



NATIONAL
COMMUNITY LAND TRUST
NETWORK

Creating & Preserving Reasonably-Priced Housing near Public Transportation

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Benefits of Public Transportation:

1. Saves riders substantial time and money;
2. Prevents traffic congestion and pollution;
3. Decreases the carbon footprint;
4. Attracts businesses, residents, and tourists;
5. Generates jobs;
6. Connects more workers with more employers;
7. Increases access to retail, services, and cultural amenities; and,
8. Catalyzes nearby residential and commercial development.

As more people move into urban areas, cities are increasingly investing in public transit systems. Public transit development often seems like a “no-brainer.” It fuels both public and private revenue from development, rising property values, and new or existing businesses while creating highly desirable neighborhoods and amenities for residents.

However, increased investment and demand can be a double-edged sword. As housing values and property taxes become expensive, the very neighborhoods strategically identified for public transit services often end up losing existing residents—including the workforce and cultural communities—that had made the area so desirable for transit investment in the first place. Luckily, cities developing public transportation are finding effective ways to mitigate these adverse outcomes through **Equitable Transit-Oriented Development (ETOD)** strategies.

Equitable Transit-Oriented Development (ETOD) is an integrated approach to land use and transportation that fosters healthy and prosperous communities and ensures that all persons have greater mobility choices and access to opportunity.¹

Reasonably-priced housing is housing that is affordable to low- or moderate-income households, whereby a family spends no more than 30% of their monthly income on housing.

While there are a number of considerations that must be addressed for ETOD to come to fruition—from the pricing of public transit to the types of businesses located near transit sites— this brief will focus on one fundamental component of ETOD: **reasonably-priced housing**.

The creation and preservation of reasonably-priced housing is crucial to ensure resident and workforce diversity that will optimize transportation investments and maximize the utility of transit.



Why Create & Preserve Reasonably-Priced Housing Near Public Transit

The public should benefit from public investments.

Public investments in transit-oriented development increase the property values for nearby landowners and the rents or sales prices on residential and commercial properties for private developers. Therefore, it is very reasonable that some of the increased value derived from that public investment be captured to serve the public interest, including reasonably-priced housing.

The entire city benefits when critical parts of the workforce and community have access to transit.

Many critical segments of the workforce that help cities thrive require reasonably-priced housing, including those who work in retail, health care, manufacturing, education, public safety, social services, and many other modest-wage or salaried industries. Beyond improving the health and safety of cities when emergency responders and social service providers are nearby and have mobility options, cities experience better economic growth when businesses know that the workforce has viable transit and that residents have money to spend after housing and transportation costs.² Beyond the workforce, many others require less costly housing and access to public transit, such as some elderly or disabled individuals. Ultimately, reasonably-priced housing creates and preserves communities that have economic, racial, cultural, and generational diversity, which leads to more vibrant communities and improves the quality of life for all residents.

Nationally, the overall demand for housing near transit is expected to grow from 6 million in 2009 to at least 15 million by 2030, and 40% of the demand is expected to come from lower income households (those making less than 80% of the area median income)⁵.

The need for reasonably-priced housing will only grow.

The need for reasonably-priced housing is growing in almost every city across the country, but the need grows substantially faster near public transit³. An extreme example is the San Diego Trolley System, a light rail system developed in 1981. Between the system's inception and 1992, properties within 200 feet of a trolley station increased in value 167% over comparable properties not close to a station⁴.

Reasonably-priced housing will only become more expensive to produce and preserve.

Properties near public transit—planned or realized— are highly desirable. This demand substantially increases their value. Hence, acquiring and developing reasonably-priced housing will only become more costly and difficult as land for new construction or properties for rehabilitation decline. No party wins from waiting to create or preserve reasonably-priced housing.



How to Plan, Develop & Preserve Reasonably-Priced Housing Near Transit

1. Identify existing & future needs.

Reasonably-priced housing needs must be identified by household size and income levels—not only on for the Metropolitan Statistical Area, county, or city—but for the neighborhoods surrounding public transit sites. These estimates must take into account the existing and future housing needs, accounting for the projected increases in rents, home values, and population as new residential and commercial development enters the neighborhood.

