



## Chapter Three

### Barriers to Transit-Oriented Development in Philadelphia

Stating the obvious, to achieve the advantages of transit-oriented development (TOD) requires that development actually take place. Different stakeholders can play their part in creating an environment that is friendly to such development, but ultimately developers have to decide whether or not to risk their own time and capital.

When some of Philadelphia's oldest neighborhoods were developed, these developers found transit-proximate sites to be worth that risk. In contrast, for much of the past 50 years, very few sites, transit-proximate or not, have been developed. With the city now enjoying a resurgence in new construction, it is important to consider what needs to be done to induce development that is near transit stops and that capitalizes on the mobility that such locations afford.

#### How Supply and Demand Determines If and Where Transit-Oriented Development Will Succeed

Basic supply and demand theory tells us that the price and quantity of a good is determined by the intersection between producers' motivation to supply a good and consumers' preferences to demand that good. These simple economic principles hold true in the case of TOD, so it is instructive to consider the supply and demand of TOD in Philadelphia.

It is well documented that construction costs in Philadelphia are significantly higher than

those in the surrounding suburbs. These higher costs have led to a lower supply of new housing in Philadelphia than would have occurred if the production costs were more in line with regional averages.<sup>15</sup>

High construction costs also accelerate the rate of decline in neighborhoods. When construction costs are high, existing residents reconsider whether they should reinvest in their homes, or move to another home, where they could perhaps get more for their investment dollar. High construction costs therefore lower reinvestment in neighborhoods, accelerating the decline of older neighborhoods.

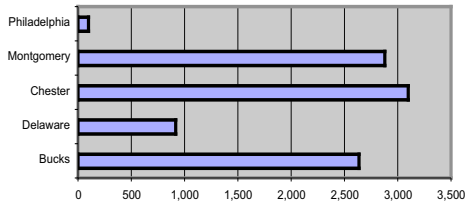
Those locations, unfortunately, tend to be the ones near our best transit services. In other words, relative to other places, *it is expensive to supply Philadelphia with TOD.*

What about the demand for TOD in Philadelphia? From 1960 through 2000, the population of Philadelphia fell from approximately 2 million to 1.5 million, a decline of almost 25 percent. This meant that roughly one quarter of the housing in Philadelphia was no longer needed. Up until recently, this trend in decline in the demand for housing looked as if it would continue indefinitely. Given the population decline, it is not surprising to learn that there were less than 100 new housing starts in Philadelphia in 1999; in contrast, the average number of starts in 1999 for each of the four Pennsylvania suburban counties was 2,383 (see below).

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<sup>15</sup> "Construction costs within the city were considerably higher than elsewhere, whether another urban center or an adjoining suburb. Even as recently as 2000, Philadelphia had the sixth highest construction costs among the 50 largest markets in the nation – 20 percent above the average. The result was a situation in which construction costs exceeded market values, plaguing growth in city centers and precipitating a further decline in both jobs and population in the city itself." "Advancing Regional Equity: The Second National Summit on Equitable Development, Social Justice, and Smart Growth," Federal Reserve Bank of Philadelphia (2005).

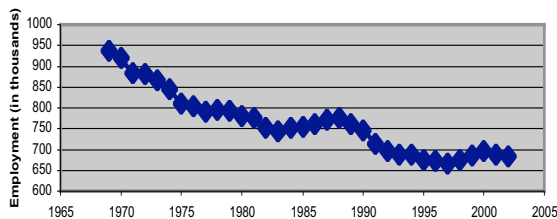
## Housing Starts, 1999



Source: Pennsylvania Builders Association

These negative population and housing trends went hand in hand with an even more severe decline in employment: from 1969 through 2002, employment in the City plummeted 27 percent from 939,000 to 683,000 (see below).

## Philadelphia Employment, 1969-2002



Source: Bureau of Labor Statistics

During this time, manufacturing became much more mechanized, evaporating the employment base that was distributed throughout the City, and taking with it the demand for housing in these neighborhoods. As jobs and population left the City, simply providing basic services such as public safety and education became increasingly challenging. Tax bases were declining, and entrenched interests made fiscal adjustments difficult. Rising tax rates in response to declining tax revenues only accelerated the decline.<sup>16</sup>

<sup>16</sup> “The city’s share of U.S. employment in four of the six industry divisions displayed an inverse relationship to changes in the wage and gross receipts tax rate. In three of the four cases this relationship was statistically significant for the impact of the wage tax rate. The

Even worse for the existence of TOD in Philadelphia, the impacts of this decline in population and jobs were not felt equally across the city. Typically, the oldest, most obsolete development is abandoned first. In Philadelphia’s case, this meant that the oldest communities that developed along the major transit lines were the most adversely affected. Thus, rather than increasing density around the Market-Frankford Line, the Broad Street Line, and regional rail stations, density was actually decreasing; *instead of TOD-friendly sites attracting more development, they experienced more disinvestment.*

Despite significant development efforts, Center City Philadelphia, which was and is the focal point of the region’s transit system, substantially lost its role as the predominant retail center for the region. In a sense, the spreading out of purchasing dollars is the equivalent story as the physical erosion near transit stops: as the region decentralized and cars made traveling to far-flung suburbs more convenient, once-vibrant neighborhoods and commercial corridors lost their residents, commercial activity, and retail dollars, creating a vicious cycle of disinvestment and uncompetitiveness.

To further compound matters, some people during this time believed that this “de-densification” was not bad and perhaps even highly desirable. In fact, there was serious discussion at the highest levels about how to best “manage” decline; that rather than fighting the loss of people and jobs from the city, the city should become more like the suburbs in offering the type of low-density, auto-friendly environment that it seemed more and more households were demanding.

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relationship between gross receipts tax rates and tax bases is always significant for these sectors.”

“Choosing the Best Mix of Taxes for Philadelphia: An Econometric Analysis of the Impacts of Tax Rates on Tax Bases, Tax Revenue, and the Private Economy,” Econsult Corporation (2003).

Recall that TOD is valued to the extent that the mobility that access to transit affords is valued. Combine lower density in neighborhoods and the declining retail role of Center City with the relative convenience of retail and employment options in the suburbs as a result of easy automobile access, and it is clear that *the demand for TOD plummeted* during this time.

