



# MEMO

**To:** File

**From:** Jerri Horst

**Date:** April 26, 2010

**Re:** **CENTRAL MESA LRT EXTENSION, ENVIRONMENTAL ASSESSMENT**  
Economic Impacts Evaluation

Once operational, the Build Alternative is likely to have a positive influence on property values, tax revenues, and employment as well as commercial, retail, and residential development. This memo discusses each of these factors in more detail.

## Effects on Property Values

Economic studies conducted on the LRT system (DART) in Dallas, Texas showed property values 25 percent greater than those in a control group of neighborhoods not served by rail. A second study between 1997 and 2001 showed the median value of residential property increased 32.1 percent near DART rail stations compared to 19.5 percent in the control group, while office building values near fixed guideway stations increased 24.7 percent compared to 11.5 percent in the control group.<sup>1</sup> Another study also found that even up to ten years beyond opening year, station areas still attract more development, particularly for office space, than areas beyond the DART alignment.<sup>2</sup> A 2001 study of property values in Santa Clara County, California (San Jose and surrounding vicinity) found that light rail accessibility increased commercial land values by \$4 per square foot for properties within a quarter-mile walk of a station.<sup>3</sup> Findings for three other rail systems are summarized in Table 1.

**TABLE 1: EXAMPLES OF EFFECTS OF RAIL PROJECTS ON PROPERTY VALUES**

City/Project	Added Value
Atlanta/MARTA East Line	Homes: +\$1,000 for each 100 feet closer to station (working class neighborhoods). Accessibility offsets potential noise issues.
Portland/MAX Eastside Light Rail Line	Homes: +10.6% for homes within 1,500 feet of light rail stations.
DC and Atlanta	Office rent: +\$3 per gross square foot. Vacancy rates were lower and average density higher.

Source: *Light Rail Pumps Up Values*, Personal Real Estate Investor, July-August 2007.

<sup>1</sup> *An Assessment of the DART LRT on Taxable Property Valuations and Transit Oriented Development*, University of North Texas, September 2002.

<sup>2</sup> Bernard L. Weinstein and Terry L. Clower, *The Estimated Value of New Investment Adjacent to DART LRT Stations: 1999-2005*, University of North Texas, Center for Economic Development and Research, Dallas, TX, September 27, 2005.

<sup>3</sup> *Transit's Value-Added: Effects of Light Rail and Commuter Rail Services on Commercial Land Values*, University of California, Berkeley, November 2001.

### Effects on New Development Locally

As of December 2008, approximately \$5.4 billion in new development has been completed or is under construction along METRO’s LRT Starter Line (within ½ mile of a station). This development contains over 13,000 residential units and nearly 10 million square feet of new commercial space. This private development has been supported by an additional 500,000 square feet of government and educational space. An additional \$2.0 billion in projects have been proposed or are in the planning stages and includes over 1 million square feet of commercial space, more than 8,500 residential units and over 275,000 square feet of government and educational facilities (Table 2). While the current economic climate has certainly slowed the realization of these projects, they remain poised for development as the economy recovers.

**TABLE 2: DEVELOPMENT ALONG ENTIRE EXISTING LRT ROUTE<sup>1</sup>**

	<b>Complete or Under Construction</b>	<b>Proposed</b>
Number of Projects	110	70
Residential Units	13,059	8,566
Commercial (SF)	9,589,931	1,170,389
Hotel Rooms	2,142	1,118
Dollars Invested	\$5.4 billion	\$2 billion
<b>Total Investment</b>	<b>\$7.4 billion</b>	

<sup>1</sup>Data as of December 2008.

Source: *Transit Supportive Development Analysis*, Central Mesa Light Rail Extension, METRO, September 2009.

The Tempe/Mesa portion of the existing LRT Starter Line is likely to be a good indicator of how future development may proceed along the Central Mesa LRT extension since developments will draw from some of the same or similar markets as new station areas open and transit supportive development continues eastward. Along this portion of the route, approximately \$1.2 billion in development has occurred since December 2008. Proposed projects would nearly double this total (Table 3).

