



Better Coordination of Transportation and Housing Programs

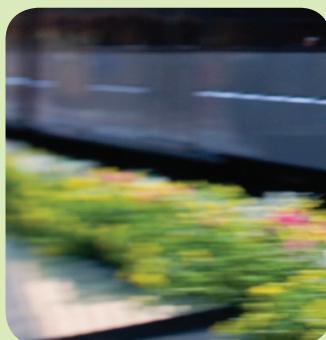
to Promote Affordable Housing Near Transit

A Report to Congress
from the

U.S. Department
of Transportation
Federal Transit
Administration

and the

U.S. Department
of Housing and Urban
Development



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Introduction

Transit-oriented development (TOD) is increasingly recognized as having the potential to improve the quality of life for American households, by creating vibrant, livable communities in proximity to transit. Improved access to transit can reduce transportation costs for working families and mitigate the negative impacts of automobile travel on the environment and the economy.

The need for a mix of housing types that is affordable to a range of family incomes in proximity to transit is an important policy concern at all levels of government, including the federal government. Through its policies and investments, the federal government can help shape opportunities at the regional and local level to meet the growing demand for affordable housing near transit.

Congress has directed the Department of Housing and Urban Development (HUD) and the Federal Transit Administration (FTA) to address this issue. The House Committee on Appropriations, in its Fiscal Year (FY) 2008 Committee Report, stated that “the Committee strongly believes that transportation, housing, and energy can no longer be viewed as completely separate spheres with little or no coordination throughout the different levels of government,” and has directed FTA and HUD to “better coordinate public transportation and housing policies and programs. Better planning and coordination on the federal, state and local levels can ensure that affordable housing is located closer to public transportation and employment centers.”¹ The Committee also indicated that “the preservation of affordable housing should become an integral part of transit-oriented development policies.”

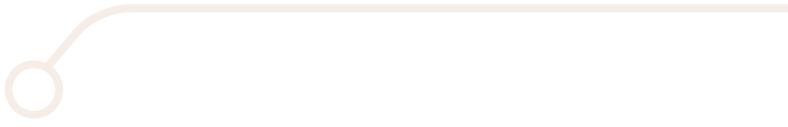
This report responds to the Joint Explanatory Statement issued by the House-Senate Conference Committee with the FY 2008 Consolidated Appropriations Act. Congress has directed FTA and HUD to continue expanding their work in the area of mixed-income and affordable housing and transit as follows:

The conferees direct FTA and HUD [to] develop a best practices manual which will serve to assist communities as they seek to establish mixed-income transit-oriented development. FTA and HUD should also jointly report back to the House and Senate Committees on Appropriations within six months of enactment, on new ways FTA and HUD can better coordinate transportation and housing programs to promote affordable housing near transit.²

This report outlines strategies developed by FTA and HUD for the planning and implementation of this task over three years (FY 2008 – FY 2010).

¹ House Report 110-238 to the “Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, 2008,” July 18, 2007.

² FY 2008 Consolidated Appropriations Act, Publ. L. 110-161, Joint Explanatory Statement, December 26, 2007.



Background

On average, Americans spend 52 percent of their incomes on housing and transportation. The average American household spends approximately 18 percent of its annual income on transportation – and lower-income families spend as much as 33 percent.³ For lower-income families, rising transportation costs present a particular burden, with oil prices surpassing \$100 per barrel and gasoline prices exceeding \$4 per gallon. In some metropolitan areas, households spend nearly as much on transportation as on housing.

One approach to lowering the combined cost of housing and transportation is to expand housing opportunities adjacent to transit. TOD presents unique opportunities to create housing in proximity to public transportation, and to address zoning, land use and financing issues that affordable housing developers typically encounter when developing mixed-income housing projects.

Transportation and Housing

A 2004 study commissioned by FTA estimates that the demand for housing near transit will increase to 14.6 million households by the year 2030, more than double the six million households that currently reside within a half mile of transit.⁴

There are several examples of linkages between housing and transit aimed at capturing this demand. An early example is the BART Fruitvale Station in Oakland, California, where a HUD-funded senior housing project anchored the entire development. San Francisco's Metropolitan Transportation Commission's Housing Incentive Program provides additional funds to transit agencies as an incentive to build housing within a quarter of a mile from the transit station, using Federal Congestion Mitigation and Air Quality (CMAQ) program funds. California includes points for TOD in its allocation of Low Income Housing Tax Credits. In addition, cities that are developing new fixed guideway (rail and bus rapid transit) systems or extensions, such as Denver, Colorado, Portland, Oregon, and Phoenix, Arizona, encourage development around their new stations. Particular emphasis is placed on providing a broad mix of

³ Realizing the Potential: Expanding Housing Opportunities Near Transit, Center for Transit Oriented Development, April 2007.

