

Transit-Oriented Affordable Housing Study

Activity 1 – Fact Sheets

Introduction

There are numerous policies that senior and local levels of government can develop to help promote affordable rental housing in transit-oriented locations. These fact sheets provide an overview of some of the policies and tools that have been effective in promoting affordable rental housing in transit-oriented locations in jurisdictions across North America.

Local levels of government

Opportunity site inventories

Local and regional jurisdictions have mapped and provided inventories of potential development sites near transit. These inventories provide information on vacant and underutilized land, its zoning, location, and existing use to identify (re)development opportunities near transit.

Example: the Association of Bay Area Governments has compiled a regional inventory of sites suitable for housing development in its local jurisdictions.¹

Transit-oriented structured funds

One important tool that has been used in jurisdictions across the United States is transit-oriented structured funds. These funds offer another source of financing outside of traditional government ones.

A dedicated regional pool of funding is made available in the form of loans at below-market rates to affordable housing developers to pay for land acquisition, predevelopment activities, or construction expenses for projects in eligible transit-oriented locations. Once these loans are paid back into the fund, new loans can be issued. In the United States, these funds are capitalized with public, philanthropic, and private monies.

Examples: Transit-oriented affordable housing loan funds have been established in the San Francisco Bay Area (\$50 million fund), the Denver region (\$24 million), and the Seattle area (\$21 million).²

Provide fiscal tools to incentivize affordable rental housing

- Lease or provide public land
 - i. While not solely a local and regional tool, government can lease or sell land at no or nominal cost to affordable housing developers. Federal and provincial governments in BC also have surplus lands for development.
- Grants

¹See: <https://abag.ca.gov/planning/housing/datasets.html#maps>

² For more information on the Bay Area Transit-oriented Affordable Housing Fund, see: <http://bayareatod.com/>; For more information on the Denver fund, see: <https://www.enterprisecommunity.org/financing-and-development/community-loan-fund/denver-regional-tod-fund>; for more information on the Seattle fund, see: <https://www.enterprisecommunity.org/news-and-events/news-releases/puget-sound-tod-fund-launches>

- i. Local governments can contribute grants from municipal Affordable Housing Funds to assist affordable housing projects achieve financial viability.
- Waive fees and development charges
- Property tax exemptions
 - i. The Local Government Act (Section 226) authorizes local governments to reduce property taxes for certain land uses. A reduced property tax burden can allow rents to be lowered, or more of the rental income can be put towards debt servicing. The drawback is that local governments would have to make up the foregone property tax revenue through other means.

Regulatory tools to incentivize affordable rental housing

- Density bonusing
 - i. Additional density through increased floor space ratios or building heights in exchange for projects with a mixed income component.
- Parking reductions
 - i. Reducing parking requirements near transit-oriented locations.

Value capture tools

Given that public infrastructure investments and zoning incentives convey value to private landowners, value capture tools attempt to share the lift in land values associated with transit infrastructure for the public. Public decisions such as a rezoning or an increase to density increase the value of land values and subsequently the gains to private landholders. It is only fair that the public share increases in value from public decisions. Value capture tools used in transit-oriented locations across the US include:

- Tax increment financing
 - i. Tax-increment financing designates a specific geographic area in the city as a Tax Increment District (TID), or Tax Allocation District (TAD). Property taxes in the specified area are frozen at a base rate, which is based on the assessed value of properties in the district at the time of designation. Meanwhile, the local authority issues general obligation bonds to pay for improvements in the area.
- Joint Development
 - i. Joint development schemes typically involve transit authorities providing agency-owned land at a lower cost to affordable housing developers, so that transit agencies can recognize future revenue in a site and help drive transit ridership.
- Inclusionary zoning
 - i. Transit-oriented inclusionary zoning typically mandates that a percentage (usually between 10 to 25 percent) of units or floor-space ratios within developments in a transit corridor be affordable for lower-income households.
 - ii. Zoning for rental housing establishes clear expectations for the development community to include affordable rental housing as part of a project application. The certainty provided in policy may work to recalibrate land prices and expectations near frequent transit. Zoning lands for rental housing may have a similar effect (the authority to zone for tenure will require enabling legislation).

