The Economic Case for Light Rail in Detroit

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Transportation Riders United

Transportation Riders United (TRU) is a Detroit-based 501(c)(3) non-profit organization dedicated to improving transportation access and mobility in greater Detroit.

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Introduction

Over $4 billion in investment around light rail in Dallas. Property value increases of 25% in Minneapolis. Over 600% average return on investment for light rail spending. These figures are just a glimpse of the amazing possibilities offered by light rail. By investing in rapid transit now, Detroit too can spur economic growth and help revitalize the region.

Transit-Oriented Development (TOD) refers to focusing development around public transit, usually light rail stations. Denser development consisting of mixed residential, commercial, and retail space encourages walking, biking, and riding public transportation while also creating an attractive, safe and efficient environment. While TOD can be used to create new town center-type developments around rail stations that have little existing development, the strategy is especially effective at reenergizing existing neighborhoods by rehabbing buildings and making the area more accessible to potential customers and residents.

There are countless benefits to be reaped from an intelligently implemented TOD strategy including decreased emissions and cleaner air, increased mobility for the elderly and disabled, and reduced traffic congestion. Most importantly, transit-oriented development has proven itself as a powerful economic force by increasing property values, creating a larger tax base, and fueling demand for retail. Studies commissioned by the American Public Transportation Association (APTA) as well as those done by researchers at universities around the country have shown that TOD is a wise investment of public funds that can decrease infrastructure costs while also providing a competitive economic edge. It has been shown that **every dollar spent on public transportation projects yields on average six dollars in local economic activity**.

Past research has also shown that transit investment is a significant source of job creation, **creating between 3,140 and 5,700 jobs for every $100 million invested**[1]. Businesses also realize a gain in sales three times the public sector investment in transit; a $100 million investment results in **a $300 million gain in increased sales**. For every $100 million invested, **over $150 million is saved in transportation costs** to both highway and transit users.

Cities around the country are taking advantage of TOD's benefits by investing in light rail infrastructure. Dallas has used its DART light rail stations to revitalize their downtown where the values of commercial properties near the stations increased 24.7 percent and residential properties increased 32.1 percent. Compare that to increases of only 11.5 and 19.5 percent for comparable properties in the city that were not served by light rail. This is not an isolated incident; property values in Minneapolis near light rail increased 22 percent more than comparable properties that were not served by light rail. Likewise, Charlotte opened its Blue Line in 2007 and it has already attracted $1.87 billion in development while also supporting the downtown housing market in the face of national economic hardship. While Charlotte's line is brand new, the St. Louis Metrolink system has been successfully expanding since 1993, uniting the metro area, pumping new investment into downtown neighborhoods, creating vibrant new destinations, and making downtown living appealing again.

These four cities provide a sample of the many cities around the United States that have gotten the wakeup call and decided to renew their communities and strengthen their economy by using transit-oriented development and smart land-use policy. This report illustrates the success of TOD in Dallas, Minneapolis, Charlotte, and St. Louis, and how these cities utilized the power of light rail to strengthen their neighborhoods, attract investment, and emphasize their downtowns' unique offerings.

Dallas, TX

Key Facts

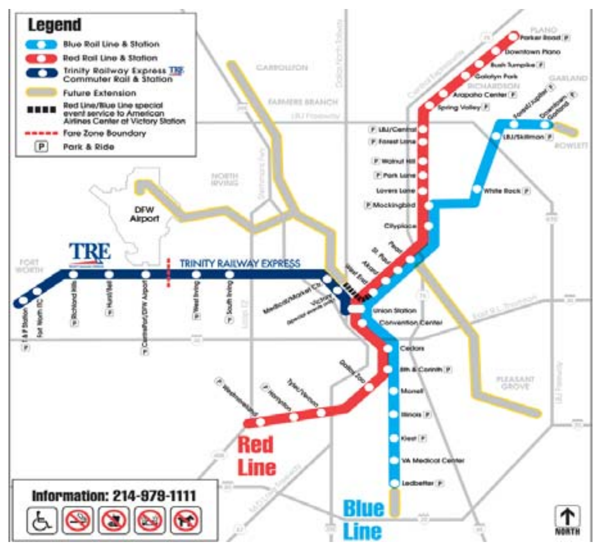
Operator: Dallas Area Rapid Transit (DART)

