


MAKING AFFORDABLE HOUSING AT TRANSIT A Best Practices in Transit Agency Joint Development

By Robin Kniech and Melinda Pollack

"Affordable housing is a key part of a vibrant, sustainable transit-oriented area."

-Jillian Detweiler, Senior Planner, TriMet (Portland)



Development	Downtown Redmond
Lead Agency	King County Department of Transportation/Metro Transit
Location	Redmond, Wash. (Seattle area)

- 386 rental units
- 20 percent of units affordable to residents earning up to 80 percent of AMI
- Awarded to a for-profit developer through a competitive RFP process

Built with conventional financing, the development was made possible through a land-swap with the state's transportation department and consolidation of a former surface parking lot into structured parking.

Key Findings

FRESC: Good Jobs, Strong Communities and Enterprise researched transit agency approaches to affordability in joint development in 24 cities in the U.S., and this report summarizes the best practices and outcomes among these agencies.

Transit agencies' primary mission is to provide transit service; however, most recognize that affordable housing can play a key role in supporting their mission. Many agencies have written policies or plans on affordability that guide their joint development activity while others do not have written policies but achieve joint development with affordable housing in practice based on strong agency and community expectations. Successful transit agencies do not substitute for the role of the local government in creating affordable housing but can play a critical complementary role, often initiating projects that include affordable housing that would not have otherwise been possible.

- **At least nine transit agencies have joint development policies that include affordable housing and six others have practices of including affordable units in projects even in the absence of written policy.**
- **At least 3,408 affordable housing units have been created through transit agency joint development.**
- **At least 1,813 additional units are in various stages of planning and development.**

