Review of Transit Oriented, Affordable Housing Development Case Studies

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Introduction

Affordable Housing and Transit Oriented Development (TOD) are increasingly being discussed as a paired challenge facing planners for good reason. Housing and transportation represent the first and second largest expenditures for a majority of U.S. households (Center for Transit Oriented Development, 2014). According to the U.S. Department of Housing and Urban Development, an estimated 12 million renter and homeowner households pay more than 50% of their annual incomes for housing, “if a family pays more than 30% of their income for housing, it is considered a cost burden” (U.S. Department of Housing and Urban Development, 2020). Likewise, the economic, public health, and environmental cost of congestion continues to rise. In 2019 Americans lost “99 hours a year due to congestion, costing them nearly $88 billion in 2019, an average of $1,377 per year” (Inrix, 2020).

Affordable housing and TOD projects each require a unique set of conditions to come to fruition, and integrating these efforts requires more than just combining the best practices of each. A review of the literature finds they are often studied separately from one another. The resulting conclusions and policy recommendations provide a good foundation to start understanding the unique challenges of creating affordable housing in proximity to transit requires a more in-depth inquiry into the interaction (and often times conflict) between various land use and transportation policies.

The cities and transit oriented affordable housing development examples reviewed in this report are commonly cited throughout the literature as successes. The cases presented below provide a review of the financial, community development, and policy tools utilized by these “successful” cities to accomplish their visions of balanced housing and high-transit service ridership.
Key Findings

A myriad of challenges face agencies, municipalities, and developers seeking to undertake transit oriented affordable housing developments. Paramount to this challenge is understanding the role planning takes in helping these projects come to fruition. The research takes different approaches to creating this understanding, which in of itself underlines the “cause vs effect” feedback loop that stakeholders might fall prey to. Many transit oriented affordable housing projects are anchored by transit services that are either already constructed or have secured funding. However, the research shows that a multitude of factors contribute to developer interest in these projects and point to actionable steps governments, developers, and communities may take to create an environment where these projects come to fruition.

Inter-Agency Collaboration

A core challenge to these developments comes from the organizational separation of the governing bodies that develop the policies and funding opportunities for them. For example, “federal requirements do not explicitly require the integration of planning for affordable housing and TOD” (Dawkins & Buehler, 2010). These organizational silos exist across government agencies and departments as well as between the local, state, and federal levels. This can add complexity to the planning process. In the successful examples presented later in this report, each case describes a high level of coordination between area transit agencies, housing authorities, and community development organizations to align on criteria and interact with developers and community members alike. Another common solution (at the state level), exemplified by Arizona, Washington, and Massachusetts, includes collaboration between the Departments of Housing and Transportation to update Qualified Allocation Plans for Housing Credits¹ to include criteria related to transit proximity (Hersey & Spotts, 2015) (Ryan, 2016).

Funding and Financial Tools

The unique development costs or risks that are associated with these projects may also be restrictive. “Infill TOD often faces higher development costs than comparable ‘greenfield’ projects” and can prove prohibitive for “even market-rate TOD” (Hersey & Spotts, 2015). Agencies and governments have developed various solutions and approaches to this problem, like the aforementioned QAP transit criteria. In one example, Cleveland’s BRT line mitigated TOD costs by providing initial investment in “improved streetscapes and utility infrastructure” along its route that developers cited as essential for creating more density (Breakthrough Technology Institute, 2008). Another popular approach is the creation of additional funding sources for TOD like the Denver Regional Transit-Oriented Development Fund, Arlington’s Transit Oriented

¹ A qualified allocation plan (QAP) is a federally mandated planning requirement that states annually use to explain the basis upon which they distribute their Low Income Housing Tax Credit allocations (LIHTC). The QAP sets out the state’s eligibility priorities and criteria for awarding federal tax credits to housing properties (HUD, 2019)
Affordable Housing Fund, or Local Initiatives Support Corporation Boston’s Equitable Transit-Oriented Development Accelerator Fund (Ryan, 2016). These funds are also prominent examples of collaboration between transit, housing, and CDC organizations.