2. Create a housing plan specific to the transit site.

Depending upon the projected needs for reasonably-priced housing near the transit site, goals can then be set for various household sizes and income brackets. For instance, some reasonably-priced housing located near public transit may serve households making up to 120% of the median family income (MFI) while some may serve household below 30% of the MFI. Additionally, goals should be tied to a vision for what would constitute a healthy and inclusive community composition and diverse housing stock for the specific area. For instance, if the transit site is located near an aging community and will connect to health services, the housing plan may opt to include more homes designed for aging in place. If the neighborhood is known for its cultural or ethnic distinctiveness, the housing plan might opt to ensure that current residents who contribute to the neighborhood character and cultural establishments are not displaced.

3. Select reasonably-priced housing models that ensure affordability will last.

The need will always be greater than what available resources can address, and the most cost-effective way to increase the stock of reasonably-priced housing is to preserve it once it is created. Therefore, a vital component for creating affordable housing near public transit is to build in on the front-end the mechanisms necessary for the affordability of homes to last, preferably in perpetuity.

Permanently Affordable Housing Models provide these solutions, which may be incorporated into rental or owner-occupied developments⁶. For each, lasting affordability requirements should be adopted. For rental projects, life-cycle underwriting⁷ can also be used to ensure that developments have adequate replacement reserves to maintain the building and protect its affordability over time. For homeownership projects, "shared equity homeownership" models should be implemented, which ensure that homes remain affordable to the same income level sale after sale.

Limited-Equity Cooperatives (LECs): LECs are traditionally stand-alone corporations that are collectively owned by residents. An initial subsidy is typically needed to make homes affordable, and the corporation will obtain the remaining financing through a blanket mortgage. Individual residents purchase a share of the corporation, and the shareholder agreement will stipulate resale restrictions to ensure homes are sold at affordable prices to other lower income households in the future. Some LECs have a "sponsor" or "steward," which is a government or nonprofit organization that supports the residents and operations.

Community Land Trusts (CLTs): CLTs are nonprofits committed to community control of land for the provision of affordable housing and other community assets. A CLT retains ownership of land—which lessens the overall cost of the property—and leases the land at a nominal fee to residential or commercial tenants or owners in order to make the property affordable. A ground lease will stipulate how affordability will be maintained. In homeownership projects, the homeowner purchases the home at an affordable price and agrees to sell the home at an affordable price to a lower income household in the future.

Deed-Restricted Housing (DRH): DRH programs are typically located in governments or nonprofits, and they directly (through funds) or indirectly (through inclusionary zoning) subsidize the cost of a home to make the purchase price affordable for low- and moderate-income home buyers. The homeowner signs a deed covenant (also referred to as a "deed restriction" or "deed-restricted covenant") that stipulates the home will be sold at an affordable purchase to a lower income household in the future.

Shared Appreciation Loans (SALs): SAL programs are typically located in governments or nonprofits and utilize a second mortgage loan with 30-year term that has no interest and is due upon sale. In effect, this second mortgage loan operates as a "subsidy" to make the home affordable. Differing from the aforementioned models, the home is bought and sold for the fair market value, but the homeowner agrees to share the appreciation so that a larger SAL may be provided to the next lower income purchaser in order to keep pace with the rising value of the home.

4. Create public policies and resources to produce and preserve reasonably-priced housing.

Cities across the country have adopted public policies and developed resources in order to acquire, create, and preserve reasonably-priced housing near public transit. Some of these strategies include:



Transit-Oriented Development (TOD) Funds provide a source of financing for the acquisition of land and the development or preservation of affordable housing or community services near public transit⁹. Although TOD Funds are relatively new, the Denver Regional TOD Fund and the Bay Area Transit-Oriented Affordable Housing Fund have been successful at building public, private and philanthropic investment partnerships that often provide the gap financing needed to leverage more traditional sources of capital for affordable housing projects.

Permanently affordable housing requires that properties are stewarded and that residents are both monitored and supported to protect the affordability of these residential assets for future generations. If existing organization have these expertise, partnerships are advisable⁸.



Urban Land Conservancy & The Denver Regional TOD Fund

The Denver region initiated the FasTracks program in 2004, with the goal of creating a multi-modal, regional public transit network. By 2030, it is estimated that 110,000 households will seek housing near the proposed transit lines, with significant demand from lower-income households that will not be addressed by private development¹⁰.

