Promoting Opportunity through Equitable Transit-Oriented Development (eTOD)

Overview

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Introduction
Investments in communities and transit infrastructure can significantly enhance opportunity for low- and moderate-income families. Though resulting property value increases can jeopardize this outcome, equitable transit-oriented development (eTOD) is one tool to ensure that high-opportunity neighborhoods are inclusive. This paper defines eTOD as compact, often mixed-use development with access to jobs, neighborhood-serving stores and other amenities that also serves the needs of low- and moderate-income people. A primary approach to eTOD is the preservation and creation of dedicated affordable housing, which can ensure that high-opportunity neighborhoods are open to people from all walks of life.

This paper demonstrates the importance of eTOD, barriers to creating or preserving inclusive station areas, and best practices for overcoming those challenges based on a review of literature, interviews with transportation-sector stakeholders, and Enterprise Community Partners’ deep organizational experience supporting eTOD.

Making the Case for eTOD
Housing is considered affordable if the full cost of shelter (rent plus utilities; or principal, interest, taxes, insurance and utilities for homeowners) is no more than 30 percent of household income. When accounting for transportation costs, a location is considered affordable if a household pays no more than 45 percent of income for the combined cost of housing and transportation. Market-rate housing can be affordable to a varying range of households depending on local conditions. However, there is a need for committed affordable apartments for people that the market does not serve. Various funding

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1 The definition of low- and moderate-income often depends on the affordable housing program being used. Some US Department of Housing and Urban Development programs define low-income as households earning no more than 80 percent of area median income (AMI), while the federal Low-Income Housing Tax Credit program targets households at or below 60 percent of AMI. Various state and local standards are also set, in some cases reaching 120 percent of AMI for homeownership programs. In the context of eTOD, the target population for any interventions will depend on the specific needs of that community. Therefore, this report does not use the terms to refer to a specific income threshold unless otherwise specified.

2 The Center for Neighborhood Technology’s Housing and Affordability Index expands on HUD’s definition of “housing-cost burdened,” as paying more than 30 percent of household income to housing costs, to include the cost of transportation. This measure of 45 percent of household income to combined housing and transportation costs addresses ostensibly affordable housing farther from job centers by accounting for the cost associated with commuting to those centers for work.
sources and programs are used to create “affordable housing” units, which are income restricted and cap monthly payments. Preserving or producing affordable housing in station areas protects against market pressure to increase housing costs, to burden and/or displace residents, or to prevent access to high-opportunity neighborhoods while improving residents’ mobility and decreasing their costs of living. eTOD also benefits the community, the economy, the environment and the transportation system.

**Access to Employment:** Three-quarters of all jobs in the nation’s 100 largest metropolitan regions are transit accessible. Studies have found that better job accessibility significantly decreases the length of unemployment for certain lower-paid workers who had recently lost their jobs and that those with limited transit access had higher rates of unemployment compared to neighborhoods with more substantial transit access.ii

**Decreased cost of living:** In addition to improving access to jobs and other daily necessities, eTOD lowers the aggregate costs of housing and transportation. In Illinois, low-income residents with bus and rail access saved an average of $3,000 on annual transportation costs, and California eTOD residents owned fewer vehicles.ii With lower housing and transportation costs, eTOD residents have more resources for food, education, health care and other necessities.

**Health and Well-Being:** Greater access and proximity to life’s necessities allow station-area residents to enjoy healthier lifestyles that include routine walking and biking, leading to reductions in rates of obesity, heart disease and asthma that may be prevalent among low-income people.iv

**Efficient Transportation Networks:** Studies have found that proximity of dense development to transit significantly reduces vehicle-miles traveled (VMT) and the number of vehicle trips while increasing the number of transit trips.ii There is also evidence that eTOD can contribute to greater transit use and can potentially reduce congestion, as compared to development targeting only higher-income families. Research indicates that 66 percent of transit users earned less than $50,000 (in 2004 dollars) and that, the less a family earns (under $100,000), the more likely they are to use transit.xi A California study found that, compared to those who earned more, families earning less than 80 percent AMI rode transit more and drove less.vi Moreover, families earning 30 percent AMI or less took 50 percent more transit trips than those earning 120 percent AMI or more. vii

