Transit-Oriented Development Fiscal Impact Analysis

SB FRIEDMAN DEVELOPMENT ADVISORS, LLC | AUGUST 2024

LCRT TRANSIT ORIENTED DEVELOPMENT

BCDCOG

Contents

LCRT Corridor Overview

The LCRT system will provide both quality-of-life improvements and positive fiscal impacts to the Region

The LCRT system will be the first premium transit route in South Carolina. The route extends 21 miles from the heart of the Charleston Peninsula to Exchange Park at the far western extent of Charleston County. While still in planning and design, the region has begun to plan for the market impacts associated with this massive infrastructure investment. The LCRT Corridor (the "Corridor") includes the area within one-half mile of the proposed alignment of the LCRT system.

The Berkeley-Charleston-Dorchester Council of Governments (BCDCOG) has led recent planning efforts to ensure that the potential development impacts of the catalytic investment in the LCRT system benefit current and future residents within the BCDCOG Region.

As jurisdictions plan for transit-oriented development (TOD) in station areas, the fiscal benefits from increased property taxes throughout the Corridor should be considered. Infill TOD in station areas are unlikely to substantially increase the cost of service to a municipality given these sites are likely already served by existing utilities and included in municipal emergency service areas. Infill station area development has the potential to positively impact the net fiscal position of both Charleston & North Charleston.

LCRT Alignment, 2024

Source: BCDCOG

Opportunity & Challenge of Transit Oriented Development

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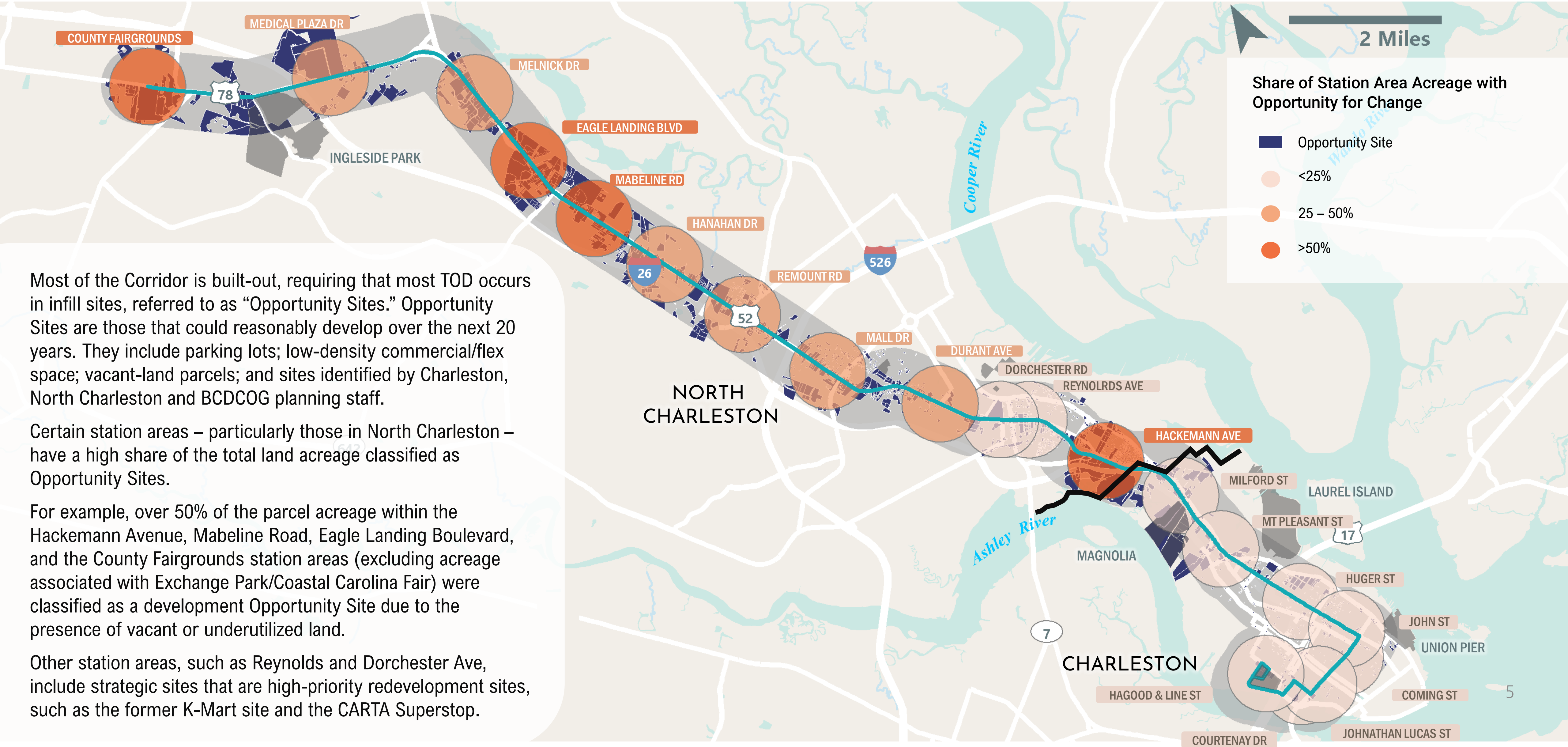
Corridor Opportunity Sites



Most of the Corridor is built-out, requiring that most TOD occurs in infill sites, referred to as "Opportunity Sites." Opportunity Sites are those that could reasonably develop over the next 20 years. They include parking lots; low-density commercial/flex space; vacant-land parcels; and sites identified by Charleston, North Charleston and BCDCOG planning staff.

Certain station areas – particularly those in North Charleston – have a high share of the total land acreage classified as Opportunity Sites.

For example, over 50% of the parcel acreage within the Hackemann Avenue, Mabeline Road, Eagle Landing Boulevard, and the County Fairgrounds station areas (excluding acreage associated with Exchange Park/Coastal Carolina Fair) were classified as a development Opportunity Site due to the presence of vacant or underutilized land.

Other station areas, such as Reynolds and Dorchester Ave, include strategic sites that are high-priority redevelopment sites, such as the former K-Mart site and the CARTA Superstop.

