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How TOD Transforms Regions: Leinberger & Tregoning Opine

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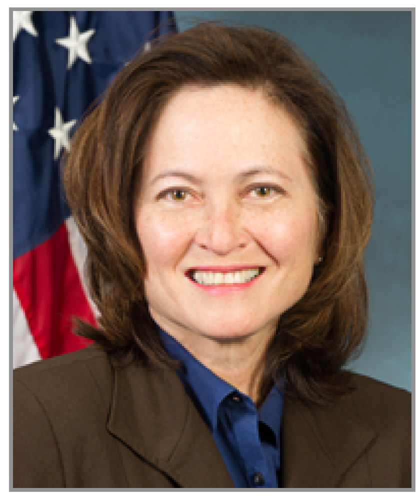
At the Transit Oriented Development Conference in Washington, D.C., Chris Leinberger, chair of the Center for Real Estate and Urban Analysis at the George Washington University School of Business, illuminates how transportation options make new forms of urban development possible. Harriet Tregoning, principal deputy assistant secretary for HUD's Office of Community Planning and Development, shares lessons from the 2008 recession, noting how walkable communities are valuable strategies for urban resilience and economic prosperity.

Chris Leinberger: Transit-oriented development is the future of this country's real-estate development. Metro DC is the model by which we're building this country, as far as TOD.



Harriet Tregoning

The other thing to note is how important the built environment is to this economy. It is 35 percent of the asset base of the country. It's the largest asset class. If you took all the publicly traded companies on the New York Stock exchange, the American stock exchange, and NASDAQ, you took the capitalized value, and added them all up and doubled it, the built environment's larger. We in real estate have always been proud of the fact that we caused two of the last three recessions. This last time we really did it up right and crashed the economy.

Unfortunately, we're not back. This economy's been bumping along at 2 percent growth. It's been a very weak recovery. I think the No. 1 reason is that we don't know how to build TOD and other walkable urban places.

We just did a study in Boston, one of the most walkable, urban, TOD-oriented places in the country. They should be building 20-25,000 new housing starts per year, based upon the 1.8 million households there. Last year, they built 5,000, because it's so impossible to build walkable urban TOD projects.

Think of what would've happened to the underlying GDP if we quadrupled the amount of for-sale housing starts in this country. Rather than 2 percent, it would be 3.5 percent. That's what we're missing out on because we don't know how to do this stuff.

Throughout the 6,000 years we've been building cities, transportation has driven development. There are 15 infrastructure categories. Transportation is first among equals. If we only build freeways, which is what we've basically done for the last 60 years, we get one form of the built environment: drivable suburban. Also, it creates a different product type, separated from one another. The only way to get between them is by cars and trucks.

> "It's not just a luxury to have these [transportation] choices—it's actually an enormous competitive advantage for places, and that's in part because there's a real value associated with those choices. " —Harriet Tregoning

The only other major way of building is walkable, urban, and transit-oriented. For that, you need multiple transportation types, particularly rail transit. But it also includes biking, which is a huge factor. Biking could be 20-25 percent of the total mode split, and all we have to do is paint some lanes into the existing right-of-ways—a very cheap way of providing transit. But rail transit in particular is where these things focus.

There's a corollary to "transportation drives development" that our transportation professionals really need to learn: One does not build transportation systems with the goal of moving people. We build transportation systems with the goal of economic development. The means is by moving people. But our transportation engineers are so focused on just moving faster and faster that they forget why we even have transportation systems.

Prior to the Depression and the Second World War, we in this country built fabulous walkable urban places. But during the second half of the 20th century, we pushed that pendulum all the way over and all we built, primarily, was drivable suburban places as we disinvested in our cities—disinvested in places like NoMa, which was completely bulldozed, burnt, and ignored for 50-60 years. We know how we built these places during the last half of the 20th century: We started with freeways and housing subdivisions out on the fringe. We then invented regional malls and business parks, and we kept on pushing out further. Then we got really good at building freeways, and we've just continued this movement. For every 1 percent population growth, we've been expanding the metropolitan area by 6 to 8 percent.

That was then. In the mid-90s we began to see something happening. This pendulum started coming back. Our downtowns began to revive.

In about 2000, I first heard from Mark Weiss. He was working on this strange thing called NoMa. I knew what NoMa was. It was godforsaken. There was nothing here. Look at what's happened in just 15 years. It is absolutely staggering to see just how much this place has changed. That was all part of the market demanding walkable urban places.

We know who to blame: It's the damn kids. It's their fault. The millennials are driving this—although the baby boomers still have a role to play, as they become empty nesters and downsize.