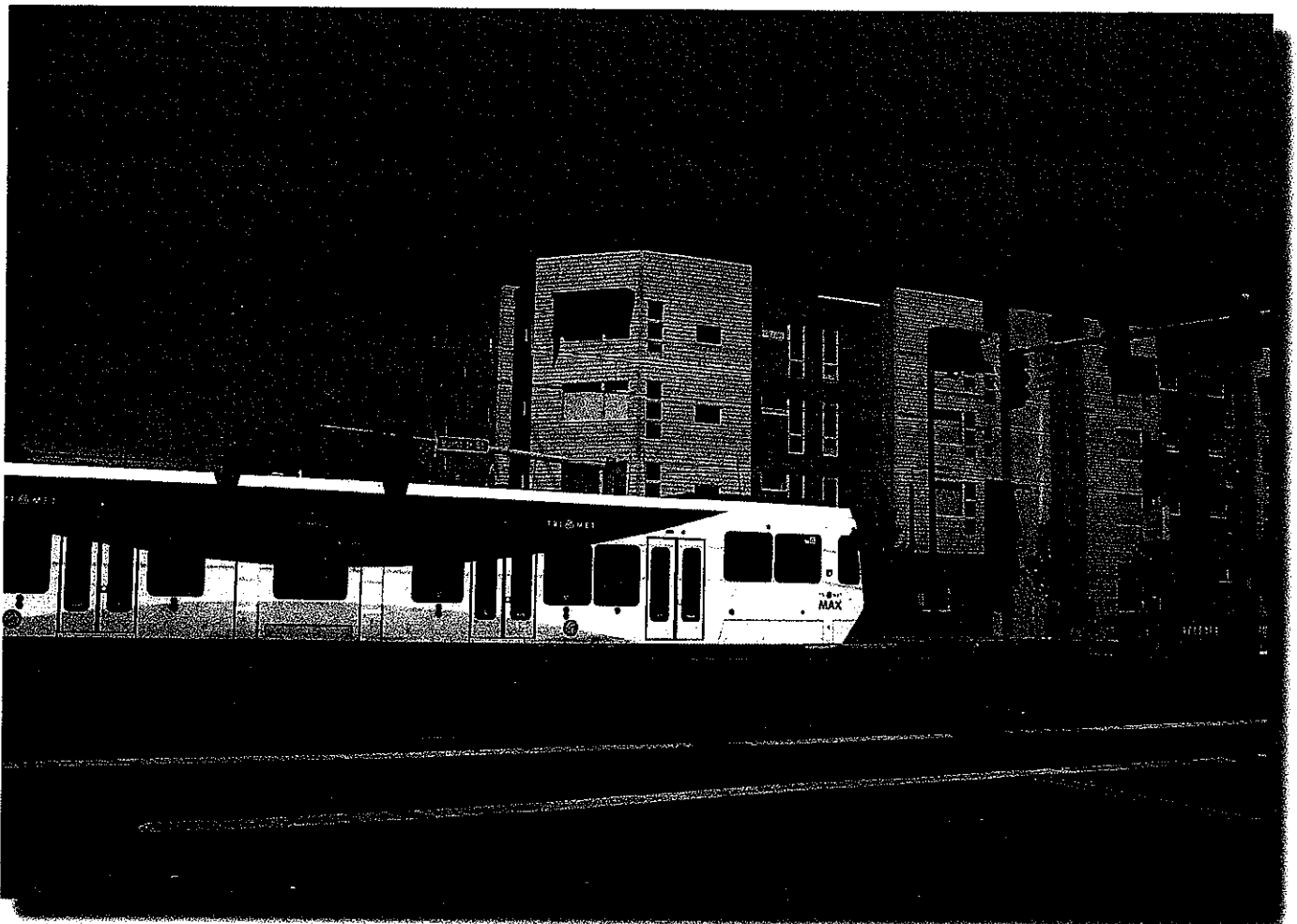


Affordable Housing Best Practices in Transit Agency Joint Development

The Denver metropolitan region has embarked upon a multi-billion dollar rail and bus rapid transit expansion known as FasTracks.

With the expansion has come increased attention and

opportunities for transit-oriented development (TOD), including interest in combining residential and other mixed uses on land sold or leased by the regional transit agency. Advocates and communities concerned about equitable access for low- and moderate-income families



Development

West Gresham Apartments

Lead Agency

Tri-Met

Location

Gresham (Portland, Ore., area)

- 27 rental units
- Affordable to residents earning 30 to 60 percent of AMI
- Negotiated through an unsolicited development proposal

Financing sources included Enterprise, city, county, state funds and project-based Section 8.

are also interested in how mixed-income affordable housing can be maximized in TODs.

These opportunities and concerns prompted FRESA and Enterprise to undertake a national survey of transit agencies to assess joint development policies and practices and to determine how other transit agencies approach affordable housing.

The survey attempted to gather information from 24 of the 25 major transit agencies in the country with fixed-guideway station areas. One bus-only agency with a track record on affordable housing was also included (King County, Wash.).

Data was drawn from interviews with transit agency and municipal planning staff, transit agency planning and policy documents, requests for proposals, project websites, and other publicly available information in early 2008, with an update in late fall of 2009.

The survey focused on policies or projects involving transit agency sale or lease of land to a private developer for the purposes of development near or connected to public transit stops or stations.

The Federal Transit Administration (FTA) has technical tests that determine when such land transactions are considered “joint development” for purposes of federal statute, including an on-going financial interest on the part of the FTA, but our survey was not limited to such transactions.

This report uses the term joint development more loosely to reflect any sale or lease of transit agency land that results in residential development, often, but not always, as part of a mixed-use project.

Why Transit Agencies Include Affordable Housing in Joint Development

Transit agencies across the country are unanimous that their primary mission is to provide transit service. Yet at least 15 agencies surveyed have policies that promote inclusion of affordable housing in joint developments, or have completed projects that include affordable units. These agencies report that affordable housing plays a key role in supporting their primary transit mission. Agencies reported the following benefits from affordable housing:

- Generates increased ridership, which translates into higher fare revenue and increased competitiveness for federal funding formulas that count transit ridership
- Creates efficiencies and cost-savings through shared parking because affordable units require fewer parking spots than market-rate equivalents
- Ensures equitable access to transit investments by individuals of all incomes and helps mitigate gentrification or displacement concerns that might arise during environmental clearance processes
- Affordable housing can be the key component in ensuring the lease-up, diversity, and energy that make a joint development TOD succeed.

In some cases, transit agency joint developments take place in communities that are subject to inclusionary zoning ordinances (IZOs) that require a percentage of affordable housing as part of any new development. However, IZOs were not a factor in all communities where agencies were involved in projects that resulted in affordable units; notable examples include Portland and Miami. Even in communities where the IZO was a factor, such as Baltimore, San Francisco, King County and Sacramento, agencies often included more units or lower affordability thresholds than the IZO would have required, indicating an agency commitment beyond simply meeting regulatory minimums.

How Transit Agencies Promote Affordable Housing

POLICIES AND PLANS.

Many transit agencies have written plans or policies that guide their TOD or joint development activity. At least nine agencies explicitly reference affordable housing in such plans or policies.

Several, including the King County Department of Transportation, and the Charlotte Area Transit System identify specific percentage goals to be considered when soliciting proposals. Portland Tri-Met's policy considers affordable housing when selecting among competing joint development proposals.

