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Not So Hot TODs

Sputtering rail, sputtering economy – the uncertain fate of Red Line development

By Lee Nichols

Well, we finally got the transit – more or less – so where's the development?

Longtime followers of the MetroRail Red Line saga may remember that the Capital Metro train was supposed to deliver more than passengers. Local planners – both within City Hall and the transit agency – hoped it would also attract a dense mix of retail, offices, and residents, which in turn would create even more passengers.

To support this goal, in 2005 the city created special development zones around most of the Red Line stations (as well as one bus transit center) that not only encouraged such uses but in some cases mandated them, while prohibiting other uses not seen as transit-friendly – a concept called "transit-oriented development." The city of Leander created a TOD as well. (For the full background, see "[Here Comes the Train](#)," Jan. 28, 2005; for the broad list of potential TODs, see "[TODs and Their Zones](#).")

Five years later, Austinites can survey the land surrounding the rail stations they paid for and proudly point to ... a whole lot of nothing.

Okay, that's not entirely fair. There are a few somethings occurring in the TOD zones around the stations, but certainly not nearly at the level of fully realized visions. There's a nice brewpub. And some mixed-use residential/retail, including a project that has just broken ground. But more common are wide expanses of open grasslands and vacant lots. And strip mall retail. And warehouses. And a moribund mall.

So what happened?

Hard Times

There are a number of plausible reasons: The rail line started two years late; it's not on a very good route; maybe the TOD concept isn't as great as urban planners think. But the strong consensus explanation among those whose business it is to work on or monitor the TODs is the most obvious one: It's the economy, stupid.

"I think we've got a really bad case of timing," says Molly Scarbrough, the city of Austin's lead planner on TOD issues. Scarbrough says the city performed station-area planning on three of the nine TOD zones in Austin – Plaza Saltillo, East Martin Luther King Boulevard (near Airport Boulevard), and

Crestview (North Lamar at Airport Boulevard) – with the plans being officially adopted in late 2009 and early 2010, "and that's pretty much when the bottom fell out of the development market. ... We continue to have a lot of conversations with developers that have interest in the areas – but, like all over town, it's just difficult for developers to get funding right now to do their projects."

That's pretty obvious at the Crestview, Lakeline, and MLK stations – all feature enormous swaths of undeveloped fields. For now, there are outside factors governing all the other TOD zones: Saltillo's development is being driven more by its proximity to Downtown than by rail, and the others are not on a rail line; some don't even have zoning boundaries yet, and in the case of the potential Highland TOD, nothing will happen until the mall gurgles its final death rattle. But at Crestview, Lakeline, and MLK, city planners and local developers had real hopes and plans for the TOD zoning.

A Closer Look

Crestview: On initial observation, Crestview appears to be distinct from the other zones – anyone who has traveled up North Lamar has noticed Midtown Commons, the colorful development that replaced the Huntsman Chemicals testing facility. Looking closer, though, one can see emptiness there, too – in the retail space.

Trammell Crow got a head start on the process, actually beginning construction before the Crestview Station plan was finalized (but with a site plan that conformed to TOD concepts). The buildings went up, and the residential component has been a success – the company says the apartments are full. But a long row of large retail spots sits empty, save for the southernmost one, occupied by Black Star Co-op Pub & Brewery. Some smaller storefronts have found tenants, but many are empty. Trammell Crow's Art Lomenick, the project's managing director, says only 20% of the retail and 35% of the office spaces have been leased.

"The commercial [space] has struggled, with the predominant reason being the market we've been through in the last two years," Lomenick says, "a time when retailers, most of that whole world, were not looking at moving space or expanding to new locations. Everybody was kind of on a fortress mentality: 'We just kind of need to hang on and see how this thing is going to play out.'"

Cap Metro's delay in starting up rail only aggravated the effect, he said. "Also, the train delay caused us – we really weren't able to start leasing in earnest until earlier this year, I guess in March and April, when the Cap Metro train started running," Lomenick added. "That delay [meant] we couldn't really get anybody to consider that location when it wasn't really a TOD."

Lakeline: "It's hard to tell if the delayed launch affected our development plans or not," says Jeff Pace of Simmons Vedder Partners, which owns 70 acres adjacent to Lakeline Station. The land is empty except for an office park that doesn't seem to fit the TOD concept (and is only 30% leased), but SVP does have TOD-style plans (www.thecrossingsatlakeline.com) for the areas closest to the station. (There is also a midsized apartment complex about three-quarters of a mile from the station, or half a mile if one cuts across SVP's vacant fields.) "Certainly it would have been better to have the rail start in 2008 versus 2010, but the biggest issue related to the development of our site – and probably all the sites – is that the credit crisis and the recession we've been in has shut down any new development anywhere."

TODs have also gotten kicks in the gut by decisions of landowners to simply refuse to participate. The *Statesman* reported in September that Bill Savage, who owned a 326-acre tract near Lakeline slated for massive development, changed his mind after business deals fell through. Now, rather than hosting

2,700 homes, it will continue being a cattle ranch.

