Attracting Private [smart growth] Investment along 1-75 Central Corridor

Twitter: @christophercoes

September 19 2019
I-75 Central Corridor Meeting

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Improving lives by improving communities

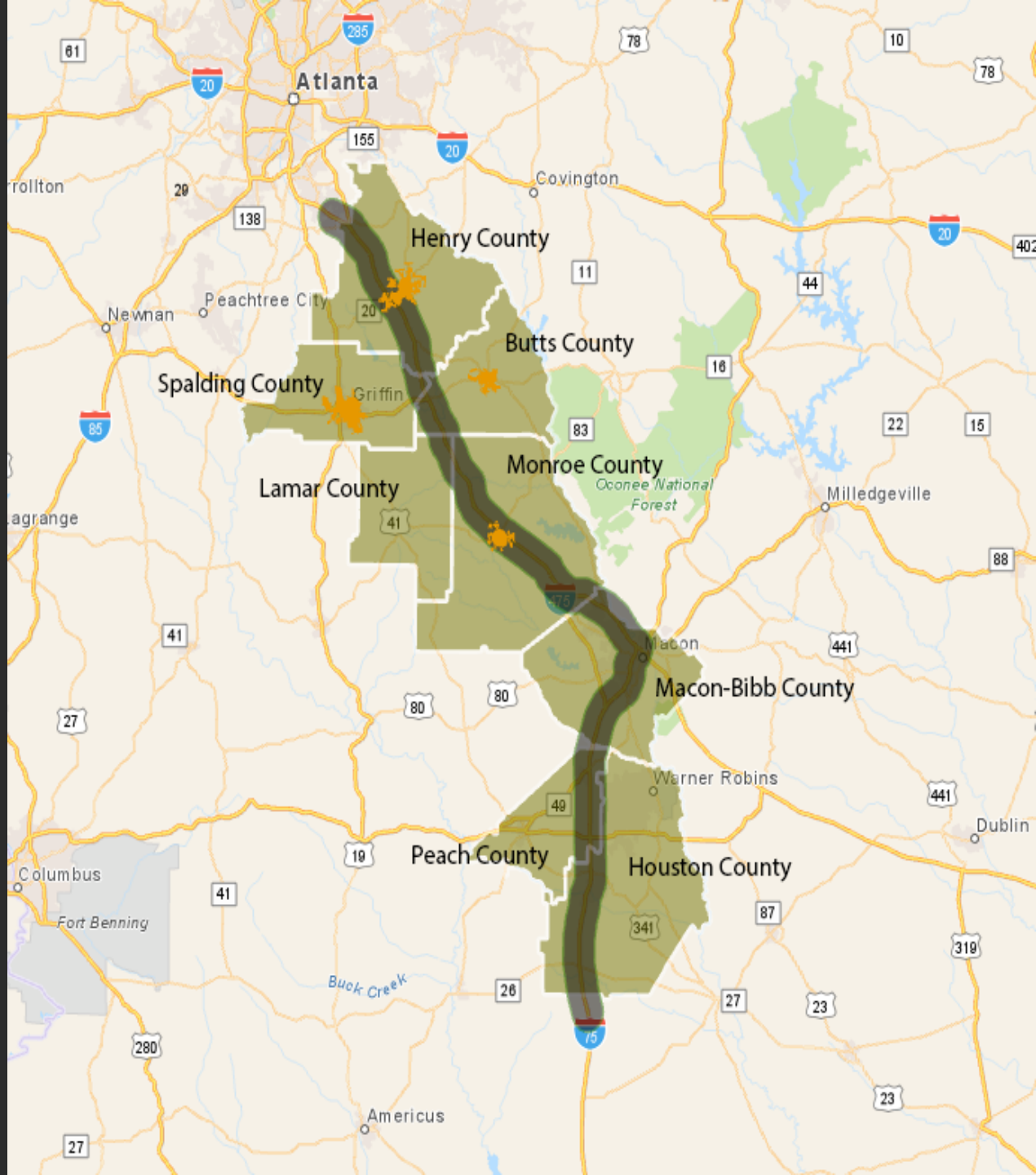




Photo Courtesy of Downtown Thomasville (Main Street), Inc



Smart Growth America

Improving lives by improving communities

Transportation for America

National Complete Streets Coalition

LOCUS Local Leaders Council

GOVERNORS' INSTITUTE on community design

FBCI Form-Based Codes Institute

"Smart Growth America empowers communities through technical assistance, advocacy, and thought leadership to create livable places, healthy people and shared prosperity."

LOCUS: Responsible Real Estate Developers and Investors



A national coalition of private real estate developers and investors working to meet the country's pent-up demand for **sustainable, equitable, walkable urban places** by advocating for local, state, and federal **policy change**.

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Jonathan Rose Companies

FOREST CITY

CH&
CAIRNCROSS&HEMPELMANN
ATTORNEYS AT LAW

RENAISSANCE
DOWNTOWNS

point C

LANDER GROUP
urban development



SLOSS REAL ESTATE

CROSSWINDS
COMMUNITIES





MCCORMACK
BARON
SALAZAR





Larson realty group



HRI PROPERTIES





USAA Real Estate Company

TRANSPORTATION *DRIVES* DEVELOPMENT

We first build our transportation system
and then it molds our metro regions

- Modification of Winston Churchill quote







Highways Only = *Drivable Sub-Urban*

TRANSPORTATION *DRIVES* DEVELOPMENT











Multiple Modes = *Walkable Urbanism*


2nd Half of the 20th Century

What's been happening?

The demographic and economic fundamentals have shifted

Millennials

They follow lifestyle, not jobs.

Millennials choose where to live before finding a job.

Over 87% of millennials want to live in walkable places, with amenities and agreat sense of place, particularly small towns.



