

Transit Revitalization Investment Districts

Opportunities and Challenges for Implementation

Final Report

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Prepared for:
Pittsburgh Community Reinvestment Group



Prepared by:
CTOD CENTER FOR
TRANSIT-ORIENTED
DEVELOPMENT

About This Study

The Pittsburgh Community Reinvestment Group (PCRG), a membership-based coalition of community development corporations and community-based organizations within the City of Pittsburgh and surrounding municipalities, has commissioned this report to assess the effectiveness of TRID as a financing tool for revitalization of core communities across the state. Transit remains a powerful revitalization tool – especially in places that were originally built around transit – and tools such as TRID can unlock urban environments to revitalization opportunities that make them once again viable and sustainable for a new generation of residents. We thank members of our statewide TRID Practitioner Roundtable for providing insights and suggestions to this report.

Transit Revitalization Investment Districts: Opportunities and Challenges for Implementation was prepared by the Center for Transit-Oriented Development (CTOD). CTOD is the only national nonprofit effort dedicated to providing best practices, research and tools to support market-based development in pedestrian-friendly communities near public transportation. We are a partnership of two national nonprofit organizations – Reconnecting America and the Center for Neighborhood Technology – and a research and consulting firm, Strategic Economics. Together, we work at the intersection of transportation planning, regional planning, climate change and sustainability, affordability, economic development, real estate and investment. Our goal is to help create neighborhoods where young and old, rich and poor, can live comfortably and prosper, with affordable and healthy lifestyle choices and ample and easy access to opportunity for all.

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Table of Contents

I.	INTRODUCTION	1
	TRID Overview	1
II.	CASE STUDIES	4
	Marcus Hook	4
	Lower Merion Township (Bryn Mawr)	7
	East Liberty	10
	Mt. Lebanon and Dormont	12
III.	KEY FINDINGS	15
	TRID Successes to Date	15
	Challenges for TRID Implementation	16
	Potential Solutions	18

I. INTRODUCTION

This report provides an evaluation of planning and implementation efforts undertaken based on the Pennsylvania Transit Revitalization Investment District (TRID) Act. This innovative law, passed in 2004, has been cited nationally as a model for fostering transit-oriented development (TOD). TRID is intended to achieve a variety of goals including:

- Encouraging TOD and economic development;
- Fostering collaboration between multiple entities;
- Promoting the use of value capture mechanisms, public-private partnerships, and other innovative financing methods to spur infrastructure investment;
- Incorporating community involvement in planning; and
- Generating increased revenue and ridership for transit agencies.

The TRID legislation enables the use of a district-based tax increment financing mechanism to capture increases in property values to pay for needed improvements. It is distinct from tax-increment financing (TIF) because unlike TIF, it does not require that there be a finding of “blight” in the area where it is used. It also differs from other district-based TIF strategies around the country in its explicit emphases on transit and TOD and the comprehensive, community-based planning that is required for successful TOD implementation.

Twelve TRID planning processes have been initiated statewide using funds from the Pennsylvania Department of Community and Economic Development (DCED), and others are in the early stages of planning using other state and local sources. However, thus far no TRID financing district has been created. This report aims to assess TRID’s strengths and offer some reasons as to why the tool has not yet been used for implementation financing. Using a case study approach, we evaluate TRID efforts to date and offer recommendations to help assist with future efforts. Findings from the case studies were supplemented by interviews with TRID practitioners from around the Commonwealth. Section 1 provides a brief overview of the legislation, and Section 2 provides four case studies of TRID planning efforts in Marcus Hook, Lower Merion Township (Bryn Mawr), Dormont/Mt. Lebanon, and Pittsburgh’s East Liberty neighborhood. A summary of findings about TRID successes and challenges, as well as a discussion of potential ways to overcome implementation barriers, are provided in Section 3.

TRID OVERVIEW

Goals

The TRID statute outlines a series of goals related to advancing TOD in the Commonwealth:

- Promote local, county and regional economic development and revitalization activities through private sector investment, reinvestment and joint development activities in conjunction with public transportation improvements.
- Encourage multi-municipal, cooperative approaches to generate new investment, reinvestment and revitalization through transit-oriented development around rail transit stations and along public transportation corridors.
- Increase overall ridership on public transportation systems, including AMTRAK, while generating additional revenues for current and expanded services, capital improvements and related ongoing maintenance.

- Encourage and support municipal and multi-municipal comprehensive plan implementation, including consistency of plans at the local, county and regional levels.
- Stimulate public-private partnerships created by prospective development opportunities around, within or adjacent to the transit system, station areas and transit system components.
- Establish appropriate mechanisms to capture the real estate taxation and other values added by joint development activities for reinvestment in the transit system and local communities.
- Encourage greater community involvement in TRID location, design and implementation and resulting investment activities.
- Promote flexible, cooperative, coordinated and enhanced support for innovative, intermodal solutions in TRID development and implementation activities by municipal officials, public agencies, nonprofit organizations and the private sector.
- Support TRID implementation by maximizing use of existing Federal and State laws and programs that are consistent with the purposes of this act.

TRID is unique in that it is explicitly intended to expand the role of transit agencies in local value capture strategies. In addition to the increased ridership generated by new development near transit stops, it can also generate revenues to support transit service, capital improvements, and maintenance.

Key Provisions

Below is a summary of key provisions of the legislation.

- Eligible TRID locations are defined by distance from a transit stop or station (at least 1/8 mile, but no more than 1/2 mile), and may include vacant, underutilized or potentially redevelopable land. Specific boundaries can be tailored to local circumstances based on property boundaries or other factors, when authorized by the jurisdiction and the transit agency, and supported by a TRID study.
- TRIDs are designated by municipalities or counties, in cooperation with transit agencies, transportation authorities, and/or AMTRAK. The TRID may encompass an existing or planned station. The municipality or municipalities enter into an agreement with the transit agency, which defines the activities and commitments of each party to the TRID.
- TRID plans are required, and must consider the need for capital improvements to transit-related facilities and adjacent public infrastructure as well as opportunities for private sector real estate development. The plan must also include a financial plan, including discussion of funding sources, a proposed amortization schedule where applicable and estimated future maintenance requirements.
- DCED provides a 25% match for TRID planning efforts and related implementation activities, up to \$75,000 per project. Municipalities undertaking a TRID planning study are also entitled to receive priority consideration for planning and implementation grants and technical assistance from DCED, working in partnership with the pertinent county planning agency or agencies and other State agencies with grant or loan programs that may be applicable to TRID. In addition, Commonwealth agencies are directed to provide State resources, programs and new capital investments that will assist local governments, transportation authorities and transit agencies to implement TRIDs.
- Transit agencies may purchase and improve property within a TRID, consistent with existing authority and limitations on transit agencies to condemn and acquire land for public transportation purposes. A transit agency may not be the primary real estate developer, but it can purchase property, make improvements, and work with the local jurisdiction(s) to offer it for sale

for uses consistent with the plan. Alternatively, they can advertise the presence of development opportunities within the plan area.

