North Philadelphia and Environs



Source: Google Maps 2007

Wissahickon Transfer presents a different kind of TOD opportunity than most sites. This site does have Regional Rail service. However and more importantly, it is a transfer point for 11 bus routes connecting many employment centers, including Center City, Bala Cynwyd, and King of Prussia, thus satisfying the need for a high volume of passengers. This area has generally seen very low density, transit-hostile development. In one of the larger developments is a rental storage facility, which generates no transit traffic and does not particularly need transit access (see Figure A.13).

Figure A.13 – Wissahickon Transfer/Wissahickon Station



Source: Google Maps 2007

Olney Terminal is a major BSL and bus connection, with buses serving the Northeast and Northern Suburbs. It is well suited to residential and light commercial development. Nevertheless, the neighborhood has seen little reinvestment (see Figure A.14).

Figure A.14 – Olney Terminal (Bus and BSL Station)



Source: Google Maps 2007



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