MLK Boulevard: On a smaller scale, Redeemer Presbyterian Church cited its religious status in 2006 in refusing to comply with TOD zoning when it bought land near the MLK station. The church instead built a single-use building with a large parking lot – the exact opposite of what city planners wanted, although Redeemer did make some compromises on size. Time will tell what effect that initial deviation from the TOD concept will have on the rest of station area development, but the M Station affordable housing project next door to Redeemer appears to be a happy exception to this story's thesis – a rare spot where construction is moving at a furious pace and will ultimately result in a dense development affordable to low- and middle-income families. Still, there's no discernible action toward the dense commercial center originally foreseen for the area immediately around the station.

To TOD or Not To TOD?

Could the problem be the TOD concept itself? Randal O'Toole certainly thinks so. He's a researcher with the libertarian Cato Institute and a darling of Austin's anti-rail crowd. He lives in Portland, Ore., but does not share the New Urbanist philosophy that his transit-happy town has embraced, especially when it comes to rail.

In a March policy paper titled "Defining Success: The Case Against Rail Transit," O'Toole slammed the notion that rail drives economic development and said TODs usually need incentives such as tax breaks, below-market land sales, and direct subsidies to achieve the appearance of success. (Scarborough says Austin has generally not provided such goodies, but M Station is a tax-credit-funded development intended to encourage below-market rate housing – a "housing project," to use the old vernacular, built by a nonprofit – as opposed to a giveaway to a for-profit developer.)

"[S]urveys consistently show (and people's behavior confirms) that the vast majority of people aspire to live in single-family homes with large yards," O'Toole wrote. Unsurprisingly, government planners and development sources don't share this view, nor do some analysts elsewhere who have considered the question. Austin's TODs, they insist, just need a better economy and, just as importantly, time. "The economy is just absolutely terrible," says Armando Carbonell, of the Lincoln Institute of Land Policy, based in Cambridge, Mass. "Generally, conditions are terrible everywhere." He also points to Phoenix and Denver as areas where rail has attracted development. And in any economic climate, Carbonell continued, "it does take time for development to reorient itself to new infrastructure. It takes five years for development to respond."

"Transit-oriented development doesn't just happen instantly, because a lot of the Sun Belt cities are in their infancy with multimodal transit," says Lomenick. "It's got a long way to go for the marketplace to understand it."

The Local Conditions

Could the problem be specific to the way Austin has done its TOD?

Charles Heimsath, president of Austin-based Capitol Market Research, a real estate analysis company, agrees that economic factors are mainly to blame for the TOD stasis, but says, "It's my sense that the TOD ordinance, with significant requirements attached to density bonuses, has been a disincentive for developers to do anything within those areas.

"What they're trying to do is encourage mixed-use development," he says, "but you also have

affordability requirements that make it more challenging to make the project work from an economic perspective. So you start with a challenging economic environment to begin with, and then you layer on additional requirements for affordable housing and other things and make the development more expensive. People take a look at it and pull out their pencil and calculator and start working the numbers, and it doesn't make sense."

And then there's the problem that is the rail line itself. The most frequently heard complaint about the Red Line, whether from the bloggerati or people on the street, is that "it doesn't take people where they want to go." The inbound trains terminate in the southeast corner of Downtown, well away from Central Austin's major employers. Nor does the line extend to any of the city's other major destinations; passengers heading into town by rail ultimately must board shuttle buses to reach the University of Texas, the Capitol, and other parts of the business district. Ridership has reflected this predicament. Cap Metro originally projected the Red Line would have 1,700-2,000 boardings per day by now; instead, it's been averaging about half that. Since a boarding usually only represents half of a round-trip, the line is, at best, probably serving only about 500 individual riders per day.

Of course, that's also a chicken-or-egg question: Could TOD be lagging because of low ridership, or is ridership low because of lack of development around the line? Cap Metro planner Todd Hemingson claims it's the latter. Echoing many others, he says the economy is "100 percent" to blame for TOD's difficulties. "There is no doubt in my mind, or I think many people's minds, that this is going to work," Hemingson says. "It's just that the timing was terrible. ... We did an analysis, in fact, that said had the developments that were slated to happen in 2007 actually happened, ridership could be at least a third higher than it is now. All the market signs point to TOD being a huge part of the future for Austin."

The real problem with the Red Line, says Hemingson, is that Cap Metro's first attempt at rail currently stands alone. Austin needs to build a full and fully multimodal system, he says. The Red Line "can't work by itself," says Hemingson. "That's why we think urban rail is a critical factor." City Council considered putting an urban rail system on the recent bond measure that passed earlier this month but decided too many unresolved questions remained and punted it for at least another year. "When the Red Line was envisioned in 2004, it was known that within the Downtown and central city you needed some kind of collection/distribution function," Hemingson says. "Long term, it's gotta be a network of systems working together, not just one line."

The long term – that's also where the developers have to look, as they ride out the economic lull. "Most of the so-called experts are predicting that Austin's going to lead the country in population and job growth," says Pace. "We're hopeful about that, and the recent interest in the site seems to support the idea that companies and development will start looking up for the general Austin area."

"I'm a huge fan of [TODs]," says Lomenick. "I just know how long they take to evolve. A few of them I was involved with 20, 25 years ago, so I've gotten to see how they grow up. It's absolutely the right thing for a city. It's just a very complex thing to deliver from the private sector, because the private sector has to think in terms of maybe three- to seven-year horizons, whereas a city's got to be thinking in terms of decades and centuries. So it's all the right thing, it's just that it's going to take a generation before you're really going to see it be truly functional, truly a 'you don't need a car' kind of place."