Opened: 1996

Track Length: 45 miles

Stations: 35

Cost: Starter line $860 million, $160 million of which was federal grants; extension cost of $900 million of which $330 million was federal grants[2]



Map of the DART (red and blue) light rail lines, the TRE commuter train line and planned expansions.

Developer Vance Detwiler is building a 70-acre, $400 million town center project at the Lake-Highlands station in Dallas and claims that, “"One of the most important aspects of our overall project is having the ability to have mass transit in the development." Likewise, Tom Ruble, whose development firm is building a mixed-use development at the Park Lane station, at a price-tag of $750 million, says that, "It's already come up several times in discussions with tenants about how attractive it will be to access the project through DART."[3]

> ***"To say DART Rail's impact has been substantial for the Dallas region's economy would be an understatement, it's a trend that's impossible to miss; the local business community certainly hasn't."***
>
> *-Dr. Bernard Weinstein, Director of The University of North Texas Center for Economic Development and Research.*

Access to light rail has become an important issue for developers in Dallas since the construction of the Red and Blue lines began in 1996. **These two popular light rail lines have led to massive investment in the city of $4.26 billion in development** attributable to the presence of a DART light rail station since 1999[4]. The authors of the study who calculated this figure knew that only certain types of development are desirable, which is why this figure only includes true transit-oriented development, excluding large chain stores with massive parking lots like Kohl's or fast-food joints like McDonald's. It also subtracts any value lost by demolishing buildings to make room for this new wave of development and leaves out any development that would have occurred without the presence of light rail. However, it does count developments like Eastside Village, a mixed-use development near DART's Plano station that includes 500 living units and 40,000 square feet of commercial space. Then there is the Galatyn station which has become home to the Renaissance Hotel as well as the Eisemann Center for the Performing Arts, leading to nearby residential development. Another popular development counted in the total is the cultured West Village district which opened in 2000 near DART rail lines and includes loft developments, restaurants, shopping, an art house movie theater, and a new 20-story residential high-rise with ground level retail.[5] The $4.26 billion only accounts for the truly transit-oriented development despite the fact that many of the excluded properties also benefit from their close proximity to the stations.

DART's West End station

TOD is not simply an opportunity for construction firms, but for the community. The operators of the W Hotel at Victory Station claim that many of their employees rely on the light rail for their commute, and that without it they would have a harder time recruiting staff. [6] These projects have more than anecdotal benefits, having brought in **$660 million in annual taxable retail sales to the area, boosting state tax revenues by $41 million** and municipal tax

> *"There's no doubt that transit-oriented development is exactly what everybody wants these days and, because the DART station was there, we were able to think in those terms."*
>
> - *Howard Elkus, Principal, Elkus-Manfredi Architects*

revenues by $6.6 million annually**.** **Increases in property values were also 25% greater** when compared to similar non-DART properties.

Every proposal has its critics, but DART's system has been a true homerun, renewing interest in downtown, creating new attractive destinations, and consistently exceeding ridership projections with a weekday ridership of 60,592 as of 2007.[7] The success of light rail in Dallas has led to plans for doubling the size of the light rail system with two new lines by 2014[8] and inspired other cities in the region such as Fort Worth and Houston to begin formulating starter lines or expansions for their own systems. The potential of DART light rail continues to amaze, already responsible for $4.26 billion in investment since 1999, public officials are estimating **an additional $7 billion over the next 20 years**.[9]

Minneapolis, MN

Key Facts

Operator: Metro Transit

Opened: 2004

Track Length: 12 miles

Stations: 17

Cost: $715 million ($334 million of which was federal grants)

Reflections at Bloomington

In downtown Bloomington, just outside Minneapolis proper, a $700 million development created 5,000 new jobs and included 1.25 million square feet of office space, along with housing, restaurants, and hotels.[10] The project also included Reflections at Bloomington, a pair of 17-story LEED-certified condominiums[11] that were given the "Best Overall" award by the *Minneapolis/St. Paul Business Journal* for its Best in Real Estate Awards.[12] The development was heavily influenced by having a light rail station right at its doorstep, with the Reflections Condominiums website listing access to the Hiawatha line as a major amenity.