When I was growing up in the 60s, 50 percent of households had children in them. 50 percent were singles and couples. Today, 75 percent of households are singles and couples. Those are the target market for walkable urban—not that families aren't welcome. Over the next 20 years, 86 percent of household growth is going to be singles and couples. That's the market telling us something.

Also, there was boredom that all we built for years and years was drivable suburban. If you moved to Washington 20 years ago, you had a choice of where you lived—you could live in a single-family home, or a single-family home.

The creative class and knowledge economy are driving this change, as well.

Finally, we've been putting a ton of money into our cars. The typical drivable suburban household is spending 25 percent of their household income maintaining a fleet of cars to participate in society. If you're a walkable urban household, it averages 9 percent. A lot of us in a walkable urban setting are spending 2-3 percent of household income on it.

Denser, urban places are fundamentally different. They're much more complex than the drivable suburban stuff that most of us cut our teeth on. Building drivable suburban stuff is akin to driving a NASCAR, which goes straight or is engineered only to turn left. We have to learn how to fly fighter jets—go straight, turn left, turn right, zoom up five miles, or crash and burn all within seconds—going 600 miles an hour, while we're being shot at. It's a much more complex, risky thing to do.

But the payoff is that you create an upward spiral of value-creation. As a building fills up in NoMa, it is going to put more people on the street that are going to go to the restaurants, that are going to go to the Harris Teeter, that are going to make it safe, that are going to drive up rents, that are going to drive up property taxes, and that are going to drive up the value of this place.

That's good news. The bad news is that there's no such thing as a free lunch: We have a massive affordable-housing, social-equity challenge that we in the TOD movement have to take responsibility for. If we don't, we're going to be shut down or government's going to tell us how to solve it. I don't think we're going to be happy about it.

Harriet Tregoning: The most important thing that we've been talking about is how wonderful it is to have transportation choices. It's not just a luxury to have these choices—it's actually an enormous competitive advantage for places, and that's in part because there's a real value associated with those choices.

In the District of Columbia, more than 80 percent of all households are "car-light"—one or fewer automobiles. 38 percent of households don't have automobiles at all. Almost half of all trips are taken by walk, bike, or transit, and more than half of commuting trips are walk, bike, or transit. It's a very significant savings to individual households.

It's helped to attract a highly educated set of young college graduates who happen to have crushing college debt. Until we change how we fund higher education, places that can offer people the opportunity to get a decent job without having to pay a car payment have a distinct competitive advantage.

That is changing and diversifying the local economy. One of the other things that has changed since the 1950s is that jobs now follow talent instead of talent following jobs. A high concentration of very well educated people in your community starts to attract employers.

Millennials have figured out that an automobile is not a personification of who they are. It's a depreciating durable good that sits parked 95 percent of the time and is used only five percent of the time.

That has driven all kinds of diversification in transportation service provision—all kinds of different models of how you get around. You can really see it in cities like San Francisco, DC, and others, where people are frankly enthusiastic about having those choices and trying them out.

The sharing economy has now spread to other types of uses, whether it's commercial kitchen shares or co-working spaces. It's all about taking unused excess capacity that we might have. The idea that we can monetize and use excess capacity is only possible in places that have transit and TOD—and the kind of intensity of uses and care taken to place-making.

TOD and transit have become the spine around which development is happening in our region. None of the choices, none of the sharing economy, none of the economic diversification and growth, not even the population resurgence is possible without the transportation framework of high-capacity heavy rail. It's shaped where development is going and created enormous value. (I'm on the board of WMATA, and 86 percent of all office projects that are underway are within a quarter-mile of Metro.)

This whole set of conditions is affecting how the federal government is addressing these issues. Slowly, we are bending and changing our rules to recognize the value of TOD, mixed uses, and affordable housing near transit. Our Office of Multifamily Housing is actually changing its guidance to allow for more commercial income and space in HUD-financed multifamily projects. For a long time, it violated our rules for you to have ground-floor retail in a lot of multifamily residential buildings, which is a killer.

On the other end of the spectrum, DOT now cares about affordable housing at transit. The fact that they care about what kind of housing is being provided is a real game-changer. Lots more places, even ones that don't get the federal funding but reorient in order to apply, are thinking about these issues.

Having vacancy—whether that's a vacant lot, a vacant space, or an unused ground floor—is kind of an anathema. Not only does it wreck what we're trying to do in terms of creating a continuous street wall of activity at the ground floor, but it's also clearly a wasted opportunity.

