Portland Streetcar.

The Anaheim Streetcar: Measuring the Indirect Benefits

The economic development analysis conducted with this report is aimed to address three related questions:

- How much development can be expected in proximity to the potential alignment of a proposed Anaheim Streetcar under *base case* forecast conditions – if no streetcar is built?
- How much added development might be expected *with streetcar* – as the streetcar premium?
- What added *property value* would be associated with the base case versus with streetcar conditions? And what is potential for incremental *property tax revenues*?

The focus of this analysis is on The Anaheim Resort® and Platinum Triangle properties that can be reached within 1/4 mile of a planned Anaheim Streetcar stop. The approach taken with this analysis is to identify parcels for transit supportive development occuring over the 2018-28 decade – assuming inaguration of streetcar service in 2018.

Information sources utilized for this economic impact evaluation have include a review of pertinent City of Anaheim planning documents, GIS/assessor's parcel based datasets, planned project information as provided by the City, and comparable experience of streetcar in other cities. Appendix 1 to this report describes the planning framework for Anaheim Streetcar. Appendix 2 contains a detailed description of the forecast economic benefits analysis methodology.

Streetcar Benefit Area

Based on experience with transit-oriented development in cities throughout the U.S., properties up to about 1/4 mile on either side of a streetcar alignment can be expected to discernible economic benefits in terms of added business and residential potential, development and valuation. The degree of benefit relates directly to the willingness of a typical resident, employee or customer to walk to their home, place of business, shopping or recreation:

As illustrated by the following map, two discernible zones of economic benefit are identified for consideration with the planned Anaheim Streetcar:

- **Zone A** – for properties directly fronting or within 1/8th of a mile from a planned streetcar. These most proximate properties can be expected to receive the greatest increase in development activity.
- **Zone B** – for properties extending from about 1/8 - 1/4 mile from the streetcar stop. These properties also can be expected to experience added impetus for economic development, albeit at a lesser rate than Zone A properties.

Anaheim Streetcar Alignment & Zone A/B Benefit Areas

Source: City of Anaheim and E. D. Hovee & Company, LLC.

Properties west of the I-5 (Santa Ana) freeway are covered by three Specific Plan zones in The Anaheim Resort (AR) area. Properties east of I-5 are within the Platinum Triangle (PT) Master Land Use Plan area. A more detailed description of these planning areas is provided by Appendix 2 to this report.

The fact that Anaheim enjoys a mild climate together with major visitor destinations typically would be expected to facilitate walking, high transit use, and urban scale mixed use development. Counterbalancing this potential is an existing built environment in Anaheim that has been auto-oriented with relatively low densities of urban development and limited pedestrian connectivity to date.