Any good that is expensive to supply and diminishing in demand is going to see its quantity plunge. Even worse for TOD, this downward trend became a bit of a self-fulfilling prophecy, as disinvestment repelled interest even more, begetting even more disinvestment. If there was any consolation for Philadelphia, it was solely in the notion that other, older cities were experiencing similar pains from the industry shifts and changing residential and employment patterns of the second half of the 20<sup>th</sup> century.

Fortunately, in recent years, these negative trends have largely run their course, re-opening the possibility that TOD could be reasonably considered in Philadelphia:

- The transition of the city from a manufacturing-heavy location to a service-heavy location has been largely completed;
- The rapid expansion of the suburbs, as associated with massive highway investment and low land costs, has slowed; and
- The negative association that many people have towards all things urban is dissipating.

With expectations of the future improving for urban areas, it is likely that transit could once again contribute to the positive value and growth of neighborhoods. This creates a development context that is more welcoming to TOD.

## Development Hurdles Philadelphia Faces

At the most basic level, development occurs when a developer can make a competitive rate of return on a project.<sup>17</sup> Projects are undertaken when the value of the revenue generated by the project, either through the rent or through the sale of the project, exceeds the construction costs.<sup>18</sup>

For most of the last 40 years, it has been difficult to develop in Philadelphia, especially in the neighborhoods, for the simple fact that demand has been insufficient to set rents and prices high enough to justify the costs of development and construction. Unfortunately, the conditions that made development unprofitable in Philadelphia also made TOD even less likely to occur.<sup>19</sup> What little development that did take place near transit stops could only be charitably described as transit-adjacent (physically proximate to transit but not really leveraging the full value of transit proximity).

However, due in large part to a citywide ten-year property tax abatement on new construction and major renovations, and aided by a national movement towards urban living, these negative trends are easing if not completely reversing (see below). This creates a genuine opportunity for TOD to take root in Philadelphia.

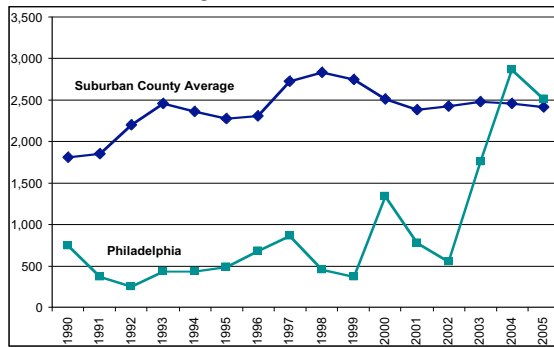
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<sup>17</sup> Note that it is not sufficient for a project to simply be profitable, but it must also earn a rate of return that is greater than or equal to other, similarly risky investment options.

<sup>18</sup> This is the case for for-profit developers; in parallel, a growing number of equally sophisticated non-profit developers are capitalizing on tax credits, grants, and other funding sources to bring developments to light.

<sup>19</sup> Additional barriers experienced by Philadelphia are endemic to locations in many, older urban centers: the need for environmental remediation, the cost of fixing debilitated infrastructure, and fragmentation of lot ownership.

### Residential Building Permits 1999-2005



Source: US Census Bureau (2006)

Believe it or not, though, changing peoples' location preferences and even changing the fundamental costs associated with building in Philadelphia is not enough. We must address the role of transit and of SEPTA, the region's main transit service provider, as was discussed previously. Here we consider the mindset of the developer, and the public policy hurdles that need to be addressed to clear the way for additional development, particularly that which orients itself near transit.

Again, for TOD, as for any sort of development, to be successful, it must deliver a sufficient return on investment. Relative to its suburbs, Philadelphia begins with higher input costs and longer turn-around times, both of which diminish a developer's return and lessen the likelihood of taking on a project. Some of the reasons for these differences are structural, and some are governmental:

#### Structural Hurdles

- Site assembly with multiple small and/or odd-sized lots
- Demolition and environmental clean-up costs
- Union costs – rates and work rule changes required

#### Governmental Hurdles

- Time consuming and uncertain zoning permitting and entitled processes
- Regulatory requirements with excessive costs
- Lack of government promotion of TOD
- Outdated and excessively restricted zoning
- SEPTA's regulatory and monetary constraints in advocating for TOD
- Need for public subsidy

Therefore, all things being equal, developers will tend to gravitate towards developing in the suburbs rather than in the city. The City could change that equation by *making development in the city more desirable than in the suburbs*, such that developers are willing to bear the higher cost of developing in the city because of the higher potential payoff.

#### Montgomery County MD Zoning Ordinance

Montgomery County, Maryland established Transit-Oriented Mixed Use Zones in 2005 to achieve a development pattern that "encourages pedestrian activity and access, promotes use of transit, and creates a coherent arrangement of buildings and uses that contribute to a sense of place." The Code requires all buildings to open at the street, include sufficient street lighting to provide access and security, avoid blank walls, locate off-street parking to the side, rear or below grade if feasible and provide continuous, direct and convenient pedestrian and bicycle pathways, and connections to transit stations. In addition, the County requires significant public amenities to be added to new developments such as pocket and urban parks, public plazas and water features, wide sidewalk areas, bus shelters, and benches. Rather than providing a list of prohibited uses, the Code lists all permitted uses encouraging those that create an active pedestrian environment such as restaurants, shops, and services from day care to drycleaning that commuters seek to use conveniently during their commute.

But the City could also change that equation by *lowering the cost to develop in the city*. Thus, for example, the continuation of the ten-year property tax abatement is vital to continuing to make development economically feasible in the city. Other citywide policy decisions, such as reducing the wage tax and Business Privilege tax, improve the viability of TOD by making access to Center City and its retail and employment locations all the more valuable.

Nevertheless, despite these important improvements, *some sort of public subsidy is assumed to be needed, at least at this stage, to get projects off the ground*. This is particularly true in cases where mixed-income housing is desired. Thus, the topic of public funding will be further elaborated below.



Cira Centre, 30<sup>th</sup> Street, Philadelphia

These policy solutions not only facilitate development mechanically, by improving the financial and logistical challenges of physically developing in Philadelphia; they also help change the mindset of developers and of the residential and commercial consumers they are developing for. For example, TOD-friendly public policies like the ones described above turn a perceived liability – high density – into a real asset. Plus, they signal an openness to collaborate and to get things done, a most welcome

contrast to far too many experiences developers are increasingly facing as they propose development programs to various municipalities and townships.