Permanence

TOD also contends with the market’s and developers’ perception of “permanence.” This tangibly refers to how permanent a transit system’s service will be, but also to the financial and political commitment behind these projects. These indicators give developers a sense of the risk behind projects and can be seen in bias exhibited for projects involving light rail compared to bus-oriented development (Currie, 2006). A key insight given this dynamic is that mode bias can be overcome by other factors including inter-agency collaboration to create plans, policy, and funding opportunities that reinforce a commitment to these projects (Breakthrough Technology Institute, 2008).

A 2006 study identified the following key factors as “determining the ability of bus-based transit to spur development”:

- Permanence
- Rider demographics
- Parking availability and parking restraints
- Transit agency TOD capabilities
- Urban density
- Noise and pollution
- Frequency and speed
- Bus stigmatization

(Currie, 2006)

Currie’s study highlights that local bus service has to contend with the above factors particularly when it is compared to light rail. He highlights rail’s ability to attract a “premium rider demographic, generate less noise and pollution than buses, provide more reliable frequency and speed, and “bus stigmatization” as contributing to the low permanence developer’s see in local bus routes.

Survey of Developers and Local Agencies

In a 2008 survey of twelve developers and seven government agencies, the Breakthrough Technology Institute explored the factors that constitute a developer’s perception of permanence and other signals that influenced their investment decisions. Likewise, government agencies “were asked to characterize the development that has occurred around BRT stations and to describe the attributes that are most likely to attract development” (Breakthrough Technology Institute, 2008). This study focused specifically on BRT but generated insights that are applicable to other modes that can anchor TOD.
Generally, both developers and agencies indicated that perceived permanence is a very important factor in making a decision to invest in a transit corridor, “exclusive running ways and dedicated lanes, as well as the size and quality of stations,” were universally identified as important contributions to the perceived permanence of a transit project.

**Developer Survey**

“Elements, such as streetscape improvements and park-and-ride lots, generally were recognized as also making contributions [to permanence]. When asked whether the perceived permanence would change if the BRT were based upon rail infrastructure, the responses were mixed. Four developers responded either “don’t know” or “not at all,” while three indicated that perceived permanence would be greater with rail. Almost every developer characterized proximity to BRT as having a “very positive” impact on their property. Roughly half of the developers indicated that proximity to BRT increased property value by 3-5% as compared with similar properties not in proximity to BRT, while the other half indicated “don’t know” in response to this question. Moreover, most developers indicated that proximity to BRT had at least some positive impact on reducing parking demand, increasing customer traffic, reducing vacancy rates, and enhancing image and appeal to customers. Developers were mixed as to whether the positive impact would change if rail were substituted for BRT. Four developers indicated that rail would enhance the positive impact, one indicated that rail would make no difference on the degree of impact, and one indicated that rail would have a negative impact because it is perceived as louder and dirtier. Finally, most developers indicated that they use images of BRT or otherwise refer to BRT in their marketing materials. Most also expressed high enthusiasm for developing future projects in close proximity to BRT.”

**Government Agency Survey**

“Most agencies viewed development around BRT stations as a way to promote smart growth, catalyze development, increase transit ridership, and increase property values. Most agencies also indicated that they actively promote development in the BRT corridor, using a range of techniques such as financial incentives, joint development, planning and zoning assistance, and public education. Generally, these agencies characterized development as comparable to what they would expect to see around a rail corridor. Most agencies indicated that developers had expressed some level of interest in investing near the BRT or busway prior to its construction. After its construction, most agencies indicated developer interest had increased and was high or very high. Like the developers, most agencies characterized the importance of perceived permanence of the transit investment as high or very high. They also characterized the perceived permanence of BRT as high or very high and most indicated that substituting rail for BRT would have little impact on perceived permanence. Like developers, exclusive running ways and dedicated lanes, as well as the size and quality of stations, generally were characterized as making very important contributions to perceived permanence. Other elements, such as streetscape improvements and park-and-ride lots, generally were recognized as also
making contributions, but to a lesser extent. As with developers, most agencies indicated that proximity to BRT had at least some positive impact on reducing parking demand, increasing customer traffic, reducing vacancy rates, and enhancing image and appeal to customers. The agencies were mixed as to whether proximity to rail would achieve a different result. Two agencies indicated that BRT has a more positive impact than rail, two indicated that it makes no difference whether the transit technology is rail or BRT, one indicated “don’t know,” and one indicated that rail would have a superior impact. The agencies were in universal agreement, however, that BRT has a more positive impact than traditional local bus routes.”