A train on the Hiawatha Line

Linking such important destinations as the Metrodome, Minneapolis/St. Paul International Airport, and Mall of America, **before it even opened, the Hiawatha light rail line had resulted in 11,931 housing units and 1,054,436 square feet of commercial space** being built, planned, or under construction within a half-mile of its track. According to a recent study, **real estate prices along the line rose 83%** between 2000 and 2004 as opposed to the city average of 61%.[13]

It has made converting older industrial buildings to housing a viable proposition and facilitated the rehabilitation of abandoned properties in the Hiawatha corridor.[14] One such example is a $29.5 million redevelopment project that has been completed near Minneapolis's Eliot Park.[15] With easy access to light-rail and support from the community, this project has helped transform an ailing neighborhood into a modern urban village. Existing businesses have also profited from their proximity to the Hiawatha. Brett Mattson, owner of Caps Grille and an early supporter of the light-rail line,[16] has noticed with the completion of the Hiawatha that his restaurant is able to fill an extra 10-15 tables a week, adding that, "these are new customers and they say they'll be back." **Bringing in an additional 75-100 customers a week,** light rail has won over Jim Burroughs, the general manager at the Old Chicago, who states that it "has brought people back to the city, and has had a tremendous impact on our business."[17]

> ***"Major public investments like the Hiawatha create opportunities for community building. They increase property values and help curb sprawl."***
> *- Matt Mullins, Vice President of Business Development, Maxfield Research, Inc.*

The Hiawatha has consistently exceeded ridership projections and continues to spur development. Its success has cleared the way for a new $892 million Central Corridor Line to open in 2014 that will connect downtown Minneapolis, St. Paul, the state capitol complex, and the University of Minnesota, with half of the cost covered by federal grants. The 11 mile track will link to the Hiawatha Line and Northstar Commuter Line and have 15 of its own stations.[18]

> *"The most optimistic projections were that in this 12-mile stretch you might have 7,000 new housing units. Well over the course of the last few years… there are some 15,000 housing units that are in place or are in the final stages."*
>
> *- Brian Lamb, General Manager, Metro Transit*

Even though the opening is years away, it has already led to development projects, including a $120 million project to convert three historical warehouses into lofts right next to the proposed site of the Raymond Avenue Station.[19] The Metropolitan Council has provided funding and assistance to existing businesses along the line to limit any negative impact during construction, although if the Hiawatha line is any indicator, the Central Corridor will be an invaluable asset to the community.

Charlotte, NC

Key Facts

Operator: Charlotte Area Transit System (CATS)

Opened: 2007

Track Length: 9.6 miles

Stations: 15

Cost: $462.7 million (approx. $198 million of which was federal grants)[20]