Boomers are a different kind of Senior Citizen (Adulthood III*):

Boomers are downsizing

- Increasing numbers, smaller households
- The number of senior households will grow twice as fast as all others over the next couple decades (A.C. Nelson)

“About 10 percent of Americans would like to live in mixed-use small towns, but don't.” -- Robert Steuteville

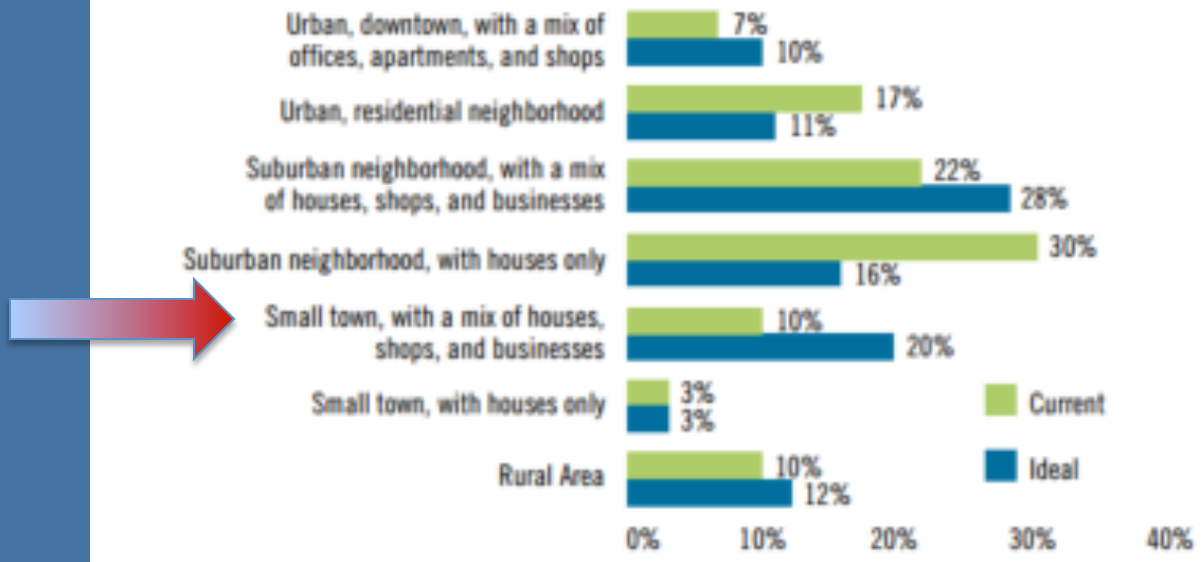


FIGURE 12:
CURRENT AND IDEAL NEIGHBORHOOD TYPE

WHO'S ON BOARD 2014 MOBILITY ATTITUDES SURVEY

There is a price/value premium for walkable places (residential)

Applies to residential real estate -

Above-average walkability:

→ $4,000 to $34,000 more in home sales price



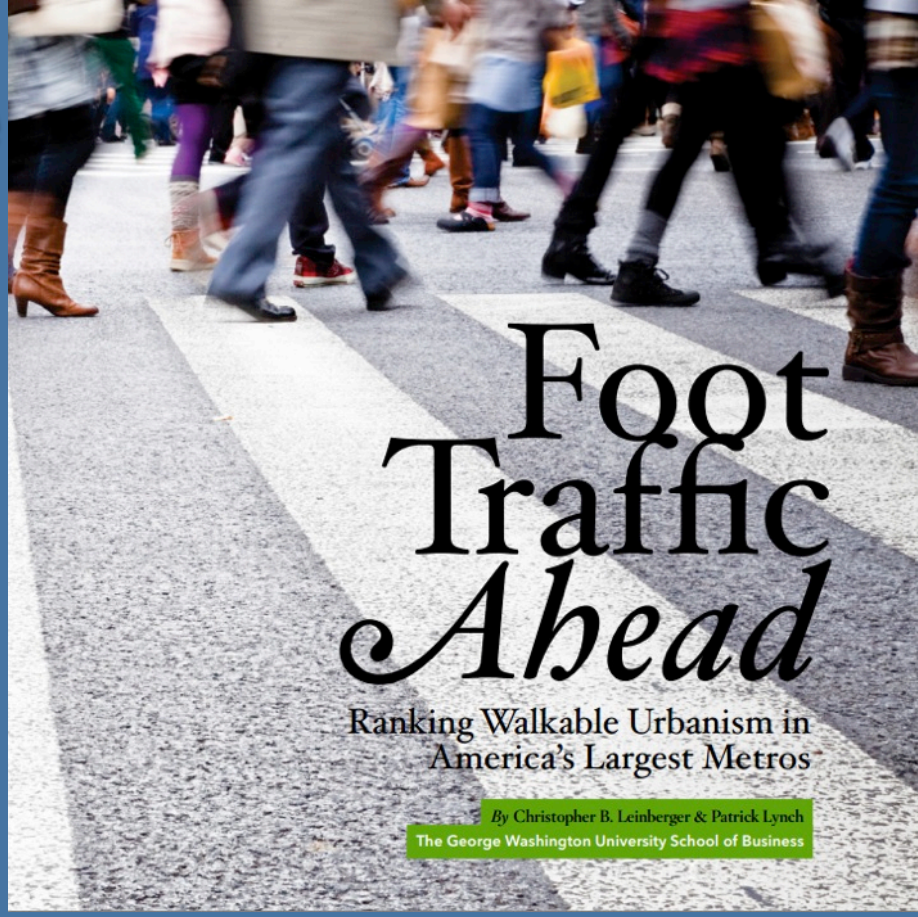
•*Sources: "Walking the Walk" by Joseph Cortwright, CEOs for Cities and "The Walkability Premium in Commercial Real Estate Investments" by Gary Pivo and Jeffrey Fisher*

There is a price/value premium for walkable places

2019 study ranks the top 30 US metropolitan areas in walkability

Major findings:

- The top ranking metros have an average of 52% higher GDP per capita as compared to the low ranking metros.
- Office space in walkable urban places rents at a 105% higher premium per square foot over drivable sub-urban areas.

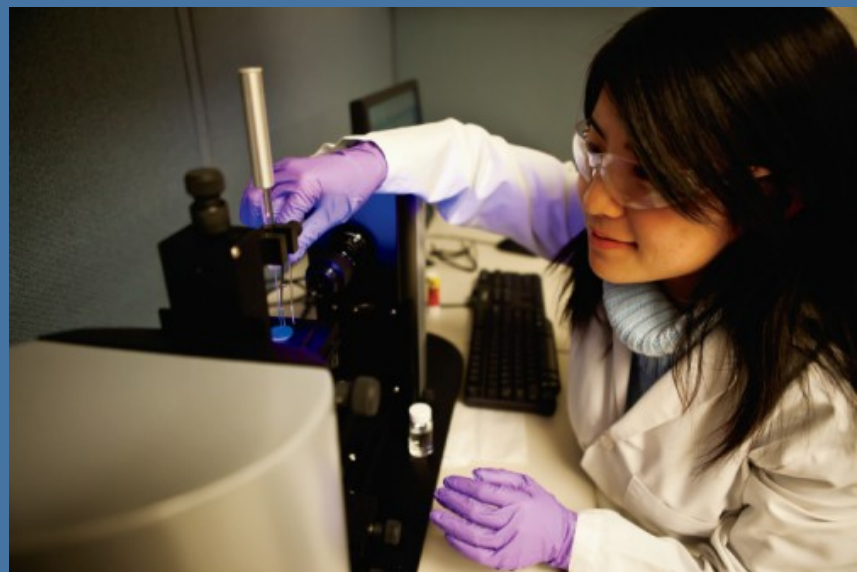


Economic growth

20th century vs. 21st century

- Manufacturing economy vs. Knowledge economy
- Chasing smokestacks vs. Chasing talent





