

TEXAS REAL ESTATE BUSINESS™

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AN AFFORDABLE RESPONSIBILITY

True transit-oriented developments require adequate low-income housing in order to thrive.

By Bob Voelker

When Dallas opens the balance of the Green DART light rail line at the end of this year, an additional 13 rail stations become prime targets for transit-oriented development. To date, only four of the existing 20-plus rail stations outside downtown have transit-oriented residential development, and all of that housing is oriented toward higher-income residents.

DART uses existing rail right-of-way in expanding commuter rail service. These lines originate in industrial rail-served areas and intersect in high-density urban cores. The resulting train stations create new “transit-oriented” mixed-use opportunities in areas that have been either industrial parks or forgotten areas in urban centers.

During the eras of white flight and the suburbanization of America, these types of urban or commercial areas became housing areas for lower-income residents. The revitalization of former low-income centers has the distinct possibility of gentrifying the area by displacing lower-income residents away from the train stations. Except in certain more “liberal” or “social minded” areas of the country where inclusive zoning and affordable housing quotas originated (California, New Jersey, Minneapolis, etc.), most areas of the United States, including many of those now undertaking large-scale commuter rail projects, lack an

institutional understanding of how to promote “transit equity” as part of the process of developing transit-efficient real estate. They have no “fair share” regional affordable housing quotas, and, more important, they have not established the necessary development and financing tools to facilitate true mixed-income, mixed-use development.

Leaving affordable housing up to the free market is not a practical alternative. If affordable housing is not built into the equation early on, land values along rail transit lines escalate and are not captured for the overall benefit of the public (who financed the rail lines and created the value increase). Instead, this value is entirely transferred to the private owners/developers along the rail line, whose development budget will typically dictate a 100 percent luxury residential project.

As land values escalate, higher rents are required to service the debt or pay returns on equity used to develop in these areas — rents that are not affordable to lower-income people, who are needed service workers in the retail, restaurants and schools that are part of the mixed-use community. If these service workers are then forced to “drive-until-you-qualify” and commute back to their jobs in the development, the major benefit of transit efficiency — lowering vehicle miles

travelled, particularly for lower income people least able to afford car ownership — is defeated. Studies have consistently shown that lower-income people make up the vast majority of transit users. As a result, the creation of transit-oriented developments that disassociate lower-income people from the surrounding area decreases transit ridership of budget-strapped transit authorities and raises the housing and transportation burden on those least likely to afford it. The Center for Transit Oriented Development estimates that by 2030, 16 million households will want to live near transit, and more than one half of the potential demand for this housing is likely to come from households that have incomes below the area median income, making the need for mixed-income TOD housing all the more acute.

The question becomes, how do we share the benefits of transit among a diverse socio-economic group of people? One positive force is that younger generations — who are the most likely residents of at least the rental portions of TOD developments — are, on the whole, much more open to multi-culturalism and urban lifestyles. However, securing the zoning and development approval of the local cities for rental housing in their neighborhoods creates open forums for not-in-my-backyard or anti-density advocates.

For mixed-use/mixed-income TOD developments to be feasible, the following must occur:

Zoning must allow for rental units.

High land prices near transit make any for-sale housing unaffordable. Altering zoning to allow for affordable rental housing is always a large scale educational/PR/political process and should be undertaken early, often and on a scale that is bigger than an individual project, so that the problem is globally considered and focused less on one development-one developer. Regional, cross-governmental boundary zoning cooperation would be extremely helpful, and regional planning authorities should work with regional transit authorities and the local jurisdictions to create this dialogue and process.

Density must be promoted.

Land prices dictate density to facilitate affordability. Density bonuses should be considered for providing affordable housing and other public benefits (public art, public space/venues, etc.).

Parking must be reduced.

Parking dictated by traditional zoning should be reduced for TOD developments, for the overall development as a whole (consider "shared parking" for the mixed uses day vs. night) and for the affordable housing component, in particular. Parking in TOD projects frequently needs to be structured above or under ground and costs from \$10,000 - \$30,000 per parking space. This drives up the cost of development and, consequently, the rental and sale prices of TOD housing.

Public/private financing must be a factor.

Affordable housing rents and the cost of TOD land create significant loan and equity gaps in total development budgets. These gaps can be filled with various forms of creative public/private financing, such as tax-increment financing, municipal management districts, Chapter 380 sales tax rebates, etc.

Bob Voelker is a shareholder at Munsch Hardt Kopf & Harr, P.C.