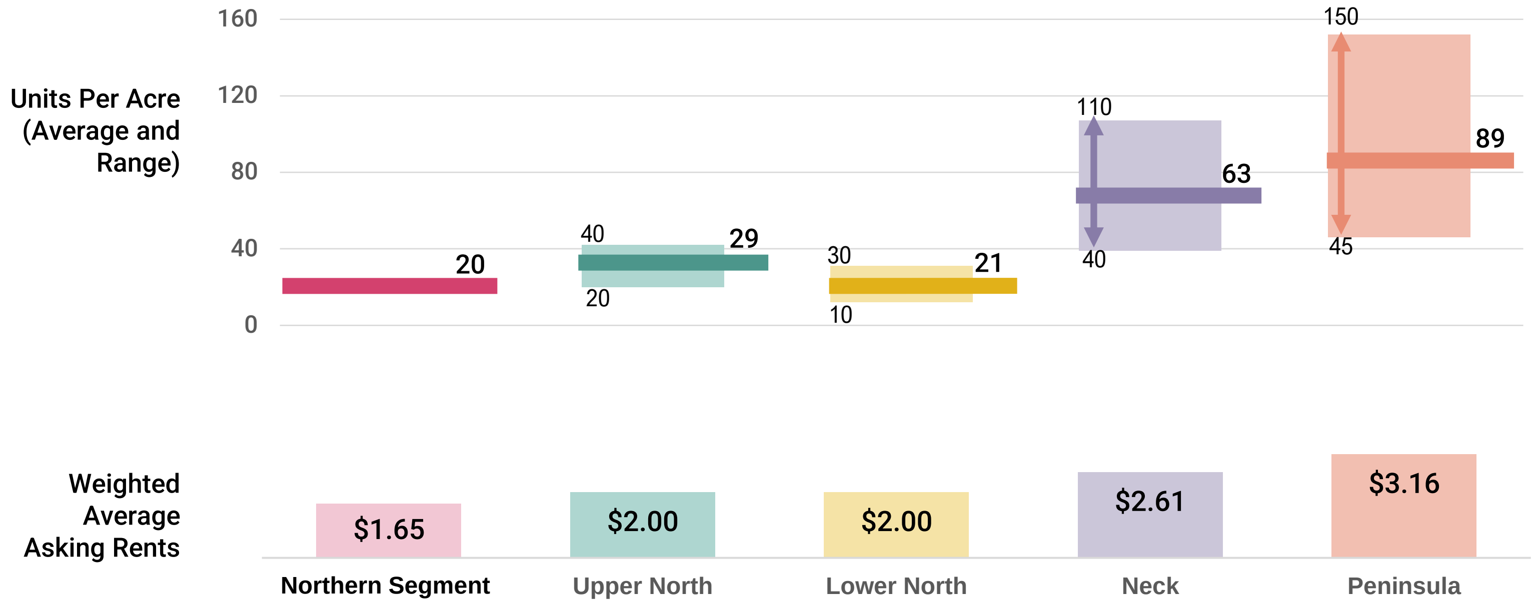
Density of TOD Along the Corridor

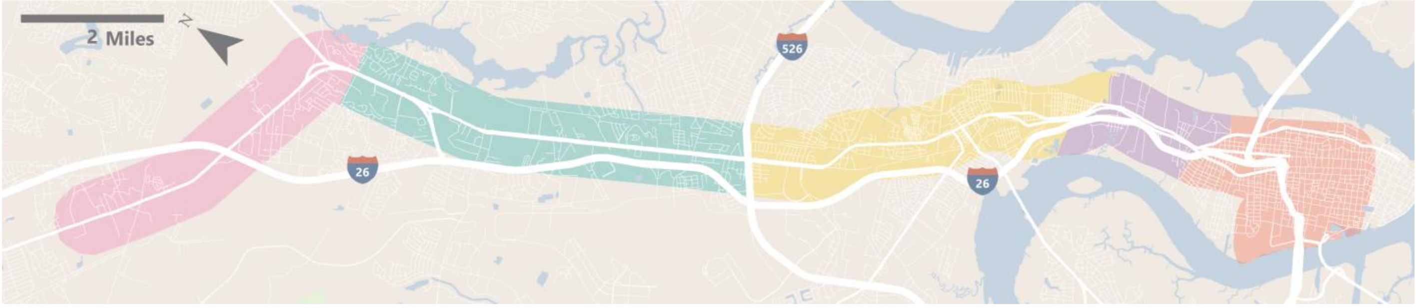
Higher rent unlocks the opportunity for higher density development

Currently, development that reflects the ideal density and intensity that is needed for successful TOD is occurring in the Charleston segments of the Corridor. For example, recent multifamily development is built, on average, at 90 units per acre in the Peninsula and 60 units per acre in the Neck. New construction multifamily in North Charleston, for comparison, is closer to 20 to 30 units per acre.

In Charleston, higher density projects are feasible because of high-value land, and higher achievable market rents. Market rent for new construction in North Charleston currently supports lower-density development. To attract higher-density development more consistent with TOD form, the market in North Charleston must continue to evolve to demonstrate that the market can support rents required for higher-density construction. This briefing book will detail how some of this market evolution is likely to require initial public sector intervention.

Density and Rents for Recently Built Market-Rate Multifamily Development Along the Corridor, 2023





Source: CoStar, SB Friedman

Fiscal Impact of TOD along Corridor

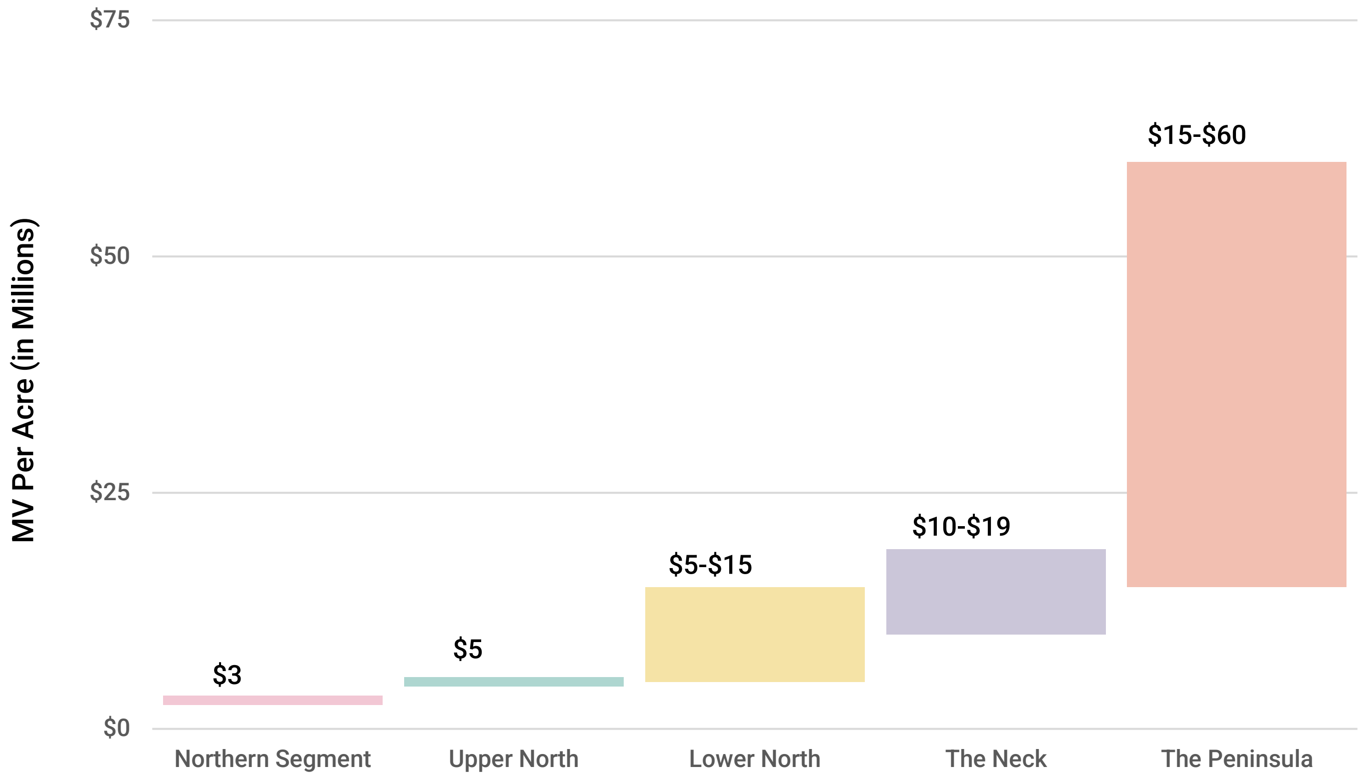
While fiscal impacts will be greatest in areas with high land values, the entire corridor will benefit from TOD

As jurisdictions plan for TOD in station areas along the Corridor, it is notable that prioritizing TOD form will translate to fiscal benefits from increased property taxes.

Market Value along the Corridor increases significantly on a per-acre basis toward downtown Charleston/the Peninsula. The higher market value is not just attributable to perceived value. Higher density and higher value development directly translates to higher Market Value and therefore property tax collections.

Land values in the Peninsula for recent development can be as high as $60M on a per-acre basis, compared to land values up to $20M in the Neck, and between $3M – $15M in North Charleston.

Market Value Range per Acre for Recently Completed Development by Corridor Segment, 2023



Source: Charleston County Assessor, SB Friedman

Market Value per Acre Along Corridor

TOD form has a positive impact on market value per acre, higher density development spurring greater market value

MOSBY INGLESIDE

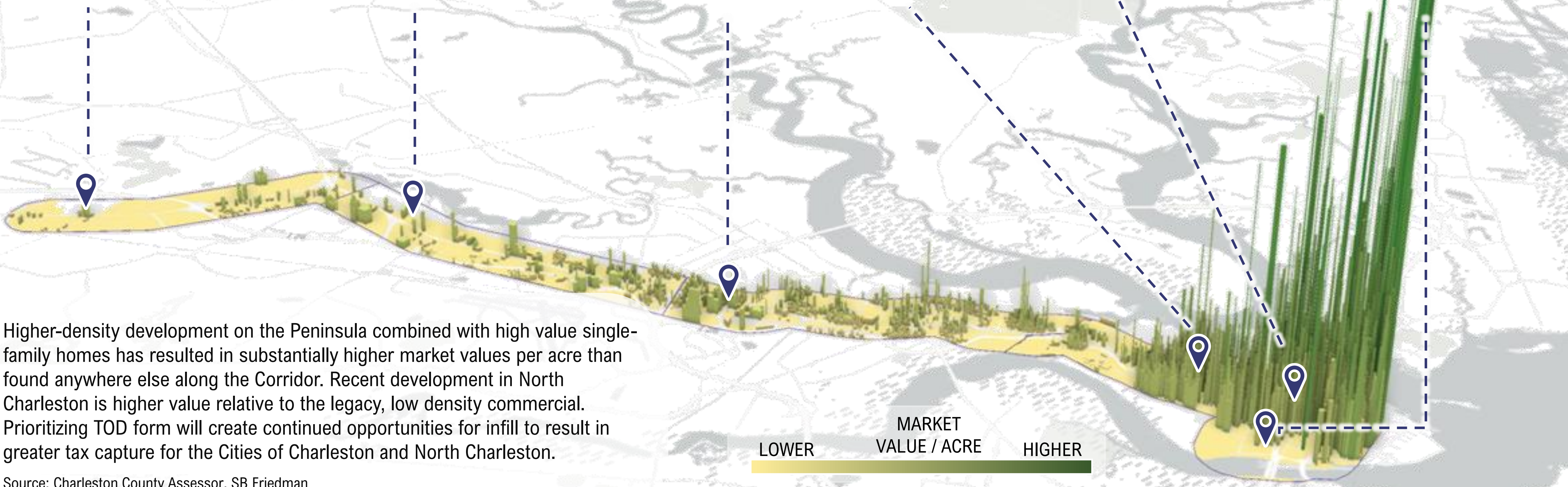
ATLANTIC ON THE AVENUE

PARK CIRCLE VILLAGE

THE CORMAC

665 EAST BAY

10 WEST EDGE



Higher-density development on the Peninsula combined with high value single-family homes has resulted in substantially higher market values per acre than found anywhere else along the Corridor. Recent development in North Charleston is higher value relative to the legacy, low density commercial. Prioritizing TOD form will create continued opportunities for infill to result in greater tax capture for the Cities of Charleston and North Charleston.

