Equity Tools and Strategies for Transit-Rich Neighborhoods

October 15, 2012 Workshop

funders' network
FOR SMART GROWTH AND LIVABLE COMMUNITIES
FRAMING THE ISSUES: DEFINING AND MEASURING EQUITY IN EQUITABLE TOD
Equitable transit oriented development is “an intentional approach to TOD planning development that ensures that the coordinated transportation, urban design, land use, development and investments made near light rail and bus rapid transit, and the existing bus network, are directly benefiting low- and moderate-income households and connecting them to opportunities to improve the quality of their life.”

Scan of National TOD Activity

Equity refers to an ideal state in which everyone has full and equal access to opportunities and amenities, regardless of their race or ethnicity, gender, age or wealth.
Equity affects

- Transit ridership
- TOD performance
- Neighborhood development patterns and neighborhood change
- Location efficiency

**Gentrification**: a pattern of neighborhood change characterized by increasing property values and incomes

**Displacement**: a pattern of neighborhood change in which current residents are involuntarily forced to move out because they cannot afford the gentrified neighborhood
Terminology: categorizing transit users

- People who must use transit
  - Captive riders
  - Riders of necessity
- People who do have to use transit
  - Choice riders
  - Riders of preference
- OR we can ask who does use transit?

Who are the “core” users of transit?

- Immigrants
- People of color
- Zero Vehicle Households
- Renters
- Low and Lower Middle Income Households

Core riders: people of color

Public Transportation Users

American Community Survey 2005-2009 5-year data, Table S0802
Core riders: zero vehicle households

- Immigrants
- People of color
- Zero Vehicle Households
- Renters
- Low and Lower Middle Income Households

Core riders: zero vehicle households

Public Transportation Users

American Community Survey 2005-2009 5-year data, Table S0802
Core riders: renters

Percent Renters

American Community Survey 2005-2009 5-year data, Table S0802
## Core riders: income

### Median Income

<table>
<thead>
<tr>
<th>Location</th>
<th>National Average</th>
<th>Baltimore Average</th>
<th>Boston Average</th>
<th>Denver Average</th>
<th>Los Angeles Average</th>
<th>Minneapolis Average</th>
<th>SF/Oakland Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>$32,562</td>
<td>$41,667</td>
<td>$41,891</td>
<td>$37,630</td>
<td>$32,711</td>
<td>$39,424</td>
<td>$45,033</td>
</tr>
<tr>
<td>Baltimore</td>
<td>$30,768</td>
<td>$28,011</td>
<td>$40,199</td>
<td>$27,434</td>
<td>$16,200</td>
<td>$31,540</td>
<td>$42,954</td>
</tr>
<tr>
<td>Boston</td>
<td>$32,562</td>
<td>$41,891</td>
<td>$40,199</td>
<td>$27,434</td>
<td>$16,200</td>
<td>$31,540</td>
<td>$42,954</td>
</tr>
<tr>
<td>Denver</td>
<td>$30,768</td>
<td>$41,891</td>
<td>$37,630</td>
<td>$27,434</td>
<td>$16,200</td>
<td>$31,540</td>
<td>$42,954</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>$30,768</td>
<td>$41,891</td>
<td>$37,630</td>
<td>$27,434</td>
<td>$16,200</td>
<td>$31,540</td>
<td>$42,954</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>$30,768</td>
<td>$41,891</td>
<td>$37,630</td>
<td>$27,434</td>
<td>$16,200</td>
<td>$31,540</td>
<td>$42,954</td>
</tr>
<tr>
<td>SF/Oakland</td>
<td>$30,768</td>
<td>$41,891</td>
<td>$37,630</td>
<td>$27,434</td>
<td>$16,200</td>
<td>$31,540</td>
<td>$42,954</td>
</tr>
</tbody>
</table>

*American Community Survey 2005-2009 5-year data, Table S0802*
Core riders: Los Angeles

- Immigrants
- People of color
- Zero Vehicle Households
- Renters
- Low and Lower Middle Income Households

Metro rider surveys
Core riders: mode matters

**MBTA (Boston) Rider Surveys**
The (Equitable) T-O-D framework

What are both the “transit” and “development” oriented toward?