A LYNX light rail vehicle on the Blue Line in downtown Charlotte

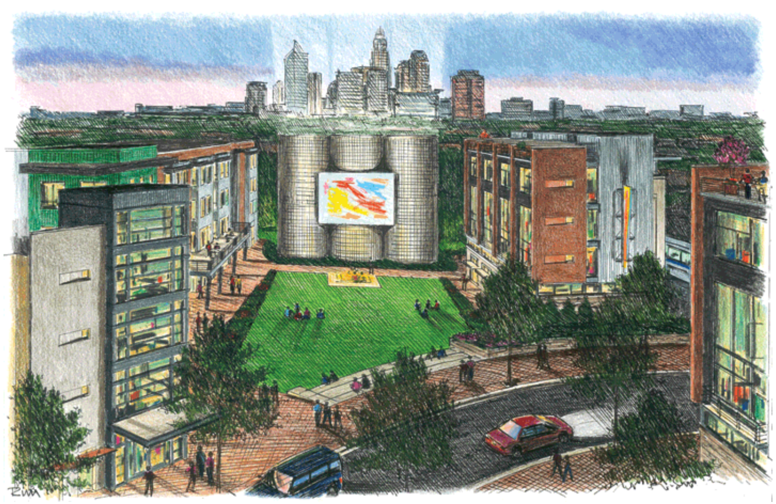
November 6, 2007 - voters from around the Charlotte metro area went to the polls to decide the future of public transportation in their city. Light rail critics and anti-tax citizens had put a measure on the ballot to repeal the half-cent sales tax that would fund the nearly completed Blue Line in downtown Charlotte and the issue had been heavily debated in months leading up to the vote. The result was a landslide. The measure to repeal the tax was *rejected* by a 70 to 30 margin, with more people voting to keep the tax than had even initially supported its enactment back in 1998.[21] It was overwhelmingly clear that voters supported the Blue Line and its funding.[22]

"The south corridor was formerly an industrial area… [it] was in decline and deteriorating… Now the corridor is thriving. There's new investment going in. Old buildings being modernized and reused… Brownfield sites being reclaimed. Transit-oriented development going on in several of the stations and more being planned."

– Ron Tober, former manager of Charlotte Area Transit System (CATS).

Only a few weeks after the dramatic funding showdown the Blue Line opened to enthusiastic crowds coming out to show their support, with 60,000 trips on its first day.[23] Since its opening, the Blue Line has been enormously popular, consistently achieving a ridership above projections, even meeting the projections for 2025.[24] The success of the light rail has not gone unnoticed or unrewarded. According to a report published by Reconnecting America, "approximately 50 new development projects have been initiated in Uptown since 2002, including 3,350 new condominium and apartment units…seven new office projects, two new retail projects, and three hotels."[25] In the South End, a 17-acre mixed-use project called Poindexter Village will add 1,000 residential units and 150,000 square feet of retail at a cost of $300 million near the New Bern light rail station.[26]

Another development, the Circle at South End, provides a five-acre mixed-use environment. The $69 million project that includes 360 residential units and 8,000 square feet of retail was developed by Crescent Resources, which "wouldn't be developing this site if it weren't for light rail," according to Crescent VP Jim Smith.[27] Even in the current rough economic climate, the market for condos in Uptown Charlotte is moving fast. Of its 462 units, the Catalyst building sold 58 of them in its first three weeks on the market, and the building will not even be finished until early 2009. Wendy Field, who leads the marketing team for the Catalyst, has cited the seven minute walk to the nearest light rail station as a big draw for prospective buyers.[28]



Silos at South End, a $45 million mixed-use project that incorporates rehabiliated industrial structures from the corridor.

Voting to keep paying the tax, residents of Charlotte have been rewarded for their prudent investment in light rail. According to a study by Professor Ed Hauser at UNC Charlotte's Center for Transportation Policy Studies in April 2007 **there has been $1.87 billion in investment and development** along the South Corridor, with the light rail being a large factor. The line has more than made up for its costs, **spurring $515 million in additional real estate tax values** in the historic South End district, **an increase of 121%** since 2000.[29]

With development along the line moving forward on schedule, Charlotte is looking to expand their system by 2030, with the possibility of a Blue Line extension, two streetcar lines, and a new light-rail line.[30]