**TABLE 3: DEVELOPMENT ALONG TEMPE/MESA SEGMENT OF EXISTING LRT LINE<sup>1</sup>**

	<b>Complete or Under Construction</b>	<b>Proposed</b>
Number of Projects	30	30
Residential Units	7,478	3,757
Commercial (SF)	3,109,710	1,008,167
Hotel Rooms	377	833
Dollars Invested	\$1.2 billion	\$1.1 billion
<b>Total Investment</b>	<b>\$2.3 billion</b>	

<sup>1</sup>Data as of December 2008.

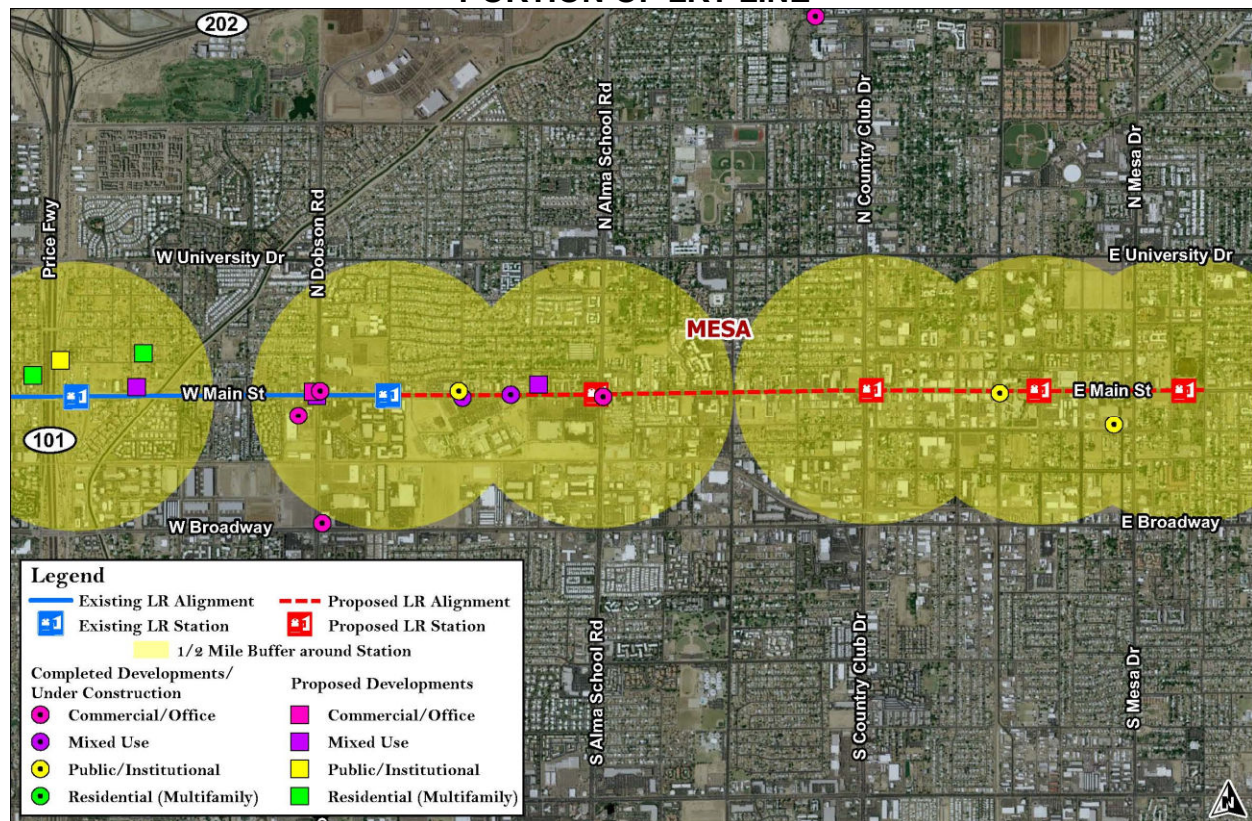
Source: *Transit Supportive Development Analysis*, Central Mesa Light Rail Extension, METRO, September 2009.