Core Riders
DEVELOPING A “RATING SYSTEM” FOR EQUITABLE TOD
Developing a TOD rating system

Why develop a rating system?
No consensus definition of equitable TOD, so
No way to distinguish “good” from “not as good” equitable TOD
Key issue: what geography?
  Station areas
  Projects

Including high frequency bus stops
Why in Massachusetts? VMT data!!
Typologies vs. Rating System

![Typology chart with categories: limited, emerging, stronger in three dimensions: Real Estate Market Strength, Transit Orientation, and Transit-related.]

![Rating system chart with dimensions: Population, Physical Form, Proximity, Possibilities, Propensity.]

![LEED certification badges: LEED Certified, LEED Silver, LEED Gold, LEED Platinum.]
OPTION ONE: TOD & equity sub-scores

TOD Rating
- Higher ridership
- Lower VMT
- Catalytic TOD

Equitable TOD

Greater Equity Outcomes
- Mixed-income housing
- Enhanced access
- Neighborhood amenities
But what is the equity “outcome”? 

• For “transit orientation” we know the desired outcome – less driving, more transit use
  • Analyze factors using VMT as the “dependent variable”
• “Equity orientation” more difficult to define a single desired outcome
  • One option would be to construct an equity “scale” (like the transit connectivity index)
  • Or, use a less quantitative approach and focus on relevant factors that are relevant to equity
OPTION TWO: One integrated rating system

TOD Rating
- Higher ridership
- Lower VMT
- Catalytic TOD

Equitable TOD

Equity Rating
- Mixed-income housing
- Enhanced access
- Neighborhood amenities
## Components of eTOD Score

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transit</td>
<td>Availability, quality, connectivity, and use of public transit</td>
</tr>
<tr>
<td>Orientation</td>
<td>Demographic and socioeconomic orientation toward transit usage</td>
</tr>
<tr>
<td>Development</td>
<td>Presence of existing transit-oriented development with higher densities and mix of uses</td>
</tr>
</tbody>
</table>
Transit Score

- Designed to measure the quality and frequency of transit service
- Metrics
  - Transit Access Shed Index (TAS)
  - Transit Connectivity Index (TCI)
  - “ABC” (anything but cars): American Community Survey data on the percentage of workers who use transit, bike, or walk to work
Orientation Score

• Designed to measure orientation toward “core riders”

• Looking for measures that capture both
  • Increased likelihood of transit use
  • Service to more transit-dependent populations

• Metrics
  • Transit dependency
    (households without vehicles)
  • Rental housing
  • Income (% below $25K)

• Although it was considered, no metric for race was included
Development Score

• Looking for measures that capture relevant attributes of the station area’s existing development patterns

• Metrics
  • Walkability (measured by WalkScore® )
  • Residential density
  • Employment gravity
  • Affordability (T component of H+T)
# eTOD Score Draft Rating System

<table>
<thead>
<tr>
<th>Category</th>
<th>Metric</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transit</td>
<td>Distance</td>
<td>Transit Access Shed Index (TAS)</td>
</tr>
<tr>
<td></td>
<td>Depth of Service</td>
<td>Transit Connectivity Index (TCI)</td>
</tr>
<tr>
<td></td>
<td>Use</td>
<td>Percentage workers who use transit, bike, or walk to work (ABC)</td>
</tr>
<tr>
<td>Orientation</td>
<td>Transit Dependency</td>
<td>Percentage of 0-car households</td>
</tr>
<tr>
<td></td>
<td>Lower income</td>
<td>Percentage of households with income &lt;$25,000</td>
</tr>
<tr>
<td></td>
<td>Housing Ownership</td>
<td>Percentage renters</td>
</tr>
<tr>
<td>Development</td>
<td>Walkability</td>
<td>WalkScore®</td>
</tr>
<tr>
<td></td>
<td>Residential density</td>
<td>Households per residential acre</td>
</tr>
<tr>
<td></td>
<td>Employment gravity</td>
<td>Employment Gravity Measure</td>
</tr>
<tr>
<td></td>
<td>Affordability</td>
<td>Percent of Income Spent on Transportation</td>
</tr>
</tbody>
</table>
# eTOD Score Ranges

