How Affordable is Housing in Transit-Oriented Developments?

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Transportation and land use planning, as a field, is shifting away from segregated uses connected by highways and streets to more compact, mixed-use developments connected by high-quality transit. This new paradigm has brought special attention to transit-oriented developments (TOD), which are sometimes touted as being among the most affordable, efficient places to live. But how affordable are they, and who has the power to effect change?

Is Transit-Oriented Development Affordable for Low and Moderate Income Households?, a study funded by the National Institute of Transportation and Communities (NITC), examines housing costs for households living in TODs. Led by Reid Ewing of the University of Utah with co-investigators Nicole Iroz-Elardo and Arlie Adkins of the University of Arizona, the team examined the housing affordability of TODs in U.S. cities across 23 regions. The analysis of housing costs revealed a lot of variability across different regions. Of all the examined housing developments, only 16 projects/developments out of 117 across 85 TOD sites were deemed 100% "affordable" – meaning that all the units in those 16 developments were affordable to households earning up to 80% of the average median income for that county.

HOW WERE STUDY SITES CHOSEN?

For the purposes of this study, researchers defined eligible TODs as: being along commuter, heavy, or light rail lines; in a region with more than one rail line; adjacent to rail stations; dense and multistory; mixed use with residential and commercial; pedestrian-friendly with public space; built after rail opened; largely built out (i.e. not still being constructed); and having their own self-contained parking facilities. Researchers used the National TOD Database and contacted metropolitan planning organizations, transit operators, and major cities to get a list of potential TODs. Conversations with these agencies led to an inventory of 183 TODs within 26 rail-served regions, and among them only 85 of those sites across 23 regions met all of the researchers' criteria. This analysis is based on that select group.

WHAT WAS STUDIED?

The team compared the 85 TOD study sites in terms of numbers and shares of designated and naturally occurring affordable units. Naturally occurring affordable housing refers to residential rental properties that maintain low rents without federal subsidy, and have not been built in response to city/county/state regulations or policies or as a result of some development agreement that included such a requirement. Many of these TODs consist of only one apartment building (such as the Riverfront, at Cranford Station in New Jersey), while others have several, often developed and managed by the same entity (as is the case at Orenco Station in Hillsboro, Oregon).

The researchers identified all apartment projects by name, checked their websites for rent prices, interviewed property managers, and established rent levels for market-rate and below-market-rate affordable housing for all apartments within these TODs. According to the U.S. Department of Housing and Urban Development (HUD), housing that costs no more than 30% of a household's income is considered to be "affordable" for that household. One limitation of this study was its inability to account for the cost of utilities. Since it was not possible for the research team to acquire such data, the analysis of housing costs relies solely on rent levels.

KEY FINDINGS OF HOUSING AFFORDABILITY IN U.S. TODS

There is significant variability across regions, TODs and individual projects in terms of numbers and shares of designated and naturally occurring affordable units. In most cases, if a TOD does not have a pool of designated low-income units, it does offer naturally occurring affordable units. Only three out of 23 regions offer neither – Cleveland (OH), Pittsburgh (PA), and St. Louis (MO). Only 15% of the projects are 100% affordable, while 60% of the projects offer either less than 10% or none of their units as affordable housing.

Naturally occurring affordable units are approximately half as common as designated affordable housing units in TODs; however, there are regions where naturally occurring affordable units account for the majority of affordable housing (such as Dallas, TX).

Voluntary and regulatory measures adopted at city, county, and state levels have only limited impact on numbers/shares of affordable housing. These measures result, on average, in 5-15% of affordable units and rarely exceed 20%. Top-down regulatory measures seem to have a very limited impact on the number of affordable units offered in TODs and are less effective than bottom-up voluntary and targeted programs, policies and actions.

There is an opportunity to increase affordable housing requirements in TOD housing projects. Only 32 out of 117 TOD housing projects (27%) were subject to any affordable housing requirement put in place by the city/county/state when they were planned and built. Even now, 23 out of 51 cities (45%) do not have any regulatory requirements regarding the production of income-restricted units. Of all 117 examined housing projects, only 16 were 100% affordable, meaning that all the units were affordable to households earning up to 80% of AMI. Most of these 16 projects were built after 2010 by nonprofit developers or corporations, using public and/or LIHTC funding.

RECOMMENDATIONS FOR TRANSIT OPERATORS AND POLICY MAKERS

Generally, transit operators can play a huge role in enforcing the production of affordable housing because, in many cases, they own the land. So it makes sense for all the lands owned by transit operators to be developed as joint projects between commercial or nonprofit developers and local government agencies. It would also help make TODs more affordable if more transit operators adopted policies to regulate the creation of affordable housing by such joint projects.

Researchers note that there are only a few measures in a few regions specifically designed to promote, incentivize or regulate the production of affordable housing in TODs. The two most clear-cut are:

1. Bay Area Rapid Transit (BART)'s Transit-Oriented Development Policy, and
2. The SF Bay Area's Assembly Bill (AB) 2923, which required BART's board of directors to adopt by ordinance new transit-oriented development (TOD) zoning standards for each station.

In addition, **decision-makers could take steps to ensure that all developments and projects located on public property, or using public funding, are required to provide a certain share of affordable housing** – like the Low-Income Housing Tax Credit (LIHTC) program, which the authors say may be "the single most important measure for the creation of affordable housing in the United States." In this study, LIHTC was the single most-used mechanism to provide affordable units by all the TODs and projects examined.

More than half of the TODs in these 23 regions provide at least a small portion of affordable housing units. This is a very promising finding. The growing wealth gap in the U.S. makes it essential that decision-makers **focus on policies that will limit the effects of cost-of-living increases on the already constrained budgets of lower-income households.**

ABOUT THE AUTHORS

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THE REPORT and RESOURCES

For more details about the study, download the full report Is Transit-Oriented Development Affordable for Low and Moderate Income Households? at nitc.trec.pdx.edu/research/project/1328

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