⁴ Hidden in Plain Sight: Capturing the Demand for Housing Near Transit, Center for Transit Oriented Development, September 2004.

commercial, residential and retail uses, pedestrian-scale approaches to stations, and station-area development plans coordinated with existing neighborhoods. Also, Atlanta's Livable Communities Initiative is an innovative example of regional action to stimulate housing development adjacent to transit.

Although not as easy to accomplish as with a fixed guideway rail or bus system, joint development can also jumpstart TOD along non-fixed guideway bus routes.⁵ The Linden Transit Center in Columbus, Ohio, is an example of a partnership between the Central Ohio Transit Authority and community development groups to establish a multi-purpose transit center that serves as the catalyst for the revitalization of the South Linden neighborhood. This neighborhood redevelopment project, in addition to providing affordable housing, has helped retain a local factory, thereby preserving jobs within the community as well.

A 2004 Transportation Research Board study found, "The state of practice with TOD in the United States is generally a healthy one."⁶ Local governments, redevelopment authorities, regional planning organizations, and even public transit agencies have, over time, accumulated an arsenal of tools and techniques to get the job done. However, many challenges still remain, including how to achieve the appropriate mix of uses, the density required to achieve the locational and transportation benefits, and the level or type of transit service necessary to serve TOD.

The focus of this report is on how TOD can address the need for housing that serves an array of incomes. More specifically, how can the increased property and land values generated by public investment in transit be captured to assist in the provision of critically-needed mixed-income housing?

Developing mixed-income housing near transit presents several significant challenges. Primary among these is typically the high land cost that results from the market demand for housing, office space, and amenities within walking distance of transit. This means that attracting or supporting mixed-income housing as a significant component of TOD will require incentives or policy tools that ensure that housing is available for all income groups. Other challenges include: zoning and other regulatory

⁵ FTA Livable Communities Paper, 1997.

⁶ Transit Cooperative Research Program Report 102, Transit-Oriented Development in the United States: Examples, Challenges, and Prospects, Transportation Research Board, 2004.

barriers to affordable housing; the added complexity of joint development projects involving transit agencies, private investors, and other public authorities; and the preservation of existing affordable housing in the face of upward pressure on housing prices.

The actions described in this report are intended to address three separate but related facets of the housing challenges near transit:

1. ***Expand mixed-income and affordable housing choices in the immediate proximity of new and existing transit stations.*** With a growing number of transit stations funded through FTA's capital programs, there is a need to develop new approaches to financing affordable housing within a walkable, half-mile range of transit stations, including state and local targeting of housing subsidies such as Low Income Housing Tax Credits, state bond financing proceeds, and rental assistance, as well as the potential use of innovative mortgage finance techniques, such as location-efficient mortgages.
2. ***Develop a more comprehensive approach to address household expenditures on housing and transportation.*** It is becoming increasingly apparent that housing location choices affect household transportation expenditures. Increasingly, families have found that while affordable housing could be found further out in suburban or exurban locations, often without good access to transit, this housing comes at the expense of higher transportation costs. A more flexible approach to financing and underwriting housing that recognizes the associated cost of transportation may be needed.
3. ***Preserve existing affordable housing.*** A recent study showed that there are a significant number of HUD-assisted properties that have expiring use mortgages in close proximity to transit.⁷ The preservation of these and other federally-subsidized housing units within walking distance of transit stations are an important element of a mixed-income, transit-oriented housing strategy.

Previous Interagency Efforts

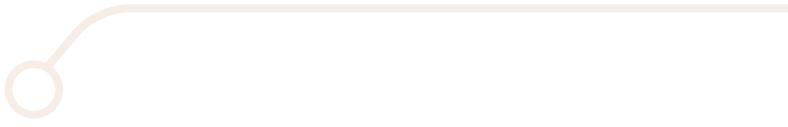
Over the past five years, HUD and FTA have explored opportunities to coordinate housing and transportation planning and investment decision-making. A June 2003 roundtable hosted by the National Academy of Sciences focused on possible data sharing and development of geographical information systems (GIS) by the two agencies.

Following the roundtable, HUD and FTA entered into a June 2005 Interagency Agreement (IAA) to help communities realize the potential demand for transit-oriented housing. The IAA was aimed at closing the gap between the projected demand for housing near transit in particular metropolitan regions, and realizing the development of that housing in proximity to new or existing transit corridors in these regions.