<table>
<thead>
<tr>
<th>eTOD Score Range</th>
<th>Mean VMT per day per household</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>41+</td>
<td>21.3</td>
<td>Transit-Oriented</td>
</tr>
<tr>
<td>31-40</td>
<td>27.6</td>
<td>Transit-Supportive</td>
</tr>
<tr>
<td>21-30</td>
<td>36.5</td>
<td>Transit-Related</td>
</tr>
<tr>
<td>0-20</td>
<td>58.5</td>
<td>Transit-Adjacent</td>
</tr>
</tbody>
</table>
Station Area Ratings
eTOD Score example:  Jackson Square
## More example stations from Boston area

<table>
<thead>
<tr>
<th>Station Name</th>
<th>Transit Score (x/15)</th>
<th>Orientation Score (x/15)</th>
<th>Development Score (x/20)</th>
<th>eTOD Score (x/50)</th>
<th>eTOD Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cedar Park</td>
<td>6</td>
<td>7</td>
<td>11</td>
<td>24</td>
<td>Transit-Related</td>
</tr>
<tr>
<td>Beverly</td>
<td>4</td>
<td>7</td>
<td>11</td>
<td>22</td>
<td>Transit-Related</td>
</tr>
<tr>
<td>Jackson Square</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>38</td>
<td>Transit-Supportive</td>
</tr>
<tr>
<td>North Quincy</td>
<td>7</td>
<td>6</td>
<td>9</td>
<td>22</td>
<td>Transit-Related</td>
</tr>
<tr>
<td>Wollaston</td>
<td>7</td>
<td>8</td>
<td>10</td>
<td>25</td>
<td>Transit-Related</td>
</tr>
<tr>
<td>Maverick</td>
<td>10</td>
<td>14</td>
<td>17</td>
<td>41</td>
<td>Transit-Oriented</td>
</tr>
<tr>
<td>Dudley</td>
<td>14</td>
<td>15</td>
<td>14</td>
<td>43</td>
<td>Transit-Oriented</td>
</tr>
<tr>
<td>Back Bay</td>
<td>15</td>
<td>10</td>
<td>20</td>
<td>45</td>
<td>Transit-Oriented</td>
</tr>
</tbody>
</table>
Example stations from Denver area

<table>
<thead>
<tr>
<th>Station Name</th>
<th>Transit Score (x/15)</th>
<th>Orientation Score (x/15)</th>
<th>Development Score (x/20)</th>
<th>eTOD Score (x/50)</th>
<th>eTOD Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lincoln Station</td>
<td>3</td>
<td>7</td>
<td>4</td>
<td>14</td>
<td>Transit-Adjacent</td>
</tr>
<tr>
<td>Union Station</td>
<td>9</td>
<td>6</td>
<td>12</td>
<td>27</td>
<td>Transit-Related</td>
</tr>
<tr>
<td>20th &amp; Welton</td>
<td>11</td>
<td>13</td>
<td>15</td>
<td>39</td>
<td>Transit-Supportive</td>
</tr>
<tr>
<td>16th &amp; California</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>49</td>
<td>Transit-Oriented</td>
</tr>
</tbody>
</table>
THE T IN TOD:
ADVOCATING AND PAYING FOR BETTER TRANSIT SERVICE
Transit is facing a funding crisis