- While a management entity must be designated to manage and facilitate implementation, municipalities retain policy and oversight responsibilities over the budgetary and programmatic actions of the entity. Neighborhood improvement districts or business improvement districts may act as the managing entity for implementation activities.
- Value capture areas are coterminous with TRID boundaries, within which taxing entities can share incremental tax increases generated by new real estate investment in the TRID. The tax revenues are dedicated to specific improvements designated in the TRID planning study.
- Community involvement is required during the planning and establishment of a TRID, including at least one public meeting to explain TRID and alternative implementation approaches, and another to review the proposed joint development plan and its related public improvements prior to implementation.

II. CASE STUDIES

This section provides case studies of TRID planning and implementation in four communities: Marcus Hook, Bryn Mawr, Dormont/Mt. Lebanon, and Pittsburgh's East Liberty neighborhood. The information in these case studies are based on TRID plans and other background documents available at the time of writing this report, as well as interviews with planners and other local experts involved with TRID efforts in each location.

MARCUS HOOK¹



Source: Borough of Marcus Hook, "Marcus Hook Transit Revitalization Investment District Financing Plan," 2009

Context

Marcus Hook is a small borough located 20 miles southwest of Philadelphia in Delaware County, bordering both the State of Delaware and the Delaware River. The borough is connected to Philadelphia and Wilmington via the SEPTA Newark/Wilmington branch commuter rail line. Small pockets of residential uses are bounded by major infrastructure and industrial uses, including the railroad, oil refineries, and the waterfront. Residents are mostly low- and moderate-income households, and the housing stock consists mainly of single family row houses and duplexes. They are served by a linear retail district on 10th Street.

History of TRID Planning

Planning for TOD in Marcus Hook predated the TRID legislation and was included as a key component in a 2002 update of the comprehensive plan. The plan identified the importance of improved pedestrian connections near the transit station as a way to encourage economic development, as well as access to parks and other amenities. A vacant parcel owned by the borough was identified as an important opportunity for TOD that could also help to strengthen the existing business district. The borough subsequently received grants to look more closely at development potential, and determined that residential development was most likely to be supported by the private market. As Marcus Hook moved

¹ This case study relies heavily on the Marcus Hook Transit Revitalization Investment District Financing Plan, prepared by Urban Partners in 2009, as well as interviews.

forward with TOD-supportive modifications to the zoning ordinance, TRID planning was undertaken as a means to move forward with implementation of the pedestrian and other needed improvements.

Proposed TRID Goals and Structure

In addition to the general goal of fostering TOD around the rail station, the TRID plan sought to address the following goals:

- Redevelop properties near the station to increase the tax base and reverse decline;
- Provide new housing opportunities to residents, support existing retailers, and provide new retail opportunities;
- Fund needed infrastructure improvements; and
- Improve the community's quality of life.

Due in part to the borough boundaries, which are defined by the railroad tracks, the proposed TRID only includes areas to the east of the station. The proposed TRID boundary evolved from the original TOD feasibility study: it is largely composed of three primary development opportunity sites (one borough-owned, one Amtrak-owned, and one privately owned), and the roads that link them. Adjacent properties with existing uses are excluded from the value capture area (see aerial map, below).

The plan contains detailed development plans for subareas 1 and 2. In these areas it recommends a total of 108 new housing units in a variety of configurations. For subarea 3, the recommendations include rehabilitation of existing buildings for the purpose of retail, senior-housing, and loft housing. Total infrastructure costs are estimated to be \$6.68 million, and include environmental remediation, water and sewer improvements, land acquisition, new street and park construction, parking, paving, and pedestrian lighting. In addition, SEPTA's share of the TRID revenue would be devoted to station improvements, which presently consist of a simple platform.

Outcomes to Date

Marcus Hook has progressed farther than many other TRID efforts to date, with a financing plan that identifies costs and potential revenue sources for implementation. The Borough of Marcus Hook, Chichester School District and Delaware County have agreed in principle to a 30% value capture rate and each of the taxing entities are reportedly awaiting a final commitment from the developer before giving approval to the TRID. Because two of the major parcels are publicly owned, they are currently generating no property tax, which may have made the value capture plan more appealing to the taxing entities. Partly as a consequence of the planning work completed, a major regional developer has expressed strong interest and has funded environmental assessments on the parcels.

Nevertheless, there remain significant financial hurdles to implementation. First, the plan assumes that 40% of the costs associated with the first phase of development will need to be funded through grants or other outside sources, which have not yet been secured. Second, the borough is unable to issue bonds in advance of revenue being generated by the TRID, which means that it is not possible to fund needed up-front improvements based on anticipated TRID revenues. As a result, an additional gap financing tool would be needed to enable the first phase of development.



Source: Urban Partners, “Marcus Hook Transit Revitalization Investment District Financing Plan,” 2009

Marcus Hook’s financing plan also raises questions about the timing of the tax amortization period for the TRID value capture. In a Pennsylvania TIF project, the up-to-25-year amortization period begins once construction is completed. However, TRID is designed to last for 20 years and it is not clear whether it can be amended over time to include new properties that will generate tax increment within that period.² This is a special concern for an area such as Marcus Hook, which has a significant amount of development potential but where the market is not expected to deliver it rapidly. As a result, the timing of new development will be phased over many years.

The Borough has recently issued a Request for Proposals to identify a consultant to move forward with implementation. The consultant is expected to create a more detailed financing plan with identified funding sources, develop a memorandum of understanding between the Borough and Amtrak regarding the future of the Amtrak property, formalize the agreements with the taxing entities, and pursue additional financing. This work will be supported through a \$50,000 grant from the Delaware Valley Regional Planning Commission (DVRPC). Nevertheless, it is clear that weak market conditions and scarce public funding for initial investments will pose barriers to the success of the TRID.