Source: Charleston County Assessor, SB Friedman

Fiscal Impact of TOD by Land Use

Market value varies by land use, development affordability, density, location and more

The Market Value of TOD depends in large part on the land use mix associated with the development in station areas. Other variables that impact Market Value include affordability and density; greater affordability negatively impacts Market Value while greater density positively impacts Market Value.

SB Friedman benchmarked the typical Market Value for new construction in both North Charleston and Charleston (on a per unit/SF basis) to understand how values vary across the Corridor. Benchmarks are based on development since 2015 and Charleston County 2022 Assessor data.

Market Value of the benchmark developments in the Charleston Corridor segments has a premium over the Market Value of new construction in North Charleston.

Market Value Assumptions

Property Type	North Charleston	Charleston	Basis
Multifamily Rental (Market Rate)	$190,000	$265,000	Per Residential Unit
Multifamily Rental (Affordable, 80% AMI)	$124,000	$124,000	Per Residential Unit
Townhome Condo (Market Rate)	$475,000	$900,000	Per Residential Unit
Townhome Condo (Affordable, 100% AMI)	$328,000	$328,000	Per Residential Unit
General Retail (Mixed-Use Context)	$260	$370	Per RBA
Grocery Store Retail	$265	$380	Per RBA
Office	$230	$255	Per RBA
Hotel	$135,000	$210,000	Per Key

Source: Charleston County Assessor, SB Friedman

Estimated Assessed Value Increase from LCRT Market Demand

LCRT market demand from 2024 - 2045 is estimated to result in a $6.5B increase in assessed value

SB Friedman estimated the net increase in assessed value (AV) for the LCRT Corridor based on the Corridor market forecast from 2024-2045. Adjusting to account for infill of existing Opportunity Sites, the Corridor is estimated increase by $6.4B in AV as a result of demand across all land uses. The majority of the AV growth is attributable to the multifamily residential demand, which accounts for over half of the total forecasted value, $3.5B.

Based on subarea demand allocations, SB Friedman estimates that nearly 80% of the forecasted AV increase will occur in Charleston corridor segments, 20% in North Charleston.

$6.5 BILLION

Estimated AV increase in LCRT Corridor

	RESIDENTIAL	RETAIL	OFFICE	HOTEL
LCRT Market Demand (2024-2045)	16,700 UNITS	1.6 M SQUARE FEET	2.7 M SQUARE FEET	4,100 KEYS
Estimated AV Increase	$4.5B	$475M	$600M	$815M

Source: Charleston County Assessor, SB Friedman

Unlocking Higher Value Development Across the Corridor

Tactical public assistance may be required to unlock catalytic TOD in untested Corridor segments

Planning for TOD that supports the community's needs and incorporates urban design best practices can be challenging, particularly in untested markets where public assistance may be required to fill financial gaps and 'prove up' the market. Strategic public assistance for catalytic investments can often be off-set by the long-term fiscal benefit of higher value development.

The following section provides more detail on the fiscal benefits associated with TOD, including two hypothetical TOD scenarios in North Charleston, an assessment of financial feasibility for each scenario, and strategies to support TOD market readiness through value capture tools.

IDENTIFY STRATEGIC INFILL LOCATIONS

EVALUATE FINANCIAL FEASIBILITY

STRUCTURE POLICIES AND PROGRAMS TO ADDRESS GAP

UNLOCK TRANSIT ORIENTED DEVELOPMENT & VALUE

Prototypical Development Scenarios

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Prototypical Development Analysis

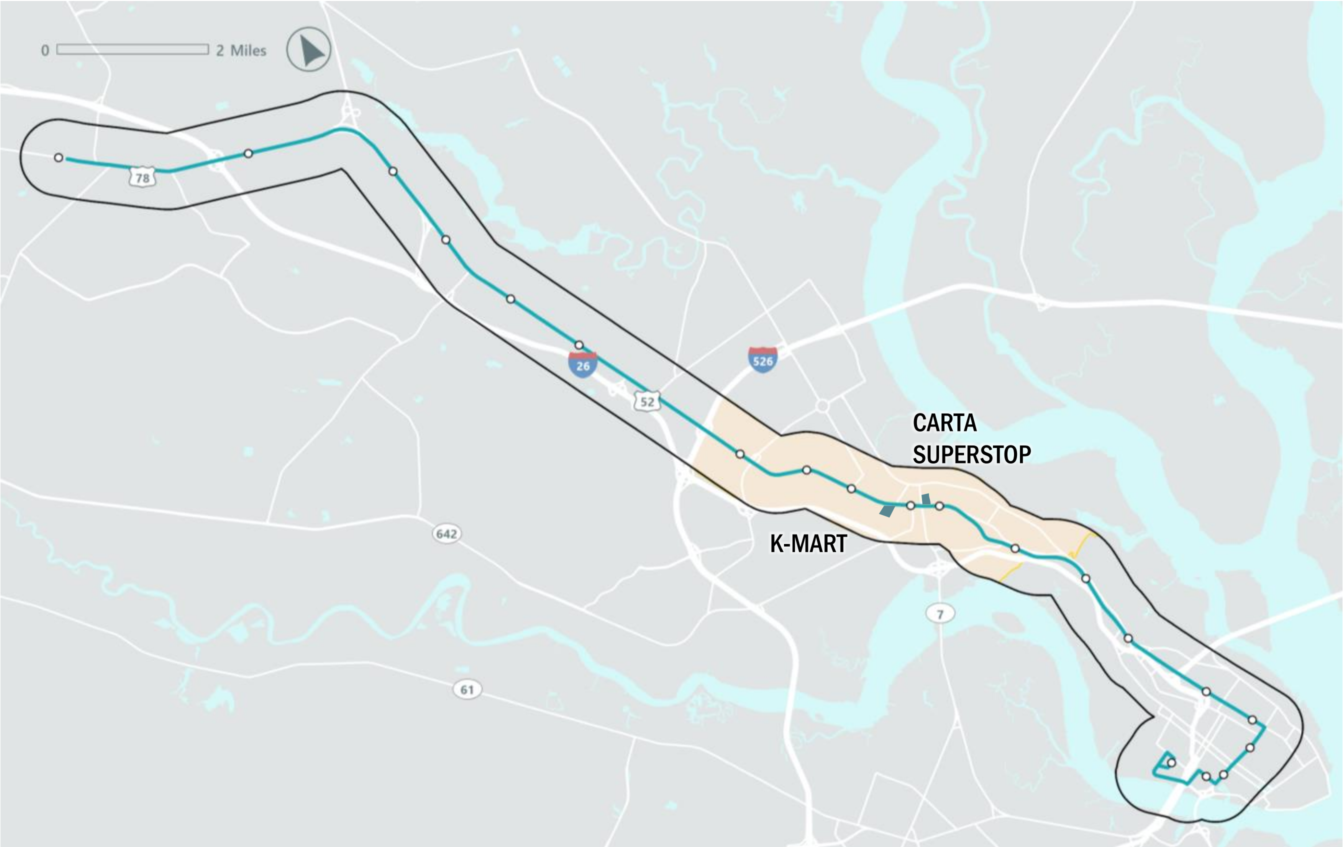
Two prototypical case studies in North Charleston illustrate the financial feasibility and fiscal impacts of TOD

The LCRT Planning Team identified two development zones within station areas in Lower North Charleston for a deeper assessment of financial feasibility testing and modeling – the "K-Mart Site" in the Dorchester Road station area, and the "CARTA Superstop Site" in the Reynolds Avenue station area. Both sites are currently relatively low-density, and large enough to accommodate substantial TOD infill.

The goal of this analysis is to understand existing market conditions that impact that feasibility, and ultimately identify strategic actions to facilitate TOD in the short-term.

Both development programs reflect:

- Land use mixes considered to be most market-achievable today, primarily focusing on mixed-use residential and retail development;
- Top-of-market rents for new development in North Charleston;
- A 10% affordable set-aside assumption; and
- Locations that are high-priority redevelopment areas for North Charleston.