Source: Transportation for America
Transit agencies are raising fares AND cutting service

Actions Already Implemented or Approved for Implementation

- **Service Cuts:**
  - Larger Agencies: 71%
  - Other Agencies: 41%
- **Reduction in Peak-Period Service:**
  - Larger Agencies: 50%
  - Other Agencies: 41%
- **Reduction in Geographic Coverage of Service:**
  - Larger Agencies: 10%
  - Other Agencies: 25%
- **Fare Increase:**
  - Larger Agencies: 50%
  - Other Agencies: 30%
- **Transfer of funds from capital use to operations:**
  - Larger Agencies: 54%
  - Other Agencies: 30%
- **Use of Reserves:**
  - Larger Agencies: 58%
  - Other Agencies: 38%

Source: APTA
Investment is being affected

Changes in Capital Funding in Current Year
- Decrease 27%
- Stay the Same 58%
- Increase 15%

Source: APTA
Equity issues in transit/TOD funding

- Progressive (non-regressive) sources for new/additional funding
  - Including fair fares
- Equity when cutting service
- Equity in allocation of scarce resources for operations and maintenance
- Equity in prioritizing investment in new capacity
- Equity in public finance for TOD
Tools: New revenue sources

**Thinking Outside the Farebox**
Creative Approaches to Financing Transit Projects

**Smart Growth America**
Transit Funding Mechanisms - A Primer
Prepared for STA's State Transit Campaign

This primer provides a snapshot of various proven and potential transit funding mechanisms. For more information and references related to these mechanisms, refer to the following Smart Growth America documents which focus on specific funding mechanisms: "Sales Tax," "Gas Tax," "Parking Fees and Taxis," "Payroll/Employer Tax," and "Vehicle Fees," and "Carbon Fee Case Study: British Columbia."

**Sales Tax**
- A "consumption" tax levied on the purchase of goods and services, paid by the consumer in the seller, who then passes the tax on to the government.
- Any local enactment of a sales tax must first be approved at the state level.
- This is the most widely used funding mechanism for transit in the US. As of 2007, local jurisdictions in seventeen states were using some form of a local sales tax to fund transit.
- Relatively high yield potential and can be implemented easily and efficiently, but revenue is very sensitive to economic fluctuations.
- Often considered regressive, though there are counter-arguments.

**Case Study:** In 2008, San Diego County voters approved a forty-year extension of the TransNet Program, with a new one-half cent sales tax designated to fund a variety of transportation projects. The extension was originally expected to generate approximately $1.4 billion over the forty-year period, which would be split evenly across three ways between transit, highways, and local streets and roads. Between 1997 and 2008, the TransNet project produced approximately $1.1 billion for new transit and for annual operating costs.
- In recent years, however, falling sales will mean a projected revenue drop of 6.5% for transportation (over $22 million) between the 2009 and 2010 fiscal years. Currently, San Diego faces a $43 million annual transit budget gap.

**Motor Fuel (Gas) Tax**
- A "consumption" tax levied on the purchase of gasoline and diesel fuel that is currently applied in all fifty states and serves as the primary funding source for transportation in most places.
- Federal gas tax: 18.4 cents/gallon. Average state gas tax: 20.9 cents per gallon.
- Gas taxes provide a portion of transit funds in 15 states; 22 states constitutionally restrict gas tax revenue to highways and road improvements only - leaving transit off the table.
- Easy and inexpensive to administer, and has generated stable revenue in the past.
- By its nature, provides an incentive for reduced driving and encourages transit ridership.
- Value of gas tax decline over time unless indexed to inflation. Though this has not been done on the federal level, six states (FL, ME, NE, NV, WY, WV) currently index their state-wide gas tax to inflation in some way.

