

Locating Affordable Housing Near Transit: A Strategic Economic Decision

The United States has entered an era marked by fiscal constraints, national economic restructuring, and major demographic shifts. Communities of all sizes — urban, suburban, and rural — must find ways to do more with less, while still meeting their residents' daily needs. Transit agencies, metropolitan planning organizations, and city and county governments are all operating with limited funding, while at the same time attempting to integrate housing and transportation plans, improve existing infrastructure, and plan for the future. This policy brief compiles recent research to demonstrate that one of the most economically efficient strategies for providing public services is to ensure that housing near public transportation is affordable to people with a range of incomes.

The Economic Benefits of Affordable Housing

Affordable housing can create millions of dollars in economic returns for communities. While there may be an upfront public cost of providing affordable housing, there are also significant economic benefits that accrue from such housing. A literature review prepared by the Center for Housing Policy shows that developing affordable housing benefits the local economy by:

- **Creating jobs and spending in the local economy** both during construction and after the homes are occupied.
- **Attracting both new employers and a skilled workforce** by having a sufficient amount of affordable housing in proximity to jobs.
- **Increasing revenues for states and localities** through fees from permitting, zoning, utilities, and property taxes.
- **Reducing government spending** by promoting sustainable and stable homeownership opportunities, which reduce the risk of foreclosure and delinquencies.¹

Research further points out that the number of jobs created from an affordable housing project is comparable to the number created during the building of a market-rate development.² In the Denver metro area, 615 affordable housing units built with low-income housing tax credits (LIHTC) resulted in annually recurring impacts beyond the first year of \$16.7 million in local income, \$2.3 million in taxes and other revenues for local government, and 192 local jobs.³

¹ Center for Housing Policy. 2011, January. The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development. Washington, DC. See <http://bit.ly/haA1Yb>

² Center for Housing Policy. 2011, January. The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development. Washington, DC. See <http://bit.ly/haA1Yb>

³ National Association of Home Builders. 2010, June. The Economic Impact of Low-Income Housing Tax Credit Development Along Transit Corridors in Metro Denver. See <http://bit.ly/OxgXc0>

The Economic Benefits of Transit

A stable public transportation system is the basis of many successful economies. For every \$1 invested in public transportation, \$4 in economic returns is generated.⁴ Transit can create and support jobs, increase property values, stimulate development, boost local and state revenues, and conserve energy if the right investments are made.

- **Public transit creates jobs:** Every \$1 billion in public transportation investments creates 36,000 jobs.⁵
- **Public transit stimulates development:** In Portland, more than \$8 billion of new development has occurred adjacent to light rail station areas.⁶
- **Public transportation boosts business revenue:** Business located near the light rail line in Dallas experienced a 33 percent increase in retail sales, compared to 3 percent growth overall in the city.⁷
- **Public transportation benefits local and state revenues:** Every \$1 billion invested in public transit generates nearly \$500 million in federal, state, and local tax revenues from added business sales tax volume.⁸
- **Public transportation saves employers money:** The Washington Metropolitan Area Transit Authority estimates that the federal government saves \$2.4 billion by having employees take Metro each day rather than build parking lots for federal employees.⁹
- **Public transit helps conserve energy and lessen pollution:** Approximately 37 metric tons of carbon dioxide and 4.2 billion gallons of gasoline are saved annually through the use of public transit, equivalent to the electricity generated for every household in Washington D.C., New York City, Atlanta, Denver and Los Angeles combined.¹⁰

Focusing development in a strategic and coordinated way can allow communities to capture the economic value of transit, particularly through transit-oriented development (TOD). A new transit line can reshape a community, making less desirable places suddenly very valuable. In many cases, the introduction or the expansion of a rail system causes surrounding land value to escalate. Research shows that property value premiums can rise up to 18 percent for a condominium, 32 percent for a single-family home, and up to 45 percent for a rented apartment near high quality transit.¹¹ It is important to note that the effect of transit on property values is not uniform in all cities, and can vary

Transit-Oriented Development (TOD) typically means compact development within walking distance (generally a half-mile radius) of quality transit that contains a mix of uses such as housing, jobs, shops, education, restaurants and entertainment.