² Section 301 (2) enables expansion or reduction of the initial TRID area boundaries, consistent with amendments to the initial TRID planning study. Section 306 of the Act also enables amendments to the TRID planning study to accommodate additional needs for transit, community facilities or support facilities generated by proposed real estate development or redevelopment. However, the Act does not specify whether an additional time period beyond the initial value capture period (up to 20 years) can be provided for the amended boundaries or development activities, such as a new development phase.

LOWER MERION TOWNSHIP (BRYN MAWR)



Sources: (L): Lower Merion Township, “Bryn Mawr TRID Plan,” 2009

(R): <http://www.flickr.com/photos/alankin/4241833658/>

Physical Context

Lower Merion Township is an inner-ring suburb of Philadelphia, located along the historic “Main Line” of the former Pennsylvania Railroad. Located within Lower Merion Township, in Montgomery County, Bryn Mawr is home to major institutions of both national and regional significance, including Bryn Mawr College, Bryn Mawr Hospital, the Ludington Library, the Bryn Mawr Film Institute, Harcum College, the Baldwin School, and the Shipley School. While Bryn Mawr as a whole is a mostly residential area, the proposed TRID district is composed primarily of commercial properties surrounding the town center. This includes the retail district along Lancaster Avenue (State Route 30), as well as two major employers: Bryn Mawr Hospital and Aqua America (a publicly-traded water and wastewater utility). The proposed TRID is focused on the area surrounding Bryn Mawr Station on the SEPTA regional Paoli/Thorndale rail line that services passengers between Center City Philadelphia and the Paoli/Thorndale area.

History of TRID Planning

In Bryn Mawr, TRID planning was initiated after the enabling legislation was passed as a way to fund public infrastructure improvements identified in the Bryn Mawr Master Plan, which in turn was driven by the planned expansion of Bryn Mawr Hospital. The hospital’s acquisition of properties for redevelopment caused concern among community members who wanted to ensure that new development would not have deleterious impacts on the character of the area. Planners for the Township saw TRID as a mechanism for capturing the anticipated growth in tax revenue and using it to address longstanding community goals for the station area and primary retail district. TIF was not an option for this area because TIF can only be implemented with a Redevelopment Plan, which requires a blight designation.

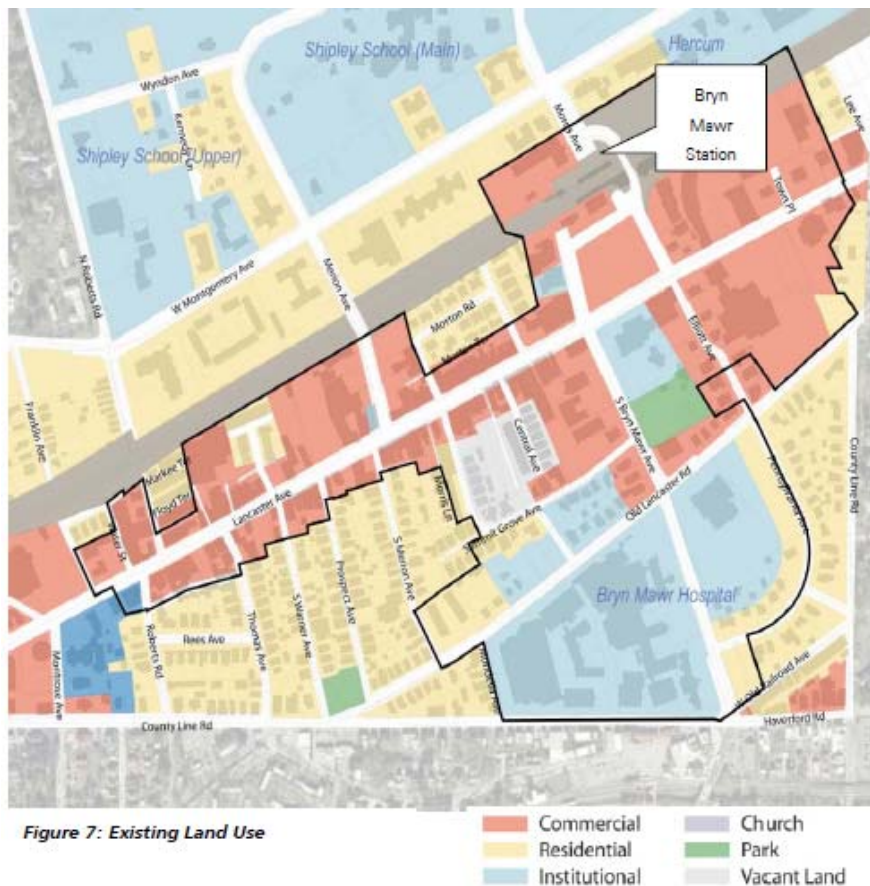
In 2006, TRID planning was placed on hold while attention was devoted to a review of existing zoning in view of the now completed Bryn Mawr Master Plan, which incorporated TOD-supportive principals and policies and included TRID as a key funding strategy. A complete zoning overhaul followed the plan, which laid the stage for final work on the TRID plan.

Proposed TRID Goals and Structure

TRID was undertaken in the hopes of addressing the following community goals:

- Improve the underperforming retail district near the station
- Promote TOD and encourage economic development
- Enhance streetscaping and both pedestrian and vehicular circulation in the station area
- Support the development of a mixed-use “village” around the station

The proposed TRID boundary is almost entirely on the south side of the station, linear along Lancaster Avenue and extending to the Bryn Mawr Hospital Area, but excluding most institutional and residential areas. According to contacts familiar with the process, this was largely due to fear among residents that the inclusion of their neighborhoods in the TRID could enable the use of eminent domain. While at least one of the major institutions expressed interest in participating, it was not possible to include them in a geographically contiguous district without also including some residential areas.



Source: Economics Research Associates, “Bryn Mawr TRID Plan,” 2009

The TRID plan focused on the redevelopment of a few key opportunity sites with particular emphasis on a Township-owned, two-acre parcel that is directly adjacent to the station and is surrounded by a one-sided retail square. This parcel has the potential to serve as an anchor for a revitalized village center and has been the focus of strong developer interest. However, the lot serves as parking for the local business as well as rail commuters, and a deed restriction would revert the property to Amtrak ownership if it

ceases to serve a direct public purpose. Consequently, development on this parcel would require negotiation with Amtrak and the construction of replacement parking for SEPTA and the local businesses.