**Case Study:** The Rhode Island Public Transit Authority, or RIPTA (one of only two statewide transit agencies in the U.S.) has an operating budget for the FY 2009 of $131.2 million.
- Approximately 99% of this was funded by a statewide gas tax. In recent years, rising fuel prices have discouraged driving and have led to decreases in annual revenues from the gas tax, putting a dent in RIPTA’s funding. Between FY2008 and FY2009, the total revenue from the gas tax fell by approximately $2 million, and with a growing budget gap of approximately $10 million for the fiscal year, RIPTA was forced to consider major service...
Tools: learning from success (and failure)

http://www.northeastern.edu/dukakiscenter/matransportationfinance/
Tools: Organizing to restore service

Organizing Transit Riders: A How-To Manual

Good Jobs First
December 2011
New tool: FTA Title VI circular

- System-wide service standards and policies
- Collection and reporting of demographic data
- Monitoring of minority vs. non-minority routes
- Evaluation of service and fare changes
  - Disparate impact (race)
  - Disproportionate burden (income)
Challenge: Conflicting equity perspectives
Joan Byron

Director of Policy
Pratt Center for Community Development
Growing income inequality is a direct outcome of the growth model of New York and other global cities. We can make policy choices at the local and regional level that can mitigate inequality – or not. Here’s a map of transportation inequity at Gini = 0.5

Gini coefficient: a simple measure of income inequality

0 = perfectly equal distribution of income across a population

1 = perfectly unequal distribution (one individual receives all of the income)

0.4 = “unacceptable” level of inequality (per the UN, the World Bank,)

Gini coefficients for selected cities

<table>
<thead>
<tr>
<th>City</th>
<th>Gini Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amsterdam</td>
<td>0.31</td>
</tr>
<tr>
<td>London</td>
<td>0.32</td>
</tr>
<tr>
<td>Paris</td>
<td>0.33</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>0.48</td>
</tr>
<tr>
<td>New York</td>
<td>0.51</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>0.56</td>
</tr>
<tr>
<td>Moscow</td>
<td>0.62</td>
</tr>
</tbody>
</table>
Race and income disparities in New York City commute times

Residents with Commutes Over an Hour by Annual Income

- Under $35K: 64%
- $35K-$50K: 17%
- $50K-$75K: 13%
- Over $75K: 6%

Average Commute Time of New York City Residents

- Hispanic (all races): 41 minutes
- White (non-Hispanic): 36 minutes
- Black (non-Hispanic): 47 minutes
- Asian (non-Hispanic): 42 minutes
- Other (non-Hispanic): 43 minutes

Source: US Census CTTP 2000
Workers in high-wage sectors (yellow and green dots) both live and work in the best-served areas of the city; workers in blue-collar and low-wage service sectors (pink and blue dots) not only live in poorly-connected areas, but work in jobs that are widely dispersed across the city.
In PlaNYC 2030 and elsewhere, the Bloomberg administration has set out an ambitious program of subway and commuter rail megaprojects, that it views as essential to support its vision for New York City’s growth, and for competitiveness as a world financial center.

Second Avenue Subway = $8 billion for Phase 1 (2 miles, 3 stations); Long Island Railroad East Side Access = $4.8 billion; #7 subway line extension to the Far West Side = $2 billion

All of these projects will support high-end, high-density development in the Manhattan CBD – but none of them will improve access for the City’s 758,000 underserved, transit-reliant commuters.
Neighborhood Snapshots

Drilling deeper – commuting from New York City’s “transit deserts”
Where do residents of New York’s transit-starved neighborhoods work? And how do they get there?
What about people who work outside of the Manhattan CBD? (retail, health care, building services, transportation, distribution, construction, etc.)
Where do workers in outer-borough employment centers live? And how do they get to work?
so - what would help?  Pratt Center & COMMUTE!’s 2007 BRT Vision
NYC DOT BRT Phase 2 route selection methodology reflects Pratt Center approach, and identifies similar priorities

http://prattcenter.net/transportation-equity-atlas
Joan Byron, Director of Policy
jbyron@pratt.edu
Discussion
THE O IN TOD: ORIENTING BOTH TRANSIT AND DEVELOPMENT TO CORE RIDERS
TOD won’t be inclusive unless planning is

“. . . Public processes generally happen a day late and a dollar short and are really used more to get rubber stamp approval of preconceived ideas than to genuinely collect feedback . . .”