The Atlanta Beltline project, which involves both transit infrastructure and economic development compo-

nents, created an affordable housing trust fund to help fund affordable units along the new line. The remaining policies require the respective agencies to "encourage" or "support" affordable housing within their approach to residential uses.

INSTITUTIONAL EXPECTATIONS.

The aspirational nature of many of the policies belie a somewhat stronger set of institutional expectations and practices that emerged through interviews and when examining actual transactions.

For example, the BART system in the San Francisco Bay Area has no written policy on affordable housing, yet they have completed three and have four other joint development projects in various stages of planning or development with affordable housing components.

The Los Angeles County Metropolitan Transportation Authority's policy simply encourages housing for a diversity of household incomes, but the agency reports that 22 percent of the residential units created through their joint development efforts are affordable.

When agencies were asked about strong practices in the absence of strong policy language, they described cultures of high expectations where agency executives and/or the boards approving transactions have strong commitments to affordability that have become institutionalized in the way agencies approach residential components of joint development. A number of agencies with strong track records also described their agency's approach as originating from clear and well-organized expectations from community members.



Development Strobridge Court
Lead Agency San Francisco Bay Area Rapid Transit District (BART)
Location Castro Valley BART station
Alameda County, Calif. (San Francisco area)

- 96 rental units
- Affordable for seniors and families earning 40 to 50 percent of AMI

Made possible by BART through a land lease to nonprofit developer Bridge Housing

RELATIONSHIP WITH LOCAL GOVERNMENTS AND REGIONAL BODIES.

Agencies with strong policies or track records also demonstrated strong relationships with local jurisdictions with whom they worked closely to fulfill their affordability goals. This is in contrast to agencies with no policies or projects who almost uniformly described affordable housing as the responsibility of the city alone.

Agencies with strong track records demonstrated a great degree of sensitivity and respect for the role of their local governments but also a willingness to set strong internal goals and to take the lead in starting the conversation with their local jurisdictions.

In the case of the San Francisco Bay Area, policy and financing criteria from the metropolitan planning organization (MPO) also played a critical role in ensuring the transit agency's success through criteria that reward location of affordable units near transit as well as grants for planning and TOD infrastructure.

CLEAR EXPECTATIONS FOR THE PRIVATE SECTOR.

Successful agencies felt that clear expectations were critical in working with private sector partners. These agencies noted that developers and lenders in their communities understood their expectations and proposed projects with strong, viable affordability components – in many cases, even in the absence of written policies – because they knew it would be necessary or helpful to their selection.

They also emphasized the advantages of establishing expectations early so all developers were aware and could incorporate affordability into their proposals or planning as early as possible.

TOOLS FOR IMPLEMENTATION.

Whether a policy or a strong commitment drives expectations, agencies use a variety of tools to ensure affordability is achieved. The most prevalent method was

through a competitive RFP where an affordable goal is explicitly stated or where developers responding with affordable projects or components are given preference in the selection process.

Agencies used competitive RFPs for both land sales as well as long-term land leases. At least three agencies used land swaps with other government land owners or the private sector. The FTA requires agencies to retain control of transit infrastructure that is sometimes inextricably intertwined with joint development, and because of this requirement and the public benefits of capturing the increased value of land at the end of 99 years, several agencies with the strongest track records on affordable housing also reported a preference for long-term land leases over land sales.

Evidence that Affordable Units Near Transit Builds Ridership

Data from the Denver Metro Area

While workers at every income level show increased use of public transportation when they live within one-half mile of a station, **increased transit ridership is especially pronounced for low-income workers** earning less than \$25,000 per year.

More than 10 percent of low-income workers living near rail stations use transit as their primary commute mode, more than twice the rate of any other income group.

Source: Analysis of US Census 2000
by the Center for Transit-Oriented Development,
National TOD Database