St. Louis, MO

Key Facts

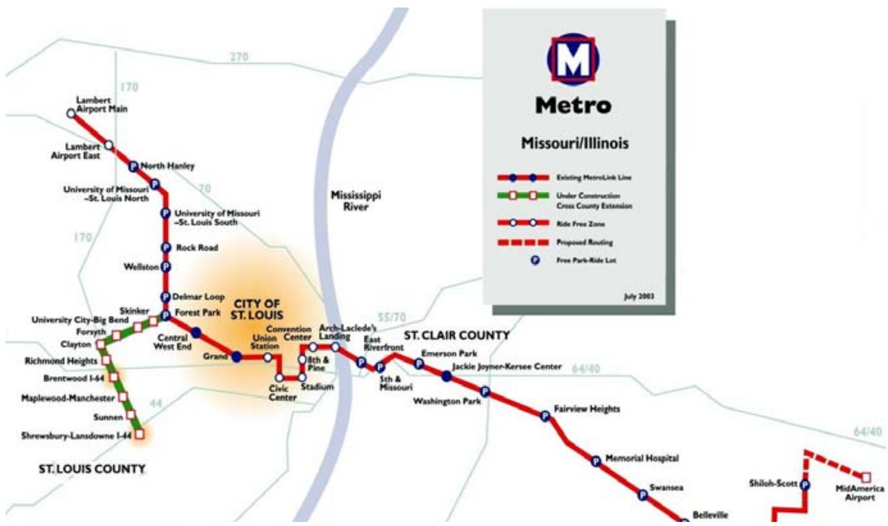
Operator: Metro

Opened: 1993

Track Length: 46 miles

Stations: 37

Cost: $465 million, $348 million of which was federal grants (Starter line costs only)



Courtesy of St. Louis Metro

St. Louis's Metrolink light rail system began construction in 1990 and opened in 1993, later expanding to two lines stretching over 46 miles of track and servicing 37 stations around the St. Louis metropolitan area.[31] With an estimated weekday ridership of 67,684 as of fall 2007, the Metrolink has been an important tool in reviving downtown St. Louis by spurring development and providing quick, convenient transportation to area residents. According to Citizens for Modern Transit, **there has been $4.3 billion in general development around the original line**, leading to a revitalization of the metro area.[32]

Citizens and advocacy groups have helped revive St. Louis' downtown, yet responsible developers have also gotten involved, making it their duty to have a positive impact on the community. Developer Craig Heller was awarded the 2007 Preserve America Presidential Award for his work in

> ***"Our vision is to make a long-term impact on the City and to seek out opportunities that others may not have the impetus to take on. It's about providing people a reason to want to live in the City and creating a neighborhood with lifestyle options that far exceed what St. Louis has ever experienced."***
>
> *– Jay Case, Principal, Orchard Development*

revitalizing St. Louis[33] and he has shown his support for Metrolink by joining the advocacy group Citizens for Modern Transit, based in downtown St. Louis.[34] His firm Loftworks has been building in downtown over the last several years, ensuring that their sites take full advantage of the Metrolink system in an effort to build walkable neighborhoods. Their work includes rehabilitating the old Syndicate Building, a mere two minute walk from Metrolink, for $85 million dollars to include condos, apartments, and 20,000 square feet of ground floor retail. This TOD philosophy embraced by Loftworks seems to have been successful; **despite the housing slump, almost 100 more condos were sold downtown** than the year prior[35], and many businesses have relocated downtown, including **60 new businesses that opened** between 2006 and 2007.[36]

Former St. Louis resident Jay Case of Orchard Development has also made strengthening downtown a part of his company's goals. Orchard Development is building a $150 million mixed-use development near the Forsyth Metrolink station that will include 300 residential units as well as an office tower and ground-level retail,[37] and Case has highlighted public transportation's important role, saying that "[One major aspect of this designation] is the access to and use of a transit station. In this case, it is literally right across the street."[38] The company is highly invested in the city's success, building several projects including a $53 million condominium project downtown with ground level retail, all within walking distance of a Metrolink station.