4 American Public Transportation Association (APTA). 2012. Public Transportation Benefits. See <http://bit.ly/d9O3hC>

5 APTA. 2012. Economic Recovery, Promoting Growth, the Benefits of Public Transportation. See <http://bit.ly/GVcoKx>

6 Tri-Met. 2010, November. Livable Portland, Land Use and Transportation Initiatives. See <http://bit.ly/wUuzWC>

7 Detroit Transit. 2006. "Economic Benefits of Public Transit: Essential Support for a Strong Economy." See <http://bit.ly/GRNxmxz>

8 APTA. 2012. Economic Recovery, Promoting Growth, The Benefits of Public Transportation. See <http://bit.ly/GVcoKx>

9 APTA. 2012. Economic Recovery, Promoting Growth, the Benefits of Public Transportation. See <http://bit.ly/GVcoKx>

10 APTA. 2009. Public Transportation Saves Energy and Helps Our Environment. See <http://bit.ly/MF3AKu>

11 Belzer, Dena et al. 2008. Capturing the Value of Transit. Center for Transit-Oriented Development. See <http://bit.ly/SUxdZ5>

depending on how well the transit system connects people to jobs and other community services and the strength of the overall housing market, among other factors.

The Economic Benefits of Living Near Transit

A person who lives near public transit is 5 times more likely to use transit.¹² As a result, people living near quality public transportation often own fewer cars or drive them less, thus saving money on gas and other car ownership costs. In addition, people who live in a transit-rich neighborhood may also have increased access to various community amenities that can improve their quality of life.

Households can save, on average, up to \$9,743 a year if they use transit instead of driving, money that can be used instead on food, health care, schooling and other essentials.¹³ This household savings is only truly available for those purposes, however, if housing costs near transit do not rise. Low- and moderate-income families cannot benefit if the extra

Money saved on transportation annually costs could:

- Buy food for a family for up to one year.
- Pay for community college tuition for two children.
- Pay for 75 percent of a health care policy.

income simply goes to pay for higher housing costs. As long as housing near transit remains affordable, families can choose to either save this money or pour it

back into the local economy. Table 1 illustrates the various monthly and annual savings of households in select US cities.

While the average family spends about 19 percent of the household budget on transportation, households in low density neighborhoods spend 24 percent, households in higher density neighborhoods spend 16 percent, and households in urban activity centers and central city areas with walkable neighborhoods, transit access and a mix of housing, jobs and shops spend about 12 percent on average.¹⁴ This is increasingly important as **the financial burden of the combined cost of housing and transportation is felt greatest by low- and moderate-income working families.** Greater connectivity to transit-accessible affordable housing can be a critical cost saving for low-income households that must make every dollar count.

Table 1: Savings Using Transit

City	Monthly Saving	Annual Saving
New York	\$1,195	\$14,340
San Francisco	\$1,082	\$12,980
Minneapolis	\$866	\$10,389
Denver	\$843	\$10,118
Washington, D.C.	\$800	\$9,604
Miami	\$763	\$9,159
Las Vegas	\$752	\$9,026
Dallas	\$748	\$8,977

Source: APTA¹

1 American Public Transportation Association. 2012. *Public Transit Riders Will Reap Big Savings As They Look to Dump The Pump*. See <http://bit.ly/Mh7Lcf>

12 Certero, R. 1993. *Ridership Impacts of Transit-Focused Development in California*. Berkeley: Institute of Urban and Regional Development, University of California, Monograph 45.

13 American Public Transportation Association. 2012. *Public Transit Riders Will Reap Big Savings As They Look to Dump The Pump*. See <http://bit.ly/Mh7Lcf>

14 Center for Transit-Oriented Development. 2009. *Mixed-Income Housing Near Transit: Increasing Affordability with Location Efficiency*.

By the year 2030, more than half of the potential demand for housing near transit will come from households with below area median incomes. A 2007 APTA profile of riders estimates that approximately 35 percent of transit riders make less than \$25,000 a year and about 30 percent of riders make between \$25,000 and \$50,000 a year.

Benefits Of Bringing Affordable Housing And Transit Together

Affordable housing and transit have clear economic benefits for communities. When located together, the efficiencies created multiply these benefits. The following section explains how locating affordable housing near transit improves economic outcomes for the public and private sector. Left alone, the housing market will produce more expensive housing in places where transportation costs are low, and desirable neighborhood characteristics such as good schools, healthy and fresh food stores, parks, and safe streets are present, because demand for these neighborhoods far exceeds the supply. To realize the economic benefits discussed below, it is essential that strategies be in place in these neighborhoods to create and preserve affordable housing.

Health Benefits

The affordability and accessibility of housing has clear implications for the health and well being of families. The shortage of affordable housing limits the choices of low- and moderate-income families, forcing many to live in neighborhoods with higher poverty rates, unhealthy and unsafe housing conditions, and fewer resources for healthy activities.