## SEPTA and the City of Philadelphia

The continued uncertainty regarding SEPTA funding and services is a major obstacle to TOD. As stated earlier, developers, businesses, homebuyers, and apartment renters will not consider long-term transit-oriented locations, or at the very least will significantly discount the value of such locations, in cases where the quality and quantity of transit in the future is uncertain.

Most of the uncertainty regarding the future of SEPTA transit services is a result of its *uncertain funding base*. It is almost an annual event that SEPTA is forced to consider eliminating major elements of its service in response to budgetary problems. It is well documented that this is truly a funding commitment problem rather than a case of SEPTA spending its funds inefficiently.<sup>20</sup>

In general, the focus of discussions about solutions to this funding issue has been at the state level, but there is also some action that could be taken at a local level. There is very little contribution to transit services at the local level, and this translates into *a lack of focus on transit at the local level*. Any long-term solution to SEPTA funding uncertainties should therefore include incentives for increased ridership, which would over time increase SEPTA's interest in TOD.

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<sup>20</sup> “Operating support is so limited that transit agencies are using significant portions of capital funds for maintenance. This practice results in higher costs for deferred capital needs.” “Investing in Our Future: Addressing Pennsylvania’s Transportation Funding Crisis,” Pennsylvania Transportation Funding and Reform Commission (2006).

It is also important to note that some of the uncertainty with respect to transit services is a result of choices made by SEPTA. SEPTA has consciously reduced service in some urban Regional Rail stations and eliminated others in an effort to save time and money on the lines. In addition, SEPTA has floated proposals to eliminate entire lines in the city. This kind of discussion all but eliminates the possibility of TOD associated with these facilities, and undermines the confidence of the public in the certainty of service at other locations.

Unlike some transit agencies, SEPTA has not been a leading participant in the TOD development process. SEPTA's enabling legislation has not allowed it to acquire land for non-transportation purposes, and SEPTA owns relatively little land in areas suitable for TOD. Further, SEPTA has not made it a priority to alter these institutional constraints. Finally, SEPTA's funding woes have forced it into a short-term mindset, through which long-term investments such as TOD are hard to entertain.



Under-utilized site adjacent to North Philadelphia Amtrak / SEPTA stations

Recent legislation, however, has allowed the creation of Transit Revitalization Investment Districts (TRIDs), which will be discussed in further detail below. This relatively new legislation at least provides the mechanism through which SEPTA and municipalities could work together to create TOD. The jury remains out as to whether the tools are sufficient to result in significant

TOD, but the possibility is there to include SEPTA in such conversations that intersect TOD, transportation planning, and land use.<sup>21</sup>

As for SEPTA's institutional relationship with the City, whether a consequence of the SEPTA board structure (much less City representation on the board than its proportion of ridership) or of the relative small share of local funding, *SEPTA and the City have not tended to work cooperatively with respect to transit or development*: SEPTA's budget



Market-Frankford Line, 56<sup>th</sup> and Market St.

woes constrain its willingness to think collaboratively, while the City no longer has a cabinet-level transportation coordinator position within its administration, although certainly there is a new opportunity to reinstate such an office with the City's upcoming change in mayoral leadership.

This lack of collaborative mindset has resulted in major investments in transit infrastructure, such as the rebuilding of the elevated portion of the MFL in West Philadelphia, with virtually no consideration of TOD surrounding its station areas. Rather than representing a (literally) once-in-a-lifetime chance to coordinate new

<sup>21</sup> This is a particularly welcome development in light of recent public and legislative backlash against the use of eminent domain in the wake of the historic *Kelo vs. City of New London* case in 2005, which to some extent validated economic development as a permissible "public use" in the taking of private property.

transit infrastructure with neighborhood development and integrated design, the track and station reconstruction has simply been one big, expensive construction project that has produced only disruption for businesses on Market Street and congestion for people driving through West Philadelphia.

TOD, with its focus on transit access, authentic design, and multiple housing price points, could be an effective mechanism by which previously disinvested locations, such as those around MFL stations in West Philadelphia, could be rejuvenated in ways that beautify physically and that produce lively, mixed-income settings. Thus, such an uncoordinated effort as what has taken place with the reconstruction of the elevated portion of the MFL in West Philadelphia represents a huge loss in opportunity to consider approaches that foster healthy and vibrant neighborhoods and that encourage development that fully capitalizes on the transit resource that the MFL represents to the city.

In order for TOD to become a reality in Philadelphia's neighborhoods, the City and SEPTA must form a coherent, cooperative relationship to foster TOD. The lack of a good relationship between the City and SEPTA has often meant that the City's economic development activities have remained independent of transit considerations, leading to far too little TOD. However, cooperation could take place, as is evidenced by SEPTA's recent collaboration with the City Planning Commission on the Allegheny West TOD study.





## Chapter Four

### Solutions that Encourage More Transit-Oriented Development

Although transit-oriented development (TOD) holds the potential for financial gain – no development would take place unless it was profitable – the public nature of such initiatives presuppose the participation of the public sector, from a financial and regulatory standpoint. In this discussion, we focus on our assessment of key steps that the City of Philadelphia and SEPTA, as two key public stakeholders, must take to make TOD a reality. There are three specific items that could be addressed:

- Creation of transit-oriented zoning overlays for neighborhood TODs and regional TODs
- Creation of TRIDs at every stop on the Market-Frankford Line and Broad Street Line and for selected Regional Rail stops
- Development of a priority list for funding TOD sites

#### Zoning Overlays for Neighborhood TODs and Regional TODs

The areas around too many of our most significant transit hubs are characterized by crumbling infrastructure, anemic and low-density development, and/or transit-adjacent development that does not fully capitalize on the value that could be captured from access to transit. In order to encourage and facilitate TOD instead, the City could create zoning overlays

appropriate for neighborhoods near transit stations.

There is a wide range of zoning tools that could be applied to TOD. These tools could be carefully assessed and incorporated into the transit zoning overlay, to expedite collaboration towards the pursuit of TODs. For example, Phoenix, AZ, which has had a great deal of success in implementing successful TOD, has recently created a transit-oriented zoning overlay for parts of the city. The transit-oriented zones, though not very extensive in terms of area covered, could be extremely effective in assuring that TOD occurs in a way that takes full advantage of nearby transit stops and stations.<sup>22</sup>

For station areas in Philadelphia that are appropriate for residential *neighborhood TODs*, the zoning rules could include parking maximums, higher residential density allowances, facilities for pedestrian access, neighborhood-oriented mixed-use development and transit interconnections. In areas where transit service is located near significant green space such as a park, this amenity could be leveraged along with the transit access to create higher value and higher density residential development.

