



# Promoting Opportunity through Equitable Transit-Oriented Development (eTOD)

A Research Summary

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## Introduction

Investments in communities and transit infrastructure can significantly enhance opportunity for low- and moderate-income families.<sup>1</sup> Equitable transit-oriented development (eTOD) is one tool to ensure that high-opportunity neighborhoods are inclusive despite the property value increases that often result from such investments. eTOD is 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 summary highlights the key findings of Enterprise Community Partner's *Promoting Opportunity through Equitable TOD* research series. It covers a range of issues relevant to eTOD based on a review of literature, interviews with transportation-sector stakeholders, and Enterprise's deep organizational experience supporting eTOD. The following charts will address:

- The importance of eTOD to families, as well as the broader community, region and economy.
- Barriers to eTOD, including the absence of a proactive strategy, difficulty in accessing financing, regulatory challenges and market conditions, as well as best practices for overcoming these barriers.
- Navigating federal regulations to support eTOD, particularly those related to Joint Development and the Federal Transit Administration Capital Investment Grant program.

More detailed discussions of these findings will be included in three separate reports to be released over the course of 2015. The full suite of *Promoting Opportunity through eTOD* materials can be found at: <http://bit.ly/eTOD-opportunity>

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<sup>1</sup> 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.

## Making the Case for eTOD - The Importance of eTOD to Families

Benefit	Source
eTOD can improve access to employment opportunities	
Job accessibility is correlated with decreases in the length of unemployment for certain lower-paid workers who had recently lost their jobs.	<a href="#">Job Displacement and the Duration of Joblessness: The Role of Spatial Mismatch</a>
New York City neighborhoods with limited transit access had higher rates of unemployment compared to those with substantial access.	<a href="#">Mobility, Economic Opportunity and New York City Neighborhoods</a>
Three-quarters of all jobs in the nation's 100 largest metro regions are transit accessible.	<a href="#">Where the Jobs Are: Employer Access to Labor by Transit</a>
eTOD can lower the cost-of-living for low- and moderate-income households	
In 2014, the annual cost of owning, using, and maintaining an average sedan in the U.S. was \$8,876.	<a href="#">AAA 2014 Your Driving Costs Study</a>
Illinois Housing Development Agency-financed projects near bus and rail services saved residents an average of \$3,000 in annual transportation costs.	<a href="#">Safe, Decent, and Affordable: Transportation Costs of Affordable Housing in the Chicago Region</a>
Households in transit-accessible neighborhoods in California had lower vehicle ownership across all income levels.	<a href="#">Why Creating and Preserving Affordable Homes Near Transit Is a Highly Effective Climate Protection Strategy</a>
eTOD can contribute to improved health and well-being	
TOD encourages highly accessible multi-modal environments for routine, affordable, and healthy mobility options such as walking and biking. Conversely, auto-dependent development patterns promote less active lifestyles that contribute to a number of illnesses prevalent in low-income populations, including obesity, heart disease, and asthma.	<a href="#">Transit Oriented Development at the Quitman Light Rail Station - Health Impact Assessment</a>  <a href="#">Community Design, Street Networks, and Public Health</a>
In Charlotte, a study found transit access to be associated with a reduction in body mass.	<a href="#">Locating Affordable Housing near Transit: A Strategic Economic Decision</a>
eTOD can particularly benefit seniors: those with a medical condition are more likely to use transit; transit's mode share is largest among those 85 years old and older; and that cohort's car use significantly declined between 2001 and 2009.	<a href="#">Travel Behavior and Mobility of Transportation-Disadvantaged Populations: Evidence from the National Household Travel Survey</a>
Those with easier access to medical facilities are more likely to receive recommended care.	<a href="#">Locating Affordable Housing near Transit: A Strategic Economic Decision</a>

