THE JOURNAL REPORT: ECONOMIC ROUNDUPTHE Little Engine That Could
In many cities, the hottest development is taking place along the train lines
By KEMBA J. DUNHAM
June 11, 2007; Page R3

In cities across the country, mass-transit lines are the new frontier in urban development.

In dozens of cities -- from Charlotte, N.C., to Denver to Portland, Ore. -- the hottest redevelopment project is happening next to the local train station. Aging transit hubs and stops along new and expanded train lines are being transformed into multi-use developments that offer housing, retailing, restaurants and offices.

This transit-oriented development, as it's known, is being promoted by local officials and developers as a way to counter sprawl, reduce traffic on the roads and revitalize struggling urban neighborhoods. By some estimates, there are about 100 such developments in the U.S., with 100 more in the pipeline. Reconnecting America, a national nonprofit group that works to spur development around transit stops, forecasts that by 2030 the number of households near transit stations will rise to 16 million, from six million today.

Demographic and lifestyle shifts are among the primary reasons many cities and developers are willing to bet on transit-oriented development. A growing number of households include singles and retiring baby boomers who are opting to live in smaller homes in urban areas.

"I think we have a collision of things going on -- a desire to revitalize our cities connecting with the growth of smaller households that are desiring denser and more-convenient living choices," says William Millar, president of the American Public Transportation Association, a nonprofit advocacy group in Washington, D.C. "This isn't to say that the traditional suburb is going away," he says, but there will be
As more states look to win2 the economic jackpot with casinos, evidence suggests they are playing a losing hand. Plus, getting college students to come to a school3 is one thing. Getting them to stay after graduation is something else.

- See the complete Economic Roundup4 report.

Most successful transit-oriented developments are public-private partnerships. Local governments build or refurbish rail lines and surrounding infrastructure like roads and parking facilities. Private developers then build in the surrounding areas. "There's a lot of research that shows that if the public sector puts money into a transit system, they can expect three to five times that amount in private money" for adjacent development, says Marilee Utter, president of Citiventure Associates LLC, a Denver firm that has worked with a number of cities on development around light-rail systems.

These developments can pay off for cities in several ways. Research shows that the value of commercial and residential properties close to transit stations often rises -- and that translates into higher real-estate tax revenues in that area. Economists from the University of North Texas, for instance, found that between 1997 and 2001, office properties near suburban Dallas Area Rapid Transit stations increased in value 53% more than comparable properties not served by rail. Values of residential properties rose 39% more than a control group not served by rail.

In addition, cities can extract fees from these developments, including levies on the developers, sales taxes from retailers and fees for business licenses and parking. Those funds can be reinvested in the transit system or in the development, or anywhere else in the city.

Plans for Naugatuck

One developer is betting that transit-oriented development can help revive Naugatuck, Conn. Naugatuck, a town of 30,000 people located 70 miles northeast of New York City, was once a thriving industrial center, home to rubber, chemical and candy manufacturers. But over the past 30 years, the town has languished as its biggest industries have moved to other states or offshore. One of the final nails in the coffin was Hershey Co.'s April announcement that it would close its Peter Paul plant, where it churned out Almond Joy and Mounds candy bars.

Now, developer Alex Conroy is planning a $700 million transit-oriented development that will include housing, offices, retailing, hotels and entertainment on 60 acres in downtown Naugatuck. The Conroy Development Co. plans call for rubber-tire trolleys, jitneys and buses to provide connections to the Naugatuck stop on the commuter rail line that runs into New York, so that cars won't be necessary for those working, living and shopping in the development.

Towns like Naugatuck can take some encouragement from the Washington, D.C., suburb of Arlington County, Va., which has transformed its economic base through transit-oriented development. During the 1970s, Arlington was in decline, like
many of the suburbs nearest to major cities. In response, the county planned five closely spaced metro stations along its aging commercial corridor, stretching from Rosslyn to Ballston. The plan was for these stations to anchor medium- to high-density, mixed-use development, generally within a quarter mile of each stop.

The project has spurred approximately 40 million square feet of development so far, and the area around each station has an urban feel. From 2002 to 2006, land values in the Rosslyn-Ballston Corridor grew 84%, to $4 billion from $2.18 billion, says Dennis Leach, Arlington County's director of transportation. Although the corridor is only two square miles in area -- less than 8% of the county's land area -- it is the source of more than 30% of Arlington's real-estate taxes, he says.

"Arlington's approach to focusing transit-oriented development around its Metrorail stations has been central to the county's economic health," says Mr. Leach. "This approach has allowed Arlington to continue to expand its tax base, expand local services and invest in the conservation of existing neighborhoods."

**Challenges Loom**

For all their promise, transit-oriented developments can be tough to get off the ground. For one thing, public funding for transit systems and the surrounding infrastructure often is severely limited. Land is more expensive for projects in established communities than it is in low-density areas. The involvement of city governments and transit agencies and sometimes state and even federal officials, as well as representatives of the communities where developments are planned, can make reaching agreements on details difficult and time-consuming.

"It's not that these challenges are insurmountable, but for some places, this is new and takes a more focused effort to really see this idea come to be," says Shelley Poticha, president of Reconnecting America.

Others suggest that some cities clamoring to build extensive development around transit may be misinformed about the potential economic rewards. Ms. Utter of Citiventure says that a lot of cities that are mainly funded by sales taxes are desperate for transit-oriented development because they are betting on a windfall resulting from the retail component. "But there is a great misunderstanding that transit attracts a lot more retail than it actually does," she says. "On the other hand, things like cinema, museums and ballparks really attract riders and generate economic activity."

And in some cities, proponents may have to confront opponents who worry that transit-oriented projects are a recipe for deterioration rather than development. "In many parts of the country, it's the poor, people of color and the young and old" that take public transportation, says Robert Cervero, an urban-planning professor at the University of California at Berkeley. In some places, he says, mass transit carries a stigma that "reflects a deeper racial and class divide that continues to plague American cities."

A few years ago, Mr. Cervero heard an owner of a mixed-use project say that he didn't want tenants who specifically wanted to be located near transit because those tenants tend to attract an undesirable element. This owner not only believed that these patrons would drag down rents, but he also expressed concerns about having to absorb higher costs for security and cleaning the buildings, recalls Mr. Cervero.

"In his mind, transit-oriented development was a deterrent to economic development," he says. "This obviously doesn't hold in global cities like New York where people of all walks of life -- from the Wall Street exec to the cleaning lady -- patronize transit." But it does hold, he says, in some smaller cities "where most well-off folks drive."

--Ms. Dunham is a staff reporter in The Wall Street Journal's New York bureau.
Write to Kemba J. Dunham at kemba.dunham@wsj.com

URL for this article:
http://online.wsj.com/article/SB118114517667026496.html

Hyperlinks in this Article:
(1) http://online.wsj.com/page/2_1303.html
(2) http://online.wsj.com/article/SB118114530050026499.html
(3) http://online.wsj.com/article/SB118114538372926540.html
(4) http://online.wsj.com/page/2_1303.html
(5) mailto:kemba.dunham@wsj.com

Copyright 2007 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.