Source: ESRI, SB Friedman

Financial Gap Analysis

Estimating the costs and potential revenues of development program

SB Friedman developed pro forma models to assess the financial feasibility of the prototypical development programs for each of the sites. The models are informed by assumptions related to development costs, operating costs and revenue, and target return metrics.

Development costs are based on discussions with developers in early 2024, pro forma models for comparable development projects within the market, and infrastructure cost estimates provided by Stantec. Revenues, including rents and sale prices, are based on market research conducted by SB Friedman for the LCRT Market Assessment.

A target hurdle rate of return is required to determine whether a project is likely to be financially feasible. SB Friedman evaluated the financial feasibility of each development program based on a target yield on cost of 7.0%. It should be noted that reported developer return thresholds are particularly high in 2024 due to high interest rates and general market instability. Return rates have a substantial impact on financial feasibility. Financial gap assessments represent a point-in-time analysis. While a prototypical analysis illustrates overall feasibility for development and the unique characteristics of specific projects, such as site conditions, local regulations, and the return thresholds for specific investors all impact feasibility.

Any requests for public assistance should always be evaluated by a municipality on a case-by-case basis.

ANALYSIS FRAMEWORK

TOTAL DEVELOPMENT COSTS

Land Costs
+ Hard Costs
+ Soft & Financing Costs
+ Developer Fees

= Total Development Costs (TDC)

MARKET VALUE

Rents/Revenues
- Operating Costs
- Taxes
- Vacancy Loss

= Total Net Revenue

PROJECT FEASIBILITY

TDC
- Market Value (Net Revenue / Target Yield)

= Funding Gap

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Site 1 | Former K-Mart Site

Conversion of a vacant shopping center to a mix of uses

Within the Dorchester Road station area, there is a 10.7-acre site previously anchored by a K-Mart which has been largely vacant for 2 decades. Since K-Mart vacated the site, the building has been leased to new tenants. However, the landowner has communicated an interest in redeveloping the site. The former K-Mart site is directly adjacent to a United States Postal Service office and a freestanding retail outlet which fronts McMillan and Rivers Avenues. In aggregate, these parcels (the “K-mart Site”) provide a 16.3-acre near-term redevelopment opportunity.

Based on a development concept prepared by Renaissance Planning Group (Renaissance), the Site could accommodate 406 multifamily residential units, 120 townhomes and 67,000 square feet of retail (including a grocery store). The multifamily residential buildings are assumed to be 5- to 6-stories tall and include structured parking. The grocery store would also provide structure parking spaces. The residential density assumed for the site (>30 units per acre) is consistent with recent higher-density development in North Charleston. The financial performance of the rental program will be evaluated separately from the for-sale townhome component.

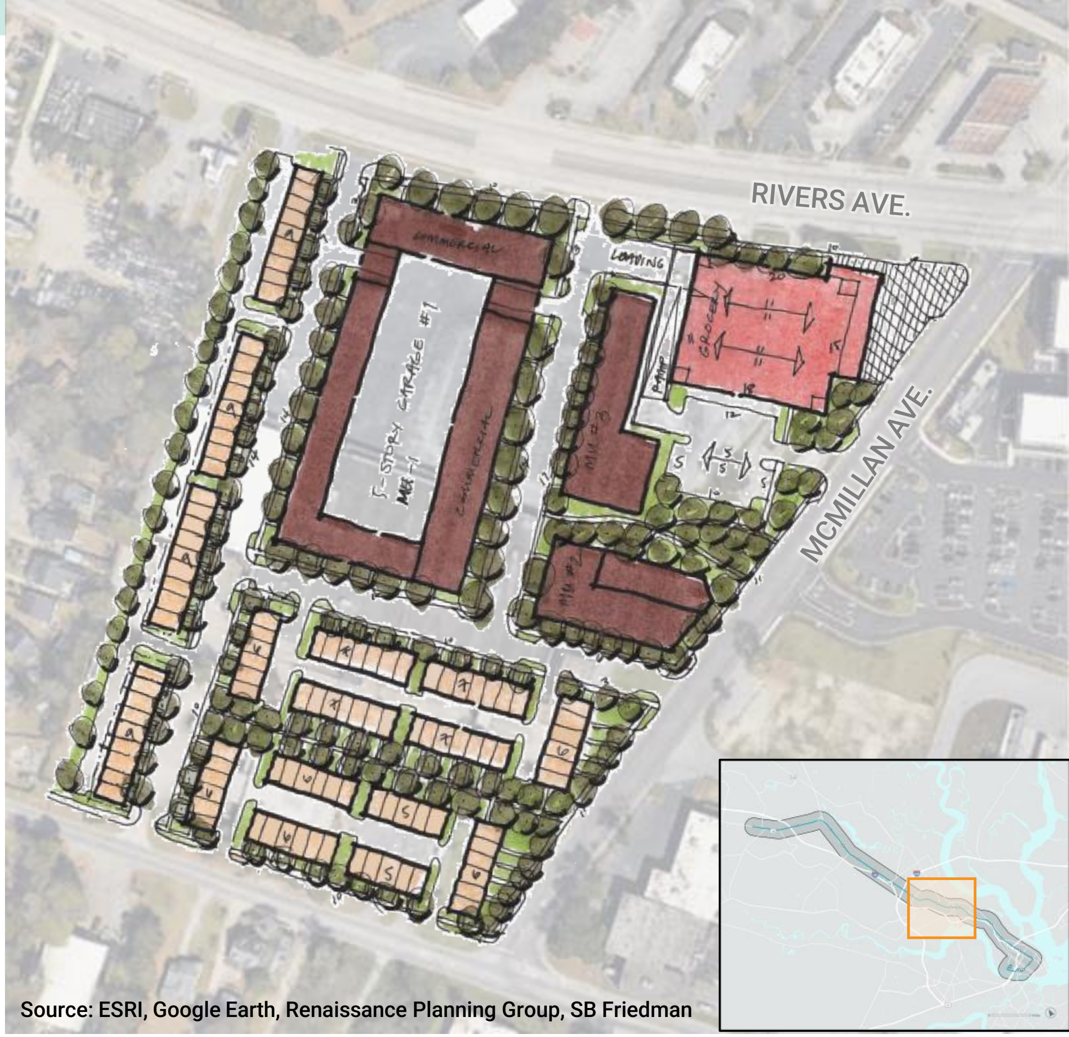
Policy outcomes

- ☑ Affordable units (10%)
- ☑ Grocery / access to fresh food
- ☑ Attainable homeownership
- ☑ Design complements neighborhood

Feasibility considerations

Structured parking & infrastructure increase cost of construction

10% affordability impacts project returns



Source: ESRI, Google Earth, Renaissance Planning Group, SB Friedman

DEVELOPMENT PROGRAM	TOWNHOME	MULTIFAMILY	RETAIL
	120 units	406 units	67,000 sf
Market Rate Price/Rent	$475,000 per unit	$2.50 per sf	$20-$30 per sf
Affordable Price/Rent*	$328,000 per unit	$1.41 per sf	

*Affordable unit costs based on 100% AMI limits for for-sale units, and 80% AMI for rental units.

Site 1 | Former K-Mart Site FUNDING GAP (RENTAL)

Rental housing on the K-Mart site has a $23.5M funding gap

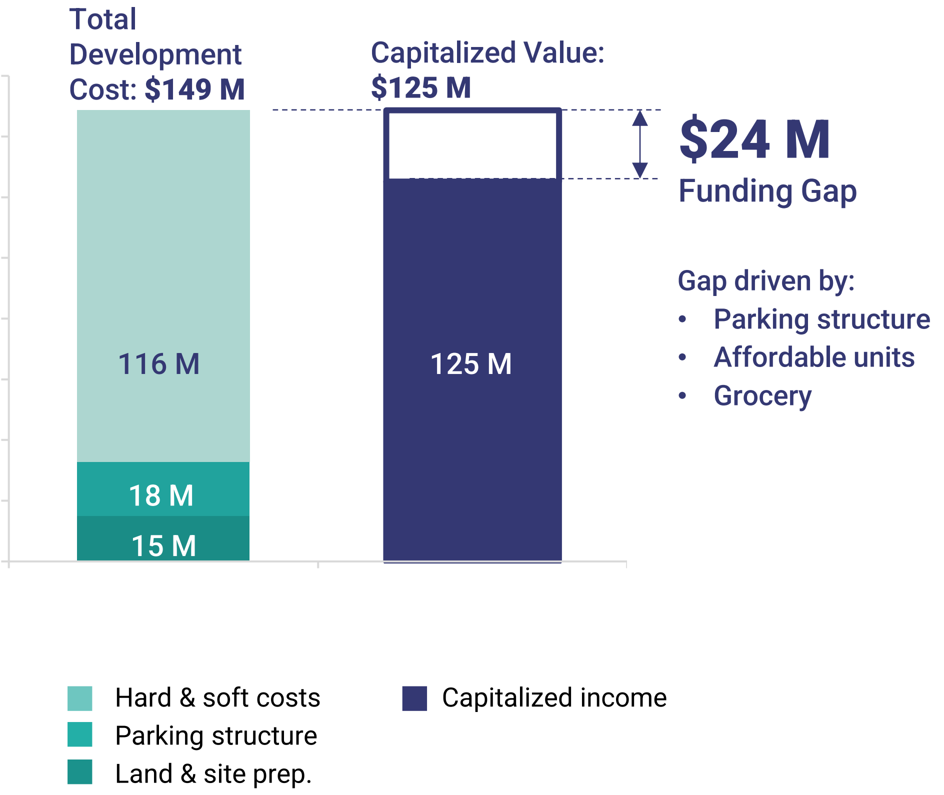
The proposed development program on the K-Mart site includes 405 rental apartments and over 65,000 SF of retail. The combination of structured parking, infrastructure and site preparation costs, and multifamily development results in a total development cost of $148.6M.