Core Values

Why American Companies are Moving Downtown



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Making Neighborhoods Great Together

IN PARTNERSHIP WITH

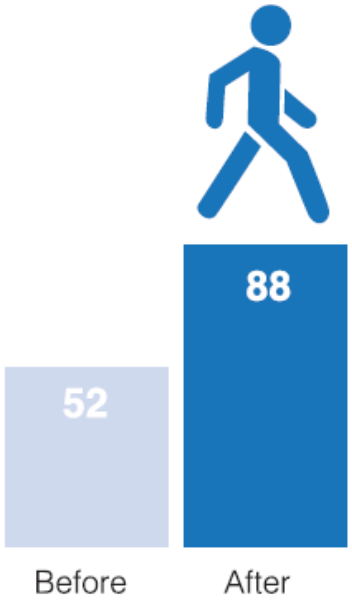
CUSHMAN & WAKEFIELD

Center for Real Estate and Urban Analysis
THE GEORGE WASHINGTON UNIVERSITY

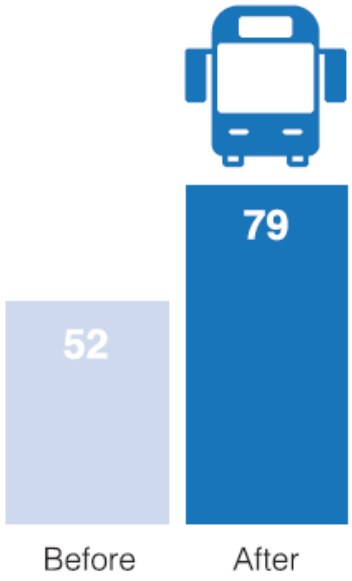
Smart Growth America conducted interviews with senior-level employees at relocated companies to understand why they chose the location they did. In the course of our interviews six common themes emerged explaining why companies chose to locate downtown:

- To attract and retain talented workers
- To build brand identity and company culture
- To support creative collaboration
- To be closer to customers and business partners
- To centralize operations

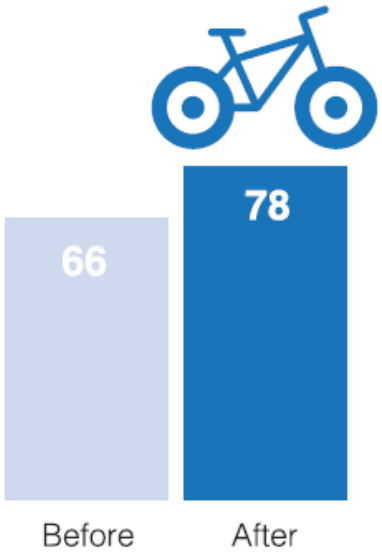
WALK SCORE



TRANSIT SCORE



BIKE SCORE



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Five Tests of Community*

- Popsicle Test – Can you walk home from the store before your popsicle melts?
- Smooch Test – Is the place comfortable, safe, attractive, and intimate, suitable for a date-night stroll?
- Kid Test – Can children safely explore a world beyond their own backyards?
- Seniors Test – Are elder citizens a welcome part of the community? Can they get out and about and get their needs met when driving is no longer an option?
- Commons Test – Does development contribute to the overall community something greater than what it takes in terms of natural and community resources?

*from *Choosing Our Community's Future, A Citizens Guide to Getting the Most Out of Development*, Smart Growth America, 2005





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Communities are now in a

ferocious competition

over

place

(and private capital)

(whether they know it or not)

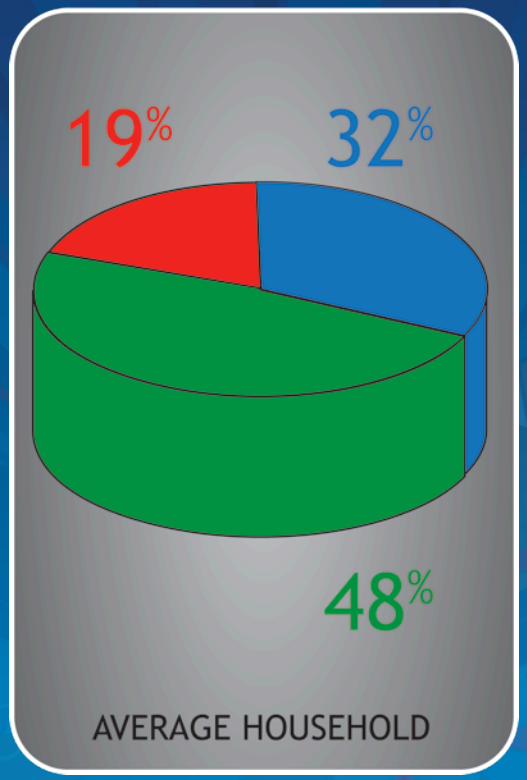
…Let's talk about the I-75 Central Corridor