Scan of National TOD Activity
Planning + accountability

• Everyone with a stake in a community’s future should have the opportunity to participate in planning for transit and TOD

• Also the ability to hold government officials and developers accountable for following through on all commitments
Fundamentals of inclusive planning

- Community involvement in process design
- Governed by written consensus principles
- Engagement, not outreach
- Capacity building for effective participation
- Accountability begins when traditional planning ends
Tool: station area advisory committees

- Established for each of 20 station areas on Baltimore’s planned Red Line
- Goal is a community-centered station design process
- Outgrowth of the Red Line Community Compact
Tool: community-driven corridor planning

• Boston’s Fairmount Line commuter rail being planned as a corridor
• Initial “vision” document was prepared by a coalition of community development coalitions
• City of Boston later launched strategic growth planning for corridor and specific station areas
Tool: community engagement grants

- Part of Twin Cities “Corridors of Opportunity” initiative
- $720,000 awarded to 20 organizations along seven transit corridors
- Grants support innovative and effective placed-based initiatives that engage and involve underrepresented communities
Tool: community benefits agreements

- CBAs can be used for individual projects and enforced through permits/financing/disposition agreements
- For Atlanta Beltline, legislation requires all bond-funded TOD projects to include conditions based on specific community benefits principles
Desiree Westlund Cindric
Program Director, FRESC

FRESC
GOOD JOBS • STRONG COMMUNITIES
Changing the system

<table>
<thead>
<tr>
<th>The Vision</th>
<th>The Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disadvantaged families living in station areas can afford to stay in their neighborhoods and have access to the opportunities they want and need</td>
<td>Organize residents so that they have power in the transit and neighborhood development decisions that impact their communities</td>
</tr>
<tr>
<td>Even in areas of privilege, transit expansion and related neighborhood development benefit disadvantaged families</td>
<td>Organize a regional coalition of community organizations, faith leaders, and residents to win benefits (ex: building affordable housing where there was none)</td>
</tr>
</tbody>
</table>
Gates-Cherokee
Community Benefits-Winning Together

- Quality Jobs
  - Construction phase (wages/benefits, training)
  - Permanent jobs (wages/benefits, workplace rights)
  - Local Hiring

- Affordable and Accessible Housing

- Neighborhood Safety & Community Investment
  - Environmental Cleanup
Lincoln/La Alma
South Lincoln/La Alma Resident Advisory Committee recommendations

- Cultural Diversity
- Public Safety
- Land Use & Economic Opportunity
- Transition & Relocation Process
- What do the Buildings look like & How are they Connected to transit?
- Environmental Health & Safety
Outcomes

Planning process identified and codified community vision that served as DHA’s starting point for Master Planning Process and Hope VI application

- Commitment 1:1 Replacement of Public Housing Units
- Use of phasing as a way to reduce displacement
- Community and Supportive Services
Discussion
THE D IN TOD: PAYING FOR STATION AREA IMPROVEMENTS AND TOD WITHOUT COMPROMISING EQUITY
Financing can exacerbate inequity

• Revenue sources for funding transit expansion may be regressive (e.g. some sales taxes)
• Transit agency “joint development” policies may focus solely on market rate projects
• Real estate-driven funding streams for new transit or station area amenities create incentives for market rate uses
Transit agencies and joint development

- Joint development is private development on a parcel of land sold or leased by a transit agency.
- Agencies may lack legal authority to engage in affordable housing production.
- Agencies often require replacement of all commuter parking spaces.
- FTA requires agencies to ensure “fair return to transit” on property acquired with federal funds.
Some funding mechanisms rely on high value real estate development