To the extent that mixed-income housing is a principal objective of a neighborhood TOD, density bonuses could be tied to the construction of affordable housing units. In other words, such incentives could be zoned into a targeted neighborhood, such that the added cost of building housing units and then selling them below market rates is offset by the added profits that are enjoyed by the developer when he or she is allowed to build

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<sup>22</sup> For example, the zoning code requires that structured parking facilities located adjacent to transit stops must provide non-parking uses on the ground floor. Additionally, sidewalks are required to be a minimum of 8 feet wide, while parking lots must be located to the rear or interior of a parcel. These measures enhance walkability, an important element of TOD.

more units on a site than was previously allowed.<sup>23</sup>

These and other mechanisms could help ensure that development activity results in affordable housing, safe passageways, good urban design, and other positive outcomes for neighborhoods. In contrast, in many cases, current zoning regulations not only do not facilitate TOD, but they literally make TOD illegal to pursue, by restricting the sort of flexibility needed to achieve the advantages promised by TOD.

Zoning overlays could also be used to stimulate *regional TODs*. There are a number of areas throughout the city where existing transit services make the station area accessible to a wide area of the region by transit; current examples include the Cira Centre at 30<sup>th</sup> Street Station and the Gallery Mall at Market East. Specific zoning overlays that combine dense mixed-use development – residential, commercial, and retail – could be created. These overlays could attempt to spur development by increasing allowed densities. Moreover, these developments could be multimodal in nature, providing good auto access as well as transit access. Zoning overlays could ensure, however, that parking does not interfere or detract from transit access.

## Transit Revitalization Investment Districts (TRIDs)

The Transit Revitalization Investment District Act was enacted in 2004 by the

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<sup>23</sup> The Holly Street Village Apartments in Pasadena is a remarkable example of this coupling of incentives for affordable housing and for TOD. Completed some ten years before the introduction of the Gold Line, the complex came together because city officials planned for transit access and, seeking mixed-use housing oriented to the future station, provided the necessary density incentives to the developer to make the project happen.

Commonwealth of Pennsylvania, and with aggressive initial and ongoing leadership from the Delaware Valley Regional Planning Commission, to enable local governments and transit authorities to create *Transit Revitalization Investment Districts (TRIDs)*. TRIDs enable municipal governments and transit authorities to more closely coordinate transportation infrastructure, land use, and private development in the following ways:



Temple Regional Rail Station (Source: Google Maps 2007)

- Providing incentives for transit-oriented development,
- Establishing mechanisms to capture the value added by development around transit stops,
- Encouraging community involvement in the location, design, and implementation of development activities, and
- Receiving priority for grants and technical assistance through the state's Department of Community and Economic Development (DCED).

A local government could designate a TRID in any geographic area within 1/8 to 1/2 of

a mile from a transit stop. Once a location is identified, a four-step process begins:<sup>24</sup>

1. *Planning* – A municipality undertakes a TRID Planning Study, which provides the rationale for the designated TRID and which must be publicly reviewed.
2. *Program management* – The municipality then forms a management entity to implement the TRID, and the municipality and transit agency prepare public infrastructure improvement lists and coordinate value capture shares with the applicable school district and county.
3. *Implementation* – The TRID Implementation Program, which is also subject to public review, is then executed by the municipality and transit agency, and developer interest is solicited and development proposals reviewed.
4. *Execution* – Finally, a Development Agreement is executed, construction begins, and the management entity administers the value capture revenues and expenditures in accordance with the TRID Implementation Program.

Early examples in the Philadelphia area, all of which are still in the planning phase, include the Temple University, 46<sup>th</sup> and Market, Marcus Hook, Bryn Mawr, and Allegheny regional rail stops. However, as will be further elaborated below, there are numerous additional sites that the City and SEPTA could designate as TRIDs. In fact, every stop on the Market-Frankford Line and Broad Street Line, as well as selected Regional Rail stops, could be considered for TRIDs. Such designations will rally collaboration between developers and community groups, facilitate the cooperative

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<sup>24</sup> Delaware Valley Regional Planning Commission (2005).

development of land use plans, and stimulate TOD.

Both the City and SEPTA have much to gain from the aggressive pursuit of TRID as a means to creating more TOD:

- The enabling mechanism of *value capture*, whether through tax increment financing or other avenues, means that TOD-related development and amenities could be funded with no negative impact on the City budget, but rather by taking a portion of future property tax revenue increases that will materialize around the site as a result of the new enhancements.<sup>25</sup>

The utilization of a value capture mechanism such as tax increment financing (TIF) and the City's existing property tax abatement is somewhat, but not totally, mutually exclusive. Property taxes that result directly from new construction or major renovation that is privately developed could either be abated or captured via TIF, but not both.

However, new increments of property taxes that result from property value increases in existing and surrounding properties could be captured via TIF, generating upfront dollars that could be used to build public infrastructure and amenities, like transit stops, plazas, and parks. A typical value capture at a neighborhood level might, for example, generate anywhere from

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<sup>25</sup> To the extent that these potentially value enhancing improvements are being made in residential neighborhoods, there is always a concern that particularly vulnerable populations, such as low-income residents and elderly people living on fixed income, will be possibly priced out of their existing homes by future property tax increases. This can be offset by the increase in value of their main asset, an increase which can, through various financial vehicles, be converted into cash flow to help pay for any tax increases.

two to four million dollars upfront, which could be used for infrastructure improvements and paid off over time with the incremental increase in property tax revenues that result from higher property values in and around the TOD.

- As for SEPTA, it has already been discussed that TOD could equate to *increased ridership*; TRIDs are an effective way for SEPTA to work with the City towards that end.

## Developing a Priority List of Funding TOD Sites

Despite the inherent benefits of transit-oriented development (TOD) and the many suitable locations for considering TOD in Philadelphia, many years of anemic development near transit stops have atrophied decision-makers' willingness to aggressively consider such developments. In order to build positive momentum with leaders around TOD, existing successes will have to be identified, and early successes pursued and celebrated. Not insignificantly, TOD is somewhat fuzzy to grasp on paper but distinctly clear to all when built out, so



Temple University with SEPTA Regional Rail Station and new housing

quick wins are not only useful for building momentum but also for creating images around which more and more supporters could rally.