It's been a hard lesson to learn in our city. We had office developers and residential developers, but their business was never retail. No one was paying that much attention to the ground floor. Developers would hold out for a national credit tenant—a CVS, a drugstore, a bank. They would keep that space vacant for three to five years and be surprised the building wasn't leasing up.

More and more people are starting to see that, especially in these transit corridors, there's a lot of demand for that space. Even if I can't get that national credit tenant that my balance sheet desires, I could activate that space temporarily in a hundred different ways. That would create opportunities for some entrepreneurs and it might actually demonstrate that there's a market for something. We see a ton of this in the district and in a lot of other cities. That was just not a phenomenon five or ten years ago. We actually helped to get it started when I was at the Office of Planning.

Transit is so powerful that it doesn't even have to be open yet for it to have that powerful effect on development—like our streetcar. More than 300 new businesses have opened along the mile-and-a-half-long corridor, and it's transformed unbelievably. I don't know if there's any place in the country that went from having a Murray's Meats to a Whole Foods on that same site.

This idea of a temporary or shared use has become so ubiquitous that a lot of businesses that were previously only open in the evening, like bars, are now coffee shops and cafes during the day. Why? Millennials are also helping to change work patterns. What were formerly residential-only neighborhoods now actually have a significant amount of people working in them. They are customers for those businesses and services, which then makes the neighborhood more livable, which then attracts more people.

The other thing about millennials is that they really want to have experiences. The Office of Planning got a large grant on the experiential economy. ArtPlace America, a national philanthropy, gave DC dollars to make its planning process more experiential for a greater cross-section of citizens. How many of you have sat in some evening planning meeting where we had a pretty uniform demographic? Millennials don't like to be yelled at, so they come once and they're out of there. But what if you make part of your planning process painting a road tattoo to show what a plaza would look like in the future, or doing a festival that occupies empty storefronts to show what it would look like if the plan was fully implemented, or building street furniture? You could demonstrate the market potential of their residence by bringing in food trucks and other businesses that might be interested in a brick-and-mortar location.

A whole huge cross-section of people are interested in that, from longtime residents to newcomers. It's been an amazing way to bring people together.

Resilience is something that I also focus on in my job at HUD, in part because we are facing a very uncertain future with more severe weather, rising sea levels, and probably major swings of the global economy. TOD and transportation choices are critical in this world, too.

Let me give you an example from DC. Do you remember that little earthquake in 2011? The Office of Personnel Management, in its infinite wisdom, released every single federal employee at exactly the same second, so there was a bit of a traffic jam. If you had a bike or were able to get a bike-share bicycle, which cleared out in five minutes after that OPM announcement, you had a pretty normal commute home. In fact, you had a safer than normal commute because cars that might be swerving dangerously at high-speed weren't moving at all. If not—if you were stuck in a car—it took two or three hours to get out of the city.

Resilience in a TOD city has to be more multifunctional, more creative, and more supportive of transportation and citizen choices.

20 years ago, we would have solved the problem of protecting Lower Manhattan from flooding and storm surge by building a big berm around it. But through a competition with the Rockefeller Foundation, we come up with a solution for Lower Manhattan that was responsive to the character of every neighborhood that was affected. Why would you ever build a berm or a levy if a waterfront park would provide the same level of flood and surge protection—but also be useful, beautiful, and place-making every single day?

I was Planning Director when the Great Recession happened, and I noticed a weird thing in 2008: hundreds of cars were beginning to drop off the DMV rolls. I thought: Oh my gosh, people are fleeing the city. But no: People were still moving into the city. People were dialing down their transportation costs because they could. Two-car households were becoming one-car households. One-car households were temporarily becoming no-car households. People were able to weather a job loss or a cut in hours. We had virtually no foreclosure, bankruptcy, or mortgage default. Our property values dipped, but they didn't plunge, and they bounced back very quickly.

The three jurisdictions—the District, Alexandria, and Arlington—had an entirely different experience of the recession than the rest of our region. Keep in mind, our region is a single jobs and housing market. We added jobs every year during that recession thanks to stimulus, so why was it that these places fared so differently? Because of transportation choices, transit, and TOD—so much so that the rest of the region really began to pay attention. There are still parts of our region that have not recovered their housing prices from the pre-recession levels, while plenty of other places have gone beyond.

So for the District in particular, the recession was an occasion where we didn't just bounce back, we bounced forward. Our share of the region's population grew for the first time in 40 years. Our share of jobs grew relative to the rest of the region.

The recession, and the very different ways in which the region experienced it, convinced a lot of our outlying jurisdictions that TOD might be for them, as well. It has been a real sea change.

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