National Center for Sustainable Transportation

POLICY BRIEF

Can Affordable Housing in Transit-Oriented Development Help Solve California's Housing Crisis while also Addressing Environmental Goals?

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Issue

There is growing interest in California to locate affordable housing in transit-oriented development (TOD). This approach is offered as a solution to providing desperately needed affordable housing while also supporting the state's interest to grow more compactly and reduce the amount of vehicle miles traveled (VMT). Other reasons offered for this approach include providing low-income residents increased access to job opportunities, lowering overall household transportation costs, and mitigating potential gentrification and displacement affects associated with TOD projects. While producing additional affordable units is vitally important unto itself, the assumptions regarding environmental sustainability benefits that underlie the linkage of affordable housing and TODs are not as straightforward as one would hope.

Research Findings

Affordable housing subsidies fall far short of meeting the need, and conditions in TODs likely exacerbate this gap. Nationally, there is a need for approximately 18 million affordable units; with approximately 6 million,[1,2] subsidized units plus 5.5 million[3] naturally occurring affordable housing units (affordable without a subsidy), current estimates suggest that another six to seven million affordable units are required to meet the needed 18 million total units in the U.S. This gap is likely larger in percentage terms in high cost areas like California. TODs typically bring higher development costs, in part due to higher land costs. In most cases, the only way for developers to recoup lost revenue from affordable units is through subsidy programs, such as the Low-Income Housing Tax Credit (LIHTC) Program, or density bonuses. Unfortunately, current zoning policies and the availability of subsidy funds fall far short of meeting existing need.[4]

TODs likely cause more VMT reduction among high-income households than among low-income households. A number of studies have shown that higher income persons travel more, including by car.[5] Data from the 2012 California Household Travel Survey (CHTS) show the same pattern —households in the greater Los Angeles region with income above $150,000 per year have almost twice the VMT of households with income below $35,000 per year. Because high-income households drive more, they have greater potential for VMT reduction when moving to a TOD compared to low-income households. Also, the difference in VMT between households within ½ mile and beyond ½ mile from L.A. Metro rail stations is largest for high-income households. All of this suggests that if households moved to a TOD, the higher income households would reduce their VMT more.

Landlords of affordable housing near TOD will have incentives to "opt out" of keeping units affordable. Multiple analyses have demonstrated that the introduction of transit into neighborhoods is likely to be associated with upward pressure on house prices,[6,7] which has the potential for inducing gentrification and displacement.

Literature has also shown that landlords choose to opt out of housing affordability covenants when they economically benefit, especially in "high opportunity" and "hot" neighborhoods.[8] As a result, affordable housing in TODs will likely not remain affordable past the initial, required period unless it is mandated.

Future Research Considerations

Increase the supply of affordable housing units, particularly in TODs. In doing so, focus on relatively high-density developments with relatively low inclusionary zoning requirements. We found that higher densities with modest inclusionary requirements are more effective at meeting the twin goals of overall VMT reduction and affordable unit production.

Offer more aggressive subsidies for the development of affordable rental housing units in TODs and near transit. Such increases to rental subsidies could be funded via shifts in existing subsidies from ownership units to rental units, or lowering the cap on mortgage interest deductions.

Incentivize landlords to keep existing units affordable after initial covenants have expired. This is especially applicable to Section 8 housing. Potential policy changes for Section 8 include: lengthening contract terms for landlords; reducing the administrative burden of the program; and/or offering to defray housing renovation costs caused by tenants.

Further Reading

This policy brief is drawn from the "Affordable Housing in Transit-Oriented Developments: Impacts on Driving and Policy Approaches" white paper prepared for the National Center for Sustainable Transportation by Marlon G. Boarnet, Raphael Bostic, Danielle Williams, Raul Santiago-Bartolomei, Seva Rodnyansky, and Andy Eisenlohr with the University of Southern California. The white paper can be found here:

https://ncst.ucdavis.edu/white-paper/affordable-housing-in-transit-oriented-developments-impacts-on-driving-and-policy-approaches/

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