Leveraging market data from recent deliveries in North Charleston and Charleston, SB Friedman estimated a combined stabilized annual net operating income of $7.5M. This results in a yield on cost – an unleveraged return metric that compares net operating income (NOI) to total development costs – of 5.1%. Based on SB Friedman's experience with similar development programs, a typical yield on cost would be at least 6.0%.

To achieve the target yield on cost, the total development program would need additional funds and/or revenue to address the $23.5M funding gap.

The funding gap is driven by costs associated with structured parking for the multifamily component and infrastructure and site preparation costs ($23.5M). The estimated program revenues also appear insufficient to offset development costs. The blended rent per square foot for the multifamily component is $2.40 (weighted average of market-rate rents and rents affordable to households earning up to 80% AMI). Multifamily developments with structured parking are typically not financially feasible without residential rents that exceed $2.50 per square foot. Still, without the 10% set aside of units as affordable, the proposed development program has an estimated funding gap of $19.3M. Therefore, top of market rents in North Charleston do not yet support structured parking in a multifamily development.

K-Mart Site Financial Feasibility: Multifamily and Retail



Source: SB Friedman

Site 1 | Former K-Mart Site FUNDING GAP (FOR-SALE)

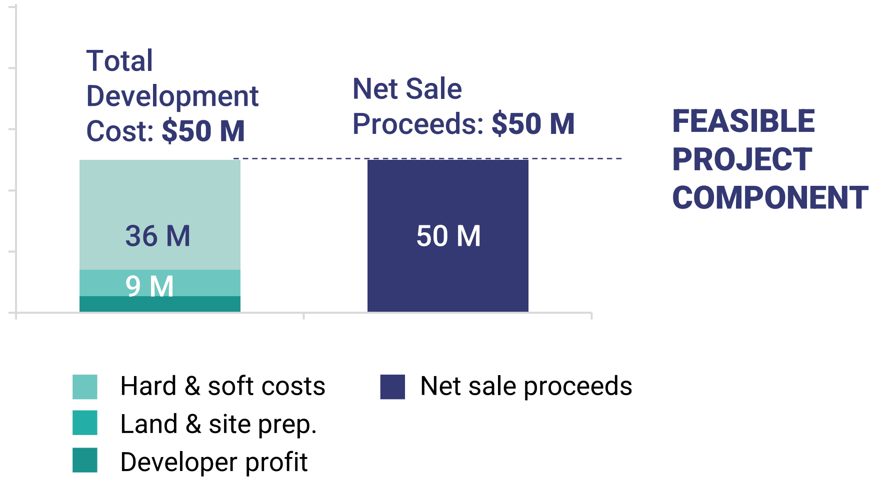
For-sale housing development on the K-Mart site does not have a funding gap

The proposed development program on the K-Mart site includes 120 for-sale townhomes – 10% of which are assumed to be affordable to households earning at least 100% AMI. The total development cost for the townhome component is estimated to be $50.0M

The sale price for comparable recently constructed townhomes ranges from $400,000 – $500,000. Based on this range, the sale revenue for the townhome component of the development program was estimated to be $53.0M (net of broker's commission).

The townhomes are not estimated to have a funding gap. For-sale housing developments are generally evaluated based on the ability to generate a collective profit from the sale of individual units. Therefore, estimating no funding gap for the townhome component of the development program appears reasonable.

K-Mart Site Financial Feasibility: Townhomes



Source: SB Friedman

Site 2 | CARTA Superstop Site

Leverage publicly owned land for infill TOD

The Charleston Area Rapid Transit Authority (CARTA) currently has a bus station on the corner of Rivers and Cosgrove Avenues. Charleston County has County Departmental offices on the adjacent parcel. The County offices are anticipated to be relocated and the Superstop will become obsolete after LCRT upgrades are made along the Corridor. The properties located immediately east of the CARTA and County parcels are largely light industrial uses that do not adhere to TOD land use priorities.

The station area development concept, prepared by Renaissance, includes 75 multifamily residential units, 60 for-sale townhomes, 30 for-sale condominiums and 26,000 square feet of retail.

Policy outcomes

- ☑ Affordable units (10%)
- ☑ Attainable homeownership
- ☑ Design complements neighborhood

Feasibility considerations

- ☑ Surface parking improves financial feasibility
- ☑ Fragmented ownership anticipated to increase cost of land assembly

DEVELOPMENT PROGRAM	TOWNHOME	MULTIFAMILY	RETAIL
	60 units	75 units	26,000 sf
Market Rate Price/Rent	$475,000 per unit	$2.14 per sf	$20-$30 per sf
Affordable Price/Rent*	$328,000 per unit	$1.41 per sf	

*Affordable unit costs based on 100% AMI limits for for-sale units, and 80% AMI for rental units.

Source: ESRI, Google Earth, Renaissance Planning Group, SB Friedman

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Site 2 | CARTA Site Rental Financial Feasibility

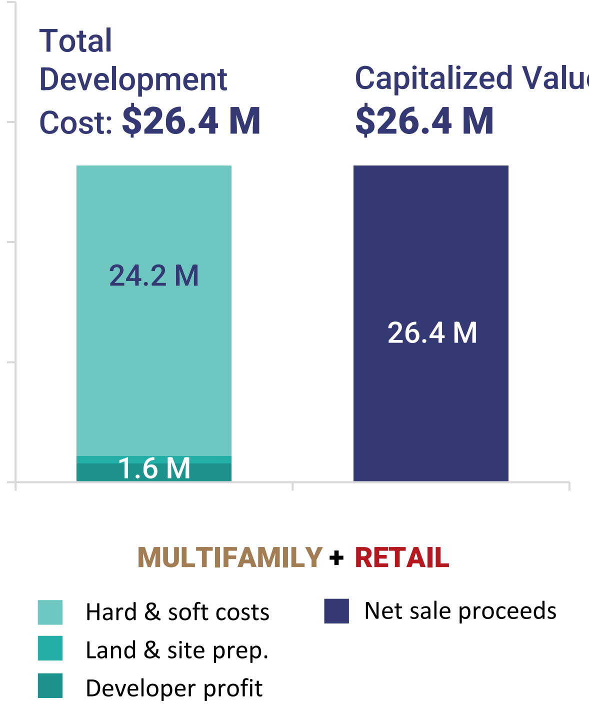
The lack of structured parking results in financial feasibility of the CARTA Site development concept

The proposed development program on the CARTA Superstop site includes 75 rental apartments and 26,000 retail square feet. This development program is not estimated to have a funding gap and the program appears to be financially feasible.

The combined stabilized NOI was estimated to be $1.6M. This results in a yield on cost of 6.1% and achieves the assumed target returns.

However, the multifamily component is estimated to achieve a yield on cost of 4.8% - well below the target yield on cost. Therefore, the revenues generated by the rental units alone are not sufficient to support the development costs. The retail component generates additional revenue that offsets multifamily development costs.