The IAA provided support for a study completed in April 2007 entitled *Realizing the Potential: Expanding Housing Opportunities Near Transit*⁸. Conducted by Reconnecting America's Center for Transit Oriented Development, the study included case studies of transit corridors in five cities: Charlotte, North Carolina; Minneapolis-St. Paul, Minnesota; Portland, Oregon; Boston, Massachusetts; and Denver, Colorado. Underutilized land that was potentially suitable for development was mapped in these locales. The study included a number of recommendations for improved coordination between FTA and HUD, as well as strategies at the State, regional, and local levels.

⁷ National Housing Trust and Reconnecting America, *Preserving Opportunities: Saving Affordable Homes Near Transit*, 2007, documented 100,000 expiring use units in proximity to transit in eight cities, including 23,000 Section 202 senior housing units.

⁸ Reconnecting America, *Realizing the Potential: Expanding Housing Opportunities Near Transit*, April 2007. Available at www.reconnectingamerica.org.



Proposed Actions

Building on previous efforts, and in response to Congress' direction, the following strategies are new ways that FTA and HUD can better coordinate transportation and housing planning and programs to promote affordable housing near transit:

Federal Interagency Working Group

1. *Implement Joint FTA/HUD Working Group.*

As directed by Congress, FTA and HUD have established an Interagency Working Group to coordinate activities between the two agencies. The Working Group meets quarterly to coordinate FY 2009 and subsequent research activities; monitor development of a Transportation-Housing Affordability Index and its possible application to specific projects, programs, or policies; identify outreach opportunities for coordination of programs or housing and transportation planning; develop ongoing action plans; and provide input into joint products.

The Working Group was initially convened in October 2007 by members of both HUD and FTA headquarters offices. Membership includes representatives of the following HUD offices: the Office of Community Planning and Development, which oversees HUD's consolidated planning requirements; the Office of Policy Development and Research, which has sponsored previous joint research with FTA on housing and TOD; and the Office of Public and Indian Housing and the Office of Housing, both of which manage or finance a significant volume of mixed-income or affordable housing. FTA is represented by: the Office of Planning and Environment, which oversees FTA's transportation planning requirements; the Office of Budget and Policy, which has sponsored previous joint research with HUD on housing and TOD; the Office of Program Management, which oversees FTA's grants programs; and the Office of Chief Counsel, which provides legal advice on TOD. HUD field and FTA regional office representatives will be included in the Working Group in the future.

Best Practices Manual

2. *Develop a Best Practices Manual for mixed-income housing near transit.* As directed by Congress, HUD and FTA will prepare a best practices manual on mixed-income housing and TOD. The manual will provide guidance for local officials on successful strategies for implementing mixed-income housing near transit. The manual will communicate promising initiatives, practical methods for overcoming common regulatory barriers, and successful tools for joint or coordinated housing and transit planning. Case studies of successful mixed-income housing near transit, lessons learned, and a compilation of principles and strategies used will be included to motivate and guide local communities in developing their own projects. The manual will be completed and published in FY 2009.

Outreach and Capacity Building

3. *Identify opportunities for joint outreach to housing and transit providers and stakeholders.*

HUD and FTA will develop an outreach plan that identifies opportunities for engaging stakeholder groups, as well as venues, for advancing the joint program to both housing and transit providers. The plan will outline conferences, symposiums, and workshops where joint presentations can be made to diverse transportation and housing audiences. These sessions will present best practices, resources available for technical assistance and project development, projects that can be easily replicated, and other tools that can be utilized to better coordinate transportation and housing programs and projects.

The outreach plan will also identify training opportunities that can provide insight into the relationship between transportation, land use, economic development, and affordable housing, through webcasts, National Transit Institute curricula and other options. The HUD-FTA Working Group will collaborate with industry partners to promote these outreach and training opportunities through a variety of media.

4. ***Conduct briefings and workshops for FTA and HUD staff.*** HUD has 82 field offices and FTA has 10 regional and five metropolitan offices responsible for implementation of programs and services across the Nation. HUD and FTA will convene teleconferences with their field and regional staff to facilitate coordination of FTA and HUD activities at the local level. The purpose of these sessions will be to expand awareness of regional FTA and HUD staff of their respective programs and activities, and to improve coordination and delivery of joint projects and services.
5. ***Enhance capacity building program(s).*** FTA will include mixed-income housing development near transit as a specific focus of the joint FTA/Federal Highway Administration Transportation Planning Capacity Building program, as part of its continuing technical assistance to transit providers, public officials, and other stakeholders. HUD provides technical assistance through the HOME Investment Partnerships or Community Development Block Grant (CDBG) programs. The two agencies will explore opportunities for utilizing these programs in integrating Federal transportation and housing planning and program requirements.