Outcomes of Transit Agency Joint Development Efforts to Date

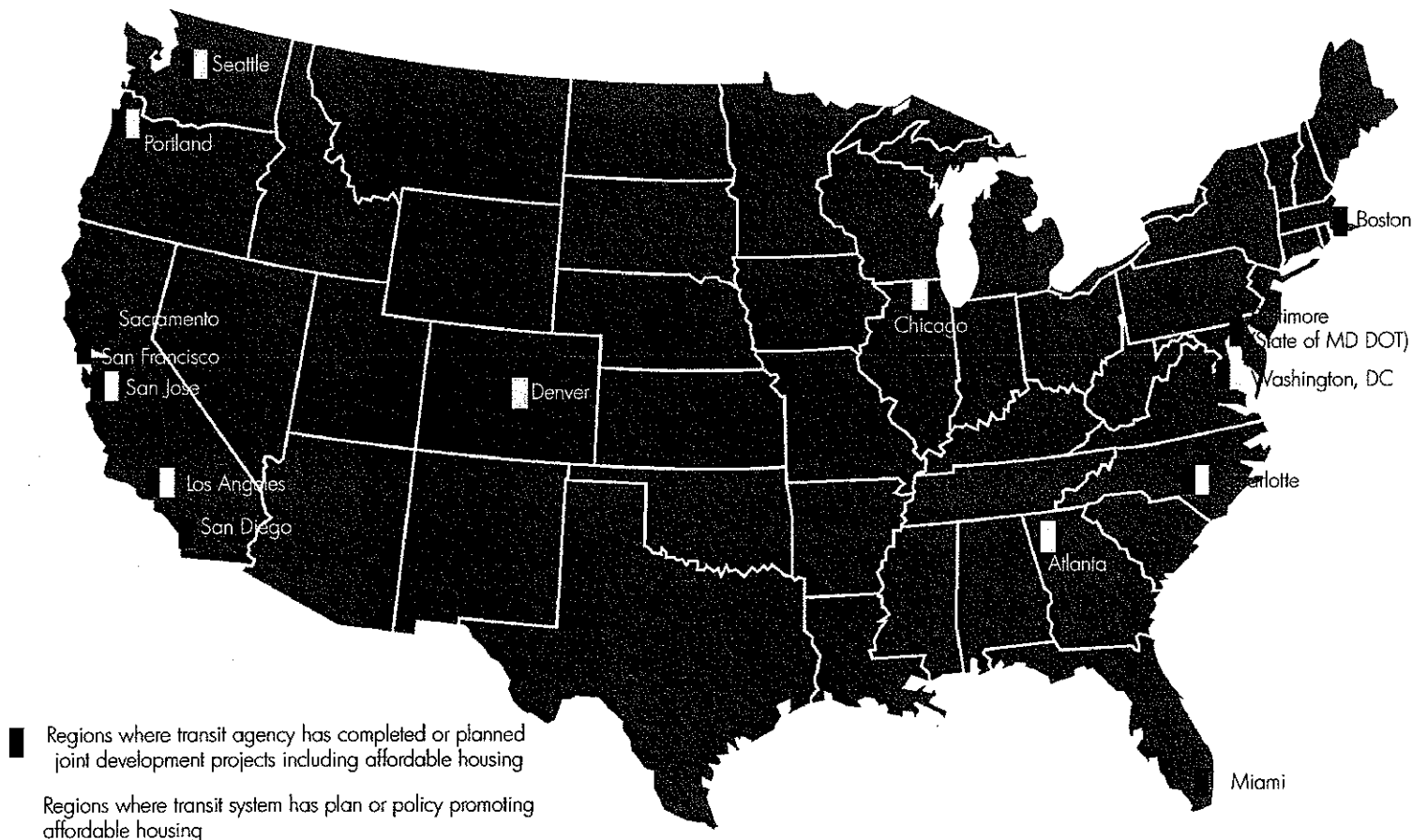
The survey documented 34 completed joint development projects that have produced at least 3,048 deed-restricted affordable units. More than 17 additional projects are in various stages of planning or development to create 1,813 additional units.

The vast majority of projects financed the affordable housing component through use of the Low-Income Housing Tax Credit (LIHTC). LIHTC is a federal program administered by state housing finance agencies, typically with a goal of serving households at 30 to 60 percent of area median income (AMI), which includes many low- to moderate-income working households.

In all cases, tax credits are coupled with multiple sources of grants, low-interest loans and traditional debt to make the developments feasible. These resources are typically utilized by nonprofit developers, for-profit developers, and public housing authorities with strong track records in the development and operation of affordable housing.

In some cases, the transit agency joint development resulted in a stand-alone affordable project that created a mixed-income TOD through integration with other surrounding developments. In other cases, the joint development itself was a larger, mixed-income project of which the affordable units were just one component.