In addition to planning for and support of new development on this and other smaller parcels, proceeds from the TRID are proposed to be dedicated to building structured parking and to streetscape/circulation enhancements. SEPTA would use its portion of the TRID revenue to maintain the facilities at Bryn Mawr Station and to expand current levels of service.

Outcomes to Date

Although the Bryn Mawr TRID study was completed in 2009, negotiations for agreements with the taxing entities have not as yet been advanced. The TRID plan includes a proposed value capture rate of 80% for both Montgomery County and Lower Merion Township and of 25% for the Lower Merion School District. However, a challenging financial environment has led to a halt in moving the TRID forward to implementation. Because no state-level funding for implementation of TRIDs has emerged and financing of development has been limited, the effort to approve and implement the Bryn Mawr TRID has not seemed timely. Even if the TRID were to gain support from the Township, the School District (which recently raised taxes to pay for school improvements) may not elect to participate.

Because Bryn Mawr has a relatively strong real estate market compared to other parts of the Delaware Valley region, over the longer term development is likely to proceed regardless of whether a TRID is implemented. Initially, the Township intended to release an RFP for developers for the major municipally-owned lot after a TRID agreement was finalized, however it is likely that this could occur even in the absence of the district.

EAST LIBERTY



Sources: (L): Sheila Klein, http://www.sheilaklein.com/pages/pittsburgh_shadyliberty.htm (R): GSP Consulting

Physical Context

East Liberty is an urban mixed-use neighborhood in Pittsburgh's East End. It is served by the East Busway, a grade-separated bus-only roadway with limited stops that carries several bus lines from the eastern neighborhoods and suburbs to downtown Pittsburgh. The Busway shares its right-of-way with the Norfolk-Southern freight rail, creating a trench that is often seen as a barrier to reconnecting East Liberty to the rest of the East End.

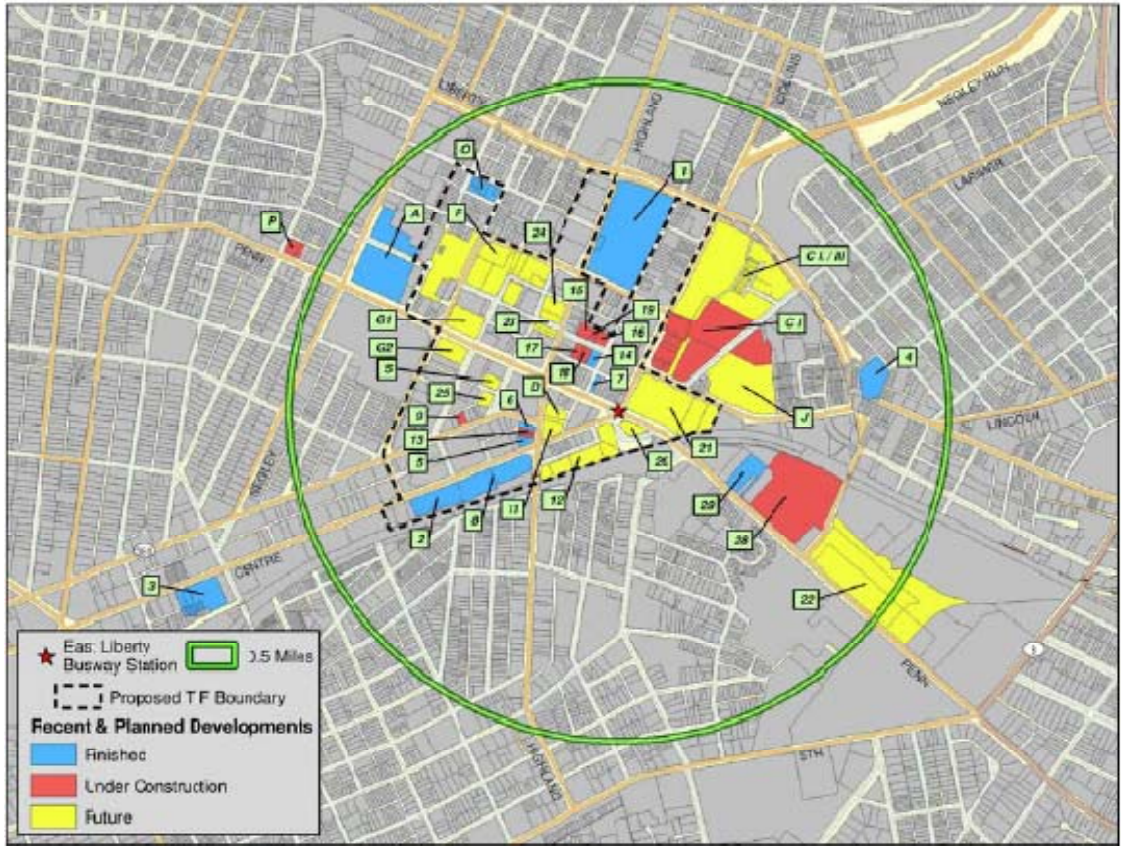
In the 1950s, East Liberty was the Commonwealth's third largest economic center behind Downtown Pittsburgh and Center City Philadelphia, and this importance is reflected in its construction as a natural transportation hub. However, the neighborhood suffered years of decline associated with urban renewal in the 1960s, which including the construction of a pedestrian mall, high capacity roadways, a ring road, and large public housing complexes. The neighborhood has since been the focus of a large number of major community- and government-led revitalization efforts, which have led to a significant amount of new residential and commercial development in recent years.

History of TRID Planning

After spearheading much of the most recent development in the neighborhood, East Liberty Development, Inc. (ELDI), a non-profit CDC, was awarded a grant for a study evaluating the differences between TIF and TRID for the East Busway's East Liberty Station. This study, completed in 2008, also assessed their relative capacity for funding needed infrastructure improvements in the neighborhood, estimated total cost of \$70 million. The report compared potential revenue that could be generated by a TIF district versus a larger TRID district comprising the area within a 1/2 mile radius of the station (see map below). It estimated that, under a baseline development scenario, expected future development would generate enough ad valorem tax revenue to support an infrastructure bond with net proceeds ranging from \$16 million using TIF to \$18 million using TRID.

