Making the Connection:
Transit-Oriented Development and Jobs

By Greg LeRoy, Good Jobs First[1]

Introduction

Transit-oriented development (TOD) is growing in popularity, but much of the focus of such projects is on environmental benefits and innovative design. While these are certainly vital components of TOD, this article takes another approach by exploring the ways TOD can serve the needs of working families—particularly those with low- and moderate-incomes (LMI)—by linking workers to viable employment opportunities through strategically located affordable housing and accessible transit options.

TOD projects, by definition, improve transit options in two senses. The housing components of such projects give residents easy access to trains, streetcars and buses for commuting to work elsewhere. The commercial components create jobs that people living in other places can more easily reach by public transportation. All this is laudable, but it does not help working families if the housing is upscale and the jobs are polarized between well-paying professional positions and minimum-wage service jobs.

Good Jobs First, a national policy resource center that promotes accountable development and smart growth for working families, conducted a review of 25 TOD projects from across the country that are trying to bridge the gap. Taking a case study approach, Good Jobs First analyzed the different developments and found a few common characteristics of projects that helped to address the needs of working families:

- Projects in which a community coalition negotiated for a Community Benefits Agreement with a private developer for guaranteed concessions such as local hiring, living wages and affordable housing set-asides.
- Those in which a community development corporation (CDC) initiated the project and made it integral to the organization's neighborhood-improvement mission.
- Cases in which an exceptional private developer intentionally designed a project for the benefit of low-income families and/or commuters.

This article highlights ideas for communities seeking to link residents to good jobs through TOD and presents examples of projects that have utilized the approaches outlined above. Overall, the projects demonstrate that innovations in TOD can serve not only the affluent or environmentally conscious, but also those that live and work in LMI communities.

The Potential of Economic Development Subsidies

In every case of community development corporation (CDC)-led TOD, and in most cases of developer-led TOD documented here, economic development subsidies, such as tax credits or loan guarantees, helped make the project happen. However, in only a few cases were these subsidies awarded through programs that explicitly tied the assistance to the project's transit accessibility.

We believe that in urban areas with transit systems, projects should not be eligible for subsidies unless the jobs are transit-accessible and within a reasonable commuting distance from affordable housing. In our 2003 study *Missing the Bus*, a survey of approximately 1,500 state economic development incentive programs, we found that not one state effectively coordinated any of its economic development programs with public transit by giving preference to or requiring that subsidized projects be accessible by public transportation. In several other studies covering the Twin Cities, Buffalo, Chicago, Cleveland and Cincinnati metro areas, we analyzed the geographic distribution of company-specific deals and found that they undermine job access via transit. Since then, legislation giving preference to such deals was enacted in Illinois in 2005 and administratively adopted the same year by the California Infrastructure and Economic Development Bank, the general purpose financing authority for the State, which finances public infrastructure and private development that promotes economic growth. Still much more needs to be done, however, to link economic development to transit options. For example, transit linkage is already well established in affordable housing construction: 28 states already impose such a preference or requirement.[2] Economic development subsidies should be similarly evaluated.

Making Job Subsidies Location-Efficient

Location-efficient subsidies are economic development monies that are dispersed to projects based upon the development's ability to do the following:

- Maximize the use of existing investments in infrastructure;
- Avoid or minimize additional government expenditures on new, publicly financed transportation or other infrastructure; and
- Have nearby housing affordable to the workforce, accessible and convenient transportation, or some combination of both.

In short, location-efficient subsidies provide preference to TOD projects that connect working families to jobs. This is one way to make local economic development subsidies more accountable and effective. With "location-efficient" job incentives, many benefits will accrue: low-income families will gain more access to economic opportunity, helping to reduce poverty and dependence; more commuters will gain a choice about how to get to work, reducing traffic congestion and greenhouse gas emissions; and taxpayers will realize better returns on their infrastructure investments through more efficient land use.

The following are basic principles for making development subsidies location-efficient:

Intent Language

Setting forth clear language about the intent of a subsidy program increases the likelihood that administrative rules written to realize the statute will be faithful; it also reduces the chance that litigation will be able to subvert the act.

Transit Access

To qualify as transit-accessible, a workplace should be no more than half a mile, and preferably no more than quarter mile, from a transit stop with regular and frequent service. Alternatively, a workplace could qualify if it provides regular and frequent shuttle service to such a station. A higher preference rating may be given if a workplace is accessible by multiple transit routes or modes.

Affordable Housing

The benchmark for proximate affordable housing is median monthly rent or median monthly mortgage debt service that does not exceed 35 percent of the median workplace wage or salary, which is computed exclusive of the highest 10 percent of salaries. Housing costs are derived from either the municipality in which the workplace is located, or, for work sites in unincorporated areas, county data.