Transit Agencies with Affordable Housing Policies or Developments



Inventory of Affordable Housing Created Through Joint Development

INCOME LEVEL	AMI LEVEL	EXISTING	PLANNED	TOTAL FOR AMI LEVEL	TOTAL FOR INCOME LEVEL
EXTREMELY LOW-INCOME	< 30%	95	13	108	134
	< 40%	26	-	26	
VERY LOW-INCOME	< 50%	274	184	458	598
	30-50%	140	-	140	
LOW INCOME	< 60%	1,293	289	1,582	2,376
	30-60%	-	180	180	
	50-60%	231	19	250	
	< 80%	364	-	364	
UNKNOWN	UNKNOWN	607	836	1,443	-
ALL AFFORDABLE	ALL AFFORDABLE	3,048	1,813	4,861	3,418

Table based on survey of 24 transit agencies across the U.S.

How Transit Agency Joint Development Makes Affordable TOD More Possible

The biggest challenge to building affordable or workforce housing near transit is the ability to secure land.

Not surprisingly, the greatest advantage of joint development documented in this survey was the leverage created by transit agency land ownership to promote the inclusion of affordable units on land the agency acquired for transit purposes.

An additional benefit was the ability of public transit agencies to be patient land holders as development partners put together the complex financing necessary to create affordable homes. In some cases, transit agen-

cies also provided direct financial assistance that helped make affordability possible. For example, the St. Louis Metro provided a loan to finance an affordable development, and Portland Tri-Met and Boston MBTA both provided TOD design grants to similar projects.

Portland Tri-Met has successfully lowered the initial land cost to the developer by using an FTA-approved method where the difference in the cost is made-up over 30 years of fares from increased ridership due to the affordable units.

Conclusion

Increasingly, experts recognize that the combined costs of housing and transportation consume around 60 percent of low- and moderate-income families' gross household income. Addressing these costs in tandem, therefore, could dramatically improve these families' quality of life, create more sustainable communities and increase transit ridership.

This report documents the creation or planned development of nearly 5,000 units of affordable housing through transit agency joint development policies and programs across the U.S. These units represent a small fraction of the overall need for affordable housing in our nation; however, the practices cited set important precedent for the creativity needed to make affordable housing near transportation a reality.

These findings are timely given the recent Inter-agency Partnership between United States Department of Transportation (DOT), Department of Housing and Urban Development (HUD), and the Environmental Protection Agency (EPA) and the introduction of Senator Chris Dodd's Livable Communities Act and companion bill in the House.

The initiatives seek to improve access to affordable housing, provide more transportation options and lower transportation costs while protecting the environment in communities nationwide. While the federal effort has just begun, it is clear that one intention is to align federal policy and incentives in ways that support planning and implementation by regions that are committed to creating affordable and sustainable communities through creative approaches such as those documented in this report.

Transit Agency Policies, Plans or Guidelines That Explicitly Mention Affordable Housing

Atlanta's Beltline TAD Ordinance and Beltline Affordable Housing Trust Fund establishes funding for affordable units along the new Beltline transit/economic development project.

Charlotte CATS Affordable Housing Transit Policy encourages 5 to 25 percent of housing units to be affordable within one-half mile, but caps affordability at 20 percent of units within one-quarter mile.

Chicago RTA's Housing and Jobs Policy states that the agency must support the development of mixed-income, workforce and affordable housing near transit.

Denver RTD's TOD Strategic Plan encourages TOD and joint development that addresses affordable goals of local communities and the region.

King County (Wash.)'s Department of Transportation TOD Policy requires that all surplus land be evaluated for affordable housing.

Los Angeles Metro's Joint Development Policies and Procedures encourage projects with a residential component to provide a range of housing types to meet the needs of a diversity of household incomes.

Portland Tri-Met's Property Policy promotes transit equity and "location efficient housing," and considers whether development proposals will increase availability of housing for low-moderate income households.

San Jose Santa Clara VTA's Joint Development Policy supports a range of affordability, and opportunities for both rental and ownership.

Washington, D.C. WMATA's Joint Development Policy supports affordability as a secondary transit agency goal (especially for WMATA employees).



FRESC is a nonprofit organization whose mission is to ensure that Colorado jobs pay livable wages with family-supporting benefits, and that families have access to affordable housing and a good quality of life. **Contact:** Robin Kniech, rkniech@fresc.org, 303.477.6111



Enterprise Community Partners is a nonprofit whose mission is to create opportunity for low- and moderate-income people through fit, affordable housing and diverse, thriving communities. **Contact:** Melinda Pollack, mpollack@enterprisecommunity.org, 303.376.5405

For a web-based version of this publication, visit www.fresc.org/downloads/TransitDev.pdf. Generous support for this publication was provided by the Surdna Foundation.