The survey results were combined with an analysis of successful TOD projects. The researchers concluded that:

- Cooperation among key stakeholders, including public agencies, non-profit development organizations, property owners, and private developers, is critical to success.
- For developers, permanence of the BRT is an important factor. However, this perception can be created even with relatively low infrastructure investment, if there is a clear, long-term public agency commitment.
- Frequency, speed and convenience of the service were important to many developers and property owners. These features differentiated BRT from conventional bus service, which was generally not considered appealing for TOD.
- In downscale corridors, streetscape improvements that accompany the BRT may be at least as important as the transit service for attracting new investment.
- In some cities, developers and properties owners cited the value of a prominent visual profile for the BRT and aesthetically appealing infrastructure.
- It does not appear to be necessary to provide financial incentives for BRT-related TOD. Developers appeared much more interested in an expedited permitting or rezoning process, as time is a critical factor in making development projects financially viable.

Dawkins and Buehler find similar themes behind the success of TOD projects that included affordable housing development:

- Promoting affordable housing requires cooperation across substantive policy domains and levels of government.
- Coordinating TOD and affordable housing policy requires bringing together agencies and individuals that historically have not integrated their efforts.
Regulations and incentives for promoting affordable housing near transit should be sensitive to the challenges faced by affordable housing developers in transit nodes (local, state, and federal policies, including inclusionary zoning requirements tied to density bonuses, or Low Income Housing Tax Credit provisions, often do not award points or credits for land costs).

Early community involvement can ensure local “buy-in” to affordable housing.

Preservation of affordable housing requires a different approach from development of new affordable housing.

Federal financing streams may be disadvantageous if they are tied to uncertain public approval processes, overly complex planning requirements, or are poorly timed with planned development projects.

Case Studies

Denver, CO

Denver is used as an example of successful TOD and affordable housing across the studies reviewed in this report. Their approach exemplifies the special efforts required for agencies to collaborate on these projects and the financial tools that can be create from these efforts.

Policy

An example of this collaboration is evident in policy language adopted across both Denver Regional Transportation District’s Strategic Plan and the City and County of Denver Comprehensive Plan. In 2008, the Denver RTD modified its Strategic Plan language on Affordable Housing Policy and Enforcement (section 3.1.2) to include the following goal and policy text (Cambridge Systematics, 2014):

“Goals and Strategies (Section 2.5 – Goal 2):
Sustainable development described as “Encouraging TOD that serves the full diversity of the community, including low and moderate-income individuals.”

Affordable Housing Policy and Enforcement (section 3.1.2):
Local governments are responsible for the establishment of policy, regulations, and enforcement related to affordable and/or workforce housing issues. At the same time, RTD is committed to strongly encourage a diverse range of housing options, including affordable units, in close proximity to RTD transit service. With that goal in mind, RTD will work with local governments to understand the affordable housing needs of their
communities, and will encourage transit-oriented development and/or joint development that addresses affordable goals of local communities and the region, working within all applicable legal limitations and parameters.”

RTD’s goals are also supported in these excerpts from the Denver Comprehensive Plan:

“GOAL 1
Ensure all Denver residents have safe, convenient and affordable access to basic services and a variety of amenities.

STRATEGIES
A. Increase development of housing units close to transit and mixed-use developments.
B. Implement a high-quality, affordable and accessible multimodal transportation system.
C. Improve equitable access to resources that improve quality of life, including cultural and natural amenities, health care, education, parks, recreation, nutritious food and the arts.
D. Improve equitable access to city resources and city meetings through proactive and transparent communications, easy-to-access information and materials available in more than one language” (pg. 28, Comprehensive Plan 2040)

“GOAL 8
Strengthen multimodal connections in mixed-use centers and focus growth near transit.

STRATEGIES
A. Improve multimodal connections within and between mixed-use centers including downtown, Denver International Airport and major urban centers.
B. Promote transit-oriented development and encourage higher density development, including affordable housing, near transit to support ridership” (pg. 42, Denver Comprehensive Plan 2040)

The need for affordable housing near transit is clearly stated in both documents. Paired with the responsibilities RTD has to promote and lead other local agencies in implementing affordable housing, Denver’s TOD plans convey commitment that potentially contribute to a developer’s “perception of permanence.”