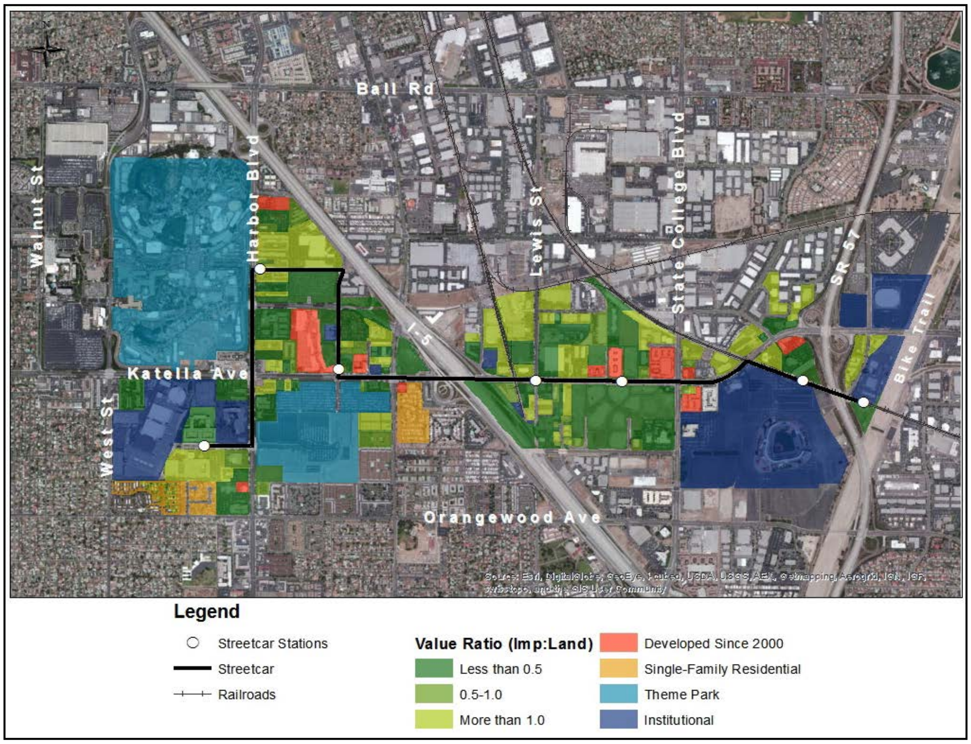
Current Development Patterns

A property accessed within 1/4 mile of each of seven potential streetcar stops comprises a 1,005 acre potential transit benefit area:

- Of this area, 407 acres (41%) is currently used designated for commercial, lodging, and multi-family purposes
- 30% of total land area and 45% of the land designated for existing or potential future commercial, lodging and multi-family use is within the Zone A area offering closest (1/8 mile) proximity to planned streetcar stations.
- As of 2012, this Zone A/B benefit area comprises an estimated 9.1 million square feet of existing commercial, lodging and multi-family building area – representing just 17% of total planned build-out capacity within the AR / PT areas for these uses.
- The density of existing development is estimated at a relatively low 0.47 average floor area ratio (FAR). This means that every square foot of land area is accompanied by an average of only 0.47 square feet of existing building area. Lodging and residential uses trend toward higher FARs with commercial retail/office uses at lower overall densities of development.
- Over the 2000-12 time period, approximately 2.8 million square feet of new development within the benefit area is documented – representing about 30% of the standing inventory on the ground as of 2012. Put another way, development of commercial, lodging and multi-famiily uses experiencd annualized development averaging 3.4% per year of the pre-2000 inventory.

As illustrated by the following map, there remains considerable inventory of land that could be considered as relatively prime for redevelopment in the years ahead. Excluding properties designated for theme park, institutional and single-family residential use, about 45% of the benefit area's remaining land base consists of properties with relatively low value property. For purposes of this analysis, these are defined as properties where assessed improvements value is less than 50% of land value.

Benefit Area Improvement: Land Valuation (2012)



Source: City of Anaheim and E. D. Hovee & Company, LLC.

While improvement to land valuation data may be skewed by California's Proposition 13 valuation (especially on properties not recently developed or sold), this information serves as one key indicator of sites offering opportunity for redevelopment in the years ahead. For example, in Portland, approximately 68% of redevelopment post-streetcar (measured in terms of added building space) occurred on sites with an I:L ratio of less than 0.5 – with the remaining 32% of redevelopment investment occurring on higher valued sites.

Base Case Development

With this analysis, a *base case* (or without streetcar) scenario is defined in terms of development that might reasonably be expected if a streetcar investment *is not made* within the potential benefit area as outlined. With this analysis, a low to high range of baseline forecast options is indicated.

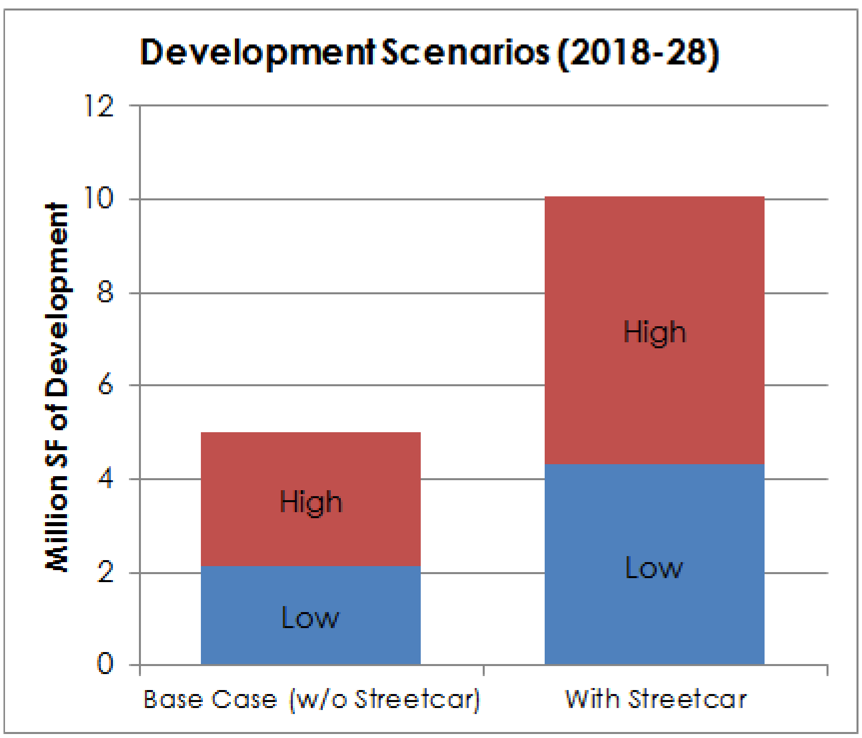
- The *low range* is predicated on straight-line extrapolation of development as was experienced (for properties defined by the potential streetcar benefit area) from 2000-12.
- The *high range* reflects expectations associated with AR and PT planned projects within the 1/4 mile benefit area, pro-rated for current planned years of completion (as applicable) within the 2018-28 portion of this time frame for the *with streetcar* comparison.