The Urban Land Conservancy (ULC), a nonprofit developer of permanently affordable housing, partnered with Enterprise Community Partners, the City and County of Denver, and private investors to create the country's first TOD Fund, a \$15 million loan fund to enable the purchase and holding of land near planned transit sites for up to five years.

As the sole borrower of the Denver TOD Fund, established in 2010, ULC has preserved or created 626 affordable units and 120,000 square feet of commercial space through land banking and the implementation of permanently affordable models, including a community land trust. ULC will likely exceed the goal of creating 1,000 affordable units in large part due to this fund, and each home and commercial space will remain affordable now and in the future because asset preservation was built into development.

The \$15 million deployed by ULC leveraged over \$200 million in additional investments. The Fund became a regional resource in 2014, and now \$24 million is available to multiple borrowers for the preservation of existing reasonably-priced housing or land acquisition for development along all rail lines in Metro Denver.



Avondale Apartments, Denver
Urban Land Conservancy
Del Norte NDC



Land Banks are governmental or quasi-government entities best known for their conversion of vacant or abandoned properties into productive use; however, land banks are increasingly being utilized to hold properties for strategic public purposes in revitalizing or desirable areas.

Consequently, land banks can be an effective tool for acquiring and holding properties near public transit sites in order to ensure that community assets and reasonably-priced housing are developed. Land banks may also give preference for disposition that ensures the preservation of these assets.¹¹ For instance, the Fulton County/City of Atlanta Land Bank Authority acquires and holds properties near the planned Atlanta Beltline. They also partner with local community land trusts for disposition of these properties.



Housing Trust Funds (HTFs) provide a dedicated source of state or local public revenue for the creation and preservation of affordable housing.

One strength of HTFs is their flexible use, which can respond to local needs. Hence, some HTFs have prioritized creating and preserving affordable housing near transit. For instance, the City of Asheville, North Carolina's Housing Trust Fund prioritizes projects along transit corridors and the Atlanta Beltline Affordable Housing Trust Fund uses 15% of net bond proceeds from a tax-increment financing district around the Beltline to create and preserve affordable housing within Beltline neighborhoods.¹²



Community land trust homes developed by Pittsburgh Community Improvement Association near that Atlanta Beltline.



Inclusionary zoning is a land use policy that ties the construction of market-rate housing to the creation of reasonably-priced housing. The city

requires or incentivizes developers to include affordable housing into new residential development or to help fund affordable housing creation or preservation. While many inclusionary zoning policies apply city-wide, cities are increasingly creating specific requirements for zones near public transit. For instance, as the D.C. Metro expands into Fairfax County, VA, one planned transit-oriented development called Tyson's Corner will result in an influx of 80,000 residents and 200,000 jobs. The County adopted a policy to ensure that 20% of all new residential development will be affordable to households between 50% and 120% of the Area Median Income. Most inclusionary housing policies additionally require that the affordability of homes is preserved for at least 30 years.¹³



Impact fees, which are sometimes referred to as "linkage fees," are fees assessed by the city on the development of new residential or commercial development to mitigate the impact of the development on the affordable housing needs that it produces. While often developers pay a fee, some of these programs give developers the option to produce affordable homes within their residential developments. For new commercial development in Tyson's Corner, developers will pay an impact fee.¹⁴



Community Benefit Agreements (CBAs) are contracts between community groups and real estate developers that require the developer to provide specific amenities or mitigations to the neighborhood in exchange for community support. Development near transit provides an opportunity for CBAs to be utilized in order to create and preserve affordable housing and other community assets. For instance, the developer of a \$326 million downtown, transit-oriented development in Los Angeles, California agreed to make 20% of the development's rental units affordable to households earning between 50% and 120% of the Area Median Income.¹⁵ A strength of CBAs is their ability to be tailored to the impacts of specific development and the particular needs of a community.