CARTA Site Financial Feasibility



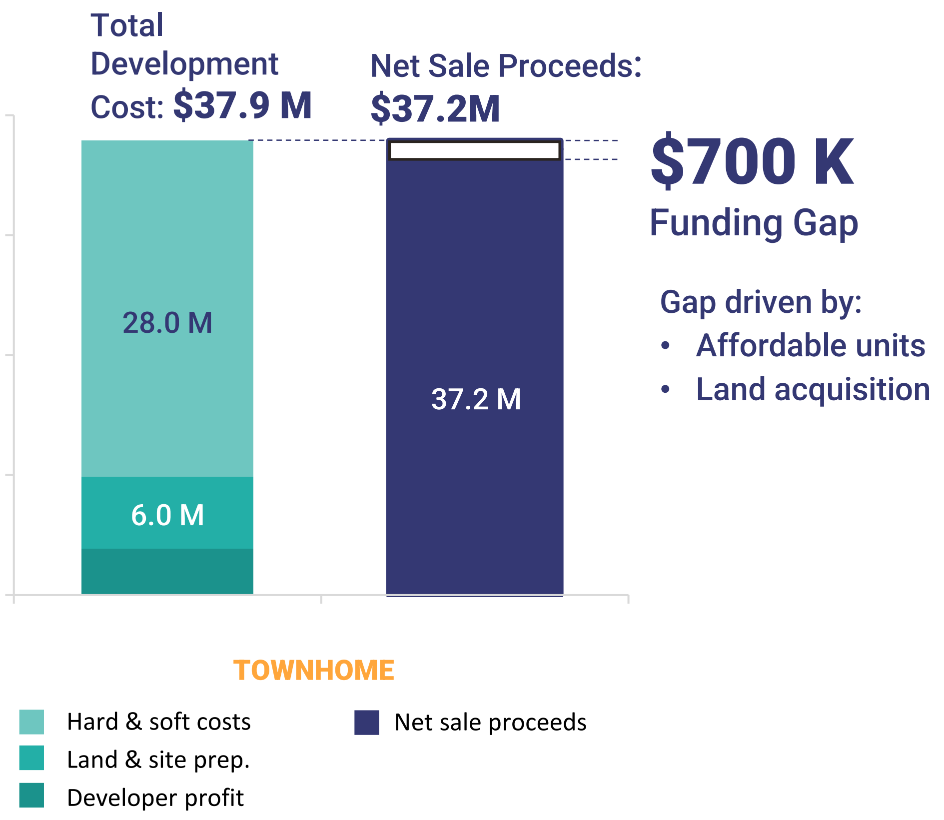
Source: SB Friedman

Site 2 | CARTA Site For-Sale Funding Gap

Townhomes estimated to drive a small financial gap due to cost to assemble land and affordability assumption

The proposed development program on the CARTA site includes 60 for-sale townhomes and 30 for-sale condominiums ("Puzzle Units") – 10% of each housing type are assumed to be affordable to households earning at least 100% AMI. The total development cost of the for-sale component is estimated to be $37.9M

The sale price for comparable recently constructed townhomes ranges from $400,000 – $500,000. Puzzle Units are assumed to sell for a slightly reduced price compared to townhomes based on the size and construction typology. Sale revenue for the townhome and Puzzle Units was estimated to be $37.2M (net of broker's commission). The for-sale component of the development program is therefore assumed to have a slight funding gap of $682,500 ($7,500 per unit).



Source: SB Friedman

Addressing the Financial Gap

Public assistance may be necessary to make TOD feasible in the near-term

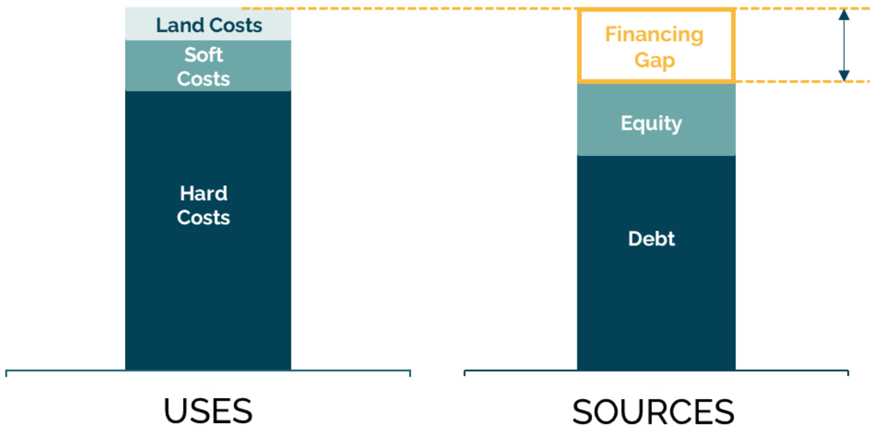
In untested markets, market-driven TOD may not be feasible in today's market context, without public assistance. In markets that have not seen completed TOD projects, private developers pursuing TOD take on a higher level of financial risk, because they are introducing a new development typology to that market.

When public agencies have a financial role in implementing new development, they can help reduce the financial gap for TOD in the near term. Their participation also ensures that initial TOD reflects urban design best practices and meets community goals.

There are a variety of public finance tools available that jurisdictions can pursue, from value capture tools, to federal transit-related funding options, detailed in the following section.

After initial development has proved successful, it can have a catalytic effect, because it reduces risk for developers pursuing TOD projects afterward. At this moment, TOD could be financially feasible without significant public assistance, because the market for TOD has been proven.

Hypothetical Project Capital Stack



PROJECT NOT FEASIBLE DUE TO FUNDING GAP

Gap driven by factors such as:

- Low market rent relative to new construction costs
- Project features such as structured parking
- Public infrastructure
- Extraordinary development costs

Public Finance Tools to Address Project Gaps

BCDCOG

Conditions for Providing Public Assistance

Projects seeking assistance should demonstrate that certain conditions are met

In order to catalyze TOD, public assistance in certain instances could be what makes a project, such as those described earlier, financially feasible. While determining whether a project would be suitable for public assistance should be evaluated on a case-by-case basis, there are certain conditions that should be met by any project that has a “public ask”.

Six Conditions for a Project to Be Considered for Public Assistance

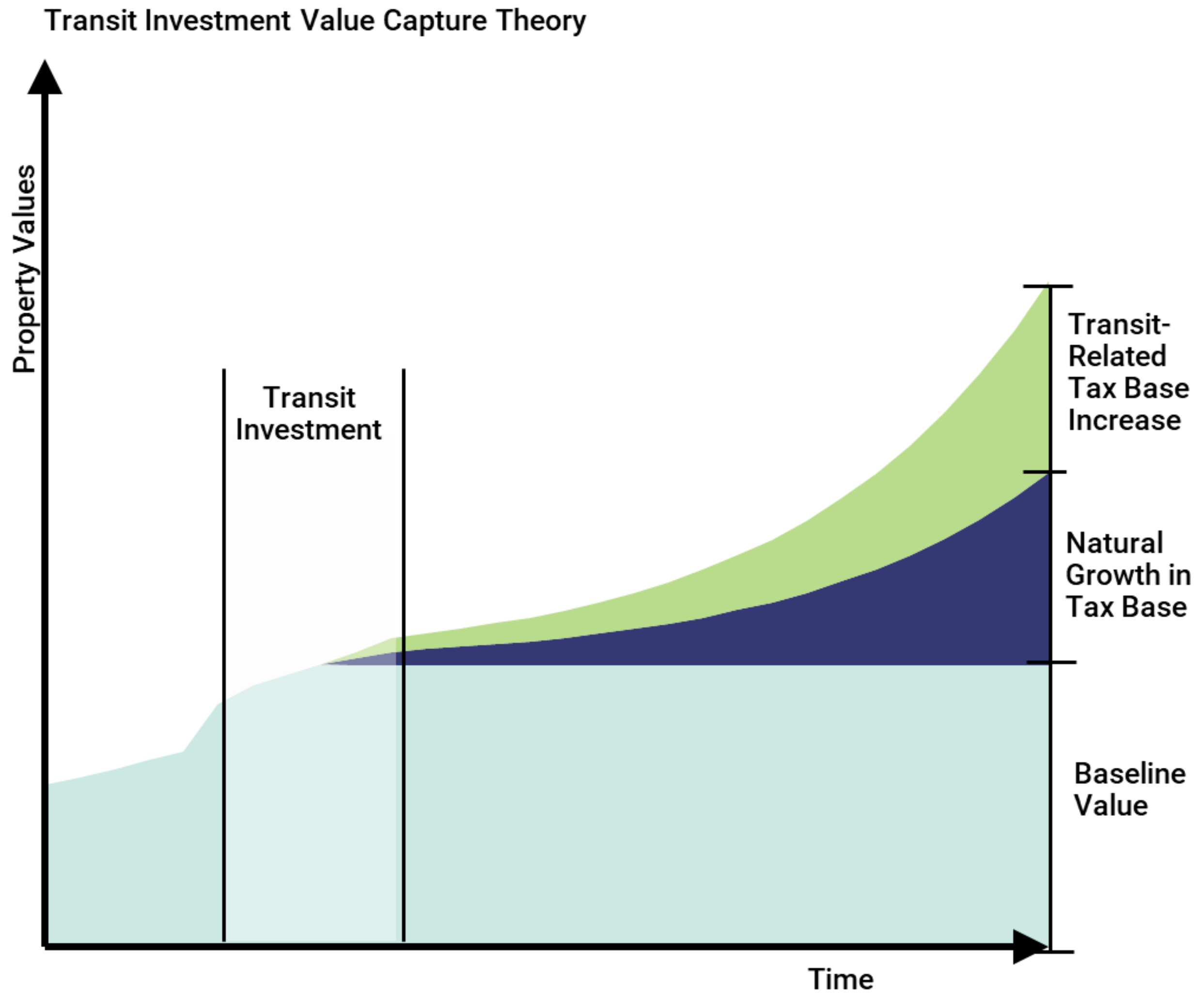
1. Project contributes to important public policy goals
2. Project is economically feasible with assistance
3. Project would not proceed as desired “but for” the assistance
4. Project pays for itself through generated revenues or justifies the investment via economic/community impacts
5. Project likely to succeed based on sponsor track record, analytical studies, team capacity, etc.
6. Structure appropriately limits public risk while delivering the capital needed for project success

How Value Capture Works

Special districts allow jurisdictions to leverage property value increase for public goals

Prior to the implementation of a value capture mechanism, such as a TIF district, the local jurisdiction already collects a baseline level of revenues generated from existing taxes. With significant public improvements or private investment, such as LCRT, it is expected that these improvements will generate an increase in property values over time. This increase is partially attributed to the transit investment.