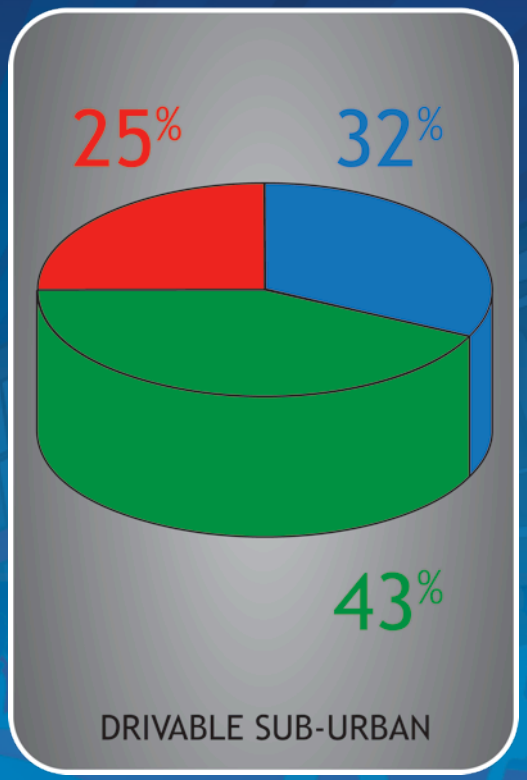
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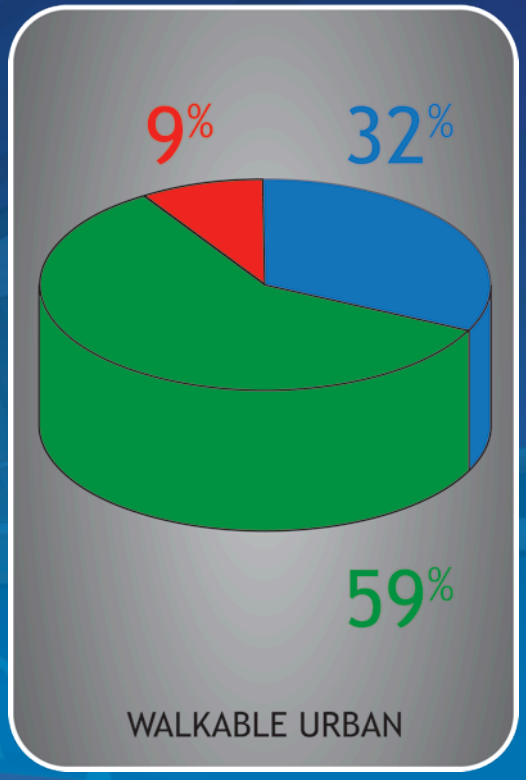