People who live farther away from their work often spend more time commuting and less time engaging in health-promoting activities, increasing the likelihood of stress-induced illnesses such as heart disease.¹⁵ People are also more likely to receive recommended medical care when facilities are accessible from their homes, either because they are located nearby or because safe, convenient transportation is available.¹⁶ Living near quality public transit can address these health concerns. In order to maximize the health benefits of living near transit, a comprehensive community development strategy must be in place to ensure that overall neighborhood conditions support healthy outcomes, particularly in high poverty areas. In addition to quality transit access, residents must also have access to other key determinants of health such as safe, walkable neighborhoods with good access to medical care, a healthy environment, fresh food, and green space.

Two recent studies conducted in Charlotte, North Carolina, quantified the health benefits of transit use in that city. In one, researchers found that individuals living near the light rail system experienced reduced body mass index compared to those living elsewhere in the region.¹⁷ In the other, researchers found that the light rail system could be expected to

¹⁵ American Public Health Association. At the Intersection of Public Health and Transportation: Promoting Healthier Transportation Policy. Washington, DC See <http://bit.ly/8FxDh>

¹⁶ Robert Wood Johnson Foundation. 2011, May. Where We Live Matters for Our Health: Neighborhoods and Health. Washington, DC: Robert Wood Johnson Foundation.

¹⁷ MacDonald, John M., et al. 2010, June 29. "The Effect of Light Rail Transit on Body Mass Index and Physical Activity", American Journal of Preventative Medicine 2010;39(2):105-112.

have a \$12.6 million savings in public health costs over a nine-year period.¹⁸

Healthier people are less reliant on the government's welfare and disability systems, saving governments money.

Since lower income people in general will rely more heavily on government-supported health services, adopting policies that improve health outcomes for low-income individuals will tend to have a more significant impact on reducing public health costs.

Transit Agency Benefits

Historically, the most frequent users of transit have been low-income people, people of color and renters. For example, in Los Angeles, nearly one in five workers earning less than \$25,000 annually take transit to work.¹⁹ In the Dallas-Fort Worth region, approximately a third of transit users make less than \$50,000. One of the most effective strategies for maximizing transit ridership and capturing the value of the transit system is to maintain neighborhoods that are economically diverse, with access to affordable housing.

Data from the National Transit-Oriented Development Database demonstrates that low-income individuals living near transit are significantly more likely to use transit than their higher income counterparts. The following charts illustrate this point in more detail. Figure 1A shows that for the Washington, DC, region less than one in five households living near transit earn less than \$25,000 a year, but more than a quarter of transit riders earn that amount. Conversely, while nearly half of households living near transit earn more than \$75,000 a year, that group makes up less than a third of transit riders.

Figure 1A: % Households By Income Near DC Stations

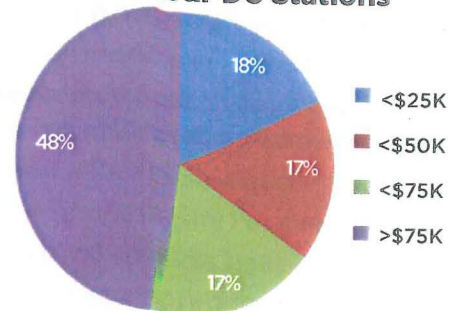
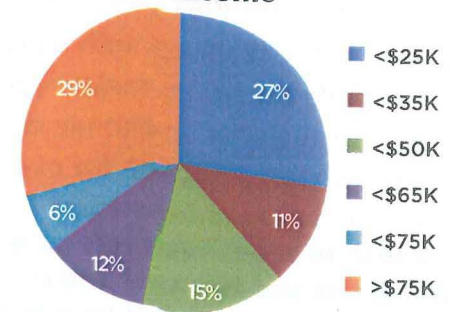


Figure 1B: % DC Transit Riders By Income



In another example, Figure 2 shows that for the Dallas-Fort Worth region, households earning less than \$25,000 a year are more than twice as likely to take transit, walk, or bike to work as households earning more than \$50,000. This fact holds true both for households living near transit and for the region as a whole, though for households living near transit, the number of commuters taking transit, walking, or biking are significantly higher for all income levels. In other words, while anyone living near transit is more likely to use it than someone who lives far away, low-income households living near transit are the most likely to use transit for their daily commutes.

