

# Equitable Transit Oriented-Development

## Lessons from the Field

Equitable Transit-Oriented Development (TOD): Creating livable communities near quality public transit that improve the lives of low-income people by connecting them to opportunities and services.

As we continue to explore new facets of Equitable TOD, we want to share our lessons learned with the broader field. In particular, we have learned about how to incorporate 'equity', what the role of a collaborative table is, and how to deploy capital all in support of Equitable TOD efforts. The lessons summarized below highlight our principal takeaways from these areas of work.

### The 'Equity' in Equitable TOD

Living Cities believes that Equitable TOD strategies need to be intentional about maximizing benefit and minimizing harm to low-income communities. Our experience suggests:

**1. To maximize the benefits of Equitable TOD, you need a vision that extends beyond the neighborhood surrounding any single station or transit stop.**

Traditional TOD has historically been planned for on a stop-by-stop or even project-by-project basis. This approach can sometimes result in the displacement and isolation of low-income individuals from the places and opportunities that can lead to their economic security. Moreover, the expectation that every station area provide comprehensive housing, services and amenities leads to costly and unjustifiable development goals at every stop. Not every service, amenity, or use can or should be accommodated at every stop. Instead, an approach that takes into account the entire corridor or transit network has greater potential to increase access to opportunity for low-income residents in a cost-effective manner. However, the field is still learning how to best implement corridor-and network-wide visions as current efforts have been challenging.

**2. The disruption construction causes can be mitigated through proper planning & appropriate support to affected communities.**

Construction of transit infrastructure disrupts traffic, lengthens commute times, and inconveniences community residents. Appropriate planning for these disruptions can help mitigate the effects on residents and the business community. Local businesses are disproportionately affected as they may experience the displacement of parking and diminishment of foot traffic during construction. Engaging businesses to prepare for this disruption is important for ensuring that these small businesses can survive during construction and potentially capitalize on the increased foot-traffic and density after transit and infrastructure construction completion. Mitigation strategies will also need to vary by the stages of transit and infrastructure development, from planning to construction to post-construction. Aside from business engagement, transit planners can also help mitigate the disruptive impact to businesses by properly planning and breaking up transportation construction.

**3. Connecting Equitable TOD to business growth and job creation is a critical component of the work.**

Equitable TOD advocates agree that identifying, accessing and creating jobs for low-income people is a critical component of the work, yet the focus on what kind of jobs and the best approach to creating those jobs is unclear. One point of tension has been whether this approach should focus on attracting new employers to a region or on growing the local business ecosystem. In addition, the most effective way to include job creation efforts within an Equitable TOD strategy is still being understood. As such, better engagement of employers and industry sectors is needed to understand how Equitable TOD can best support job creation.

### Collaborative Table

Living Cities believes that implementation of Equitable TOD strategies is significantly advanced by bringing leaders from the business, government, nonprofit and philanthropic sectors together to collaborate in setting and achieving a collective Equitable TOD agenda. Our experience suggests:

**4. To be successful, stakeholders need a shared vision of Equitable TOD.**

In order to affect the housing, transit, healthcare, education, jobs and other factors leading to economic well-being, Equitable TOD requires cross-sector partnerships. Ideally these include planning agencies, non-profit and for-profit developers, local government, transit agencies, employers, financial institutions and others. A shared vision can help align the stakeholders and resources necessary to address the challenges that arise along the way.

**5. Convening new stakeholders around an Equitable TOD table is challenging.**

Equitable TOD advocates need to engage a diverse group of stakeholders, including developers, employers and workforce development entities. However, this has proven difficult as many stakeholders don't see transit as a primary concern. Equitable TOD advocates are still learning how best to make the case for the importance of transit access in others efforts, such as workforce and economic development. In order to create an effective "Equitable TOD" table, much work remains to be done to understand how to bridge the different cultures, objectives and operating processes of actors in different sectors.

**6. Regional transit and land use decisions impact local implementation of Equitable TOD.**

"Upstream" decision makers—such as transit engineers and land use planners—influence the feasibility of Equitable TOD projects that happen later by "setting the stage" for "downstream" development. However, the criteria used to make upstream decisions are typically not aligned with downstream real estate-oriented criteria, which significantly limits the execution of Equitable TOD strategies. For example, transportation agencies often site transit facilities to minimize right-of-way acquisition costs and maximize ridership, not necessarily in ways that maximize development potential. These upstream decision makers need to be involved in building collaborative tables.

**Equitable TOD Finance**

Living Cities believes that appropriate financing products are an important tool for moving Equitable TOD forward. Traditional financing products and processes need to be adjusted to incorporate for Equitable TOD goals that go beyond affordable housing development and recognize the market challenges of Equitable TOD development. Our experience suggests:

**7. Issues with closing and deploying capital are often an early indicator of other "non-capital" problems such as policy, public sector engagement and capacity.**

Capital is the "Red Herring" for the Equitable TOD ecosystem. Issues with closing and deploying capital are often an early indicator of other "non-capital" problems such as policy, public sector engagement and capacity that affect capital. Sites struggling with capital deployment should examine these factors when considering how to increase deployment. In addition, a clear vision of TOD priorities and the alignment of policy and practice will help accelerate the deployment of capital.

**8. A structured fund is not a one-size-fits-all solution for facilitating private investment in Equitable TOD.**

Structured Equitable TOD funds have the advantage of bringing together multiple stakeholders in a way that focuses priorities and creates a capital stack that distributes risk among parties with different risk tolerances and return expectations. These funds can also accelerate the pace of transactions because developers do not have to raise money on a deal-by-deal basis. However, these funds are time consuming and expensive to structure and close. Moreover, many of the transactions within these funds end up being exceptions to the funds' original underwriting criteria. Before creating such funds, sites and regions need to weigh factors such as existing capital available to developers, market values of Equitable TOD sites and whether there are capable intermediaries to manage the fund. These factors determine whether a structured Equitable TOD fund is viable and how to address systematic gaps in Equitable TOD finance.

**9. Conventional financial products do not adequately support Equitable TOD strategies, but public sector entities can play a critical role in forming new financial products.**

One of the critical challenges of TOD finance is the timing of when land values will increase and reflect the value of a development's proximity to transit and transit stops. As traditional lenders base their lending on

historical performance, they often do not recognize the potential financial and social value of Equitable TOD in the terms that they provide to developers seeking loans. In addition, Equitable TOD is more costly to construct and often yields less cash flow than traditional TOD due to the construction of affordable housing and other place-based amenities. In order to compete with developers and speculators who are not subject to these constraints, Equitable TOD developers need access to financial products such as reasonably priced equity and mezzanine debt which will enable them to compete and acquire land and property for equitable purposes. Metropolitan planning organizations and other public sector entities can play a critical role in enabling Equitable TOD by using financial resources as loss reserves or credit enhancement to reduce the risk of private sector investment and thereby facilitate development that meets Equitable TOD goals. One such example is the Bay Area Transit-Oriented Affordable Housing (TOAH) Fund, where the Metropolitan Transportation Commission provided \$10MM to seed the fund and thereby attracted additional investment from foundations, banks, and CDFIs.