Subsidy Eligibility or Preference

We suggest location-efficiency as a requirement rather than a preference whenever a project is to be located in a metro area that has public transportation. We also suggest tying location-efficiency to multiple, commonly granted economic development incentives so that employers and public officials become accustomed to the practice.

Affirmative Location-Efficient Plan in Subsidy Application

We also suggest that as part of their application for an economic development subsidy, companies file an affirmative location-efficient plan that details how the proposed project satisfies the transit and housing benchmarks, or how the employer will act to satisfy them. For example, the company may commit to providing a shuttle service to a transit station and to participate in the federally enabled pre-tax transit-pass benefit program. Or it may commit to provide an employer-based housing benefit to reduce housing costs.

TOD Project Case Studies

The following are select case studies of TOD projects from across the country. These case studies do not necessarily represent the biggest or best TOD projects in existence. However, they provide a range of examples and illustrate the ways in which TOD can help LMI workers access jobs and housing.

NoHo Commons in Los Angeles, California

NoHo Commons is a 22-acre, multi-block mixed-use development with affordable housing, affordable childcare, and living wage jobs centered around a subway station in an emerging arts district. The Valley Jobs Coalition, a broad-based coalition organized by Los Angeles Alliance for a New Economy (LAANE), negotiated a community benefits agreement (CBA) with J.H. Snyder Co. (the developer) which prioritized good job opportunities for local residents. The CBA's major victories include a requirement that 75 percent of the jobs pay a living wage, a first source hiring provision, a child care center with affordable childcare requirements, and responsible contractor guidelines.

The CBA puts into place an extensive first source hiring system. Each time the developer recruits another tenant, that employer is required to meet with LAANE, which informs the tenant about the local hiring mechanisms set up for the development. LAANE commits to bring 100 qualified applicants to the tenant. LAANE reports that about 80 percent of tenants choose to use the first source hiring system.[3] The Los Angeles Valley College will provide customized job training to area workers for employment at NoHo Commons.

The NoHo Commons development is centered upon the North Hollywood Red Line subway station. Angelenos can access jobs at the development either by subway, bus service, or by walking from a North Hollywood residential area. NoHo Commons creates a pedestrian friendly environment around the subway station. New residents of NoHo Commons can also use transit to access jobs at the nearby Academy of Television Arts or Universal Studios.

Campaige Place in Las Vegas, Nevada

Campaige Place is a 319-unit, single room occupancy (SRO) residential development designed specifically for low-wage earners. It is located near jobs and transit in downtown Las Vegas. The Las Vegas economy includes numerous service jobs in casinos, hotels, and other tourist attractions. Although the city's major casino and hotel destinations are unionized, most off-strip hospitality and retail jobs are not. Many of the people who fill these positions have long commutes or live in dangerous neighborhoods because of the lack of safe, affordable housing in

Campaige Place, designed for low-wage workers in Las Vegas, NV.

the city. In 2000, developer Tom Hom Group (THG) addressed this problem by opening Campaige Place.

Residents who live at Campaige Place earn no more than $22,000 and pay rent of about $99 a week or about $400 per month, all utilities included. The housing is located in a dense section of downtown and is within walking distance of hotels, restaurants, retail, and the Downtown Transportation Center, the transit system's central hub. Campaige Place residents have access to the entire transit system in the greater Las Vegas Valley through the bus lines that weave in and out of downtown; about ten bus routes run within a block of the development. The Las Vegas Regional Transportation Commission also plans to provide MAX service in coming years. MAX vehicles are bus/train hybrids that serve a portion of downtown and will expand in the future. Additionally, Campaige Place offers bicycle racks for residents.

In order to make Campaige Place happen, THG used federal low-income housing tax credits and private activity bonds from the state. U.S. Bank offered an $8.5 million letter of credit for this $12 million project. The area around Campaige Place has reportedly become more desirable since the project's opening. Will Newbern of THG credits Mayor Oscar Goodman with promoting downtown development and helping to spur a rebirth in downtown Las Vegas.[4] High-end condominiums have been built near Campaige Place, but regardless of how the area changes around Campaige Place, the development will always provide residents with safe, affordable living, with access to jobs.

Center Commons in Portland, Oregon

Center Commons is a 4.9-acre residential and retail development with senior housing, affordable family housing (three and four-bedroom units), a large daycare facility, and pedestrian pathways to a light rail station. Center Commons demonstrates that a mixed-use TOD project can provide housing choices near transit for people of all incomes and in all stages of life.