In fact, as mentioned above, a handful of promising TOD sites are moving forward. To begin with, the Temple University and 46<sup>th</sup> and Market stations are among a handful of sites that are in the TRID planning phase:

- Development around the *Temple University Regional Rail Station* is being driven in part by the Asociación Puertorriqueños en Marcha, a large social service agency and developer of retail and residential units.
- Development around the *46<sup>th</sup> and Market Street Market-Frankford Line Station* is being spearheaded by The Enterprise Center Community Development Corporation, highlighted by the Plaza at Enterprise Heights, an environmentally friendly development of 100 residential units, 45,000 SF of commercial space, and 35,000 SF of retail space.

However, in addition to highlighting these early opportunities, the City could also develop a priority list of TOD sites, and mobilize funding, leadership, and administrative efforts towards developing such sites. Specifically, all possible sites could be identified and then classified, based on their potential for TOD, into one of three tiers:

1. *No or low demand.* Fundamental demand is too low, and the value of transit access has been fully captured with little to no prospect for improvement.
2. *Some potential demand.* Current demand is low, but external factors are improving, such that improved transit opportunities could generate sufficient demand to induce new development.

3. *Great potential demand.* Current use is stable or growing, but the site could be made more dense and/or more valuable if transit opportunities were aggressively improved and marketed.

This initial sorting could help prioritize efforts and identify easy early “wins.” A second, more detailed analysis would look at these potential sites from the perspective of various possible uses, particularly retail, residential, and commercial:

- *Retail* – Many of these sites currently have demand for retail that is low and intra-neighborhood in nature, although there may exist some strong candidates for inter-neighborhood retail (see below). Some sites may benefit from an increasing preference in retail towards environmental considerations and urban locations, from a transit access standpoint.
- *Residential* – Housing may very well be the highest and best use for many potential sites, to the extent that transit value is generated from the ability to commute to job centers. Thus, TOD might be most promising in neighborhoods that are seeing large influxes of new residents who work in Center City.
- *Commercial* – TOD that focuses on this use will find its greatest success near institutional facilities, such as hospitals, universities, and government buildings, since a critical mass of jobs is needed to sustain such sites.

By evaluating all possible sites using these general criteria, a priority list could be developed, behind which attention could be generated towards the sort of collaborative and strategic effort required to implement TOD. As for locations, most if not all transit stops could be seriously evaluated for TOD potential, as noted by the Delaware Valley

Regional Planning Commission (DVRPC) in its 2004 inventory of potential TOD sites:

*While the region has over 340 fixed-rail stations, the majority of them have transit-adjacent developments (TADs). Transit-adjacent development is development that is physically near transit but fails to fully capitalize on its proximity, both in promoting transit ridership and as an economic and community development tool.*<sup>26</sup>

The report goes on to list five main prime candidates: 30<sup>th</sup> and Market, 46<sup>th</sup> and Market, the Bridge-Pratt Transportation Center, Girard, and Temple University. However, we believe that in the long run, *every Market-Frankford Line (MFL) station and Broad Street Line (BSL) station could be considered.* Continued high frequency of service on these two lines has led to very large riderships - 52 million for the MFL and 33 million for the BSL in 2006 – and thus making every stop on these two lines a prime candidate for TOD.

In a sense, it is fitting to site TOD at these locations; after all, these very areas were once major residential and retail centers, during the first half of the 20<sup>th</sup> century, when such uses truly were transit-oriented. It is unfortunate that decades of disinvestment have transformed these once-proud corridors into the locations in the City with the oldest infrastructure and most anemic development. It is, conversely, inspiring to think that sites that once thrived because high density and transit access were considered assets, and then deteriorated because those same characteristics were deemed liabilities, could now be evaluated anew as promising places for development.

In the short term, we agree with NeighborhoodsNow’s focus on the 46<sup>th</sup> and Market and the Temple University sites, as they represent highly attractive, high-density locations primed for early TOD success.

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<sup>26</sup> “*Linking Transit, Communities and Development: Regional Inventory of Transit-Oriented Development Sites*”, Delaware Valley Regional Planning Commission (August 2003).

The City's Office of Housing and Community Development is currently working with NeighborhoodsNow to administer a planning grant from DCED and PennDOT to study the prospect of a TRID around these two transit stations.

Importantly, both sites represent opportunities to organize existing positive momentum around private development towards ends that ensure a healthy evolution to mixed-use, mixed-income communities that are pedestrian-friendly, aesthetically pleasing, and oriented to transit use. Such an orientation to transit use, as stated above, has a deep lineage in Philadelphia, and is a major reason for the remarkable socio-economic diversity of its neighborhoods, even after decades of disinvestment and decentralization. Perhaps these two early successes, at the 46<sup>th</sup> and Market and the Temple University sites, will provide lessons for stakeholders to warm to the potential of TOD to rejuvenate other locations around the City.

Regional Rail lines, eight in all, together carry 78,000 people per day, or less combined than either the MFL or BSL. However, much of that traffic is by commuters, affording certain opportunities for TOD, particularly of the regionally oriented kinds. In particular, we believe that the *Wayne Junction* station has potential, particularly for residential development, based on its many Regional Rail and bus lines that pass through it, its generally attractive housing stock, and its close proximity to Center City.

Other locations, particularly the *North Philadelphia* station and the *Broad and Girard* station exhibit characteristics appealing to TOD, as do other subway, bus, and rail stops. Aerial maps of these and other locations are greatly informative in terms of depicting the extent of the missed development opportunities for TOD: considerable vacant land, vast swaths of pedestrian-unfriendly parking in support of nearby retail and entertainment uses, and

general underutilization and disinvestment. In the Appendix, we provide maps and commentary of some stations around which development is currently far short of its potential.

In parallel of this site analysis, *City funds could be identified and allocated towards this effort, which would further stimulate additional private sector attention and investment.* To give but one municipal example, the City of Boston has a \$30 million TOD infrastructure and housing support bond program, the proceeds of which will help fund pedestrian improvements, bicycle facilities, urban design, and housing initiatives.<sup>27</sup>

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<sup>27</sup> City of Boston's Department of Neighborhood Development.

