

# IMPLEMENTING TRANSIT REVITALIZATION INVESTMENT DISTRICTS IN PHILADELPHIA

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**EXECUTIVE SUMMARY** – October 15, 2008

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Rising gas prices, heightened environmental awareness, transportation infrastructure concerns, and a renewed appreciation for urban settings have increased public interest in **transit-oriented developments** (TODs), which are characterized by mixed uses, high density, and pedestrian friendliness. Importantly, many of the benefits of TOD are of great interest to neighborhoods: greater **affordability** in housing and transportation costs, increased **access** to job and retail centers, and enhanced **aesthetics** at the street level.

The Commonwealth of Pennsylvania’s Transit Revitalization Investment District (TRID) Act is a mechanism to facilitate the **cooperation and funding** that is needed to help TODs work at the local level. TRIDs enable municipalities, transit agencies, and neighborhood groups to better coordinate transportation infrastructure, land use, and private development, and can provide unprecedented flexibility and investment in support of TODs. A review of TODs in other cities yields several key ingredients to success that are useful for the City of Philadelphia and the Southeastern Pennsylvania Transportation Authority (SEPTA) to consider in local TOD efforts (see Figure E.1).

**Figure E.1 – Key Ingredients to Successful TODs**

<i>Characteristics of Successful TODs in Other Cities</i>	<i>Characteristics of Philadelphia’s Landscape</i>
Well-funded, well-used transit infrastructure	<ul style="list-style-type: none"> <li>• SEPTA has extensive infrastructure and a recent long-term funding commitment</li> </ul>
A healthy working relationship between municipality and transit authority	<ul style="list-style-type: none"> <li>• Mayor Nutter has reinstated the Deputy Mayor for Transportation position to facilitate coordination with SEPTA</li> </ul>
TOD-friendly zoning and land use policies	<ul style="list-style-type: none"> <li>• The City is rewriting the entire code and looking into interim zoning overlays</li> <li>• Planning and economic development have been fused into one Cabinet-level department</li> </ul>
Innovative financial incentive programs	<ul style="list-style-type: none"> <li>• The City is looking into district-wide value capture districts</li> <li>• Many BIDs and NIDs have been created</li> </ul>

<i>Characteristics of Successful TODs in Other Cities</i>	<i>Characteristics of Philadelphia’s Landscape</i>
Neighborhood services and public engagement	<ul style="list-style-type: none"> <li>• Strong non-profit partners are involved in major developments at the first two TRID sites</li> <li>• The first two TRID planning studies involved extensive community input</li> </ul>

*Source: Econsult Corporation (2008)*

These are particularly important to keep in mind for the first two proposed TRID sites, the 46<sup>th</sup> and Market Street Market Frankford TRID in West Philadelphia and the Temple University Regional Rail TRID in North Philadelphia. Both have recently completed planning studies using funds from the Commonwealth, and both are high-potential development sites that will benefit from the TRID designation (see Figure E.2).

**Figure E.2 – 20-Year Development Potential at the First Two TRID Sites**

<i>Temple University</i>	<i>46th and Market</i>
<ul style="list-style-type: none"> <li>• Housing: 1,155 units</li> <li>• Retail: 92,000 SF</li> <li>• Manufacturing: 135,000 SF</li> <li>• Office: 42,000 SF</li> </ul>	<ul style="list-style-type: none"> <li>• Housing: 885 units</li> <li>• Retail: 195,000 SF</li> <li>• Office: 76,000 SF</li> <li>• Plus: Renovated 4601 Market; Youth Study Center; new high school</li> </ul>

*Source: Interface Studio (2008)*

A TRID can be best understood as a transit-oriented district that uses **value capture** as one of its funding mechanisms: the transit stop is the midpoint of the district, and any new tax revenues generated within the district’s boundaries are captured for the TRID. It is therefore similar to a Tax Increment Financing (TIF) district, although TIFs in Philadelphia tend to capture tax revenues only at the newly developed site, while TRIDs would capture adjacent tax revenues as well, reflecting the enhanced value of being near the transit stop (see Figure E.3). It is also not unlike a Business Improvement District (BID), which has been shown to be doubly beneficial to neighborhoods, by enhancing property values as well as capturing locally generated tax revenues for local use.