U.S. HOUSEHOLD SPENDING:
Average, Drivable, & Walkable

TRANSPORTATION HOUSING DISPOSABLE

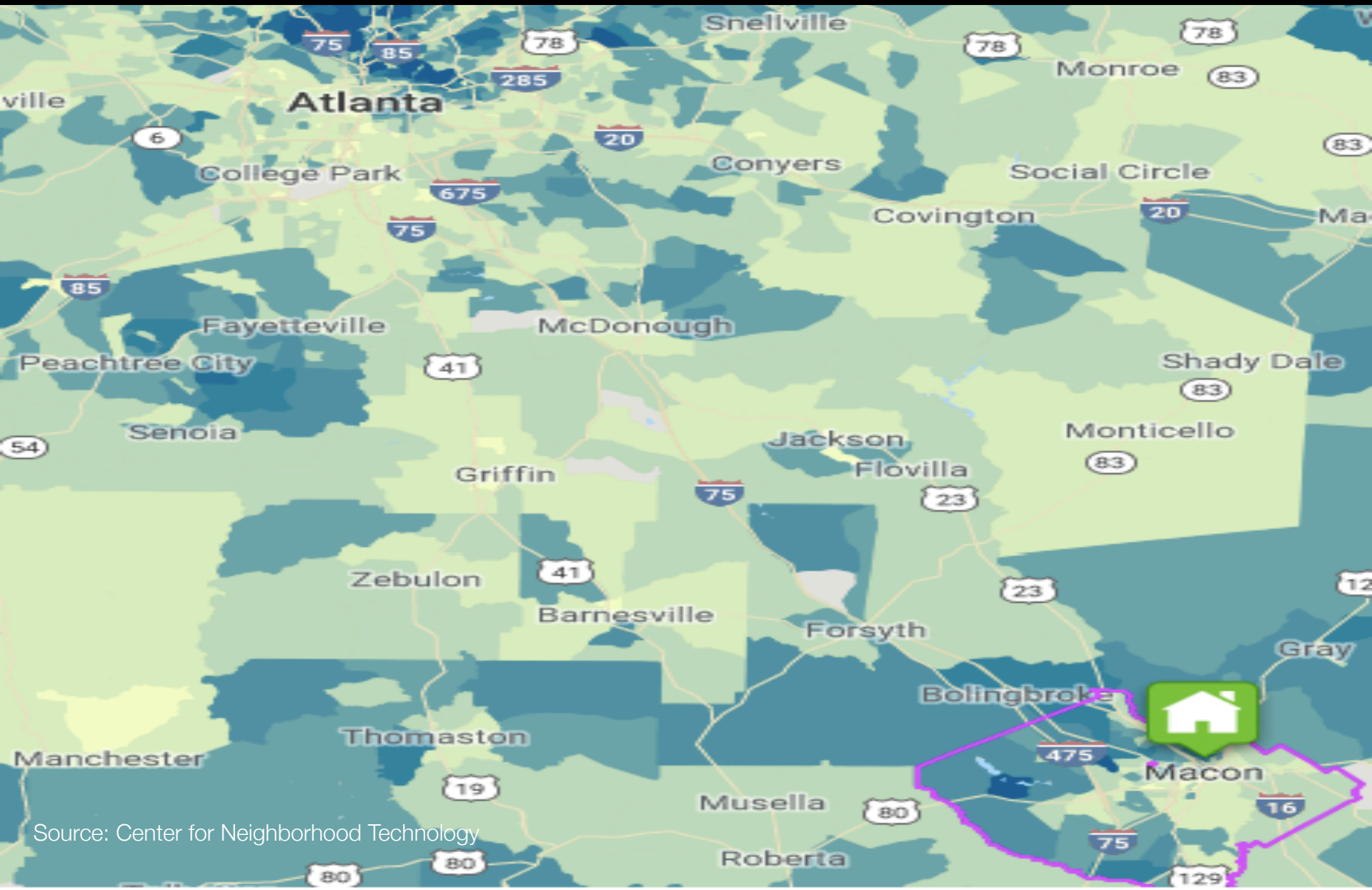






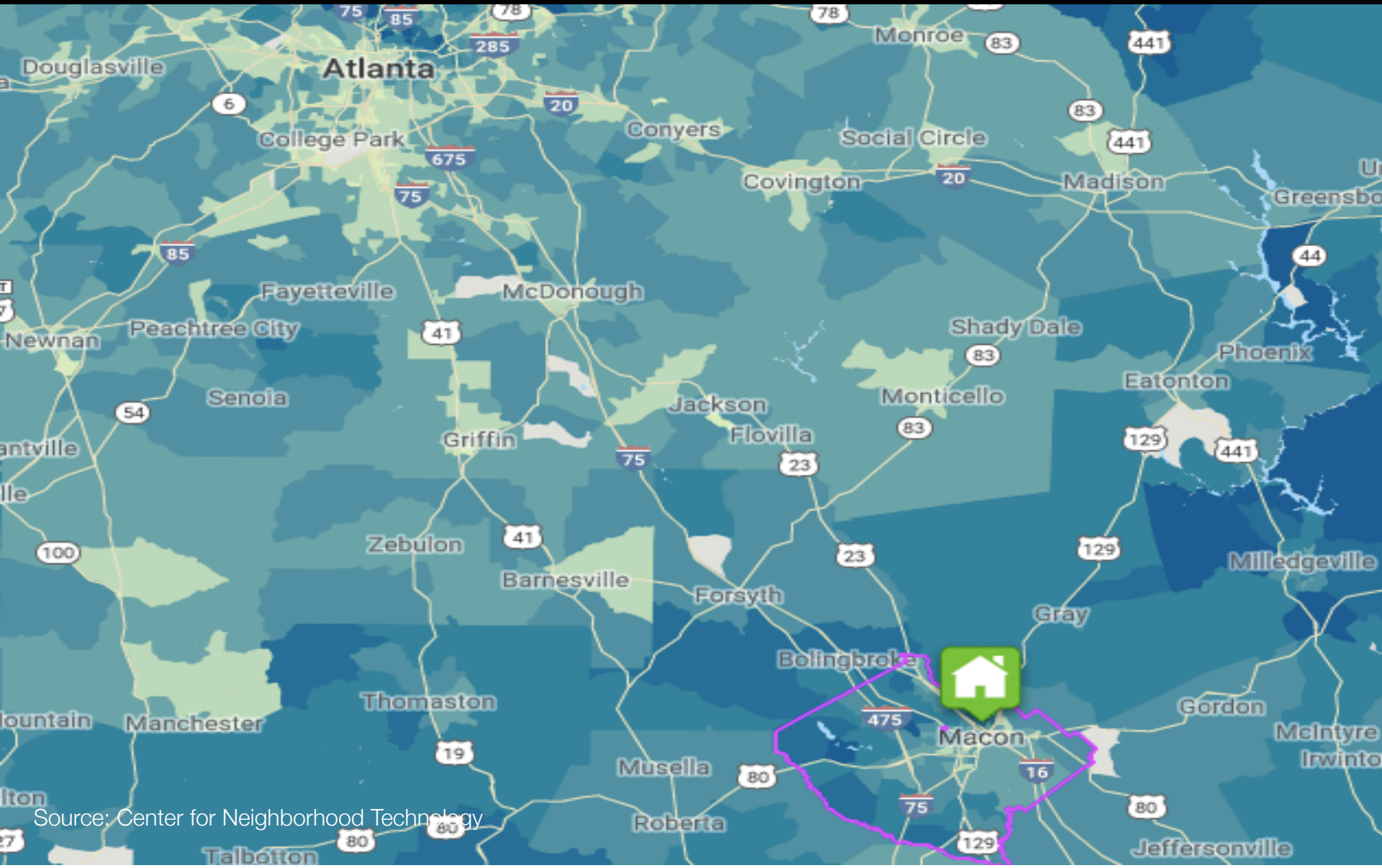
*Source: Center for Neighborhood Technology

Housing Costs – ATL Metro/I-75



Source: Center for Neighborhood Technology

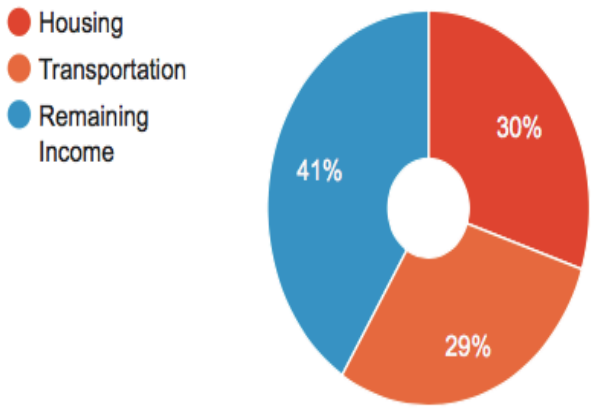
Housing and Transportation Costs
ATL Metro/I-75



What is Really Affordable (Macon-Bibb)?

Average Housing + Transportation Costs % Income

Factoring in both housing *and* transportation costs provides a more comprehensive way of thinking about the cost of housing and true affordability.



Transportation Costs

In dispersed areas, people need to own more vehicles and rely upon driving them farther distances which also drives up the cost of living.



$11,439
Annual Transportation Costs



1.64
Autos Per Household

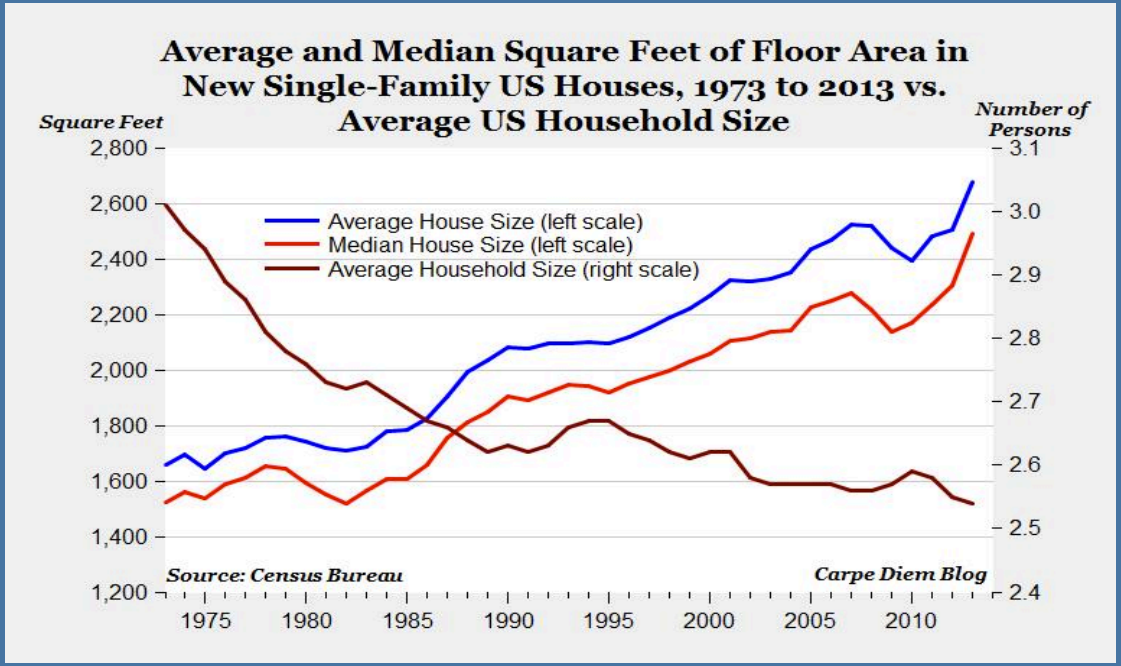


21,382
Average Household VMT


“DRIVE TILL YOU QUALIFY”
Photo Courtesy of the New Yorker

We’ve got the wrong housing stock for the 21st century

Smaller homes-more people
Larger homes-fewer people



"77% of Macon-Bibb is zone for single-family housing"