This range of estimate yields development potentials estimated at an added 2.1 million square feet of development from 2018-28 (low range) to as much as 5.0 million square feet (with a high range estimate).

With Streetcar Development

The *with streetcar* scenario addresses the question of the level of development that might reasonably be expected in the event that the Anaheim Streetcar line is constructed and operated as currently planned.

Base Case versus With Streetcar Development Potentials



Source: City of Anaheim and E. D. Hovee & Company, LLC.

Forecast potentials are consistent with results of pre- and post-streetcar development experience in Portland, Tampa and Seattle. As illustrated by the foregoing graph, with streetcar it is conceivable to anticipate:

- Potential doubling of development over the 2018-28 period – as compared with what might be expected under base case (without streetcar conditions).
- Potential for as much as 10+ million square feet of development over this 10-year forecast horizon (with the high range estimate)

With streetcar, as much as three quarters (76%) of development can be anticipated to occur within Zone A (at up to 1/8 mile from streetcar stops) – with about 24% in Zone B (located at a 1/8 – 1/4 mile distance from planned stops). The annual rate of development with streetcar is anticipated to be as much as 2.5 times the without streetcar rate for Zone A properties most proximate to streetcar stops and 1.25 times that of the base case rate for somewhat more removed Zone B properties. Further development that may be realized at theme park and institutional properties (as with convention center and sports complex uses) are above and beyond the estimates indicated above.

As has occurred elsewhere, streetcar implementation can also be expected to serve as an incentive for increased density of development, more mixed use and a more rapid pace of development than would otherwise occur. Given the mix of existing uses and planned projects in Anaheim, streetcar could prove particularly instrumental to *kick-start* renewed hotel development (per adopted plans) plus add further impetus to housing, office and supportive retail development.

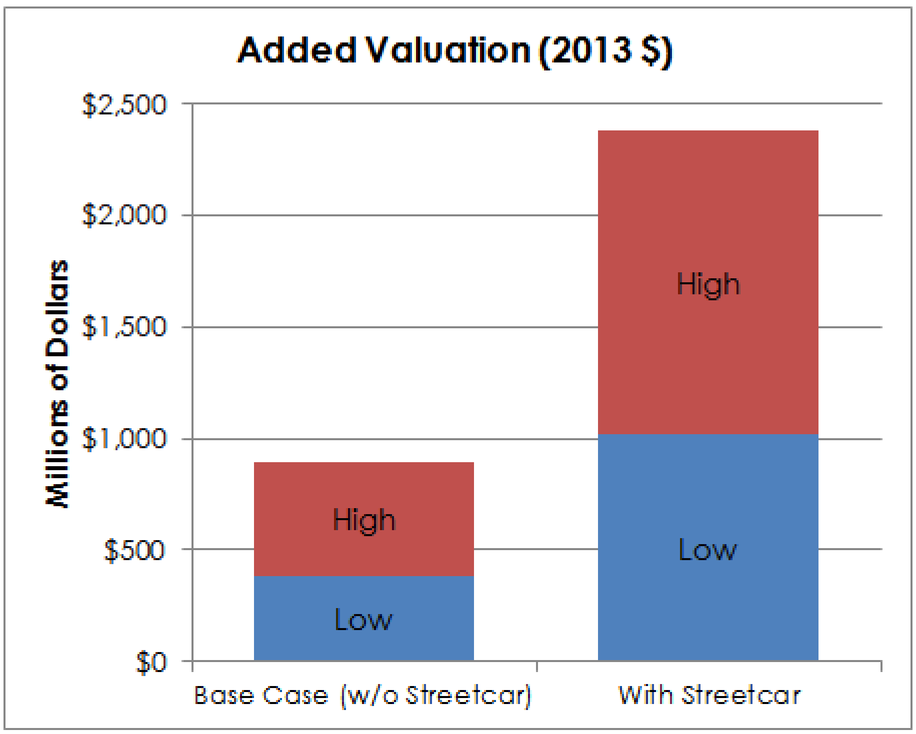
Bottom-line, the combination of already planned *base case* and added *with streetcar* related development could serve to propel benefited AR and PT properties from about 17% currently to as much as 38% of approved build-out for affected properties by 2028. Added progress toward build-out may occur as additional theme park and/or other major destination (including convention center) development proves to be facilitated by streetcar.