**Economic Development:** Compared to conventional suburban development, research has found dense, mixed-use, connected development to be associated with a 10-fold increase in tax revenue, one-third reduction in infrastructure costs and 10 percent reduction in service-delivery costs.ix TOD also offers the potential for job clusters and agglomeration economies, which can spur additional investment.x Furthermore, disconnected development can reduce labor-catchment areas, limit business markets, reduce employee productivity and increase labor costs that later pass on to end consumers.xi The expanded access provided by eTOD critically supports a healthy local and regional economy, as many employers are dependent on the presence and productivity of lower- or moderately-paid employees for their operations.iii They are the workers who are the backbone of our community, such as restaurant staff, custodians and maintenance personnel, first responders and health workers.

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iii Additional information on wage levels as compared to regional housing costs is available through the Paycheck to Paycheck database. This database was created and is maintained by the National Housing Conference and Center for Housing Policy, and includes information on 210 metropolitan statistical areas. http://www.nhc.org/chp/p2p/
Environmental Protection: Given the aforementioned data on the relationship between income and transit ridership, eTOD is important for maximizing the environmental benefits of transit. TOD facilitates the use of transit, walking and biking, thereby reducing the impact of car use that in 2012 accounted for 28 percent of U.S. greenhouse gas emissions. A lack of housing affordable to people with low or moderate incomes within station areas can push these potential transit users farther from the urban core, potentially exacerbating sprawl and increasing VMT.

Barriers and Bridges to Implementing eTOD
TOD can be difficult to achieve in many cases, with resultant negative consequences on the ability to provide eTOD. A number of factors reduce the number of transit-oriented neighborhoods (and housing within such neighborhoods), including single-use zoning, density limits and automobile-oriented development patterns. In addition, compared to suburban “greenfield” development, TOD in urban infill locations may carry higher development costs and other problems related to regulatory compliance, site layout, the need to work around existing infrastructure, and demolition, remediation or site preparation work. The combination of scarce supply and high development costs often results in price premiums within transit-oriented neighborhoods, though such premiums are context-sensitive and influenced by other factors. Higher costs can significantly impact low- and moderate-income households. Increases in property values may result in barriers of entry for lower-income families into transit-served neighborhoods and increase the likelihood of displacing existing residents, particularly in neighborhoods with a high proportion of renters.

Therefore, in many cases, eTOD requires specific tools to preserve and create affordable housing opportunities in these neighborhoods. Our research and experience have found a number of promising solutions for addressing the most commonly faced barriers to eTOD.

Develop a proactive strategy to support eTOD. Market-specific factors, such as developable sites, financing availability, and a supportive zoning framework greatly influence the success or failure of eTOD. Implementing eTOD requires engagement between the housing, transportation and financial sectors, as well as multiple levels of government. However, inconsistent coordination and attendant lack of familiarity can make building working relationships more difficult. Improving coordination between these sectors can nurture symbiotic relationships. Best practices include:

- Ongoing stakeholder coalitions and working groups have been formed to focus on addressing equity-related issues in Greater Baltimore (Red Line Community Compact), suburban Washington, D.C. (Purple Line Corridor Coalition), and statewide in Illinois (Housing/Transportation/Employment Linkages Working Group).
- The Puget Sound Regional Council (Seattle metropolitan region) has collaborated with the Washington State Housing Finance Commission to develop transit-supportive criteria for state housing funding.
- The Metropolitan Atlanta Rapid Transit Authority policies for developing transit-owned real estate set an affordable housing target of an average of 20 percent across its developments.
- Capital Metro produced a Transit-Friendly Development Guide to disseminate principles for station-area growth. The document outlines the individual and aggregate housing and transportation costs of ten station areas in and around Austin, Texas.
- The city of San Francisco conducted a blanket environmental impact review (EIR) along a light-rail corridor to reduce the need for costly and time-intensive EIRs for individual stations, while also encouraging development in pre-permitted station areas.
Facilitate financing at appropriate terms and conditions. The financial feasibility of eTOD depends on the availability of capital with appropriate terms and conditions. Despite the demand for eTOD, recent research cites a lack of financing due to perceptions of increased market risk in financing mixed-use properties, particularly in areas with low levels of existing TOD. However, proactive efforts have been made in several markets to expand access to eTOD capital.

