Implementing Mixed Income TOD:
Shared Issues and Emerging Strategies

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RAIL-VOLUTION
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About Our Research

- A Three-Year Research Project Sponsored by FTA and HUD
- Focusing on Five Transit Regions:
  - Boston, MA
  - Charlotte, NC
  - Denver, CO
  - Minneapolis/St. Paul, MN
  - Portland, OR
- Evaluating experiences providing mixed-income housing near transit
- Additional initiatives: Los Angeles, Baltimore, Minneapolis/St. Paul, SF Bay Area
Shared issues across regions:

1. Higher Land Costs Near Transit
2. Complexity of Building Mixed-Income Projects
3. Revitalization without Displacement
1. Higher Land Costs Near Transit

**North Corridor (Charlotte, NC)**
- Commuter rail planned for 2012
- Despite lack of funding for transit, developers already submitting TOD plans
- 1,000+ “TOD” units planned and proposed on unbuilt North, Northeast corridors
- Some land in South Corridor has tripled in value

**West Corridor (Denver, CO)**
- Light rail planned for 2013
- Development activity slow, but studies show higher land prices near transit
- 2007: Land prices increased from $6 to $10 per square foot
- Increase has slowed recently, but “transit premium” still exists

Even Un-Built Transit Corridors Experienced Rising Land Prices
1. Higher Land Costs Near Transit

The “Transit Premium” and Equitable Mixed Income TOD:

The Land Owner:
“This new rail station is a windfall for me. Why would I sell my land cheaper?”

The Planner:
“Let’s maximize development to achieve smart growth at this station. Other stations with weaker markets can accommodate affordable housing.”

The Affordable Housing Provider:
“I can get more units for less money elsewhere - it’s just not worth the extra cost when the need for housing is so great.”
2. Mixed-Income Projects are Complex

- Complexity exists in all aspects:
  - **Design**: sensitivity to multiple household types, ethnicities being served
  - **Marketing**: a higher design standard than market rate units; cannot “look like affordable housing”
  - **Financing**: layering of many funding sources with restrictions that influence design, structural considerations
  - **Regulation**: zoning that is unsupportive of TOD, affordable housing

- Even multi-phase projects - with separate affordable and market-rate buildings and developers - face these issues
2. Mixed Income Projects are Complex

Financing Issues

• With public funds, extra strings attached:
  • Design and Materials Requirements
  • Funding is Limited to Particular Uses
  • While developers get money, the cost of development can increase
• Financing packages become complex, projects get more expensive

Sample Affordable Housing Package

Project: Dudley Village, Boston, MA
Developer: Dorchester Bay EDC

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<td><strong>Acquisition Financing</strong></td>
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South Oak Crossing
Charlotte, NC

Where: Arrowood Station

Transit: South Line, opened 2007

Units: 100 affordable, 92 market rate, 2- and 3-bedroom apartments

Funding: Tax credits and Affordable Housing Trust Fund

Year Built: 2007

Built By: Charlotte-Mecklenburg Housing Partnership

The Issues:

• NC Law limited number of affordable housing units in a single project to 100 (now, 120 units)

• Capitalized on a window of opportunity for land costs: bought 5 years before transit opened

• Purchase price for land: $340,000
  Holding Costs: $50,000
  Current land value: $2 million

• HUD Noise Attenuation Policy makes difficult to develop near transit – need special windows
3. Revitalization without Displacement

- With new transit, need to address the possibility of displacement - *Neighborhood Stability is the goal*
- There are different appropriate strategies for different station areas
- “TOD” is not just about development anymore: Balance housing production and housing preservation tools
San Leandro BART

A moderate income neighborhood in the San Francisco Bay Area

Developed a strategy to preserve existing multifamily as affordable, develop major opportunity sites with market-rate housing

Advocacy work resulted in inclusion of “affordable housing” as a goal in the station area plan
Five Points
Denver, CO

First historically African-American neighborhood in Denver

Rail built in 1994 – negative impact on neighborhood

Recent condo development: $500,000+ / unit

Currently: strengthening institutions, commercial climate on Welton Avenue – highlighting Black heritage of the community