The future increment generated can then be used to pay for additional improvements if captured by a value capture mechanism in place prior to the increase.



Source: SB Friedman

Property Value Projection Analysis

Growth in future property values can support developments today

Because SB Friedman identified an existing financial gap at both prototypical developments, public assistance may be necessary to support the financial feasibility of TOD in North Charleston. Assistance could be financed through a value capture tool such as a TIF district.

SB Friedman analyzed the potential incremental property tax capture at both developments, to assess the extent that any public assistance could be sustained by property value growth. This analysis also highlights the general fiscal benefit associated with TOD.

Projections for both developments assume:

- A TIF is implemented in 2025 at which point base values are frozen
- The TIF district has a 25-year duration
- Property values increase 15% every five years at re-assessment, "maxing" out the capped value increase possible, in-line with comparable development
- Undiscounted incremental revenue

CARTA Superstop Site

K-Mart Site

Source: Renaissance Planning Group, SB Friedman

Assessed Value Assumptions by Land Use

Assessed value assumptions depend on the land use mix of development

SB Friedman identified AV assumptions for the various land use components present at the two prototypical developments. The assumptions are based on a review of assessor Market Values for recently completed development within North Charleston for each land use. The values reflect when the development is fully stabilized and are displayed in 2024 dollars, The affordable values were determined by discounting the equivalent market-rate units downward, based on the rents and housing costs that target households could afford to pay relative to expected market-rate revenues.

AV Assumptions by Land Use at Prototypical Developments

Property Type	AV	Basis
Multifamily Rental (Market Rate)	$190,000	Per Residential Unit
Multifamily Rental (Affordable, 80% AMI)	$124,000	Per Residential Unit
Condo (Market Rate)	$475,000	Per Residential Unit
Condo (Affordable, 100% AMI)	$328,000	Per Residential Unit
General Retail (Mixed-Use Context)	$260	Per RBA
Grocery Store Retail	$265	Per RBA

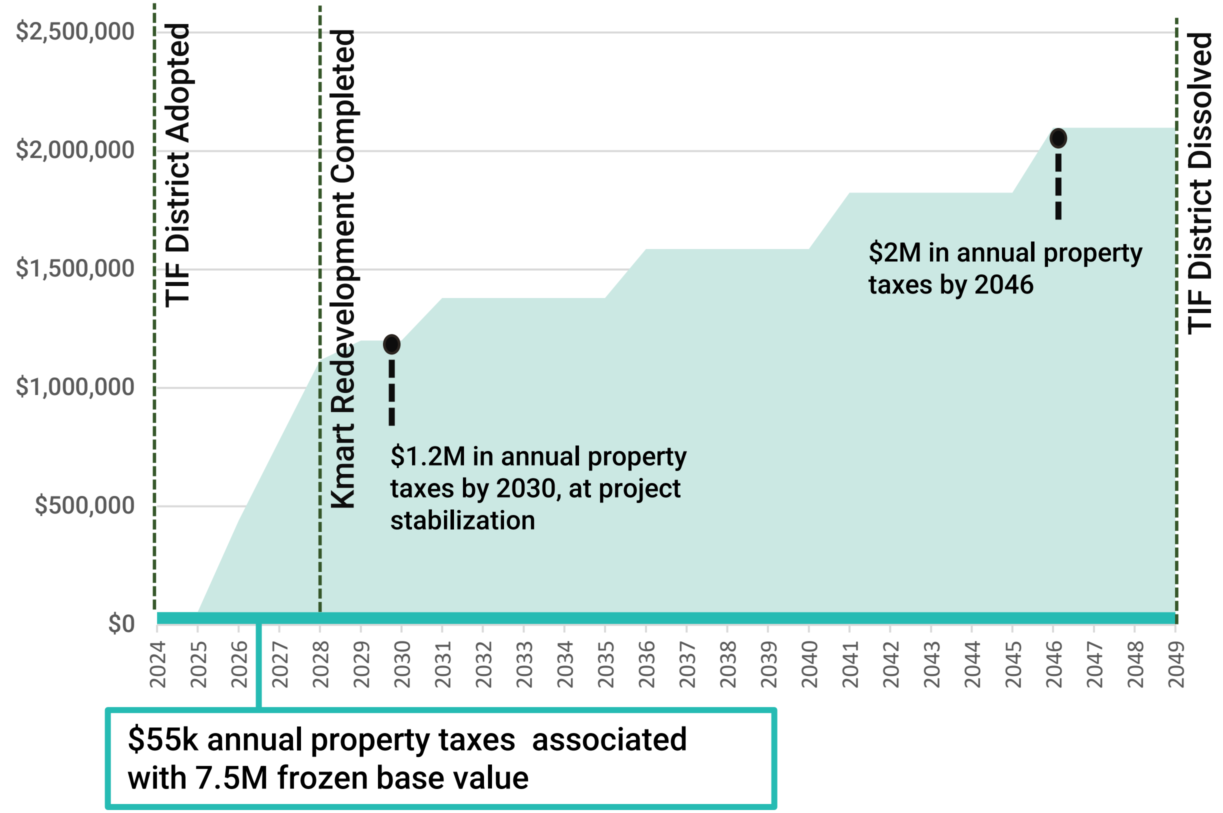
Source: Charleston County Assessor, SB Friedman

K-Mart Site Tax Projections

The K-Mart Site could generate $18M in incremental revenue in 2024 dollars

Over the life of the TIF district, the K-mart Site could generate approximately $38 million in incremental tax property revenue over the life of the TIF, or $14 to $18 million in 2024 dollars, attributed to a property value increase in $268 million. This translates to approximately $1.2 million in incremental tax revenue each year, at project stabilization. One-fourth of this incremental revenue is associated with owner-occupied property, and 75% with renter-occupied and commercial property.

Kmart Site: Projected Annual Property Taxes, 2024-2049



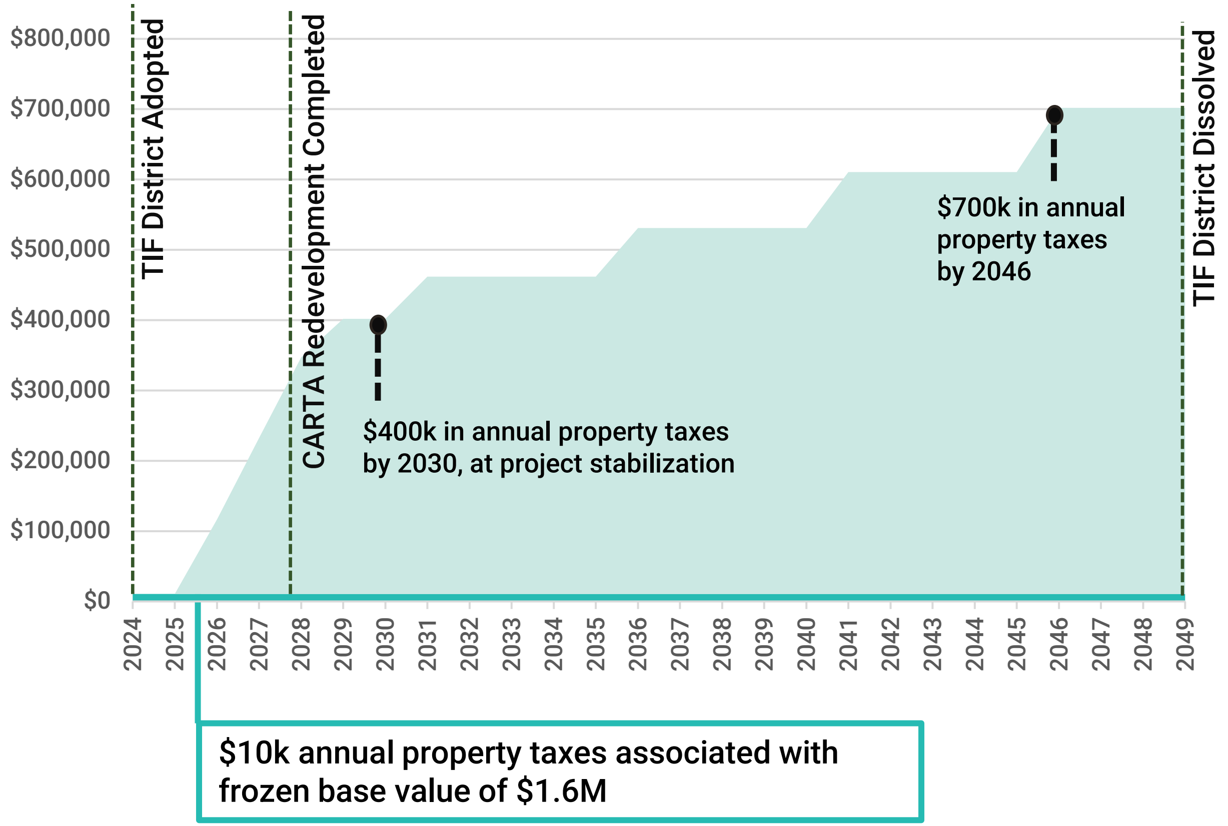
Source: Charleston County Assessor, SB Friedman

Carta Site Tax Projections

The CARTA Site could generate $6M in incremental revenue in 2024 dollars

The CARTA Site is a much smaller than the K-Mart Site, at just 4.5 acres. Still, the prototypical development could generate significant revenues – $10 million over the life of a TIF district, which translates to $5 to $6 million in 2024 dollars. The development program is estimated to spur approximately $400,000 in incremental tax revenue annually at project stabilization. Approximately 75% of the incremental revenue is associated with owner-occupied property, with 25% associated with rental and commercial property.