To support these activities, HUD and FTA will share information and links on their respective websites to provide a clearinghouse of resources and information for promoting mixed-income housing near transit. The websites would provide links to pertinent documents and resource agencies, as well as contain materials developed by the two agencies (e.g., workshop presentations, guidance).

Regulatory Barriers

6. ***Identify regulatory barriers to housing near transit.*** HUD and FTA will identify regulatory barriers to the coordination of HUD and FTA investments in projects adjacent to or near transit. This will be done on two levels: first, barriers that might exist in HUD and FTA's own regulations; and, second, state and local regulatory barriers to joint development and TOD.

At the Federal level, barriers might include inconsistent planning requirements between HUD's Consolidated Plan and the Department of Transportation's (DOT) metropolitan and statewide planning requirements, or concerning possible restrictions on FHA mortgage

insurance for mixed-use development. Examples of barriers at the state and local levels may include: zoning codes that are overly restrictive, restrictions on density allowances, parking requirements, burdensome permitting requirements, complex or duplicative planning processes, or outdated rules covering real property disposition.

FTA and HUD will first invite experts from both the housing and transportation industries, along with stakeholders, to participate in a roundtable panel discussion to identify common barriers. This will be followed by an FTA-HUD sponsored white paper on barriers to improved coordination, as well as possible public policy solutions. Finally, topics for future research will be identified that contribute to the knowledge base on overcoming barriers to improved land use, housing, and transportation planning at all levels of government.

These efforts to identify and review State and local regulations are supportive of HUD's priority of reducing barriers to affordable housing through HUD's Affordable Communities Initiative, as well as of FTA's broader community development goals.

Joint Regional/Metropolitan Planning

7. Improve coordination of housing and transportation planning through HUD's Consolidated Plan and DOT's Transportation Planning requirements, and other mechanisms.

Both HUD and FTA require local communities to prepare long- and short-range plans as a requirement for receiving Federal housing and transportation funds.

- HUD requires states, cities and counties to prepare a five-year Consolidated Plan and a one-year Action Plan that together identify long-range housing needs, as well as short-term funding priorities for HUD's formula grant programs.⁹ Guidance provided to grantees on metropolitan/regional connections includes the following:

Clear connections should be established between communities, neighborhoods, and the larger metropolitan region. Does the jurisdiction's strategic or comprehensive plan connect its actions to the

larger economic strategies for the metropolitan region? Does the plan reference the plans of other agencies that have responsibilities for metropolitan economic development, transportation, and workforce investment?

In addition to the Consolidated Plan, public housing authorities (PHAs) prepare a PHA Plan that could also address transportation. The PHA Plan is a comprehensive guide to PHA policies, programs, operations, and strategies for meeting local housing needs and goals. There are two parts to the PHA Plan: the Five-Year Plan, which each PHA submits to HUD once every fifth PHA fiscal year, and the Annual Plan, which is submitted to HUD every year.

- DOT requires metropolitan areas to develop a 20-year Metropolitan Transportation Plan and a four-year Transportation Improvement Program (TIP); states are required to develop a Long-Range Statewide Transportation Plan and a four-year Statewide Transportation Improvement Program (STIP). Together, these documents identify transportation projects proposed for development over both long and short time frames. Metropolitan planning organizations (MPOs) also are required to prepare, over a one- or two-year period, a Unified Planning Work Program that describes the planning activities for undertaking that work. Preparation of these plans and programs is required to be collaborative and coordinated with state and local land use, growth, and economic development plans.

Coordination between the plans required by HUD and DOT could result in improved leveraging of housing and transportation funds, and in more effective strategies for addressing metropolitan area housing and transportation needs. These include preservation of expiring-use multifamily properties near transit, and prioritizing funding for affordable housing near transit facilities. Similarly, in preparing transportation plans and programs, state and local officials could assign a higher funding priority to transit investments that serve mixed-income communities with affordable housing. At the same time, different jurisdictions and time frames for submission of the Consolidated Plan, of metropolitan area TIPs, and of state STIPs present a significant challenge to enhanced coordination.

⁹ Community Development Block Grant (CDBG), HOME Investment Partnership programs, and Emergency Shelter Grants (ESG).