Of the \$70 million, ELDI has been able to raise \$40 million from federal, state, local, and institutional sources. However, because East Liberty Station is included in the same census tract as nearby far more affluent Shadyside, properties are not eligible for programs like New Market Tax Credits to bridge the remaining gap. In the past, ELDI has employed TIF to assist with development, but the city of Pittsburgh is near its limit of 10% of property assessment being devoted to TIF districts. Inspired by the efforts in Mt. Lebanon, ELDI sought to fill this gap through TRID-related value capture (which does not count

toward the assessment cap for TIF). In addition, TRID was seen as a means of engaging the Port Authority of Allegheny County over the development of one of their parcels. Because the busway/railway form a major infrastructure barrier between the two neighborhoods, and the transit agency has land holdings within the district, a close relationship with the Port Authority would be necessary to implement strategies to tie everything together.



Source: Economics Research Associates, “Eastside TOD TRID/TIF Analysis,” 2008.

Proposed TRID Goals and Structure

The TRID planning effort is being led by the city, but is just underway. Therefore, the exact goals and structure of the proposed TRID has not yet been finalized. However, key goals will likely include and facilitating additional commercial and residential development, including the attendant economic development. Financing the infrastructure improvements outlined in the needs assessment (especially a parking structure at the busway station), implementing strategies to improve transit circulation, and bridging the barriers between East Liberty and Shadyside are expected to be major components of the TRID plan.

Outcomes to Date

TRID planning is current moving forward under the purview of the City. The Port Authority is highly supportive of the TRID, and has expressed a strong willingness to dispose of its excess land in order to support new transit-oriented uses that will generate transit ridership. The Port Authority is also interested in improving the rider experience through enhancement and maintenance of the neighborhood’s transit facilities and the strengthening of transit connections.

The School District, City, and County have already expressed support for the TRID, which may assist in efforts to move from planning to implementation. Because a major developer has been involved in the project from its inception, the TRID is less likely to face significant market barriers. Finally, because East Liberty has been focus of so much attention from the Commonwealth and City, there is great political incentive to make the TRID work. Consequently, while there are still several major steps and potential pitfalls that may delay or undermine the TRID’s implementation, there is also an opportunity for East Liberty to be the one of the first TRID areas in the Commonwealth to proceed with a value capture strategy.

MT. LEBANON AND DORMONT



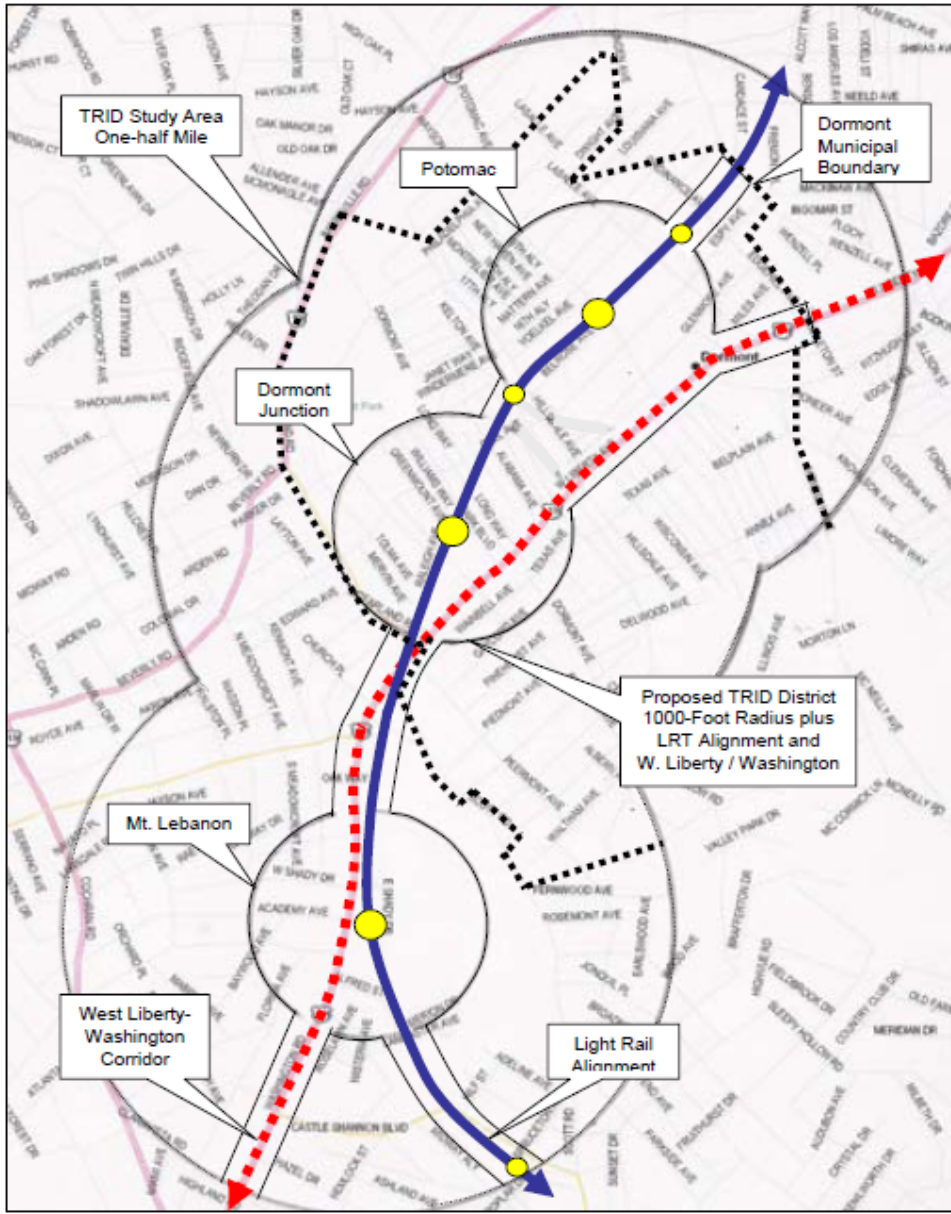
Sources: (L) Forked!, <http://forkedpgh.wordpress.com/2010/10/18/neighborhood-quick-picks-mt-lebanon>
(R): Pop City Media, <http://www.popcitymedia.com/features/37mtlebo.aspx>

Physical Context

Dormont and Mt. Lebanon are both inner-ring suburbs of the City of Pittsburgh. Each shares a border with the City’s southern neighborhoods, though Mt. Lebanon surrounds Dormont on the southern, eastern, and western sides. The dominant land use in the area is primarily single-family detached residential, but there are also significant numbers of duplexes and larger apartment buildings. Community-serving commercial is located along Washington Road and West Liberty Avenue, and in other scattered locations throughout the area. Both Dormont and Mt. Lebanon have suffered from declining population over time, however household incomes have remained relatively strong, on par with the average for the County.