About 7,500 residential units, representing well over one-half of the 13,000+ residential units along the entire line, have been built or are under construction along the

Tempe/Mesa portion of the route. This concentration of residential development is indicative of the suitability and demand for denser housing in the area over the past few years. Access to downtown and other Phoenix job markets makes the area attractive for commuters. The presence of pedestrian scale commercial areas along the route provides further destinations. Arizona State University also serves as an attraction for students, staff and many others. New development is generally mixed use and transit-oriented in nature.

Figure 1 displays development (recently completed, under construction, and planned) along the LRT Starter Line in West Mesa as well as along the proposed LRT extension into Central Mesa. The figure shows the considerable development along the recently completed LRT line further pointing to the high potential for LRT to spur additional development along the planned extension.

**FIGURE 1: DEVELOPMENT ALONG EXISTING AND PROPOSED MESA PORTION OF LRT LINE**



Source: *Transit Supportive Development Analysis*, Central Mesa Light Rail Extension, METRO, September 2009.

### Effects on Tax Revenues, Employment, and Overall Economic Growth

Since relatively few full property acquisitions (15 vacant parcels for park-and-ride) will be required along the proposed route, there will be a small but temporary reduction in the county's and city's property tax bases. In the long term, the additional development spurred by the presence of rail could result in an overall increase in the county's tax base.

Since no businesses will be displaced as a result of the project, there will be no losses in sales tax revenues. Given the anticipated redevelopment trends in the project corridor, assumed based on observable trends as discussed previously, the long term effect on sales taxes is likely to be positive due to: 1) gains from businesses relocating to station areas and along the alignment; and 2) potential increases in sales revenues for current area businesses.

The project also provides benefits by creating long-term employment opportunities. Additional jobs will be needed to operate and maintain the extended length of the LRT system. In general, the higher the costs of operations and maintenance, the more jobs will be generated. Long-term employment opportunities are likely to be only partially driven by operations and maintenance of the system, but more likely due to indirect employment opportunities in retail, service and municipal services sectors (such as Fire and Police services) that would result from the anticipated population growth and increased densities within one-half mile of the four station locations, and consistent also with the anticipated Maricopa Association of Governments (MAG) growth projections, independent of the project.

The enhanced access to jobs and area-wide mobility that LRT offers, coupled with potential investment in pedestrian-oriented development and implementation of transit-oriented development policies measures already adopted by the City of Mesa as well as additional measures now being considered, are likely to generate additional jobs within the study area. This would serve to not only create new businesses but would boost the economic activity of existing businesses in the vicinity of the alignment. Thus, operation of the Build Alternative would result in indirectly fostering the economic growth that the community desires.

To further exemplify the proposed project's overall expected impact on the economy, a report prepared for the American Public Transit Association (APTA), cites the findings summarized in Table 4 regarding public transportation's effects on the economy.

**TABLE 4: TRANSIT PROJECTS EFFECTS ON THE ECONOMY**

- In the year following the transit capital investment, 314 jobs are created for each \$10 million invested in transit capital funding.
- Over 570 jobs are created for each \$10 million invested in transit operations in the short run.
- Business sales increase \$32 million for each \$10 million in transit operations spending.
- Business sales increase 3 times the public sector investment in transit capital, i.e., a \$10 million investment results in \$30 million gain in sales.
- For every \$10 million invested in transit in a major metropolitan area, over \$15 million is saved in transportation costs (operating, fuel, congestion costs) to both highway and transit users.
- A typical state/local government could realize a 4 to 16% gain in revenues due to increases in income and employment generated by transit investments.

Source: *Public Transportation and the Nation's Economy, A Quantitative Analysis of Public Transportation's Economic Impact*, Cambridge Systematics, Inc. with Economic Development Research Group for APTA, October 1999.

Since the overall impact of the project on the economy is expected to be positive, no mitigation measures are required.

**Any Differences Between the Downtown 2-Lane and 4-Lane Options?**

No. The overall impact of the project, regardless of which downtown option is selected, is expected to be similarly positive.