Source: Adapted from American Housing Survey 2011 by Arthur C. Nelson, University of Arizona.

Communities are now in a

ferocious competition

over

place

(and private capital)

(whether they know it or not)

"If you aren't a city where people want to live, you aren't a city where people want to invest." – Former Chattanooga Mayor Littlefield

"Let's build our communities in the way that makes the most sense by examining the full costs, return on investment, and sustainability of our growth patterns. Instead of solely looking to expand our cities outward with new, expensive infrastructure, we ca invest in restoring and rebuilding the neighborhoods, downtowns, and main street communities we already have. When we fully utilize our existing infrastructure, we reduce government spending and help create the environment needed for businesse to compete, grow and prosper." - North Dakota Governor Doug Burgum

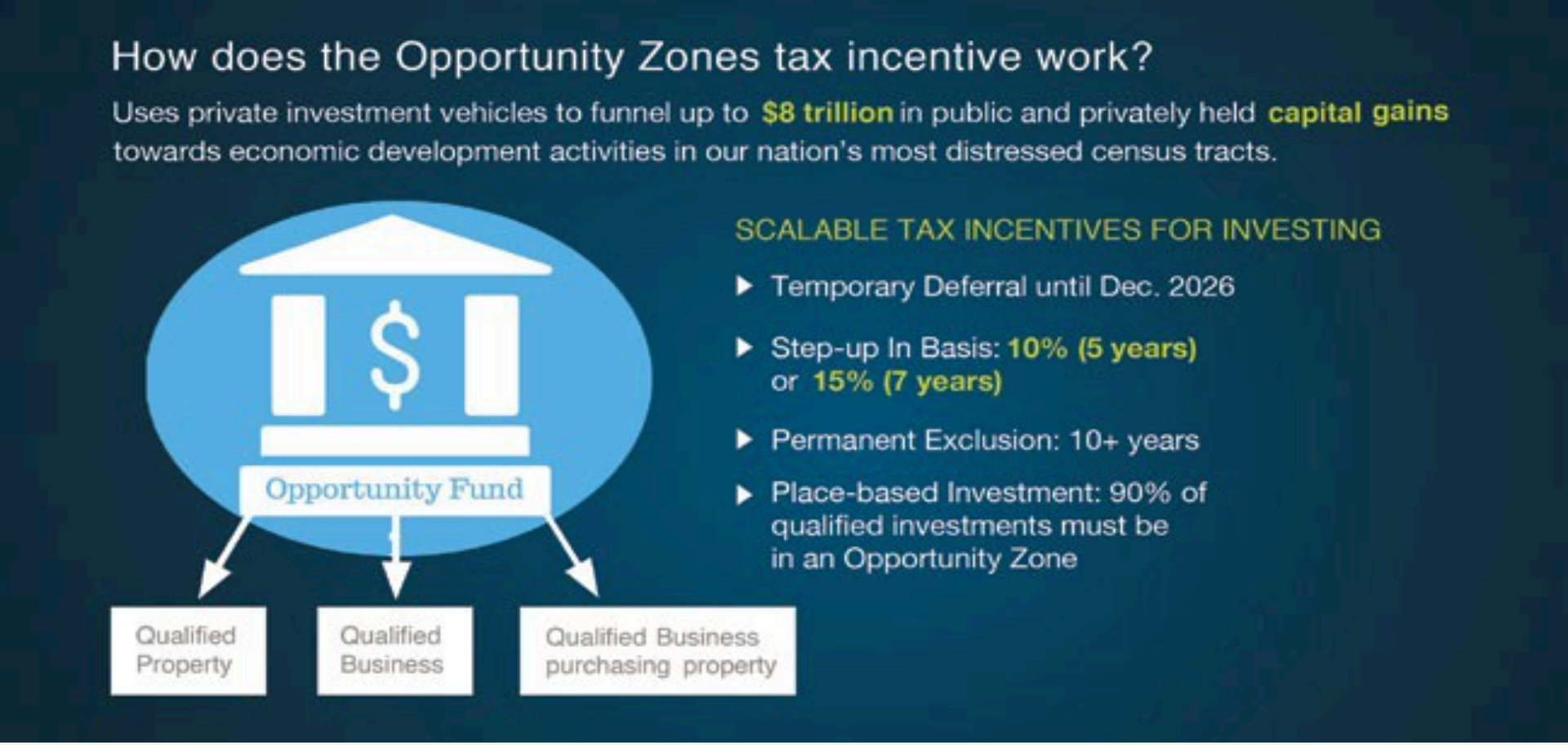
How to Attract Private [Smart Growth] Development and Investment

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Why are Georgia & National Smart Growth Developers and Investors building elsewhere vs. 1-75 Central Corridor?