## Chapter Five

### Recommendations for Stakeholders

Transit-oriented development (TOD) is, like all real estate development, necessarily a collaborative exercise. Thus, it is important that all stakeholders work collectively to pursue both individual TOD sites as well as an environment that is more conducive to TOD. Several nonprofits including the Pennsylvania Environmental Council, the Economy League of Greater Philadelphia, and PennTrans are contributing to elevating the significance of public transportation. Due to both their vested interests as well as their ability to effect real change, the following eight stakeholders will be the most important when it comes to ensuring successful TOD:

- The City of Philadelphia
- The Commonwealth of Pennsylvania
- SEPTA
- Developers
- Institutional anchors
- Neighborhood groups
- Intra-neighborhood and inter-neighborhood groups
- Delaware Valley Regional Planning Commission (DVRPC)

#### The City of Philadelphia

The public sector could prepare itself to lead in this effort by better understanding and appreciating the important financial,

societal, and environmental benefits that accrue from well-designed TOD. It is clear from the experience of Philadelphia that, absent aggressive and intelligent intervention by local governments, TOD does not happen on its own, resulting in either disinvestment or else development that is more oriented to automobile traffic than transit access. The fact that these potential sites are visually and strategically prominent locations in the city ought to warrant some public sector attention.

The City of Philadelphia could consider *regulatory ways* within its means to stimulate development around transit stops that actually capitalizes on the locational value of these transit-proximate sites:

- For example, the City could work with SEPTA to create *Transit Revitalization Investment Districts (TRIDs)* to encourage TOD. In fact, the City's Office of Housing and Community Development is currently working with NeighborhoodsNow to administer a planning grant from DCED and PennDOT to study the prospect of a TRID around the 46<sup>th</sup> and Market and the Temple University stations.
- In parallel, the City could also pursue special *transit-oriented zoning overlays*. In fact, the City Planning Commission is currently looking at an overall overhaul of the City's zoning code, as well as special designations for areas around Market-Frankford Line (MFL) and Broad Street Line (BSL) stops.
- These overlays could include parameters concerning *affordable housing* and thus induce a greater mixing of house price levels by offering *compensatory incentives, such as density bonuses*, to offset the cost of providing affordable housing and to



thus effectively induce developers to choose to build at such sites.<sup>28</sup>

The City could also *lower the cost of development* and of business in Philadelphia:

- First, the City could continue its *property tax abatement program* for new developments. In doing so, it would be continuing to make the city a development-friendly environment.
- Indirectly, *lower business taxes* also contribute to a more TOD-friendly environment, largely by making access to employment centers in Center City more valuable.
- In parallel, City funds could be identified and allocated towards this effort, which would further stimulate additional private sector attention and investment.

The City could also *reduce the administrative costs* required to engage in profitable development in Philadelphia:

- The City could be working collaboratively with developers and neighborhood groups to help *streamline the process* of assembling land, balancing the importance of site control in determining the feasibility, timing, and profitability of a potential TOD project with the need to be sensitive to current residents and the desire to minimize the amount of wholesale relocation of residents and businesses. On the one side, the City could create a unified checklist of forms, agencies, and procedures that are involved in moving forward with a TOD, and/or host integrated

orientation sessions that connect prospective developers with all of the key entities within the city that would be involved in a TOD initiative. On the other side, the City could launch outreach efforts to educate community groups on the neighborhood-level benefits of TOD.

- The City could explore the possibility of creating some sort of *clearinghouse to facilitate the pairing of private and non-profit developers with potential non-residential public sector tenants*. Securing these kinds of stable anchor tenants early in the development process helps lower the risk of development, facilitates the securing of financing, and accelerates the development timetable.

Importantly, the City could also make *public infrastructure investments* that could add value to neighborhoods near transit stops and further induce private development in such locations:

- The City's recent \$150 million bond issue includes \$65 million for *commercial corridors*, many of which are served by major transit lines. These sorts of investments could be incorporated into existing TOD initiatives that similarly seek to strengthen retail centers and improve pedestrian friendliness.
- The City could also pursue additional *tax increment financing (TIF) districts* that, like TRIDs, generate funds in support of necessary infrastructure improvements at the neighborhood and corridor level.
- The City could also assist with *land acquisition and assembly*. For example, TriMet, Portland's regional transit authority, and the Santa Clara Valley Transit Agency have both purchased several sites for resale to TOD projects; while the Contra Costa County Redevelopment Agency

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<sup>28</sup> Boston and Denver are two examples of municipal governments using inclusionary housing requirements and offsetting developer incentives to ensure that housing is built near transit and that a mixing of price levels is secured, according to "Realizing the Potential: Expanding Housing Opportunities Near Transit" (Reconnecting America, 2007).

assembled land and made infrastructural investments totaling \$20 million in support of development around the Pleasant Hill BART Station.<sup>29</sup>

Finally, given the upcoming change in leadership, the City could consider reinstating the position of *Deputy Mayor for Transportation*. This would help to foster a



New housing development in North Philadelphia near Temple University

more formal and collaborative relationship with SEPTA, as well as ensure that TOD becomes a major City priority, particularly as it relates to the active participation of the City Planning Commission. It will also facilitate the City's ability to engage in a comprehensive, intergovernmental, and citywide TOD initiative in which it seeks to identify potential TOD sites, create a priority list of those sites ranked according to likelihood of success and feasibility, and pair interested developers with attractive opportunities. In so doing, the City would be making sure that TOD occurs in places in which it is most likely to succeed and by developers with strong incentives to ensure that success.

## The Commonwealth of Pennsylvania

The TRID Act, passed by the Commonwealth in 2004, goes a long way towards enabling municipalities and transportation authorities to work more easily together and to take action to facilitate TOD. It will be important for the Commonwealth to remain engaged in this effort, committing ongoing *technical assistance and financial resources* so that Philadelphia could take full advantage of the flexibility and authority provided by the TRID Act.

- Particularly in these early years, the state's Department of Community and Economic Development and the Department of Transportation will need to guide municipalities, transportation authorities, developers, and neighborhood groups through *the TRID planning, program management, and implementation phases*.
- State agencies have also been directed to provide Commonwealth resources to assist local governments and transit agencies in actually *implementing TRID plans*, while TRID planning and implementation is to receive *priority consideration for DCED grants*. These funding commitments must be honored and carried out.

Secondly, the Commonwealth has an important role to play in *ensuing dedicated funding streams* for SEPTA, such that uncertainty in fare levels and service quality is alleviated. The Commonwealth's recent commitment to funding SEPTA is also a huge step towards fully capturing the value of transit proximity, and thus represents positive momentum upon which to build.