Actions to be explored by HUD and FTA may include: (1) encouraging collaboration of MPOs or regional councils of government with local transit providers and housing and community development agencies, (2) identifying demonstration projects, and (3) providing better guidance on coordinated housing and transportation investments for Consolidated Plan, TIP, and STIP submissions. In addition, HUD and FTA plan to support the development of a model regional housing-transit plan that can provide a template for other jurisdictions.

Policy Analysis, Research and Development

8. ***Identify opportunities for joint research and development and policy analysis.*** HUD and FTA will annually identify possible topics for joint research, including but not limited to the following:
 - Land use and place-based analysis to link housing and transportation planning (including TOD), aligning the consolidated planning and metropolitan transportation planning processes, and developing demonstration projects.
 - Development of alternative tools, techniques, and methods for addressing housing and transportation (e.g., an affordable housing-transportation index that reflects combined household expenditures on housing and transportation).
 - Bridging the gap between local and regional scales in data collection, analysis, and information dissemination, including the development of user-friendly analytic tools and capacity building for the development of local area cadastral databases (computerized maps of property boundaries).
 - Improving the use of geographical information systems (GIS) to support mixed-income housing near transit, including refining techniques for identifying and mapping underutilized parcels that may be suitable for housing development, and/or ongoing mapping of expiring use properties within close proximity to transit.

- Joint research into the relationship between household expenditures on housing and transportation, to better understand the inverse relationship that can exist between affordable housing and transportation costs as a share of household expenditures.
- Monitoring and assessing the effectiveness of policies and tools that have been deployed to promote or retain mixed-income housing in key transit corridors.
- Assessing the role of mortgage financing tools such as location-efficient mortgages, which take into account the location of properties near transit and include transportation cost savings in the underwriting of such loans.
- Identifying how HUD and FTA can improve policy coordination and provide incentives through new and/or existing programs to further promote affordable housing near transit corridors, and to include the preservation of affordable housing as an integral part of TOD policies.

Legislative Research and Recommendations

9. Address affordable housing and mixed-income housing needs in new legislative initiatives.

Based upon the recommendations of the HUD-FTA Interagency Working Group, FTA will identify legislative initiatives for the next surface transportation authorization bill and other legislation to increase the opportunities, and reduce the challenges, to affordable housing near transit. This would improve the alignment of FTA and HUD programs.

Performance Measurement

10. Assess the effectiveness of the HUD-FTA Action Plan.

The Working Group will develop performance measures and an associated management information system for assessing the effectiveness of the results of joint actions taken by the two agencies. Elements may include an inventory of affordable housing developments near transit, federal funding sources deployed, incremental impacts on transit ridership from such developments, changes in zoning ordinances that promote affordable housing near transit, and other performance indicators. A baseline will be established from which annual progress would be measured.

Incentives

- 11. Identify financial incentives for funding affordable housing near transit.** There are currently no direct incentives through HUD- and FTA-funded programs for locating affordable housing near transit. HUD funding for housing is provided in several ways: through competitive and formula grants, mortgage insurance (for both single family homes and multifamily rental housing), and tenant- and project-based rental assistance. FTA funding for transit is provided through various discretionary and formula grants. FTA's major formula grant program, known as Section 5307 Urbanized Area Formula grants, provides public agencies and bodies with planning, capital, and in certain cases, operating assistance to expand transit services on routes, communities, and corridors of their choosing.

HUD and FTA will assess the feasibility of encouraging and/or providing targeted incentives for financing affordable housing near transit through these and other programs. These might include set-asides of a portion of grant funds for jointly funded projects that address both housing and transportation, or awards of bonus points in rating applications for competitive grant awards through such housing programs as HOPE VI or Section 202 Supportive Housing for the Elderly. Consideration could also be given to using set-aside funding for the HOPE VI program to award bonus funds for projects located near transit. For those programs that require a non-Federal match, a reduced match or more flexibility in allowing non-cash contributions could be considered. However, specific statutory authorization from Congress is required to support such incentives.

At the state and local levels, incentives to be considered might include density bonuses or establishing faster approval and permitting procedures for TODs that contain mixed-income housing. Housing authorities could also consider incentives for locating Section 8 project-based developments, and of Replacement Housing Factor (RHF) Fund units near transit.¹⁰

¹⁰ HUD's Capital Fund Formula rule at 24 CFR 905.10(i) provides that a PHA may receive grants to replace units that are demolished or sold. PHAs must submit an RHF plan containing a description of the proposed replacement housing.

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