Land Trusts

- Community land trusts are non-profit organizations that hold land in perpetuity to provide permanently affordable housing through removing underlying land prices from the market. In Denver, a non-profit called the Urban Land Conservancy combines the function of a community land trust and a private land bank to develop and preserve real estate and community assets in urban areas near transit. The ULC purchases land in areas that are anticipating gentrification and retains ownership, and then sells or leases existing buildings or property development rights to partners who agree to build affordable homes.

Senior levels of government

1. Create stable, reliable sources of grant, debt, and equity capital

Stable, predictable, and reliable sources of grant, debt, and equity funding and financing for affordable rental housing are shown to be highly effective in promoting affordable housing in transit-oriented locations.

Recent investments in BC have been one-time injections of funding. For instance, the Investment in Housing Innovation program announced in September 2016 provided a one-time injection of \$500 million. While certainly welcome, short-term investments do not allow affordable housing developers to plan over the long-term. In order to have a significant impact, the provincial and federal government should commit to a long-term funding strategy, as outlined in Housing Central's *An Affordable Housing Plan for BC*.³

2. Strengthen incentives in affordable housing programs for transit location

In order to decide which affordable housing projects to fund, government agencies typically go through a competitive bidding process to allocate funds. Housing agencies will then develop points-based criteria to grade applications according to program criteria, where higher scoring applications will be awarded funding. Criteria for points are set by government agencies, and typically include concerns for affordability, accessibility, sustainability, and location. In order to incentivize building affordable housing in transit-oriented areas, government agencies can allocate more points for proximity to rapid transit or bus stations.

Programs in BC and Canada already provide points for transit location, but these points contribute less to overall prioritization than other concerns. For instance, project applications to the Canada Mortgage and Housing Corporation's new Rental Construction Financing Initiative must meet minimum financial viability, affordability, accessibility, and energy efficiency criteria to receive financing.⁴ Projects are then prioritized based on how well they score on a Social Outcome Grid. Only two of a possible 25 points are awarded for transit location.

³ A link to *An Affordable Housing Plan for BC* can be found here:

https://housingcentral.ca/SITES/HousingCentral/Affordable_Housing_Plan/HousingCentral/Affordable_Rental_Housing_Plan.aspx?hkey=433f9af0-e946-4a37-b827-94f68667dc0b

⁴ For more details on the program, see here: <https://www.cmhc-schl.gc.ca/en/hoficlincl/moloin/mupr/upload/rental-construction-financing-product-highlight-sheet.pdf>

3. Strengthen incentives for affordable housing in transit funding programs

Much like affordable housing programs, more effort can be made to ensure transit funding programs promote and preserve affordable housing in transit corridors. For applications New Starts, the United States' primary transit funding program, the inclusion and preservation of affordable housing along the proposed transit corridor represents one-fifth of the land use and economic development criteria used to evaluate proposals to the program.

In BC the bi-lateral agreement under Canada's main transit funding program, the Public Transit Infrastructure Fund, does not consider affordable housing in the transit funding process. For future public transit funding programs, integration of affordable housing and land use coordination around the transit corridor should be factored into the funding process.

4. Develop grants to incentivize multi-stakeholder planning processes and research of affordable housing needs near planned station areas

Senior levels of government can provide grants to assist regions and local stakeholders to plan future transit corridors so that affordable housing, employment, childcare, and leisure opportunities are located near transit stations.

The Sustainable Communities Initiative (SCI) in the US provided \$250 million in grants to develop local planning tables to integrate local community development goals such as affordable housing, transportation, and workforce opportunities in regions across the US. One SCI grant funded the Growing Transit Communities Strategy by the Puget Sound Regional Council. The Strategy brought together dozens of non-profit, philanthropic, private, and government partners to develop an inclusive growth strategy around future transit corridors. The strategy provides detailed, localized plans for 74 transit areas across three transit corridors in the region that provide specific local and regional policies for how to integrate affordable housing, transit, and jobs.⁵

Multi-stakeholder planning processes and research that would lead to defined plans for the preservation and promotion of affordable housing stock near transit areas are needed in Metro Vancouver. Supported by senior levels of government, this would help to articulate the capacity of the local municipality and stakeholder groups to create resources that are sensitive to both local conditions and the needs of low-income residents in the community.

⁵ See the Puget Sound Regional Council <https://www.psrc.org/asset/strategy-gtc-453>