Several other plans contribute to TOD projects including: Denver’s 2019-2023 Consolidated Plan, which establishes targets for renter household near TOD with income at or below 30% of the area median income) and several “Station Area Plans,” that “help shape the type, intensity, and location of new development around existing and proposed transit stops” (Dawkins & Buehler, 2010).
Denver has also adopted an Inclusionary Housing Ordinance which is implemented by the Community Planning and Development Department. The ordinance requires:

“Developers of for-sale projects with 30 or more units to set aside ten percent of the units for sale at prices affordable to households earning less than or equal to 80 percent of the area median income. For high cost structures (those greater than three stories and which have elevators and a parking structure), ten percent of units must be affordable to those earning less than or equal to 95 percent of the area median income. Rental developments are exempt from these basic requirements of the ordinance. Developers seeking exemptions for these mandatory requirements may choose to contribute to the Housing Incentive Program Fund” (Dawkins & Buehler, 2010).

Dawkins & Buehler point out that this ordinance may be flawed as an effort to promote affordable housing near transit, “given that high-cost structures are more likely to be found in densely-developed areas near transit, developers in these areas are likely subject to weaker affordability requirements.” The ordinance also outlines affordability for those earning 80 to 95 percent of the area median income, leaving out those earning low to very low incomes.

Collaboration

As stated in RTD’s affordable housing policy, “[RTD] will work with local governments to understand the affordable housing needs of their communities and will encourage transit-oriented development and/or joint development that addresses affordable goals of local communities and the region.” This has resulted in collaborations with Denver’s Urban Land Conservancy (ULC). For example, ULC’s “two-dozen-plus projects tie into the area's burgeoning transit network. Denver's FasTracks initiative, which voters approved in 2004, and will add 122 miles of track, 18 miles of bus rapid transit, and 57 stations to the RTD network” (Grabar, 2014). In this way, FasTracks provided clear locations that the ULC could focus on in its mission to land bank and gather resources to develop parcels that “preserve affordability of future developments for long-term community benefit.”

The West Corridor Working Group is another example of the collaborations across organizations that can facilitate these projects. The working group is the product of The Denver Housing Authority and Metro West Housing Solutions (MWHS), a non-profit property developer. The West Corridor Working Group is a “multijurisdictional partnership of public and private agencies, tasked with creating a TOD implementation strategy for the corridor to better leverage resources and achieve mutually supportive objectives for TOD in the West Corridor” (Westline Corridor Collaborative, nd).

Financial Tools

Of the other funds and tax credits available to affordable housing developments, Denver’s Regional Transit-Oriented Development Fund specifically provides for projects located within a
“half mile of rail and a quarter mile of high frequency bus stations.” The fund provides developers a loan to purchase and hold land for five years for affordable housing developments. Provisioning land while the transit lines are still being constructed allows affordable housing developers to purchase parcels at more reasonable prices. To date the fund has provided $24 million in funding with 600 affordable units in the pipeline.

**Sheridan Station Apartments**

The culmination of these policies, collaborations, and funding solutions can be seen in the Sheridan Station Apartments project. These apartments are being developed by ULC on land acquired from Denver RTD, the project was awarded $1.3 million in federal low-income housing tax credits, $1.6 million in state tax credits, a $2 million loan from Denver’s Affordable Housing Fund, and additional financial support from Colorado Housing and Finance Authority over the span of three years (Bryson, 2019). RTD provided an additional $2 million in cost savings by providing parking spaces to be leased by ULC for apartment residents to use. It is of note that this development is along a transit line (RTD W Line) that predates its construction.

**Cleveland, OH**

The Greater Cleveland Regional Transit Authority (RTA) began planning the Euclid Corridor Transportation Project in the mid-1990s as a complete reconstruction of the main thoroughfare that runs through downtown. The project was selected by the U.S. Federal Transit Administration in 1999 to introduce BRT to the U.S. transit market and was one of the first BRTs to receive a full funding grant agreement under the federal New Starts program. Construction began in 2006.