The area is served by the Port Authority’s Red Line light rail, which connects Downtown Pittsburgh and the southern suburbs. The proposed TRID focuses on three stations on this line – Potomac Ave, Dormont Junction, and Mt. Lebanon. At the Mt. Lebanon Station, the tracks run parallel and adjacent to the primary retail corridor, but are separated and obscured by a two-story grade separation.³ The opposite side is at-grade with residential housing.

³ This grade separation was created in the mid-1980’s, when the Port Authority replaced at-grade trolley service along Washington Road with light rail.



Source: DMJM+Harris, “South Hills Transit Revitalization Investment District Planning Study: Final Report,” 2008

History of TRID Planning

Overcoming the disconnection between Washington Road and the light rail that is created by the grade separation has long been a focus of planning in Mt. Lebanon. The air rights for a 2.6-acre parcel associated with the station property were purchased by the Mt. Lebanon Parking Authority in 1987 and were cited as a key opportunity site in the 1995 Strategic Plan for Washington Road. By taking control of these air rights, the township sought to leverage Red Line to promote new development that would better connect it to the retail district. The air rights are viewed as an important opportunity for TOD in a township with few development opportunity sites.

After the enabling legislation was passed, Mt. Lebanon partnered with Dormont and neighboring Castle Shannon to undertake a joint TRID planning effort aimed at fostering TOD along the light rail corridor. At the encouragement of the Allegheny County Department of Economic Development, however, Castle Shannon later broke away to conduct an independent financing strategy for its TOD project. In 2008, the South Hills TRID planning study was completed, encompassing the Mt. Lebanon, Dormont Junction and Potomac stations, respectively.

Proposed TRID Goals and Structure

Mt. Lebanon's primary aims were to address the infrastructure needs posed by the major topographical barrier between the station and the commercial district in order to better connect the station to Washington Road. In Dormont, TRID was pursued to address more common concerns, such as the need for public realm improvements and parking. In both municipalities, these objectives fit well within the goals of the overall TRID program: "to enhance the development of the station areas as thriving centers with concentrated development, mixed uses, and '24/7' activity."

The proposed TRID boundaries were defined by the entire area within 1,000 feet of each of the stations, plus parcels directly adjacent to Washington Road, West Liberty Avenue, and the LRT corridor. While the plan provides the framework for the creation of a single shared TRID, it suggests that this may be easier to manage as two separate TRIDs, split along the municipal boundaries.

Other than development on the Mt. Lebanon Station air rights and other opportunity sites, the plan's secondary focus is on reinforcing existing Main Street revitalization strategies (façade improvements, public programming, etc.). TRID revenue from opportunity sites would primarily be used to assist with development, especially on the air rights parcel, which would be especially costly to construct. It would also be used for public parking structures, street and park improvements, site preparation, and station improvements. TRID revenue from non-opportunity sites would be dedicated to district-wide street and sidewalk improvements as well as unspecified transit enhancements.

Outcomes to Date

While the plan is complete, implementation has yet to move forward. This is partly related fallout from a controversial TIF district that was instituted to facilitate the development of a new condominium project but failed as a consequence of the downturn in the housing market. In addition, the school district is currently constructing a new high school, which has reduced its willingness to participate. Finally, because no additional state-level funding has materialized, the potential benefits of TRID itself are not seen as sufficient to warrant moving forward at this time.

Instead, Mt. Lebanon is pursuing a more traditional financing strategy for development of the station air rights. It plans to make a major investment in the infrastructure necessary to support development on the site with the idea that this would help to draw private investment in the project. The municipality, along with Dormont, received a \$200,000 grant for preliminary engineering for this project. Nevertheless, even as the TRID in Mt. Lebanon may not advance to implementation, contacts indicated that the planning process itself was valuable for helping to establish a community vision and development principles for the station area. Contacts suggested that these principles will be extremely useful as the municipality moves forward, even if much of the TRID document proves less relevant to their current strategy.

In Dormont, the TRID may eventually be advanced separately from Mt. Lebanon. The opportunity sites here reportedly have fewer infrastructure needs and, thus, there may be fewer financial barriers to the initiation of development. However, in that portion of the proposed district, fiscal constraints and lack of market momentum appear to have delayed the implementation of TRID for the foreseeable future. Dormont also does not have the on-staff capacity of neighboring Mt. Lebanon either, which may delay implementation as dedicated staff is not available to push the opportunity forward.

III. KEY FINDINGS

This section provides a summary of TRID efforts and successes to-date, followed by a discussion of challenges in moving toward implementation. Suggested changes to the legislation are also provided.

TRID SUCCESSES TO DATE

To date, TRID has been successful in promoting district-based planning efforts that reflect the spirit of this legislation in a number of ways, as summarized below.

Promoting integrated planning for TOD and neighborhood-based implementation efforts.

At least twelve TRID planning efforts have been initiated in the Commonwealth. The program has been an important means of stimulating interest in integrated, district-based planning and implementation efforts for TOD and associated improvements. In some cases these efforts have been very innovative in scope, such as a corridor-wide, multi-jurisdictional TRID in Dormont and Mt. Lebanon.

The case studies suggest that many of the initial TRID planning efforts were initiated as a way to advance implementation in places where previous plans had identified needs for public investment. In Marcus Hook, for example, a 2002 plan identified a need for improvements that would stimulate economic development, improved connectivity and neighborhood access to amenities. TRID planning was undertaken specifically as a way to move forward with implementation. In Bryn Mawr, TRID was seen as a way to fund public infrastructure improvements identified in the Bryn Mawr Master Plan. TRID planning was viewed as a path toward delivering public improvements that would help to address longstanding community goals.