• Abutting owners paying special assessments may want greater profits from development
• “Value capture” funding methods rely on market-driven development generating additional tax revenue
• TIF funding is maximized when future property tax revenue is maximized
Tool: flexibility on replacement parking

- Transit agencies can redevelop surface parking lots into equitable TOD
- Valley Transportation Authority allowed redevelopment of 1,100 space park-and-ride into 195 units of affordable housing
- VTA did not require replacement of all commuter parking—final project included only 240 park-and-ride spaces

Ohlone-Chynoweth Commons
San Jose, CA
Tool: redefining “fair return to transit”

- Tri-Met in Portland has used innovative methods to put affordable housing on parcels acquired with federal transit funding.
- Affordable housing with limited parking generates more transit users/fare revenue than market rate housing with generous parking.
- Required “fair return to transit” was calculated including 30 years of future fare revenue from housing residents.
Tool: corridor tax increment financing

- In Dallas, TIF district created along a corridor instead of for individual stations
- Allows for revenue sharing from higher value to lower value station areas
- For example, for Mockingbird station
  - 40% stays in station area
  - 40% goes to lower value area
  - 20% goes to affordable housing anywhere in the corridor
Tool: Equitable TOD fund

The mission of the Bay Area Transit-Oriented Affordable Housing (TOAH) Fund “is to promote equitable transit-oriented development (TOD) across the nine-county Bay Area by catalyzing the development of affordable housing, community services, fresh foods markets and other neighborhood assets.”
FINANCING STATION AREA IMPROVEMENTS

Encouraging Development without Compromising Equity

Nadine Fogarty
October 15, 2012
Defining TOD Infrastructure

- **Grey** Infrastructure – streets, sidewalks, bike lanes, wet and dry utilities, storm water, structured parking
- **Green** Infrastructure – street trees, parks, open space
- **Gold** – affordable housing, community centers, health clinics, day care centers, etc.
Many Challenges to Funding and Financing TOD Infrastructure

- Doesn’t always pay for itself because many benefits accrue to the general public
- Infrastructure improvements needed to support TOD need to be “front loaded” before development occurs
- Structured parking is expensive to build
- Real estate market conditions do not always support community vision for higher density development
## Typical Public Sources of Funding for Infrastructure

<table>
<thead>
<tr>
<th>Grants</th>
<th>General Funds</th>
<th>User Fees</th>
<th>Property-Based Tools (aka “Value Capture”)</th>
<th>Project-Based</th>
<th>District-Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>Property Tax</td>
<td>Parking Fees</td>
<td>Negotiated developer contributions/exactions</td>
<td>Special Taxing Districts</td>
<td>Special Taxing Districts</td>
</tr>
<tr>
<td>State</td>
<td>Sales Tax</td>
<td>Utility Fees</td>
<td>Joint development/PPP</td>
<td>Tax increment financing (TIF)</td>
<td>Tax increment financing (TIF)</td>
</tr>
<tr>
<td>Regional</td>
<td>Etc.</td>
<td>Other</td>
<td></td>
<td>Parcel Taxes</td>
<td>Parcel Taxes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Developer Fees</td>
<td>Developer Fees</td>
</tr>
</tbody>
</table>
Value Capture Tools, in Particular, Rely Mostly on New Development

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Source of Value</th>
<th>Reliance on Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIF</td>
<td>Property Value Increase/Development</td>
<td>Yes</td>
</tr>
<tr>
<td>Developer Fees/Exactions</td>
<td>Development</td>
<td>Yes</td>
</tr>
<tr>
<td>Joint Development</td>
<td>Development</td>
<td>Yes</td>
</tr>
<tr>
<td>Assessment District</td>
<td>Estimated Property Benefit</td>
<td>Not in theory, but often in practice</td>
</tr>
<tr>
<td>Utility Fees</td>
<td>Fee Based on Property Characteristics</td>
<td>No</td>
</tr>
<tr>
<td>Land Tax/Split-Rate Tax</td>
<td>Property Value</td>
<td>No</td>
</tr>
</tbody>
</table>
# Potential Methods of Financing Infrastructure – All Require Revenue

