TOD & The Sustainable Investor

Moving From BROWN to GREEN

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CHEROKEE

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Cherokee: Investment Profile

- The leading private equity firm investing capital and expertise in reclaiming contaminated real estate with more than $2 billion under management.
- Over the past two decades, more than 525 properties reclaimed worldwide.
- Blend capital and creativity to achieve sustainable redevelopment of properties after remediation.
Market Driven Demand

- A national phenomenon driven by an aging “Baby-boomer” population, 85% of whom prefer to “age in place”
- 73% of seniors favor walking, biking, and transit use over driving their car “debunking the myth”
- Unexpected alignment of converging interests: mobility, affordability, density, proximity
- Unfortunately, communities don’t make it easy, being defined by “auto orient development” ... active mobility is against the law!
**Trends Driving Demand**

- Cities around the world seeing increased demand for urban living and regenerative development
- Emerging “Creative Class” want easy access
  - Over 53% want to walk to services
  - Over 71% want to walk to transit
- 37% of U.S. homeowners want to live smaller
- Over next 20 years, 50% of all growth projected to occur in existing urbanized areas
- Current economic downturn: gas prices helping shape land use needs
Do People Really Care?

- Pedestrianised areas simply inconvenience car users
- More money should be spent on improving pedestrian facilities
- Pedestrians should be given more priority
- Cycle lanes on roads simply reduce space
- More money should be spent on improving cycling facilities
- Cyclists should be given more priority

**Graph showing the percentage of respondents' opinions on various transportation-related issues.**
2007 NAHB study examined what happens to valuation when positive and negative locational characteristics are introduced into the equation.

- Midwest suburb
  - Baseline house with no special locational amenity: $212,137.
  - Put the house near open space: $215,510 (1.5%)
  - Put the house in a gated community: $225,772 (6%)
  - Put the house next to transit: $238,340 (12%)

- Same house, same basic features inside, but in different locations.

- In the current housing downturn, TOD outperforming all other sectors, regardless of CBSA location.
Case Study: West Hyattsville

- West Hyattsville, MD
  - Revitalization near rail station
  - Enhanced local road capacity
  - Improved flood control
  - Increased energy savings
  - Restored identity and “ownership”
  - Balance of residents/jobs
  - Compact mixed of uses
  - Live/Work options near train
  - Expanded Mobility: Walkable, Bikable, Drivable

AASHTO: 2004 Project of the Year – Smart Growth and Sustainable Transportation
WMATA: 2003 New Model For Joint Development
We marry land use and transportation before we invest

- We join with governments to secure entitlements, public finance and (re)build critical infrastructure
- We partner with local builders to ‘go vertical’

We seek sustainable returns

- Environmental
- Equitable
- Economical
## TOD – A Sustainability Strategy

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<tr>
<th>Environmental</th>
<th>Social</th>
<th>Economic</th>
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<td>Annual rates of driving drop by 20-40% for people living, working and shopping near transit stations&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Reduced auto dependence enhances affordability for low-income and elderly residents</td>
<td>Property values increase within 1/4-1/2 mile of transit stops&lt;sup&gt;1&lt;/sup&gt;</td>
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<td>Reduced driving lowers household greenhouse gas emissions by 2.5 to 3.7 tons per year&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Residents of walkable neighborhoods are in better shape and have lower average blood pressure&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Housing demand in transit zones is expected to more than double by 2025&lt;sup&gt;3&lt;/sup&gt;</td>
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**Accessiblity**

**Livability**

**Feasibility**

<sup>1</sup> Transportation Research Board, 2004  
<sup>2</sup> Frank et al, 2006; Rodriguez et al, 2006; Ewing et al, 2003; and Kelly-Schwartz et al, 2004  
<sup>3</sup> Center for Transit-Oriented Development Market Assessment
TOD – An Investment Strategy

TOD enhances value of real estate assets via:

- **Risk reduction**
  - Improves quality of entitlements
  - Helps secure public financing
  - Provides greater predictability

- **Value enhancement**
  - Impacts location considerations
  - Increases Density & Diversity of Deal
  - Accelerates attraction and absorption
TOD: Cherokee Evolution

- **Denver & Montreal**: Purchased single brownfield sites along existing transit corridors with or without stations.

GM Manufacturing Plant, Montreal

Gates Rubber Factory, Denver
**Dallas – TOD Program:** Working with DART and city to acquire land around existing and future transit stops to increase transit ridership and revenue.

**Raleigh - TOD Program:** Partnering with Triangle Transit to ensure vibrant and sustainable development that supports future ridership and generates revenue for transit system.

**Charlotte TOD Program:** Providing technical support to ALL affected governments on framing future rail alignment, station siting and public infrastructure within public finance and real estate acquisition/development strategy.
A system-wide approach

7 degrees of difficulty:
- Secure local funding agreement for $76 million in rail infrastructure costs
- Secure 25% state funding commitment
- Fund local station area infrastructure needed to support revitalization, commuter rail service and TOD

Cherokee’s role:
- Quantify future value of the property
- Assess availability of TIF to finance rail and local infrastructure needs
- Queue up ‘transit ready’ development

TOD: Charlotte Case Study
Why Advance Incremental Tax Revenues?

- Transit and local improvements generate new tax revenue
  - Greater quality & concentration of mixed-use development
  - Faster build-out around transit station (3-5 years)
  - Faster, larger sales tax revenues for local governments from construction & commercial activities
  - TOD property increases value faster than surrounding areas

- Necessary to ensure local infrastructure is built prior to development – pay as you grow!

- Majority of incremental tax revenue will remain to the benefit of other local services and needs
Rethink Policy Models

- **Design destinations (H/V)**
  - Pedestrian as king
  - Efficiency of scale
  - Diversity of Use

- **Reform codes**
  - Revisions support mixed uses, walking and cycling

- **Engender a culture of auto independence**
  - Enhanced buying power
  - Expanded Personal choice
  - Improved Value
Rethink Development Models

- Neighborhoods designed for efficiency to achieve total resource sustainability
- Energy efficiency through resource conservation, TDM, building orientation, reduced infrastructure, low heating and cooling loads
- Leadership in Energy and Environmental Design (LEED)
  - LEED-ND
  - LEED-NC
  - LEED-CI
  - LEED-EB
- Sustainable Sites Initiative
  - Carbon Counting at the land level
Rethink Investment Models

1. Equal or Better Portfolio Returns
2. New Product Development and Investment Diversification

Sustainable Brownfield Redevelopment: Value Variables

**Economic**
- Enhanced Tax Base
- Municipal Returns
- Local Providers
- Pricing Efficiency
- Job Creation
- Buying Power

**Social**
- Mixed Demographics
- Absorption
- Stakeholder Engagement
- Risk Reduction
- Affordable Housing
- Incentives

**Environmental**
- Transit Oriented Mobility
- Density & Efficiency
- Low Impact Development
- Acreage & Amenities
- Energy Efficiency
- NOI & Marketing
- Indoor Air Quality
- Branding & Sales

G O A L S

S T R A T E G I E S
A way to cap & trade this ...
...back for this.