- Specifically, the Commonwealth could follow the lead of other states with large municipalities, and *push more responsibility for transportation funding down to the local and regional level*, in exchange for more programmatic autonomy as

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<sup>29</sup> "The New Transit Town: Best Practices in Transit-Oriented Development," Dittmar and Ohland (2004).

well as legislative permission to generate funds for transportation at the local level. Such local funding sources might include tax increases, regional tolls, or corridor-based value capture mechanisms.<sup>30</sup>

- What state funds the Commonwealth has committed to the region could be designated in such a way that attention is given to expending them in ways consistent with TOD. For example, as will be noted below, SEPTA could be *required to submit a TOD plan for all major infrastructure investments* that use state funds.

The Commonwealth could also work with the City to *reorient government subsidies designed to induce mixed-income and affordable housing*, such that TOD sites are prioritized. In this way, the impact on low- to moderate-income families would be multiplied by the opportunity to not only buy a home below market prices, but to reduce or even eliminate the carrying cost of car ownership.

## SEPTA

SEPTA could make institutional changes to more *actively pursue partnerships with the City* that synergistically catalyze healthy development around its stations. As mentioned previously, successful TOD requires extensive cooperation among large institutional stakeholders, the two most important of which are the City of Philadelphia and SEPTA.

SEPTA could also continue to seek to stabilize its funding and operations so that the value of transit access need not be so steeply discounted on account of the uncertainty of service frequency or existence. This includes continued dialogue

with state and local officials about *dedicated funding streams*.

Finally, SEPTA could seek to broaden its focus and mission from that of narrowly defined operational goals to being more actively involved in *coordinated development efforts*. This would ensure that SEPTA gets a greater return on its transit developments, as well as foster the sort of collaborative environment that is essential to successful TOD.

The TRID process now gives SEPTA the ability to more easily participate in TOD via heightened authority and facilitated partnerships. SEPTA could go one step further and *build TOD precepts into all major infrastructure investments*: parking garages should not have pedestrian-unfriendly ground level floors, stations could be made more safe and accessible, and line-wide improvements could be made in conjunction with broader neighborhood development plans.

## Developers

Private and non-profit developers could work with local officials and neighborhood groups to *delineate the advantages of TOD*, thus aligning incentives such that all parties are working towards shared goals rather than conflicting over perceived differences in desired ends. Transit access, high-density development, and pedestrian friendliness could also become greater selling points in attracting users, renters, and buyers.

Of course, profit only comes from creating value, and value is created by responding to customer preferences. So while public sector stakeholders have an important role to play in creating the overall environment and providing the specific incentives such that developers are sufficiently motivated, those developers must actually deliver proposals that deliver the benefits that users,

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<sup>30</sup> “Transportation Needs Assessment and Financial Analysis in Pennsylvania,” Econsult Corporation (2007).

neighborhoods groups, and local policymakers seek:

- *A range of housing choices.* Providing residential options at different price points will require creative proposals and layouts to win over a variety of users as well as community groups and elected officials.
- *Attractive, authentic design.* Redevelopment of older, historically significant sites has the added challenge and opportunity of melding new techniques and materials with appropriate respect for the past.
- *Safety and privacy.* Proposed layouts must reduce crime, noise, and pollution, balancing the mobility and density of transit-proximate development with the privacy and seclusion needed for living and working.

## Institutional Anchors

Institutional anchors have a role to play in facilitating TOD in Philadelphia. Entities such as universities and hospitals have much to gain from *orienting their expansion projects in ways that capitalize on the value of transit access*. Accordingly, it is important for them to enter into dialogue with the City and SEPTA, such that issues of mobility, parking, and pedestrian friendliness are incorporated into their development plans.

Because of the large volume of employees and students that these institutions represent, there is also additional leverage that could be exercised in terms of implementing transportation programming that utilizes the existing public transit infrastructure rather than introducing new, auto-oriented routes. Such a move is cost-conserving for the institution, and it increases the connection between campus and transit.

## Intra-Neighborhood and Inter-Neighborhood Groups

Neighborhood residents, or the groups that represent them, may choose to organize against TOD rather than for it, whether it is out of a “NIMBY” sentiment (more typical of a suburban response to TOD) or in response to the specter of “gentrification” (more typical of an urban response to TOD). To be sure, poorly conceived TOD is worse than none at all. Thus, intra-neighborhood and inter-neighborhood groups could play an active role in the rollout of TOD in



Meeting of neighborhood residents

Philadelphia, not in stifling healthy development but in demanding that it is sensitive to local historical, aesthetic, and mobility concerns, encouraging of pedestrian access and commercial activity, and oriented to existing transit infrastructure.

These groups could also mobilize residents to push local government to open up its planning “playbook” to generate *solutions that increase vibrancy, uses, and commerce in neighborhoods*. Neighborhood groups could take advantage of their strong community voice, again not to demand either no TOD or any TOD, but TOD that helps lead to more vibrant, livable neighborhoods.



8<sup>th</sup> and Race planned development (Source: SPG3)

Of course, many residents are generally skeptical if not outright hostile towards initiatives that seek to enhance the value of certain locations, perhaps fearing that future property tax increases that result will price them out of their current homes. It will be important, then, for neighborhood groups to do just as much “in-reach” as “outreach,” in that just as they are making their case in support of TOD to local and regional decision-makers, they will need to *make a similar case to neighborhood residents*: that increased personal mobility, physical amenities, good urban design, and more residential and retail options are all positive things for neighborhoods.

Both the “in-reach” and the “outreach” could be further supplemented by *championing small-scale examples of successful TODs* that have been brought into existence by the efforts of local CDCs. These success stories provide a role model for developers to envision what larger investments could look like, generating momentum for additional, large-scale private development. They may also allay the concerns of skeptical residents, so that TOD is seen as an attractive amenity to be sought after and not an eyesore to be avoided.

## Delaware Valley Regional Planning Commission (DVRPC)

Metropolitan planning organizations (MPOs) have an important coordinating role in the encouragement of more TOD. Their big-picture perspective comes in particularly handy as TOD initiatives intersect with *regional issues of land use, transportation policy, and environmental stewardship*.

DVRPC has been and could continue to actively advocate for more *dedicated and secure sources of funding for SEPTA*. In doing this, they would be helping to reduce the risk associated with TOD in regard to the long-term certainty of transit service.