- ★ High Construction costs, low unit yield in traditional single-family communities.
- ★ Zoning prohibits a dynamic production pipeline of different product types (If ~80% of a town's land is zoned residential single family, the housing stock will look fairly similar).
- ★ Uncertainty: Many cities and towns in the corridor have outdated codes, often requiring special permit approval and variances. Investors will only bear so much risk.
- ★ Job concentration in urban core communities, poor or lack mobility options from MARTA and Amtrak or other affordable transportation options

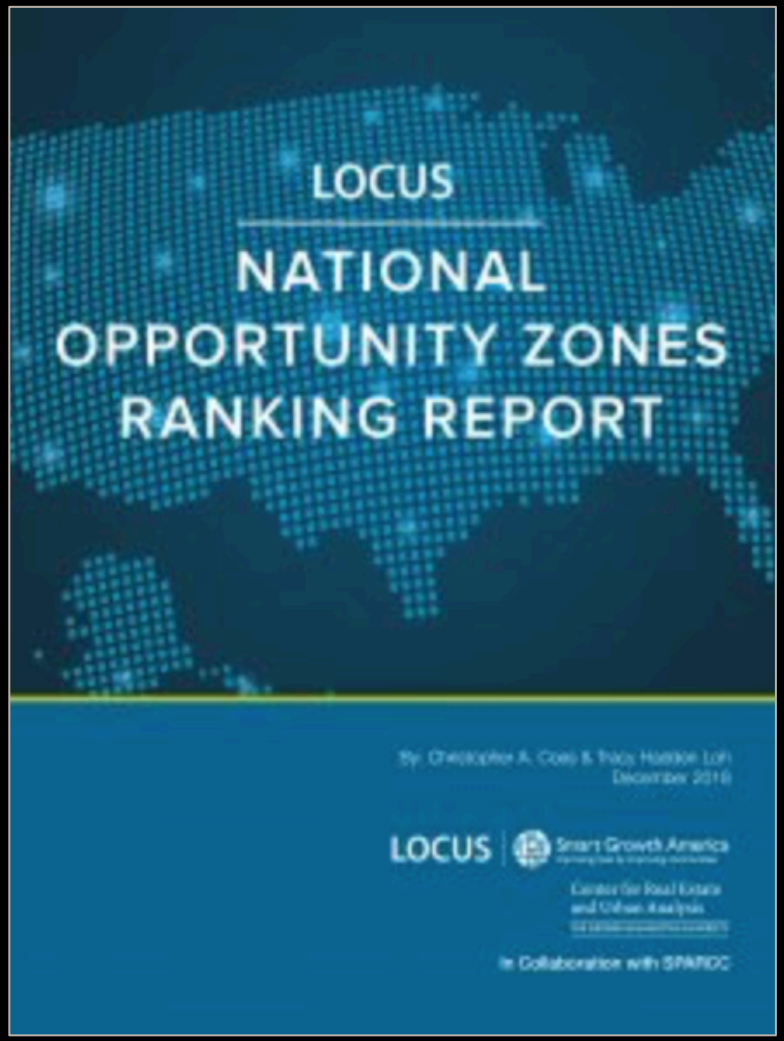
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At a glance, these designated Opportunity Zones:

- Account for nearly 12 percent of America's land mass.
- Are home to over 30 million Americans, 56% of which are demographic minorities.
- Have an average 30% poverty rate and house residents earning, on average, 59 percent of AMI (Area Median Income).
- Employ 73% of residents in commercial jobs and 27% in industrial ones.
- Only 9% of already-designated Opportunity Zones have at least one transit station.
- 42% are located in rural census tracts, 35 percent in urban, and 23 percent in suburban.

LOCUS National Opportunity Zones Ranking Report



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Opportunity Zones in Atlanta Compared to Georgia



Not all Opportunity Zones are created equal.

Investors should choose communities that:

- ★ Articulate a clear **strategic investment strategy and framework**
- ★ Provide a path of **least resistance (zoning and regulatory).**
- ★ Effectively **align** state and local development incentives.
- ★ Have easily identifiable and underwritable **project pipelines.**
- ★ Are interested in **TOD and infill** development.
- ★ Promote strong **coordination** amongst local residents and businesses.
- ★ Seek to encourage **equitable development investment**

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What does a developer/investor need to take on smart growth projects?

- ★ Marching orders: Developers respond well to a clearly articulated vision. Aim for proactive rather than reactive policies. Be

- ★ Predictability: Generally speaking, the development community wants to know what is possible *by right* on a parcel, not what might be if the ZBA is in a charitable mood on the right day.

- ★ Give & Take: Universal Design, Inclusionary housing, and other regulatory requirements cost money. If there isn't relief provided then the impact of additional regulations could have the effect of driving up costs. What type of relief is your community willing to consider for builders who want to create the most accessible projects? Density bonus? Setback or Parking relief? Property Tax abatements? Concurrent public space infrastructure investments?

- ★ Local Political Will to Support the "Vision"

Understand the gap

How much subsidy is it going to take to close a smart growth project's funding gap?