## Making the Case for eTOD - The Importance of eTOD to the Broader Community, Region and Economy

Benefit	Source
<b>eTOD supports more efficient transportation networks</b>	
In 2004, nearly 66 percent of transit users had annual household incomes below \$50,000.	<a href="#">A Profile of Public Transportation Passenger Demographics and Travel Characteristics Reported in On-Board Surveys</a>
In 2009, the less a household earned (under \$100,000), the more likely it is to utilize transit.	<a href="#">Travel Behavior and Mobility of Transportation-Disadvantaged Populations: Evidence from the National Household Travel Survey</a>
Households in California earning less than 80 percent of area median income (AMI) rode transit more and made fewer daily automobile trips than those who earned more. Those earning 30 percent AMI or less took 50 percent more transit trips than households earning 120 percent or more.	<a href="#">Why Creating and Preserving Affordable Homes Near Transit Is a Highly Effective Climate Protection Strategy</a>
In 2009, more than ten percent of low-income residents of Denver station areas used transit as their primary commute mode – more than twice the rate of any other income group.	<a href="#">Making Affordable Housing at Transit a Reality: Best Practices in Transit Agency Joint Development</a>
<b>eTOD can contribute to local and regional economic development</b>	
TOD's clustering effect and greater accessibility can spur "agglomeration economies," increased labor productivity, and increased information exchange.	<a href="#">Transit Service, Physical Agglomeration and Productivity in US Metropolitan Areas</a>
TOD can reduce demand for parking (between 20 percent and 50 percent), allowing land and resources to support more productive economic uses.	<a href="#">Getting the Parking Right for Transit-Oriented Development</a>
<b>eTOD can strengthen municipal finances</b>	
Compared to conventional suburban development, dense, mixed-use and connected development exhibits a ten-fold increase in tax revenue, one-third reduction in infrastructure costs, and ten percent reduction in service-delivery costs.	<a href="#">Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development</a>
Compact development yields a 35 percent annual return on infrastructure investment, compared to two percent for sprawling development.	<a href="#">Understanding Smart Growth Savings: What We Know About Public Infrastructure and Service Cost Savings, and How They Are Misrepresented by Critics</a>

## Overcoming Barriers to eTOD

Barrier 1: Absence of proactive strategy to support eTOD	
Formally engage full range of stakeholders	Ongoing working groups have been formed to address equity-related issues in Greater Baltimore (Red Line Community Compact), suburban Washington, DC (Purple Line Corridor Coalition).
Improve public-sector coordination	The Puget Sound Regional Council (Seattle metropolitan region) has collaborated with the Washington State Housing Finance Commission to develop <a href="#">transit-supportive criteria for state housing funding</a> .
Adopt official eTOD goals and policies	The Metropolitan Atlanta Rapid Transit Authority <a href="#">policies for developing transit-owned real estate</a> set an affordable housing target of an average of 20 percent across its developments.
Establish eTOD guidelines	Capital Metro (Austin, Texas region) produced a <a href="#">Transit-Friendly Development Guide</a> containing principles for station-area growth and combined housing and transportation costs for ten station areas.
Expedite development process near transit	The City of San Francisco conducted a <a href="#">blanket environmental impact review along a light-rail corridor</a> to reduce the need for costly and time-intensive reviews for individual stations.
Barrier 2: Difficulty in accessing financing at appropriate terms and conditions	
Create eTOD-specific capital products	<p>The City of Denver contributed \$2.5 million in top-loss capital to create a \$15 million <a href="#">eTOD acquisition fund</a> for the city, which was later expanded to \$24 million to be used region-wide.</p> <p>The Metropolitan Transportation Commission (San Francisco Bay Area) contributed \$10 million in transportation funding to seed the <a href="#">Bay Area Transit-Oriented Affordable Housing Fund</a>, a \$50 million structured fund to finance pre-development, acquisition and construction for affordable housing.</p>
Utilize value capture mechanisms to support eTOD	Fifteen percent of Atlanta’s Beltline Tax Allocation District’s revenues support the <a href="#">Beltline Affordable Housing Trust Fund</a> , which supports acquisition, rehabilitation, and construction for eTOD along a planned multi-modal corridor.
Barrier 3: Regulatory challenges to station-area development and/or eTOD	
Allow eTOD-supportive land uses, densities, and parking levels	<p>The City of Sacramento adopted a <a href="#">transit overlay zone for mixed-use and commercial properties</a> within one-half mile of transit, allowing a mix of higher density uses and promoting cohesive station-area planning.</p> <p>Prince George’s County (Maryland) uses station-area zoning-overlay tools to allow significantly less parking than prescribed for similar uses in other areas.</p>
Adopt inclusionary or incentive zoning policies	The city of Charlotte has a <a href="#">Voluntary Mixed-Income Housing Development Program</a> , allowing developers to increase density in return for reserving units for households earning 80 percent of area median income or less.
Barrier 4: Market conditions inhibit access to or viability of potential eTOD sites	
Include affordable housing in transit agency development	Capital Metro is utilizing Joint Development to promote eTOD. The <a href="#">Plaza Saltillo project</a> will feature retail, a grocery store, 600 market-rate apartments and 200 affordable apartments
Strategically acquire properties for development	The Minnesota Department of Transportation purchased land for the development of the Twin Cities’ Hiawatha Line, including construction staging areas. Surplus property was then sold to the regional planning agency, which leased or sold the property to developers in coordination with the City of Minneapolis.