CARTA Site: Projected Annual Property Taxes, 2024-2049



Source: Charleston County Assessor, SB Friedman

Other Considerations

Jurisdictions need to balance fiscal with public policy goals

The financial gap today at both prototypical developments could be partially offset by public assistance through projected property value increase. The impact of the assistance depends on a variety of factors – particularly the structure of the agreement. Jurisdictions should be cognizant of the fiscal tradeoffs associated with key policy goals. Requiring affordable housing units in residential developments or supporting opportunities for below-market ground-floor commercial space, such as space for non-profits or business incubators, will reduce AVs for property by reducing operating income.

Achieving community objectives related to the public realm – such as providing green stormwater infrastructure or building a parking garage that unlocks the potential for higher-density development, can also add to project gaps if developers are expected to contribute. Jurisdictions will need to weigh their priorities for future TOD station areas and pursue a collective set of strategies that support those priorities in addition to local value capture tools. This could include expanding access to state and federal affordable housing funds, strengthening local fee in-lieu programs, streamlining the permitting process for development, and ensuring local regulations around development are objective and align with public goals.

Additional Policy Recommendations

There are a variety of additional funding and regulatory tools jurisdictions can explore to support TOD

	Description	Key Considerations
Public Investment Tools		
Contribute Publicly Owned Land for Joint Development	Contribute publicly owned land through a joint development structure for TOD	Could include land disposition or a long-term ground lease arrangement, which allows the public agency to retain ownership. Proactive land banking practices, especially before transit investment is implemented when land values are lower, can increase the potential impact of land contribution
Improve Multi-modal Options	Invest in bike, pedestrian, and transit infrastructure near stations to support travelers in “first/last mile” trips	TOD stations in areas that are predominantly car-oriented can act as disconnected “transit islands” if connections to the rest of the area are not considered
Regulatory Tools		
Reduce parking ratios	Reduce or eliminate minimum parking ratios to decrease construction costs associated with parking, and encourage developers to pursue creative parking arrangements	Shared parking solutions, and other TDM best practices can reduce parking needs for TOD. In markets where people still depend on cars, developers may opt to provide parking that exceeds minimums to make projects more marketable.
Streamline entitlement process	Reduce entitlement timelines and barriers to increase developer certainty, thereby reducing their holding costs	Jurisdictions can also aim to ensure that requirements for different departments/scales/ are compatible. With interest rates and construction costs continuing to increase, streamlining this process is critical.
Waive impact and permitting fees	Reduce impact and permitting fees for development to decrease development soft costs	Jurisdictions should ensure waivers or reductions are applied using objective standards. This could be structured as an incentive in exchange for meeting other community goals.
Allow for increased density	Increase density associated with zoning codes in station areas to allow more intensive development by-right	Allowable density should be tied to what is market-supportable. Higher-density development requires more costly construction types. Density bonus or other incentive policies can be impactful in ensuring development also meets community goals.

Conclusions

Conclusions

Vibrant TOD station areas throughout the Corridor are possible – with public assistance

The LCRT line will increase transit access along the Corridor. There is an opportunity to create vibrant TOD districts within station areas. The market for TOD form in many station areas – especially those further from downtown Charleston – is unproven as many station areas are currently car-oriented and residential densities remain below what is typical for TOD. Developers pursuing new TOD in these station areas face a high level of financial risk which makes high-quality TOD projects unlikely to be financially feasible in the immediate future. TOD projects proposed over the next five years are likely to have significant financial gaps.

However, there are multiple tools available to jurisdictions to reduce the financial gap of TOD. Contributing publicly-owned land to a project can meaningfully reduce overall project costs. Value capture tools, such as establishing TIF districts, are well-suited to accompany transit investment. The LCRT investment itself will likely raise land value in station areas, which creates potential to capture that value for public goals. New TOD in established TIF districts are often self-sustaining, contributing enough value over the long-term to offset financial assistance during the construction period. Public agencies and municipalities can also pursue additional funding tools administered at other levels of government, including Multicounty Business Parks, and federal transit funding sources. Ensuring that local regulations and other programs are supporting community goals through TOD is also critical to ensuring that public financial assistance for TOD is impactful. When jurisdictions incorporate these tools in tandem, they can ensure TOD districts evolve in line with the public interest, while cementing TOD market readiness for station areas.

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MARKET ANALYSIS AND REAL ESTATE ECONOMICS

STRATEGY

DEVELOPMENT STRATEGY AND PLANNING

FINANCE | IMPLEMENTATION

PUBLIC-PRIVATE PARTNERSHIPS AND IMPLEMENTATION

Appendix I

Market Value Benchmarks

Multifamily | Market Value Benchmarks

Market value ranges from $130k-$240k per unit for new construction multifamily in North Charleston



	Palmetto Exchange	The Burke	Link Apartments At Mixson
Year Built	2018	2020	2014
Units	252	276	358
Acres	14	11.6	9.7
FAR	0.6	0.7	0.8
Market Value	$60,750,000	$54,648,000	$58,855,000
Market Value / Unit	$241,071	$198,000	$164,000
Market Value / Acre	$4,189,700	$4,719,200	$6,000,000

Source: Charleston County Assessor (2022), SB Friedman

LCRT | BCDCOG

Retail | Market Value Benchmarks

Market value for retail ranges from $250-550/SF for recent single-story development in North Charleston


	6893 Rivers Avenue	2089 Ashley Phosphate Road	6328 Rivers Avenue
Year Built	2016	2016	2017
Acres	1.11	0.4	1.17
FAR	0.09	0.14	0.17
Market Value	$1,290,000	$1,329,600	$2,132,600
Market Value / Building SF	$292	$549	$250
Market Value / Acre	$1,162,200	$3,323,900	$1,822,700

Source: Charleston County Assessor (2022), CoStar, SB Friedman

Office| Market Value Benchmarks

2+ story office in North Charleston has a substantial Market Value premium over lower density office

	8085 Rivers Ave	8887 Old University Blvd	2575 Elms Center Rd
Year Built / Renovated	2018	2019	2015
Acres	13.6	0.73	1.78
FAR	0.27	0.28	0.28
Market Value	$7,978,939	$1,538,300	$6,320,000
Market Value / Building SF	$50	$173	$287
Market Value / Acre	$586,700	$2,107,260	$6,320,000

Source: Charleston County Assessor (2022), CoStar, SB Friedman

LCRT | BCDCOG

Hotel | Market Value Benchmarks

Market value ranges from $100,000 per key for older product to $150,000 per key for newer hotel product

	Home2 Suites by Hilton North Charleston University Blvd	SpringHill Suites Charleston Airport and Convention Center	Residence Inn Charleston North/ Ashley Phosphate
Year Built	2019	2020	2012
Keys	103	115	96
Acres	1.93	1.74	1.97
FAR	0.7	0.8	0.9
Market Value	$10,148,300	$13,990,000	$14,315,000
Market Value / Key	$98,527	$121,652	$149,115
Market Value / Acre	$5,258,200	$8,040,200	$7,266,500

Source: Charleston County Assessor (2022), CoStar, SB Friedman

Appendix II

Limitations of Our Engagement

Limitations of Our Engagement

Our report is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry and meetings with the client and others during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report or to reflect events or conditions which occur subsequent to the date of the report. These events or conditions include without limitation economic growth trends, governmental actions, additional competitive developments, interest rates and other market factors. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our report is intended solely for your information and should not be relied upon by any other person, firm or corporation or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan or other agreement or any document intended for use in obtaining funds from individual investors.

We acknowledge that our report may become a public document within the meaning of the freedom of information acts of the various governmental entities. Nothing in these terms and conditions is intended to block the appropriate dissemination of the document for public information purposes.