- In 2010, the city of Denver contributed $2.5 million in top-loss capital to create a $15 million eTOD acquisition fund for the city. In 2014, the fund expanded to $24 million and now can be used across the seven-county metropolitan region.
- The Metropolitan Transportation Commission (San Francisco Bay Area) contributed $10 million in transportation funding to seed the Bay Area Transit-Oriented Affordable Housing Fund, a $50 million structured fund to finance pre-development, acquisition and construction for affordable housing.
- Fifteen percent of the city of Atlanta’s Beltline Tax Allocation District’s revenues support the Beltline Affordable Housing Trust Fund, which provides capital for acquisition, rehabilitation, and construction for affordable housing along a planned multi-modal corridor.
- Los Angeles was able to use housing funding as a counter-cyclical resource during the Great Recession, as transit-oriented affordable housing developments filled the gap left by struggling market-rate developers. As a result, 32 percent of housing developed on Los Angeles County Metropolitan Transportation Authority land is affordable, despite the lack of an explicit eTOD requirement.

Enhance access to privately-owned sites. In markets with high or rapidly rising housing costs, affordable housing developers have difficulty competing for sites with profit-driven market-rate developers. Conversely, property owners in cooler markets may resist selling while awaiting greater price appreciation, thereby delaying re-development. There are a number of policies that can facilitate enhanced station-area site access for developers.

- Austin’s Capital Metro is utilizing Joint Development to promote eTOD. The Plaza Saltillo project will feature retail, a grocery store, 600 market-rate apartments and 200 affordable apartments.
- In Portland, TriMet has enabled affordable housing development on its property by accounting for the incremental farebox revenue that the development would generate in its terms and by providing free site control while the developer competes for affordable housing subsidy funds.
- The Minnesota Department of Transportation (MnDOT) purchased the right of way for the Twin Cities’ Hiawatha Line, including staging areas for construction equipment. When the project was complete, MnDOT sold the property to the regional planning agency, which leased or sold the property to developers in coordination with the City of Minneapolis.

Remove regulatory barriers to station-area development and/or eTOD. Successful eTOD requires a supportive regulatory framework, yet many jurisdictions impose a number of restrictions that complicate station-area development, including limits on density, excessive parking requirements, overly restrictive and/or prescriptive building codes, unpredictable entitlement timelines, excessive development fees and poorly managed public-engagement processes. Therefore, coordinating local and transit-agency policies and priorities is critical.

- In 2013, the city of Charlotte approved the Voluntary Mixed-Income Housing Development Program, which allows developers to increase density in return for reserving units for households earning 80 percent of area median income or less.
Some transit station areas require significant upfront infrastructure investment to make them viable for TOD. In such circumstances, regulatory flexibility for density, parking or other terms may be necessary to generate sufficient returns to cover infrastructure costs. Northern Virginia’s Silver Line has spurred higher density TOD despite some stations located in a highway median. A portion of this development must be affordable according to Fairfax County’s Affordable and Workforce Housing policies. xxvii

Policies that maximize density and incorporate affordable housing in station areas should also include context-sensitive parking regulations. Conventional regulations significantly increase development costs (as high as $50,000 per space in garages xxviii) and inhibit achieving a critical mass of population, a variety of uses and other amenities necessary for a thriving district. In Maryland, Prince George’s County allows projects within one-quarter mile of metro stations to provide 30 percent less parking than zoning requires and a further reduction for mixed-use projects. xxix

Conclusion

A robust evidence base supports implementing eTOD to benefit regional growth, mobility and access, public health and cost of living. Importantly, transit-oriented affordable housing particularly promotes transit use, increases farebox revenue and supports vibrant economies. However, developers working to preserve and create affordable housing in transit-rich neighborhoods face considerable challenges. While there is no single intervention that dictates the success or failure of eTOD, prioritization and engagement among key stakeholders in transportation, housing, government, finance and development is paramount. This buy-in is crucial to bring the necessary resources to bear – whether human, financial, or real estate – to tackle this complex issue.

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Ibid.


For more information on Fairfax County, Virginia’s affordable housing policies, visit: http://www.fairfaxcounty.gov/tysons/housing/.