Transit agencies gain **increased fare revenue, increased and stable ridership, increased competitiveness for federal grants, and reduced transit system costs by supporting the**

¹⁸ Stokes, Robert J. "Estimating The Effects of Light Rail Transit on Health Care Costs" Health & Place 14 (2008) 45-58.

¹⁹ City of Los Angeles. May 2012. Preservation in Transit-Oriented Districts: A Study on the Need, Priorities, and Tools in Protecting Unassisted Housing in the City of Los Angeles. See <http://bit.ly/QH5VH5>

development of mixed-income communities near transit. A successful transit system depends on the surrounding community, just as a community depends on a stable transit system to access regional opportunities.²⁰

Local Economic Benefits

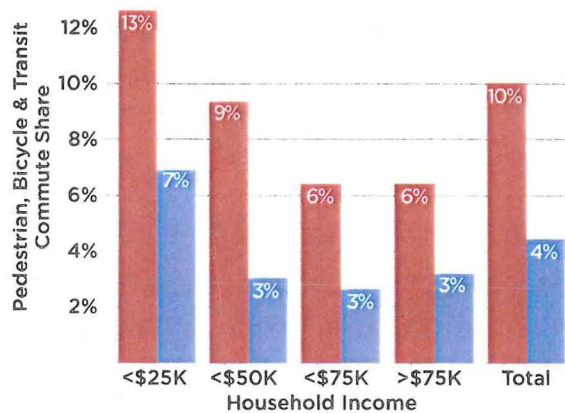
Research shows that when low-income households have discretionary income they are more likely to spend that money—pay over due bills and buy goods they would not ordinarily purchase – rather than save the extra funds.”²¹ As a result **local businesses benefit when low-income families have discretionary income to spend in local shops and restaurants.** Local businesses also benefit by having access to a greater pool of workers. Research from the University of Minnesota found that in the Twin Cities, the Hiawatha light rail line increased access to low wage jobs for residents of station areas by 50 percent, and by 25 percent in areas with direct, light-rail-connecting bus routes.²²

Regional Economic Benefits

Ensuring that workers with a broad range of skills have stable access to major regional job centers promotes regional economic competitiveness. In downtown Los Angeles, for example, 70 percent of workers have an Associate Degree or less.²³ **Successful economies rely on workers of all skill levels and incomes and therefore benefit from having affordable housing available for workers.** Employers’ access to low-wage workers will be reduced if the only housing affordable to such workers is located in distant areas with high transportation costs.

Not only are job centers economically diverse, but investing in quality public transit helps to facilitate greater job density.²⁴ Employers can benefit from this job density and expanded workforce, particularly if housing choices are available for workers with a wide range of incomes.

Figure 2: Non-Automobile Commute Share By Income In Dallas-Ft. Worth



In Denver, a \$15 million revolving loan fund to support affordable housing near transit is expected to create or preserve 1,000 affordable housing units, leverage \$100 million in local economic development and create construction and permanent jobs.

20 See, e.g., Dukakis Center for Urban and Regional Policy. 2010, October. *Maintaining Diversity in America's Transit-Rich Neighborhoods: Tools for Equitable Neighborhood Change*. See <http://bit.ly/P4cyx6>

21 Gleckman, Howard. 2010. *Extending the Bush Tax Cuts*. Tax Policy Center: Urban Institute and Brookings Institute. See <http://bit.ly/NZyNs9>

22 Center for Transit-Oriented Development. 2011, May. *Transit-Oriented Development and Employment*. See <http://bit.ly/QLGDYI>

23 City of Los Angeles. 2012, May. *Preservation in Transit-Oriented Districts: A Study on the Need, Priorities, and Tools in Protecting Unassisted Housing in the City of Los Angeles*. See <http://bit.ly/QH5VH5>

24 Center for Transit-Oriented Development. 2011, May. *Transit-Oriented Development and Employment*. See <http://bit.ly/QLGDYI>

Other Public Sector Savings

Investing in healthy and complete communities is one of the most beneficial actions local governments can take to address the economy. **Inefficient and sprawling development places a strain on a community's tax base and require more public subsidies for operations and maintenance of infrastructure and services.** When families are forced to move to the periphery of metropolitan areas, governments spend more providing additional roads, water and sewer services. Communities nationwide can save more than \$12 billion on water and sewer costs and nearly \$110 billion on road costs over the next 25 years by making more efficient use of existing infrastructure.²⁵

Governments can save with investments that prioritize affordable housing near transit:

- Construction of affordable housing generates revenue from permitting, zoning, utilities, or sales, income or property taxes generated by construction-related activities.
- It is more cost effective to preserve existing affordable housing than to build affordable housing in the future. On average preservation can cost approximately one-third to one-half less than new construction.²⁶

What next?