Fostering collaboration among neighborhood stakeholders, community-based groups and public entities.

Because the TRID Act requires public participation in planning, it ensures that community stakeholders have an opportunity to participate in defining implementation goals and priorities. TRID has succeeded here, bringing multiple stakeholders to the table to participate in TOD planning, identify needed public investments, and discuss the potential to divert tax revenue for financing purposes. In Dormont and Mount Lebanon, TRID provided an important impetus for conversations between public agencies, especially between municipalities and transit agencies. In East Liberty, TRID planning provides an important forum for discussions between community-based groups and the Port Authority about the potential to improve station access and connectivity, as well as promote TOD on Authority-owned land. In Marcus Hook, TRID planning has resulted in a tentative agreement with Amtrak about future use of Amtrak-owned property as a park. The Bryn Mawr plan identifies improvements to the transit station that could ultimately be funded through value capture revenues.

Generating momentum for development and attracting developer interest.

TRID planning efforts are bringing for- and non-profit property owners and developers to the table to work collaboratively to plan for transit-oriented neighborhoods and identify financing needs. Despite the real estate market downturn, developers have shown interest in participating in TRID planning and implementation in all four TRID planning areas described in this report.

Offering the potential for a new value capture mechanism that can be applied more flexibly and applied in a wider range of market conditions than other tools.

Recognizing that TOD implementation efforts often face unique financial hurdles, TRID is designed to work similarly to TIF, but does not include a blight requirement. In Bryn Mawr, TIF is not an option because the major development opportunity site is not in a Redevelopment Plan Area and would not meet the blight requirement. In Pittsburgh, use of TIF is limited by state law, which prohibits the city from having more than 10 percent of that taxable property within TIF districts. Thus, while East Liberty might qualify for use of TIF, it may not be possible to implement in the short- to mid-term because of the cap. In addition, the area targeted for development in East Liberty is not eligible for New Market Tax Credits because it is not a low-income census tract. The future TRID district has the potential to bridge a lower income area with one that is higher income, leveraging stronger market conditions to help finance needed neighborhood improvements.

CHALLENGES FOR TRID IMPLEMENTATION

Despite some successful planning efforts, TRID has yet to result in implementation of public improvements and development identified in the plans, or use of the new value capture mechanism enabled by the legislation. The reasons for this are various and intertwined, and include economic, political and financing challenges. Key hurdles are summarized below.

A Minimum Threshold of Development Potential must be met for TRID to Work.

TRID value capture revenues are intended to pay for public transportation capital improvements, related site development improvements, and maintenance – not as a gap funding source for private development. As a result, as a funding strategy, TRID only works if the market is strong enough for development to move forward within a reasonable time frame, generating tax increment to pay for needed improvements. TRID is more difficult to implement when it is not clear that development will proceed at a pace that will be sufficient to generate the needed amount of increment. Furthermore, the 20-year limitation on tax increment within TRID value capture areas means that there is an incentive to delay establishment of the value capture area until development is imminent, and all related financing gaps have been closed. For all of these reasons, there are significant challenges to using TRID as a financing mechanism in distressed areas.

Value Capture Proceeds Are Not Guaranteed To Be Available to Help With Up-Front Funding Needs.

Use of a tax-increment based value capture strategy to fund needed infrastructure improvements can be even more challenging when up-front public investments are needed to enable development. While revenues can be collected and used after development has occurred (often referred to as a “pay as you go” basis), tax increment-based value capture strategies are more typically used as a “bootstrapping” finance tool that enables a municipality to use the expected future benefits of a development or redevelopment (i.e., increases in tax revenue) to aid in financing in advance of the development. In the absence of bond financing, a “Catch 22” situation results, where development is needed to pay for public improvements, and public improvements are needed to make development possible. The ability to obtain bond financing is subject to a variety of limitations, most importantly the need for reasonable certainty that the district will generate sufficient revenues to pay the debt service. In Pennsylvania, it is uncommon to issue general obligation bonds against tax increment; these bonds are issued with the “full faith and credit” of the municipality, and are therefore backed by more than the expected revenue stream. The borough of Marcus Hook has found that it is unable to issue bonds sufficiently in advance of new development to pay for needed up-front investments. As a result, additional gap financing will likely be required, for which there is no clear source.

Difficulty in Defining a Value Capture District that Optimizes TRID's Effectiveness.

TRID is designed to be implemented on a district basis, and to encompass multiple properties with a mix of uses within walking distance of transit (usually a ¼ to ½ mile radius of a station). Ideally, one of the benefits of a district-based financing strategy is that in addition to properties needing catalytic investments, it can also include nearby properties with rising property values and development potential. These properties can help to generate revenue within the value capture area to fund improvements that benefit the entire district. In practice, however, many value capture areas have only been defined to only include areas that need investment, in anticipation of resistance by either affected taxing entities or local residents. This limits the potential revenue that can be generated by the TRID district, and may increase the risk associated with bonding against those revenues.

As described in the Marcus Hook case study, questions have also been raised about whether a TRID value capture area can be amended over time to include additional projects with an extended amortization schedule. The Marcus Hook TRID area is expected to redevelop slowly over time, however this timing does not align well with the 20-year limit on value capture proceeds. As a result, either an incremental approach to the TRID boundaries, or an extension of the number of years the TRID can capture tax increment, will be required for TRID to be effective.

Value Capture Alone is Not Enough to Meet Funding Needs Identified in TRID Plans.

It is clear that in most cases the TRID value capture mechanism is unable to meet the full funding needs identified in the TRID plans. TRID value capture areas were not necessarily intended to yield all of the funding for needed improvements: initially it was intended that additional state money be set aside to seed TRID implementation, and that municipalities with TRID plans would receive priority consideration for state grants, technical assistance, and other resources. Desire to establish eligibility for other sources of funding was frequently cited in interviews as a key factor in the decision to undertake TRID planning. After additional funding failed to materialize, there was less incentive to pursue TRID planning, especially in situations where implementation would require overcoming additional political barriers. In addition to basic infrastructure, many development projects near transit face additional cost hurdles that make them more challenging, such as the need to provide structured parking to replace surface parking on development opportunity sites, the cost to enable development of air rights, or the need for environmental remediation.