Jazzfest Denver, an annual event in Five Points highlighting the neighborhood’s jazz heritage (www.jazzfestdenver.com)
Emerging Strategies

1. Education about Benefits of TOD
2. Focusing Resources near Transit
3. New Programs to Encourage Interagency Collaboration
4. Regional TOD Investment + Implementation Strategies
Educating About Benefits of Mixed-Income TOD

- Driving to affordability is not working for many households
- Lower income households burdened most by high housing and transportation costs
Focusing Resources Near Transit

The TOD Acquisition Fund: An Emerging Affordable Housing Tool

“Regional Housing Choice Revolving Fund,” Portland, OR

- Goal: affordable housing in livable areas via land banking, subsidy
- Funds from regional agency (Metro) + foundations
- Total: $9 to $19 million
- Cities offer either matching $$ or supportive land use policies / tools

TOD Acquisition Fund, Denver, CO

- Goal: purchase existing multifamily properties, then redevelop as mixed income TOD
- A revolving loan fund, with city, non-profit, foundation dollars
- $15 million
- Assumes 3-5 year payback, designed to cover holding cost
- Projects must involve significant increment of affordable housing
Regional Housing Needs Allocation (RHNA): (Bay Area, CA)

- RHNA: A state mandated process to define housing need by city
- Bay Area COG (ABAG) allocates housing need based on a number of factors
- Transit and Job growth are now elements of this allocation model
- How do cities without transit share the housing burden?

The methodology factors use data from Projections 2007.
Focusing Resources - The Other Side of the Issue:

**Charlotte, NC Housing Locational Policy**

Goal: avoid undue concentration of lower income households and promote diversity

- Prohibits new affordable housing within ½ mile of existing affordable housing
- Limits affordable housing to 20% of units, within ¼ mile of transit
- Near transit, affordable housing required to be built in a mixed-income environment

Source: City of Charlotte
Interagency Coordination

Urban Land Institute Housing Initiative, Twin Cities, MN

Opportunity City Pilot Program:

A program to help local cities rethink affordable housing need, become more proactive with tools

Combination of outreach, coordination across agencies, and research / analysis

Recommendations

Recommendations to Increase the City’s Capacity to Provide a Full Range of Housing Choices:

One of the key observations that emerged through the Opportunity City process in Brooklyn Park was the importance of a diverse housing stock in type, age, and affordability. Of all the Opportunity Cities evaluated, Brooklyn Park has the highest resident retention rate, which is likely reflective of the full range of housing choices available in the City. The housing diversity in Brooklyn Park has provided options for current residents so that they can stay and grow within the City. This is a great asset for the City and the leadership will benefit from embracing the diversity and ensuring that future land use decisions continue to provide the same level of options for current residents as well as to capture future growth. In addition to housing diversity, the city is becoming one of the most ethnically diverse suburban cities. The increasing ethnic diversity is a big
Introduction to your MITOD Analysis

The following process will lead urban planners from initial perceptions about a station area’s MITOD potential, through three areas of analysis, to the development of a MITOD Station Area Plan that can be implemented by stakeholders.

The three-part data gathering and analysis components of plan development must be considered in tandem to be effective. These three areas of analysis are composed of questions – to be answered by the urban planner – that span several subjects: demographics, housing, real estate markets, land capacity, and neighborhood stability. Each question highlights key information that will be used at the end of the process to help local jurisdictions select and direct policy tools to achieve their MITOD goals.

The FTA / CTOD forthcoming Mixed Income TOD Action Guide will help practitioners understand how and when to coordinate efforts.
Regional & Corridor TOD Strategies

Prioritize locations for affordable housing resources

- Develop a strategy for regional investment of funds
- Base prioritization on regionally-defined values such as:
  - Demographic change
  - Land use mix & intensity
  - Market strength

In Baltimore, MD priority station areas were defined through a combination of data analysis and stakeholder engagement.
Understand market strengths, opportunities

- In strong markets, apply tools to leverage market value (e.g. inclusionary zoning, TIF, developer agreements)