The Center Commons project started in 1994, when Portland officials engaged the surrounding community in a planning process for the site. In 1996, the Portland Development Commission (PDC) purchased the site from the Oregon Department of Transportation, and then proceeded to hold a development offering. "We felt very lucky to find a five acre site next to a light rail station," Connie Lively, PDC senior project manager, commented.

American Pacific Properties, Inc. (AMPAC) emerged as the master developer for Center Commons because the company made affordable housing a priority and pledged to build more affordable units than required. Recognizing that there are higher costs involved in building higher density housing, and wanting to encourage higher density development near light rail stations, Portland provides developers with a property tax abatement through the city's "Transit Oriented Development" tax abatement program. The Federal Transit Administration also made a grant through its Metro Regional Services for the Transit Oriented Development program. The TOD-related incentives made it easier for developers to build at high density near the light rail station. Other kinds of incentives were also used to make many of the housing units affordable to a range of households. The PDC gave the developers a loan and AMPAC also utilized federal low-income housing tax credits and revenue bonds from Oregon Housing and Community Services. As an added incentive for would-be buyers at Center Commons, income-qualifying households receive a 10-year transit-oriented property tax abatement from the city of Portland.[5]

Neighbors to the development got involved in the early phases of planning at the request of the PDC and made a series of influential suggestions, such as incorporating a range of housing types, a range of income levels for the housing, a rental/owner ratio that reflects the neighborhood, the creation of some commercial space, and the preservation of several large oak trees on the site.[6]

However, residents of the project have voiced disappointment that there is little to no interaction among low-income renters, market-rate renters, and townhome owners despite their close proximity.[7] Unfortunately, providing housing for people from different ages and incomes does not necessarily facilitate interaction among them. Community building among Center Commons residents is further challenged by the fact that buildings are segregated by resident type, such as low-income families, market rate renters, or senior citizens, rather than mixing renters and owners of different incomes.

Village at Overlake Station in Redmond, Washington

King County, Washington succeeded in developing the country's first housing and bus transit center combination when it opened Village at Overlake Station in 2001. Two four-story buildings and one five-story building contain 308 rental housing units , a 24,000-square foot day care facility, a park-and-ride facility with two levels of parking, and a bus transit center including two loading platforms and four layover areas. The development provides an important link between moderate-income residents and nearby employers in an area where only upper-income people can afford to buy a home. All housing units are reserved for people making 60 percent or less of the area median income. Thirty units are wheelchair-accessible and barrier-free for physically disabled residents.

The transit center allows residents to take an elevator straight from their apartments to awaiting buses. Eight bus routes converge at the station. The development's residents own an average of just 0.6 vehicles per unit, indicating that many are making full use of the available mass transportation.[8] Ron Posthuma of the King County Department of Transportation estimates that there has been at least a tripling in transit riders at Overlake Station compared to comparable transit stations.[9] Additionally, residents enjoy free onsite bicycle storage.

The development corrects a long standing jobs/housing imbalance in Overlake. The area is rich with jobs but provides little opportunity for people to live near them. Before Overlake Station was built, there was no housing within a half mile of the station. The location of Overlake Station permits people to access an array of jobs by foot or short bus ride. The Station is located in a commercial area dense with stores, restaurants, personal services, and social services. Group Health Cooperative's Eastside Hospital facility is directly adjacent to the complex. Within a few blocks, Microsoft and about 600 other firms employ more than 22,000 workers.[10]

Conclusion

As these case studies demonstrate, along with other successful projects from across the U.S., local governments have learned how to use economic development incentives to promote TOD that creates economic opportunity and housing for working families of modest means. Successful projects, whether they are initiated by for-profit developers or non-profit development corporations, are intentional about locating housing a walkable distance from transit routes that connect to employment centers. And when TOD projects involve job creation, they use mechanisms such as local hiring programs and living wage benchmarks to increase the likelihood that nearby residents gain access to family-supporting jobs.

Local governments like Portland's Metro have evolved to strategically leverage their power and use economic development incentives to create opportunities for more inclusive TOD that prioritizes living wage jobs for LMI workers. Community activists are learning how CBAs can harness the benefits of redevelopment, so that LMI families who remained in cities during the suburban boom can benefit from the national "back to the city" trend. Affordable housing developers, both for- and non-profit, are more often thinking about how individual projects fit into regional transportation and land use plans. Enabling housing residents to get to work via transit—and thereby trim their transportation budgets—is critical to affordability. For all stakeholders, location efficiency that favors inclusive TOD offers multiple benefits, including poverty reduction, environmental protection and tax-base efficiency, making TOD a promising community development strategy. CI

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The Village at Overlake Station, in Redmond, WA.

Endnotes

Making the Connection: Transit-Oriented Development and Jobs

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