A Challenging Economic and Political Climate.

Current economic conditions make it especially difficult to make the case that municipalities, school districts and other taxing entities should agree to divert future tax revenues for the purpose of a TRID, especially in communities that are already experiencing revenue shortfalls for basic services. In some cases, such as in Mt. Lebanon, negative views of tax increment financing also contributed to decisions not to proceed with TRID implementation. The political climate can also constrain the boundaries of TRID value capture areas, where taxing entities are not willing to share future tax increment that will be generated within a district. This limits the effectiveness of TRID value capture areas as a financing source, by both constraining future revenue and increasing the risk associated with those revenues, as described above. In some cases policies intended to promote development are also at odds with TRID implementation. For instance, Philadelphia offers a 10-year property tax abatement for new residential development, which would limit tax increment generated by new residential development within a TRID. Furthermore, in some counties, frozen assessment policies hinder value capture potential because properties are only reassessed if they are developed or redeveloped. In these areas, a value capture district would not capture incremental increases in value for existing properties resulting from improvements within the district.

POTENTIAL SOLUTIONS

There is no one “silver bullet” that will enable implementation of TRID; however there are a number of ways that the ability of TRID practitioners to move forward with implementation efforts might be enhanced.

Clarifications to the Legislation.

There are a few aspects of the legislation that might benefit from clarification. As described above, questions have been raised about whether a TRID value capture area can be amended over time to include additional projects with an extended amortization schedule. This kind of flexibility is likely to be necessary in weak market locations, particularly where numerous sites may eventually be redeveloped. The Act enables expansion or reduction of the initial TRID area boundaries, consistent with amendments to the initial TRID planning study. The Act also enables amendments to the TRID planning study to accommodate additional needs for transit, community facilities or support facilities generated by proposed real estate development or redevelopment. However, the Act does not specify whether an additional time period beyond the initial value capture period (up to 20 years) can be provided for the amended boundaries or development activities, such as a new development phase. This could be clarified, as well as a definition of how long a time extension is allowed. Given the challenging and incremental nature of TRID implementation in weak real estate markets, the 20-year extension might also be increased. Even a modest five year extension (which would make TRID consistent with the TIF Act) could have a positive impact.

Another area that may require clarification is the role of transit agencies. Since transit agencies have not traditionally played a role in local planning and value capture strategies, questions have arisen about how active a role they might play in TRID implementation and development.

Additional Direct Funding to Assist with TRID Implementation and Prioritization of TRID Planning Areas for Other State Resources.

As mentioned previously, when TRID was first enacted, it was expected that communities with a TRID plan would be first in line for other state funding to assist with plan implementation. The lack of anticipated state funding for TRID has been a major factor limiting TRID implementation to date. In particular, some early TRID efforts proceeded with an understanding that value capture potential was not sufficient to meet funding shortfalls. In the future, the number of TRID implementation efforts, and the scope of individual efforts, will likely be reduced unless additional funding sources are identified.

The TRID legislation also directs Commonwealth agencies to provide State resources, programs and new capital investment that will assist in TRID implementation, however to date projects that are part of TRID plans have not noticeably been prioritized. For example, the Pennsylvania Housing Finance Agency could target tax credits and/or other housing resources to TRID areas. Another example is the Pennsylvania Community Transportation Initiative (PCTI) administered by PennDOT. In 2011, PCTI provided \$24.7 million to projects in 41 communities that link transportation investments and land-use planning and decision-making. The principles of PCTI make it an excellent funding source to support TRID implementation.

In some cases, TRID practitioners may be able to utilize other state and local funding mechanisms that can be used for public improvements, such as Neighborhood Improvement Districts. However, it is clear that there is a need for additional dedicated funding for TRID implementation, and for neighborhood infrastructure in general. States and regions across the US have been struggling with this issue, leading to renewed interest in the potential role of infrastructure banks. Several state Departments of Transportation, including Pennsylvania DOT, have used created infrastructure banks under the State Infrastructure Bank Program. This federal program authorizes contribution of federal highway funds into

a revolving loan fund, however loans are typically made only for major transportation capital projects such as roads and highways. The concept of a regional infrastructure bank that could assist with financing needed TOD infrastructure is also being explored in both the Portland and San Francisco Bay Area regions. While still in the early stages, Portland Metro is considering innovative sources of dedicated revenue for local infrastructure, such as transportation fees, fuel taxes or real estate transfer fees.

Gap Financing to Enable Value Capture.

The gap financing issue described above is a frequently-cited challenge for TOD and urban infill projects nationally, and an increasing focus of discussions related to innovative infrastructure finance. The federal Transportation Infrastructure Finance and Innovation Act (TIFIA) has provided some loans to assist with gap financing for innovative local transit and TOD efforts, however these loans are only available for the transportation component of major projects of national significance. Another potential source of funds is the Infrastructure and Facilities Improvement Program (IFIP), administered by DCED. This program provides assistance with debt service payments for infrastructure and facilities improvements projects that enhance the economic development of the Commonwealth.⁴ Projects must include a convention center, hospital, hotel, industrial user, manufacturer, retailer, or research and development enterprise.

Absent outside sources of funding, in some cases it is possible to guarantee minimum debt service payments based on an agreement by a property owner or property owners, or by a public entity, to fund any gaps. This strategy is not likely to be possible in a weak real estate market, or where up-front costs are very high, unless a new source of funding to provide debt service guarantees is created. Another strategy is to structure the bond such that initial payments are deferred. While this increases the cost of bond issuance and interest costs, in some cases it enables the use of a value capture mechanism to pay for needed improvements.

A TRID Demonstration Project.

One of the challenges to implementing TRID is the relative newness of the program and the fact that there are not successful examples for other efforts to emulate. The successful implementation of one TRID plan could be a model for other efforts in Pennsylvania. Moreover, given national interest in TRID as a model, a demonstration project could have benefits that extend beyond state borders.

TRID Education and Outreach.

After TRID was enacted, DCED conducted a training program to educate local practitioners about transit-oriented development and how TRID can be implemented. The TRID program could benefit from additional state or regional efforts to educate local practitioners about TRID and provide support for early efforts. This could include a training program, development of educational materials and resources, and tracking and dissemination of best practices.

⁴ *Infrastructure and Facilities Improvement Program: Program Guidelines*, Department of Community and Economic Development, July 2010.