More than 250,000 federally assisted homes are within a half-mile of transit. More than 70 percent of those have federal contracts that will expire in the next two years, severely decreasing the affordable housing stock near transit.²⁷ Communities are asking for help to plan for these losses and to preserve and develop additional affordable housing near transit. Unfortunately, the budget for affordable housing programs in the US Department of Housing and Urban Development (HUD) has been reduced, funding sources such as the Federal Transit Administration's New Starts grant program are oversubscribed, and the demand for funds from various federal programs cannot keep up with the supply. Still, there are steps that can be taken to address this challenge at every level of government and in close coordination with the private sector. The following recommendations are geared toward maximizing economic benefits from limited public dollars by preserving and creating affordable housing near transit.

Recommendations

- **Increase federal funding for programs that will preserve and create affordable housing near transit.** The federal government should continue to fund programs such as HUD's project-based Section 8 and Section 202 to allow for the renewal of contracts to preserve housing near transit. The HOME program at HUD and the Low-Income Housing Tax Credit program at the Treasury Department are also essential for funding both preservation and new construction of affordable housing. Programs such as the HUD Sustainable Communities Grants must also continue to be supported in order to address investments in the entire community that will impact affordable housing.

²⁵ Burchell, Robert W., Anthony Downs, Barbara McCann and Sahar Mukherji. *Sprawl Costs: Economic impacts of Unchecked Development*. Washington, DC: Island Press. 2005

²⁶ National Housing Trust. *Why Preserve Affordable Housing?* See <http://bit.ly/Oqkaf2>

²⁷ Reconnecting America, AARP and the National Housing Trust. 2009. *Preserving Affordability and Access in Livable Communities: Subsidized Housing Opportunities near Transit and the 50+ Population*. Washington, DC. <http://aarp.us/hXMnLL>

- **State housing finance agencies should allocate resources to preserve affordable housing in transit-rich neighborhoods that include other essential characteristics such as safe streets, good schools, and access to jobs, health care and other services.** States are increasingly using the Low Income Housing Tax Credits for affordable housing preservation. At least 32 states provide an incentive for proximity to transit through the LIHTC program. The LIHTC can attract billions of dollars in private investment and should continue to be prioritized by state agencies to transit-rich locations with a full complement of essential services. Other discretionary state programs that can support affordable housing should also be directed toward such neighborhoods.
- **Local and regional jurisdictions should focus on creating innovative financing strategies to create and preserve affordable properties near transit.** Local and regional innovative financing is essential – particularly if resources from traditional federal resources continue to be limited. Land acquisition funds, development impact fees, and tax-increment financing districts are a few of the tools that are available at the local and regional level to support affordable housing near transit.
- **Affordable housing preservation and creation strategies must be integrated with policy considerations that impact other sectors such as land use, health, education, labor and energy.** Integrated federal, state, and local policy considerations lay the foundation for providing affordable housing in transit-rich neighborhoods that benefit the residents as well as the community, transit agency, and government. Regional planning efforts that integrate these various sectors should be encouraged through federal or state funding or incentive programs, such as the HUD/DOT/EPA Sustainable Communities Partnership.
- **Increase funding for programs that support new and expanded transit lines, such as New Starts.** Not only is increased funding necessary, but changes in the New Starts review process will also be needed to secure affordable housing near transit. New Starts policy should consider affordable housing in the application process to reward applicants with desirable housing characteristics, while simultaneously prioritizing core measures of system performance and cost effectiveness.
- **Regional and local jurisdictions and transit agencies must proactively coordinate to ensure that households have access to affordable housing near transit.** Cities must coordinate on comprehensive housing strategies and identify common goals around station areas with the transit agency, metropolitan planning organization, and housing advocates. Regions should also develop “early warning systems” such as a housing inventory to keep track of housing near existing or planned transit that is at risk of becoming unaffordable.
- **Transit agencies should adopt joint development policies that support affordable housing.** Since transit agencies benefit from increased ridership when low-income households can afford to live near their stations, transit agencies should prioritize affordable housing within their joint development policies, and should educate both internal and external stakeholders about the benefits to transit of incorporating affordable housing within their station areas.

Affordable housing is essential to creating thriving communities. Not only does it benefit households, but it creates successful economies by linking workers to jobs and consumers to businesses, resulting in fiscal benefits for local, state, and federal governments.