Incremental Property Valuation & Tax Revenues

Consistent with the development projections, it is also possible to project anticipated increases in property values and associated property tax revenues to benefitted tax jurisdictions. As illustrated by the following graph, there is potential for substantial added assessed valuation:

- Ranging from an estimated $900 million with high range *base case* conditions to as much as an added $2.4 billion *with streetcar.*
- Leveraging *with streetcar* valuations that could exceed 2.6 times the base *case* potentials by 2028.

Base Case versus With Streetcar Incremental Valuation



Source: City of Anaheim and E. D. Hovee & Company, LLC.

Additional investment in theme park and other major destination attractors could add further potential to what is indicated above. Streetcar operation could both serve and facilitate this added destination investment.

At current property tax rates, added assessed valuation *with streetcar* could be expected to yield annual property tax revenues of up to $25 million by 2028. Assuming an even pace of development each year, cumulative property tax revenues realized from 2018-28 may reach as much as $128 million above current property tax receipts from within the affected streetcar benefit area. *Note:* tax revenue estimates are based only on incremental improvements value – not including potential added land value due to uncertainties associated with Prop 13 re-assessments.

Getting to Transit Oriented Development

Anaheim is already moving in a direction that is more supportive of transit as a mode of choice and of development supportive transit. This is exemplified by planning for development of the Anaheim Regional Transportation Intermodal Center (ARTIC) and by emergence of housing as the most active form of development investment in recent years.

Anaheim Streetcar planning now underway is predicated on a growing recognition that transit is important not only to more efficiently move people between destination activities in The Anaheim Resort and Platinum Triangle areas. Transit investment (and streetcar specifically) also will be instrumental to free up land that is currently used for parking and low scale development for transition to a more urban and pedestrian scale of mixed use development in the years ahead.

Looking ahead, the introduction of streetcar service will provide further impetus to kick-start sectors that have lagged with economic recovery to date – notably hotel and office development. What is clear from experience in other cities is that, while housing often leads the way, creating a more livable Anaheim Resort and Platinum Triangle will yield new opportunities – for resort, lodging and office employment activities that traditionally have anchored the AR and PT areas proposed to be served by streetcar.

Investing in streetcar can be an important part but will not be the only ingredient to a more urban, vital setting for The Anaheim Resort and Platinum Triangle. Getting to TOD with mixed use, pedestrian vitality might be further facilitated by supportive actions such as:

- Selective public investment for improved streetscape and development incentives – especially in immediate proximity to planned streetcar stops. While more problematic with the close out of redevelopment funding throughout California, selective public sector assistance with site assembly or joint use parking could also improve feasibility of mixed use development.

- Consideration of increasing planned zoned densities for new development or redevelopment projects. While there appears to be adequate overall development capacity even with the streetcar premium through 2028, further intensification may be appropriate in proximity to station stops or beyond 2028 – particularly in cases where clear private investment interest continues to be demonstrated.
- Consideration of encouraging residential uses in The Anaheim Resort as allowed by the Specific Plan.
- Longer term planning for potential streetcar extension south along Harbor Boulevard as a pivotal Orange County transit and TOD spine – especially to the degree that there is opportunity to link to planned Santa Ana – Garden Grove streetcar implementation.