<table>
<thead>
<tr>
<th>Pay-As-You-Go</th>
<th>Debt</th>
<th>Public-Private Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay (or save up) over time as revenues are generated</td>
<td>Borrow money up front, pay back using future revenues</td>
<td>Shift financing risk to the private sector</td>
</tr>
<tr>
<td>• Requires patience</td>
<td>• Bonds can be general obligation or revenue bonds</td>
<td>• Requires revenue stream</td>
</tr>
<tr>
<td>• Challenging to use where up-front investments are needed</td>
<td>• Requires predictable revenue stream</td>
<td>• Costs and benefits are shared</td>
</tr>
<tr>
<td></td>
<td>• Many factors can impact ability to issue debt</td>
<td>• Requires collaboration and cooperation</td>
</tr>
</tbody>
</table>
### Some, But Not All, Infrastructure Generates Revenue

<table>
<thead>
<tr>
<th>Infrastructure Type</th>
<th>Revenue Generating?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gray</td>
<td></td>
</tr>
<tr>
<td>Local streets</td>
<td>No</td>
</tr>
<tr>
<td><strong>Sidewalks, bike lanes</strong></td>
<td>No</td>
</tr>
<tr>
<td>Wet &amp; dry utilities</td>
<td>Yes</td>
</tr>
<tr>
<td>Parking</td>
<td>Maybe</td>
</tr>
<tr>
<td>Green</td>
<td></td>
</tr>
<tr>
<td>Streetscape, street trees</td>
<td>No</td>
</tr>
<tr>
<td><strong>Parks &amp; open space</strong></td>
<td>No</td>
</tr>
<tr>
<td>Gold</td>
<td></td>
</tr>
<tr>
<td>Affordable housing</td>
<td>Yes</td>
</tr>
<tr>
<td>Community center, day care, etc.</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Two Primary Kinds of Financing Strategies

Financing Strategy in Strong Market Locations (Value Capture):

Private Development → Public Sector Financing Strategies → Transit, Infrastructure and Amenities

Financing Strategy in Cooler Market Locations (Activities to Improve Neighborhoods and Enable Development):

Public Sector Financing Strategies → Transit, Infrastructure and Amenities → Private Development
Concluding Thoughts

• Successful financing and implementation is about having a strong strategy, not just finding money
• The public sector has to be proactive and manage infrastructure financing the way a “master developer” would: incrementally
• Similarly, we need to be smart and flexible about how we ensure community benefits are provided
• Set implementation priorities based on existing assets, funding availability, and market strengths, not just on solving the “biggest” problems
• In cooler markets, consider how “gold” infrastructure investments can play a catalytic role
• Discussion
The Kitty and Michael Dukakis Center for Urban & Regional Policy conducts interdisciplinary research, in collaboration with civic leaders and scholars both within and beyond Northeastern University, to identify and implement real solutions to the critical challenges facing urban areas throughout Greater Boston, the Commonwealth, and the nation.

Founded in 1999 as a “think and do” tank, the Dukakis Center’s collaborative research and problem-solving model applies powerful data analysis, multidisciplinary research and evaluation techniques, and a policy-driven perspective to address a wide range of issues facing cities, towns, and suburbs, with a particular emphasis on the greater Boston region. The Dukakis Center works to catalyze broad-based efforts to solve urban problems, acting as both a convener and a trusted and committed partner to local, state, and national agencies and organizations.

In November 2008 the Center was renamed in honor of Kitty and Michael Dukakis for the extraordinary work that both of them have done to make the City of Boston, the Commonwealth, and the nation a better place to live and work.

A “Think and Do” Tank