### Figure E.3 – TRIDs as Transit-Oriented TIFs

- Same principles and mechanisms as TIFs
- + District-wide approach to reflect the value-enhancing nature of transit stations
- + Additional flexibility in facilitating cooperation between the City and SEPTA
- + Enhanced development powers for SEPTA
- + Upfront planning dollars from the Commonwealth
- + Priority status for additional funds from the Commonwealth

*Source: Econsult Corporation (2008)*

Based on preliminary and conservative estimates, **the 46<sup>th</sup> and Market Street TRID could generate \$3.3 million to \$12.6 million in upfront funds, and the Temple University TRID could generate \$1.3 million to \$4.8 million in upfront funds.** These funds could be used for gap financing of key developments, upgrading of nearby infrastructure, maintenance, and/or landscaping and other aesthetic amenities.

Value capture funds are not intended to be the sole source of funds used to implement and maintain a TRID. We assert the importance of **mutual investment by all involved stakeholders, each of whose investments are leveraged by the investments of the others.** In fact, most of the recommended priority projects that emerged from the first two TRID planning studies require multi-entity investment and collaboration, and all of them are high-leverage activities that strengthen and are strengthened by other investments (see Figure E.4).

This notion of mutual investment and mutual benefit is embedded in TRID agreements that have been drafted for the first two sites. The agreement also recognizes **the importance of local participation when making decisions that affect neighborhoods:** in addition to the City and SEPTA, the management entity that governs the TRID should include representatives from entities located within the TRID boundaries, ensuring that local perspectives are accounted for. Together, the City, SEPTA, and local institutions now have a vehicle for coordinating efforts within the TRID, and can work through **a punch list of mutually reinforcing neighborhood-serving projects in a more collaborative manner.**

**Figure E.4 – Mutual Investment and Mutual Benefit in TRIDs**

<i>Sources and Uses of Funds in Support of TRIDs</i>	<i>Types of Projects Requested by Local Residents</i>
<ul style="list-style-type: none"> <li>• TRID – value capture dollars for gap financing and/or infrastructure investments</li> <li>• Commonwealth of PA – additional gap financing for large-scale developments</li> <li>• City of Philadelphia – additional gap financing for large-scale developments, status quo level of capital improvements and ongoing maintenance of municipal structures, plus additional infrastructural investments and related ongoing maintenance</li> <li>• SEPTA – upfront infrastructure investments and ongoing maintenance related to the station and surrounding area</li> <li>• Private developers – Private capital in support of new development</li> </ul>	<ul style="list-style-type: none"> <li>• Additional park resources and tree plantings</li> <li>• Additional street cleaning and landscaping</li> <li>• Better pedestrian access</li> <li>• Lighting enhancements and other safety measures</li> <li>• New station and other signage</li> <li>• Permit parking zone around the station</li> <li>• Police mini-station</li> <li>• Traffic calming and bicycle-friendly measures</li> </ul>

*Source: Econsult Corporation (2008), Interface Studio (2008)*

The importance of the City and SEPTA working together cannot be overstated. TODs can only work if municipalities and transit agencies are moving in lock step. One tangible way to ensure that **the City's and SEPTA's respective plans are inclusive of each others' perspectives and plans** is to intermingle TOD-focused staff from various City agencies, providing additional points of contact with SEPTA and with transit-oriented efforts. Such a move could also lead to an **expedited review process** for TODs, thus lowering barriers to development.

The City can further promote TOD by creating a **TOD ordinance**, which provides a working definition of TOD and lays the groundwork for other, site-specific TOD regulations, such as the creation of zoning overlays. In addition to **interim TOD zoning overlays**, the City should include **TOD principles in its revised zoning code**, to encourage uses and scales that take advantage of the City's transit infrastructure and unique urbanness.

New leadership at the City and SEPTA, increased transit use, and unprecedented reform activities in zoning and land use together make for a great moment for pursuing TOD in Philadelphia. Two attractive sites, spearheaded by two impressive sets of community leaders, have emerged as high-potential locations. Implementing TRIDs at each of these two locations can be an effective way to

bring together multiple entities and their mutually reinforcing investments towards a dynamic district that serves Philadelphia's neighborhoods and the region as a whole.