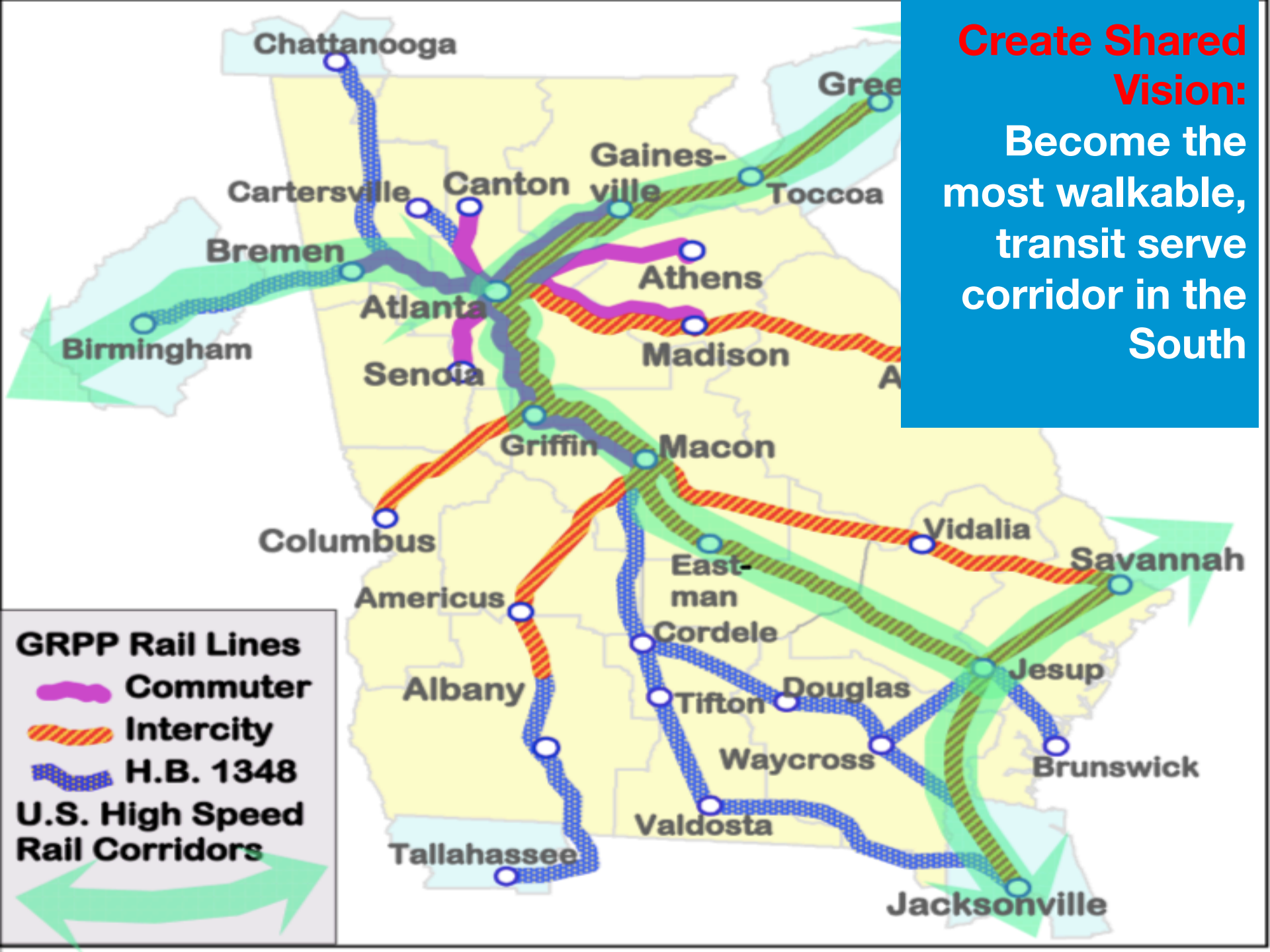
	Townhome - 2 Story		Stacked Flats - 3 Story	
PROGRAM				
Land Size	15 units/ac	22,000	30 units/ac	174,240
Total Units	1,250 SF	8	900 SF	120
# Market Rate Units	1,250 SF	8	900 SF	120
# Parking Stalls	2.25 / Unit	18	1.50 / Unit	180
Residential SF		10,000		108,000
Retail SF (10% Load)	0 SF	-	0 SF	-
Residential + Retail Net SF		10,000		108,000
Parking SF	SF/Stall	-	SF/Stall	-
Total Gross SF	75.00%	13,333	75.00%	144,000
INCOME	$ 1,563		$ 1,350	
Residential Income - Market Rate	$ 1.25	150,000	$ 1.50	1,944,000
Retail Income	$ -	-	$ -	-
Parking Income	$ -	-	$ -	-
Other Income	$ 75.00	7,200	$ 75.00	108,000
Total Income		157,200		2,052,000
EXPENSES				
Vacancy	5.0%	(7,860)	5.0%	(102,600)
Real Estate Taxes - other levies	500 /unit	(4,000)	500 /unit	(60,000)
Real Estate Taxes - local	2,000 /unit	(16,000)	2,000 /unit	(240,000)
Other Expenses (payroll, utilities, admin, etc)	2,500 /unit	(20,000)	2,500 /unit	(300,000)
NOI Incentive Needed				
NOI	$ 1,563	**$ 109,340**	$ 1,350	**$ 1,349,400**
COSTS		(4,500)		(4,500)
Land Cost	$ 10.00	$ 220,000	$ 10.00	$ 1,742,400
Cost Credit Needed				
Hard Costs	$ 183,333		$ 150,000	
Building Costs	$ 110 / GSF	1,466,667	$ 125 / GSF	18,000,000
Parking Cost	$ -	-	$ 2,000	360,000
Retail TI	$ 50.00	-	$ 50.00	-
Contingency (not including cost escalation)	5.0%	73,333	5.0%	900,000
Subtotal	$ 116 / GSF	$ 1,540,000	$ 134 / GSF	$ 19,260,000
Soft Costs				
Design & Engineering	6.00% of HC	92,400	6.00% of HC	1,155,600
Fees & Permits				
SDC Fees	15,410 /unit	123,280	15,410 /unit	1,849,200
Planning/Building Permit Fees	2.00% of HC	30,800	2.00% of HC	385,200
Legal/Finance/Administrative	1.00% of HC	15,400	1.00% of HC	192,600
Leasing/Marketing/FF&E	1.50% of HC	23,100	1.50% of HC	288,900
Development Overhead	4.00% of HC	61,600	4.00% of HC	770,400
Contingency	5.00% of SC	14,249	5.00% of SC	193,575
Loan Interest	2.50%	53,021	2.50%	645,947
No Tax Abatement	6.0%	-	6.0%	-
Subtotal	$ 31 / GSF	413,850	$ 38 / GSF	5,481,422
Total Costs	$ 163 / GSF	$ 2,173,850	$ 184 / GSF	$ 26,483,822
		271,731		220,699
Yield on Costs	**7 - 7.5% Goal**	**5.03%**	**7 - 7.5% Goal**	**5.10%**
Developer Profit (15% - 20% industry standard)	-16.17%	**$ (351,516)**	-15.08%	**$ (3,993,822)**

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Recommendations:
I-75 Central Corridor

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Create Shared Vision:
Become the most walkable, transit serve corridor in the South
Chattanooga
Cartersville
Canton
Gaines-ville
Toccoa
Bremen
Athens
Atlanta
Birmingham
Madison
Griffin
Macon
Columbus
Vidalia
Savannah
East-man
Americus
Cordele
Jesup
Albany
Tifton
Douglas
Waycross
Brunswick
Valdosta
Tallahassee
Jacksonville
GRPP Rail Lines
Commuter
Intercity
H.B. 1348
U.S. High Speed Rail Corridors

Recommendations: I-75 Central Corridor

- **Create a Shared, Compelling Vision that includes new passenger rail connection to Atlanta (and Thomasville) and transit investments**
- It's the pedestrian experience, stupid! Adopt Complete Streets (Most Walkable/ Accessible City)
- Make the right thing easy; Adopt Form Base Codes & environmental run-off standards
- Establish Priority Investment Corridors and Align Existing Public Incentives and Funding (LIHTC, HTC, TIF) to TOD/Mobility Corridors
- Identify and Preserve Existing Affordable Housing Stock (DC)
- Conduct Vulnerability Assessment for Residents and Small Business
- Create Place-management Organization (Somerville and ATL Beltline)
- Enable Reconciliation and Redemption/Community Trust Building (Richmond, New Orleans)



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Thank You!

More information, please visit:

www.locusdevelopers.org

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