## Navigating Federal Regulations to Support eTOD

While the local development context greatly influences eTOD implementation, there is a nexus with federal policy as well. Federal Transit Administration (FTA) policies for undertaking Joint Development and allocating transit capital resources can impact the ability to provide affordable housing opportunities near transit:

- When a transit agency (or other FTA grantee) wants to develop real estate in which there is a federal interest, it is referred to as [Joint Development](#). FTA has a number of rules that are designed to protect the federal interest in the individual parcel and the transit system.
- The primary federal discretionary funding source for the development of new transit investments is [FTA’s Capital Investment Grant \(CIG\)](#) program. CIG transit projects fall into three categories: New Starts, Small Starts, and Core Capacity Improvements. In 2013, FTA adopted a new proposal evaluation framework that creates incentives for a range of transit-supportive elements, including affordable housing.

Select rules for undertaking FTA Joint Development	
Real property considerations and “satisfactory continuing control”	A project sponsor may only transfer, convey or encumber a property to a partner if it has a legal framework for maintaining “satisfactory continuing control.” The joint development also must preserve the “original transportation purpose” of the site. For example, joint developments incorporating affordable housing can meet these standards through easements that allow for continued public access to the transportation site, replace redeveloped parking spaces or bus loading areas as necessary, or other similar provisions.
Economic Benefit	The joint development must enhance economic development or incorporate private investment. Almost all potential real estate developments would meet this standard by incorporating private investment and spurring economic activity through the ultimate use of the property for a residential or commercial purpose. In the case of affordable housing, the joint development would likely leverage capital from sources such as the Low Income Housing Tax Credit.
Fair Share of Revenue and Costs	The joint development must provide a fair share of revenue to be used for public transportation purposes. Affordable housing can meet this standard through upfront payments for land, ongoing lease payments or other forms of compensation. FTA also requires that the entity occupying space in a joint development facility must pay a fair share of the costs of the facility through rental payments or other means. The owners/operators of any affordable housing joint development would generally assume responsibility for ongoing operations and maintenance of the facility.
Affordable Housing assessments as part of FTA Capital Investment Grant evaluation process	
Land Use Criteria	FTA will assess the proportion of existing “legally binding affordability restricted” housing in proposed station areas to the proportion of housing meeting this definition in the counties through which the project will travel. <a href="#">As of May 2015, this provision was the subject of an FTA rulemaking process.</a>
Economic Development Effects Criteria	Looking to the future, FTA will consider the extent to which the project sponsor, local governments, and the development community coordinate to: (1) Evaluate corridor-specific housing needs and existing affordable housing stock, (2) Adopt plans, policies, and financial tools to preserve existing affordable housing and produce new units, and (3) Support long-term affordability and address the needs of very- and extremely low-income households.
Cost Effectiveness	The cost of elements that benefit the project but are not captured in other criteria may be classified as “enrichments.” Enrichments can include Joint Development. These costs do not count against the project’s cost-effectiveness rating.



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