However, project-by-project negotiations with developers are inefficient, and CBAs require substantial community resources to organize for and ensure that promised benefits come to fruition.¹⁶



Federal Programs That May Support Reasonably-Priced Housing Near Public Transit

This table represents the federal funding sources that could be used for planning and development activities supporting equitable TOD as of 2015. This list omits grants that can be used solely for development of transit infrastructure. Federal resources for equitable TOD are subject to change; check agency websites and other resources to verify available funding opportunities

Grant Name	Agency	Eligible Recipients	Eligible Uses	Description
Planning and Local Technical Assistance Programs	Economic Development Administration	<ul style="list-style-type: none"> • nonprofits • municipal or state governments 	<ul style="list-style-type: none"> • economic development planning • economic development technical assistance 	<i>Grant to support recipients in developing and implementing regional and community economic development plans</i>
Pilot Program for Transit-Orientated Development Planning	Federal Transit Administration	<ul style="list-style-type: none"> • municipal or state governments • metropolitan planning organizations 	<i>Comprehensive transportation planning for transit capital projects funded by the New Starts, Core Capacity, or Small Starts programs</i>	<i>Grant to support comprehensive transit planning that addresses, among other issues, gentrification and community preservation, and multimodal connectivity</i>
National Public Transportation /TOD Technical Assistance Initiative	Federal Transit Administration	<ul style="list-style-type: none"> • national nonprofits with relevant (TOD, land use, affordable housing) technical expertise 	<i>Technical assistance related to economic development, equity, and quality of life, including outreach, education and facilitation</i>	<i>New program for non-profits seeking to provide technical assistance and guidance to communities around transit stations</i>
Choice Neighborhoods Planning and Implementation Grants	Department of Housing and Urban Development	<ul style="list-style-type: none"> • public housing authorities • municipal governments • for- and non-profit entities (local gov. must be lead or co-applicant) 	<i>Affordable housing construction and preservation, including one-for-one replacement of public housing units, economic development, sustainability initiatives</i>	<i>Grants to assist communities in planning and implementing transformation of distressed neighborhoods that include Section 8 or public housing</i>
Community Development Block Grant (CDBG) Program	Department of Housing and Urban Development	municipal governments: <ul style="list-style-type: none"> • large urban areas (entitlement communities) • small cities (state-administered) 	<i>Affordable housing initiatives benefiting low- and moderate-income households; specific focus on blight elimination and addressing urgent needs due to conditions that endanger community welfare</i>	<i>Grants to assist local governments in the implementation of community development initiatives</i>
Building Blocks for Sustainable Communities	Environmental Protection Agency	<ul style="list-style-type: none"> • public housing authorities • municipal governments • for- and non-profit entities 	<i>Tools include, but are not limited to: equitable development, economic development, and land use prioritization</i>	<i>Program for the EPA to provide tools and technical assistance to communities seeking to implement smart growth initiatives</i>



References & Additional Resources

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- ¹ Wood, D. & Brooks, A. (2009). [Fostering Equitable and Sustainable Transit-Oriented Development](#). Briefing Papers for a Convening on Transit-Oriented Development. New York, NY: Center for Transit-Oriented Development, Living Cities, and Boston College's Institute for Responsible Investment. <Page 1>
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- ³ The Center for Transit-Oriented Development (2008). [Capturing the Value of Transit](#). Washington, DC: Author. <Page 2>
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- ⁶ For more information, see: <http://cltnetwork.org/wp-content/uploads/2015/01/Permanently-Affordable-Housing-Sector-Chart-Glossary-11-2014-design-update.pdf> <Page 3>
- ⁷ For more information, see: <http://www.nhc.org/lcycle.html> <Page 3>
- ⁸ For communities that do not have existing permanently affordable housing programs, contact the [National Community Land Trust Network](#) for assistance. <Page 4>
- ⁹ For more information, see: <http://www.enterprisecommunity.com/solutions-and-innovation/transit-oriented-development> <Page 4>
- ¹⁰ Hickey, R. (2013). [The Role of Community Land Trusts in Fostering Equitable, Transit-Oriented Development: Case Studies from Atlanta, Denver, and the Twin Cities](#). Cambridge, MA: Lincoln Institute of Land Policy (p. 17). <Page 5>
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- ¹⁵ CBA: <http://www.forworkingfamilies.org/sites/pwf/files/documents/CBAGatehouseFINAL5-7-04.pdf> <Page 5>
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