DVRPC has made *TOD a priority in its Transportation & Community Development Initiative (TCDI) grant program*, and has established a strong planning, education, technical assistance, and implementation program for TOD. It has also been aggressive from the start on the use of TRIDs to stimulate development near transit stops. DVRPC could use its influence in setting land use to encourage private development that is oriented to transit and that adheres to TOD principles. In particular, transportation funding could be allocated to projects that have significant TOD components, and subsequent evaluation based on the land use, development, and environmental consequences of these projects.

## Appendix

### Site Analysis

Aerial maps of possible transit-oriented development (TOD) locations are greatly informative in terms of depicting the extent of the missed development opportunities for TOD. In this appendix, we provide maps and commentary of some stations around which development is currently far short of its potential.

#### Market-Frankford Line (MFL) Sites

There are several remarkable features about the aerial photograph in Figure A.1:

- First, some of the old buildings, including the former Provident Mutual Life Insurance Company building, are neither high density nor oriented toward the transit stop.
- Second, there is a considerable amount of land that is simply undeveloped.
- Third, there is very little left of the original, high density but low-rise residential and commercial development near the stop.
- Finally, the new developments, which include a Rite Aid, are decidedly transit-adjacent development (TAD) that are geared primarily to auto access.

Thus, MFL users are forced to walk past large areas of parking on their way to the stop. This phenomenon is sadly repeated throughout the stations along the MFL and BSL.

Figure A.1 - 46<sup>th</sup> and Market MFL Station



Source: Google Maps 2007

Figure A.2 displays the neighborhood around the 56<sup>th</sup> and Market MFL station. Near this station, there remains some of the original low-rise, high-density buildings, but one entire adjacent city block is virtually all green space. While green space may be an attractive urban feature, it is an inappropriate use for land located next to a transit stop, unless perhaps it is integrated as a strategic amenity into an overall high density TOD.

Note also the auto-oriented grocery store immediately adjacent to the station, which is an extremely important resource for the immediate neighborhood but which could have been even more effective if it had adhered to TOD principles such that its design and layout were more synchronized with its immediate surroundings. This automobile orientation also characterizes the Erie stop on the MFL (see Figure A.3).

**Figure A.2 - 56<sup>th</sup> and Market MFL Station**



Source: Google Maps 2007

**Figure A.3 – Erie-Torresdale Avenue MFL Station**



Source: Google Maps 2007

## Broad Street Line (BSL) Sites

Of course, an extreme use that requires lots of parking is a sporting venue; and the Pattison Avenue BSL station is Philadelphia's premier example (see Figure A.4). Note also the residue of the demolition of Veterans Stadium. The two previous locations, as well as Oregon Avenue on the BSL (see Figure A.5), are adjacent to extensive public parks. As mentioned above, public parks could be integrated with TOD

in order to create highly attractive residential locations or regional public amenities. Unfortunately, this has not yet taken place at the 56<sup>th</sup> and Market, Erie Avenue, or Oregon Avenue stations.

**Figure A.4 – Pattison Avenue BSL Station**



Source: Google Maps 2007

**Figure A.5 – Oregon Avenue BSL Station**



Source: Google Maps 2007

Many stations on the BSL's northern half have very low density uses, which is a surprise given how geographically close they are to Center City. The degree of

underutilization is particularly evident at the Spring Garden BSL Station (see Figure A.6), the Fairmount BSL Station (see Figure A.7), the Girard Avenue BSL Station, which also has light rail service (see Figure A.8), the Wyoming BSL Station (see Figure A.9), and the North Philadelphia BSL Station, which is also adjacent to Regional Rail stops serving all lines and Amtrak (see Figure A.10).

**Figure A.6 – Spring Garden BSL Station**



Source: Google Maps 2007

**Figure A.7 – Fairmount BSL Station**



Source: Google Maps 2007

**Figure A.8 – Girard Avenue BSL Station**



Source: Google Maps 2007

**Figure A.9 – Wyoming BSL Station**



Source: Google Maps 2007



**Figure A.10 – North Philadelphia BSL Station**



Source: Google Maps 2007

## Regional Rail Stations, Trolley Stops, and Bus Terminals or Transfer Points

In addition to the stations on the MFL and BSL, there are communities throughout the city with Regional Rail stations, trolley and light rail stops, and bus terminals or transfer points that are potential candidates for TOD. All rail stations do not offer the same opportunities, and none of these services provide the frequent service that is provided by either the MFL or BSL; however, in a number of cases, there are a mix of lines that come together, creating a multi-modal hub that could potentially enhance TOD opportunities. Most notably, these include:

- Wayne Junction
- North Philadelphia
- Girard Avenue
- Wissahickon Transfer
- Olney Terminal

While Wayne Junction does have some dense, rowhouse-style housing nearby, overall the station area is not well connected to its surrounding area. Given its high level of rail and bus service, it should be able to support significant mixed-use development. It could be an attractive residential and employment destination, since several regional rail lines pass through this intersection. Additionally, it is a very short 15-minute ride to Center City from Wayne Junction (see Figure A.11).

**Figure A.11 – Wayne Junction Regional Rail Station**



Source: Google Maps 2007

In North Philadelphia, there are two Regional Rail stations, North Philadelphia and North Broad, as well as a stop on the BSL and an Amtrak stop, all within a three-block radius (see Figure A.12). Every regional rail line passes through these stations, thus making for a shorter transit commute for most suburban commuters. Because of its excellent transit service and intercity rail service, this location is a natural one for transit-oriented development. Yet, remarkably, the area around the stations has seen virtually no redevelopment.

**Figure A.12 – North Philadelphia and Environs**



Source: Google Maps 2007

Wissahickon Transfer presents a different kind of TOD opportunity than most sites. This site does have Regional Rail service. However and more importantly, it is a transfer point for 11 bus routes connecting many employment centers, including Center City, Bala Cynwyd, and King of Prussia, thus satisfying the need for a high volume of passengers. This area has generally seen very low density, transit-hostile development. In one of the larger developments is a rental storage facility, which generates no transit traffic and does not particularly need transit access (see Figure A.13).

**Figure A.13 – Wissahickon Transfer/Wissahickon Station**



Source: Google Maps 2007

Olney Terminal is a major BSL and bus connection, with buses serving the Northeast and Northern Suburbs. It is well suited to residential and light commercial development. Nevertheless, the neighborhood has seen little reinvestment (see Figure A.14).

**Figure A.14 – Olney Terminal (Bus and BSL Station)**



Source: Google Maps 2007



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