Cleveland’s case provides examples for TOD, with less emphasis on affordable housing than Denver and Boston. However, this project serves to highlight some key insights when it comes to developer perception of permanence and the type of improvements that can spur investment along a transit route. For example, both the planning for the BRT line and the city’s “Citywide Plan” focused on connectivity and revitalization. Researchers found developers saw the connection as creating a cohesive urban corridor (previously lacking in downtown). Developers also reacted positively to “aesthetic and safety improvements to the streetscape,” while “strong public sector commitment gave them confidence” to invest in TOD and utility improvements allowed denser development projects (Breakthrough Technologies Institute, 2008).

**Policy**

Cleveland’s 2020 Citywide Plan outlines goals to:

- Increase the stock of transit-oriented residential units in the city
• Increase “high-density development in proximity to transit stations and major bus stops in order to support public transit”

A zoning overlay was developed by the city and MidTown Cleveland Inc. (a Community Development Corporation) that dictated that area projects must be multi-story mixed use structures with the majority of the building front facing Euclid Avenue. Ground floors must have at least 60% commercial or retail use and parking must be located at the rear or side of the building, not fronting Euclid Avenue.

The GCRTA also developed a set of guidelines for TOD that reflects the Citywide plan’s goals of connectivity and density. The guidelines also outline “Joint-Development TOD,” as a unique opportunity to shape the city. The “basic strength of this public-private coordination is that direct public investment and support makes TOD more attractive to profit-reliant developers, while direct involvement allows public authorities to shape projects around civic goals” (GCRTA, 2007). The guidelines highlight how FTA changes can benefit the shared interests of transit authorities and developers:

“The FTA’s new joint development policies allow an authority to sell land and keep the proceeds, so long as they are used to support the authority’s mission of providing transit service. Since this change, many authorities have shifted to fee-simple sales, attracting stronger developer interest as a result. This has increased the pool of developers responding to RFPs and has made recent joint development deals generally more remunerative. In addition to service improvements and maintenance, the new FTA policies allow transit authorities to place property/air rights sales revenue into a revolving fund to support additional TOD activity.”

Sharing of operating and or construction costs, ventilation systems, utilities, and parking facilities between a transit station and adjacent development is a common TOD strategy that can be seen utilized by both Cleveland and Denver to accomplish their goals.

Collaboration

Cleveland’s transit oriented affordable housing efforts are characterized by a high level of activity on the part of Community Development Corporations. According to Breakthrough Technologies’ analysis, CDC’s:

• Assisted developers in securing supportive financing and tax credits

• Administered the city’s Storefront Renovation grant program; securing property for resale at market rates for developers and businesses

• Developed guidelines for pedestrian-friendly and transit-oriented property fronts
• Acted as a liaison among property owners, potential developers, the city and the RTA regarding development along the corridor

The CDC’s are also active in developing affordable housing themselves. An example of these collaborative efforts is Aspen Place. Developed by the Detroit Shoreway Community Development Corporation (DSCDC), the apartments are located on a one-acre parcel previously owned by GCRTA. DSCDC is able to provide these units to people making 0 to 60% below the area median income levels utilizing low-income housing tax credits from the Ohio Housing Finance Agency. The units are adjacent to a GCRTA BRT station.

Significant build-outs from the area’s University and Medical centers were concurrently planned with the BRT’s service to those areas. The Cleveland Clinic project represented a $475 million investment and its new heart center was redesigned to integrate into a Euclid Corridor BRT stop. GCRTA also developed an agreement with the Clinic and secured $5 million to make the area surrounding the stop more “pedestrian and transit friendly” (Breakthrough Technologies Institute, 2008).

Financial Tools
A variety of financial incentives were utilized by developers along the Euclid corridor. Breakthrough Technology Institute identifies the following tools provided by the city of Cleveland in order to encourage development. These incentives were available citywide but were heavily utilized by developers in Euclid:

• 15-year, 100% property tax abatement for all new housing or housing created through conversion of nonresidential space

• Tax abatement on improvements to commercial or industrial properties

• Economic loan programs targeted to underdeveloped areas, including the Euclid Corridor, as well as tax increment financing (TIF) mechanisms to support public infrastructure costs

• City issued bonds supporting the project that are then repaid by developer in lieu of property taxes

• Storefront Renovation Program that offers rebates to developers for commercial building rehabilitation that meets city design standards.