Plans for the $500 million project at Maplewood

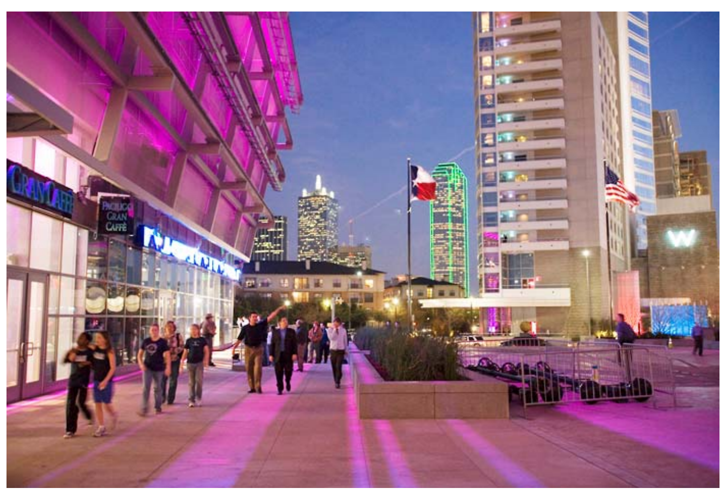
Metrolink has united the region by connecting important locations such as stadiums, Washington University, and the Saint Louis Galleria, as well as shuttling customers to favorite entertainment districts like the Delmar Loop. By building a Metrolink station at the airport, coordinating Metrobus routes with rail schedules, and building commuter lots, Metro has taken advantage of light rail's maximum potential to bolster their economy and improve the quality of life for area residents.

> ***"We have a chance right now, a historic opportunity to rebuild downtown better than it's ever been. This is the most important thing -- this is the answer."***
> *– Craig Heller, Principal, LoftWorks*

Even a slow US economy hasn't hindered planning for future transit-oriented development. A 77-acre, $500 million project in Maplewood that could grow to include 600,000 square feet of office space, 340,000 square feet of retail, 1,300 residential units and a 160-room hotel has been planned and is looking for a developer. The attraction of this particular site? The mixed use, pedestrian-scaled development would be strategically located so as to have a Metro station on either end of it for easy access.[39]

What Detroit Can Learn

There are many benefits to be reaped from having a strong public transit system including reduced congestion, pollution, and automobile reliance. As these examples illustrate, some of the biggest rewards come in the form of economic development, increased demand for retail, higher property values, and a larger tax base to help pay for basic infrastructure. These cities have illustrated how **a well-funded and effectively operated public transportation system that incorporates light rail can be used to strengthen the metropolitan area's economy and attract investment that ultimately benefits everybody**, not solely transit riders. [40]



Mixed-use development around DART's Victory Station in Dallas

However, this is not as simple as "if you build it, they will come." These cities took action to ensure that the economic impact of light rail reached its maximum potential. Minneapolis rezoned areas around the Hiawatha to help encourage higher density development and mixed-use neighborhoods. The Metropolitan Council also launched the Corridor

Housing Initiative to reduce costs for developers by drafting development guidelines and providing community support. Additional measures included forming Pedestrian Oriented Overlay Districts where the city offered density bonuses and required bicycle parking to encourage walkable areas. A Tax Base Revitalization Account was formed as well, using funds to clean up polluted land that already has necessary infrastructure such as sewers and roads already in place.[41]

The city of Charlotte set up a fund to help secure and assemble land around stations and accelerate development while also creating paid positions in the Charlotte Economic Development Department and CATS to aid developers, accelerate suitable development projects, and provide infrastructure improvement to properties around the transit lines. As former CATS manager Ron Tober said in an in-depth interview regarding Charlotte's TOD success, "Our big thing is land use… the city and the surrounding towns have all adopted very transit-supportive land-use policies, zoning ordinances, as well as planning guidelines and design guidelines. And that's a big deal."[42]

The Catalyst building in Charlotte, a seven minute walk to the nearest light rail station

Light rail has plenty to offer the city of Detroit and can help revive our metro region. These four cities have proven that light rail can be the keystone of a plan to revitalize the local economy and demonstrated how cooperation between civic organizations and multiple levels of government can spark economic expansion. **By making a major investment in rapid transit and preparing for transit-oriented development, Detroit can jumpstart its economy and plant the seeds for long-term regional growth.**

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