Because of the historic nature of the corridor, and its Census designation as “in need of development,” developers could also take advantage of additional state and federal tax credits for historical preservation and revitalization. Ohio’s state tax credits were established in 2006, and these projects were among the first wave of recipients.
Other Examples

Arlington County, VA

“Arlington County’s affordable housing policies were adopted in response to the success of the Ballston-Rosslyn Corridor TODs. Upward pressure on housing prices created by high demand near transit along with rising density and land costs created a serious affordable housing shortage, even for workers earning close to the median family income. In response to these pressures, the County adopted a variety of policies, including an Affordable Housing Investment Fund, Special Affordable Housing Protection Districts, and a zoning ordinance with incentives that encourage the provision of affordable housing.

Although Arlington County has no explicit policies to promote affordable housing near transit, since affordability problems are most severe within transit nodes, the County’s policies may indirectly focus housing assistance in those areas. For example, Special Affordable Housing Protection Districts are primarily located around transit. Furthermore, since the county awards density bonuses to those meeting ADU [accessory dwelling units] requirements, and since the demand for density bonuses is greatest within TODs, their policy likely expands affordable housing opportunities near transit indirectly.

Since the ordinance does not distinguish between rental or for-sale units, it is not clear whether developers are responding by providing affordable for-sale or rental properties. Non-profit developers are the primary providers of affordable housing in Arlington. These developers often rely on the county’s affordable housing trust fund along with funds from HUD’s HOME and CDBG programs to finance redevelopment and new construction. LIHTCs sold to private investors are also used for debt-financing purposes. Few other federal funds are utilized for housing development near transit, and at least one respondent indicated that federal review and community involvement requirements, particularly those associated with NEPA, can often delay or halt a project” (Dawkins & Buehler, 2010).

Ballston-Rosslyn Corridor

When Metro Transit expanded regional rail service to the Ballston area in the 1960’s, the route bypassed already established, denser areas. Arlington County identified the need to focus development along the new route and “decided on a plan that concentrates the highest density uses within walking distance of Metro stations and provides for a mix of office, hotel, retail, and residential development.” Referred to as the “bulls-eye approach,” the county also used their general land use plan to define the appropriate land use for each transit area.

“Once an overall plan was agreed upon for the Rosslyn-Ballston Corridor, sector plans were created to guide future development in each of the five Metro Station Areas. These plans establish goals and guidelines for desired public improvements, urban design, retail locations, infrastructure and open space.
This also marked the beginning of Arlington’s urban village concept. Each sector plan laid out a vision that would retain and enhance the unique characteristics of the neighborhood.

- Rosslyn: a first-class office and business center
  Courthouse: Arlington’s government center
- Clarendon: an “urban village”
- Virginia Square: residential, cultural and educational facilities
- Ballston: a new downtown”

(Arlington, VA, n.d.)

Conclusion

The research and examples presented in this paper underline recurring themes across transit oriented affordable housing projects. A core theme is the somewhat extraordinary inter-agency/organization/government collaboration that is required to enable and implement these projects. Secondly, the collective view is that these policies, financial incentives, planning processes, zoning ordinances, and transit modes create, are perceived by developers as “permanence.” The more a community can convey its commitment to TOD, the more likely developers will be confident in investing in these projects. Thirdly, all the projects described utilized both State and Local funding sources, with localities specifically creating funds or tax solutions to encourage transit oriented affordable housing projects. Another common financial tool included loans to assist efforts to land-bank.

It is also important to note that the presence of transit before development was a significant boost to developer interest in TOD, although concurrent housing projects and transit planning was observed after funding was secured for the transit service. The cases reviewed by the Breakthrough Technology Institute show that secure funding for transit was a very important factor for developers considering projects, although agencies and governments can also contribute to permanence through policy and political capital. Ultimately, a developer will assess the opportunity presented by TOD similarly to other projects – funding, time, underlying market conditions, and risk are all fundamental considerations of investors. The difference is creating the specialized funding and policy tools that are required when transportation’s inherent influence on land is added to the equation. The creation of these tools require more stakeholders to align, across agencies, government layers, and private industry. Developers perceive the increased complexity of these projects as an increased risk, and advocates for these projects should be aware of this sensitivity productively address this perception.
References


