

## DISCUSSION

Affordable, accessible, sustainable communities are essential to a healthy urban environment. Development on the edges of existing cities, though economically and environmentally troubling, has become a common form of urban growth.

A report from the Urban Land Institute finds that transportation is the largest end use producer of CO<sub>2</sub> emissions in the U.S., and constitutes one third of total U.S. emissions.

Transit oriented development, or TOD, is one way to achieve smart growth and re-direct urban development towards a more sustainable model. What is unique about TOD is that it focuses on public transportation as a central aspect of a smart growth development.

TOD forms communities that are accessible to employment, commercial centers, and public areas with reduced costs for households and added benefits for regions, businesses, and the public. States can encourage TOD in a number of ways as a major part of a smart growth plan.

TOD is an idea for creating new development, not a single policy proposal. Any given TOD can take many forms, and each project will have unique features. However, there are certain elements that distinguish TOD. While TOD focuses on public transportation hubs as a center for growing communities, it is not defined only by its connection to transit. TODs must also meet objectives of appropriately high residential density, mixed uses in the development area, an easily walkable and safe environment, along with many other transit, economic, and environmental goals. Placing the transport hub or line as the focal point is intended to reduce private transportation use and replace it with more public transit ridership as well as human powered transportation.

It is an essential priority to reduce emissions from transportation, and smart growth strategies such as TOD are a powerful way to reduce the amount of vehicle miles traveled (VMT). TOD achieves this by making residents less reliant on cars. Less use of private transportation as a result of TOD also enhances energy security and lowers reliance on foreign oil imports.

There are numerous additional benefits to TOD. Some of these are lowered infrastructure costs, better community health, cleaner water and preservation of land. TOD is also a useful tool in addressing congestion in urban areas by reducing households' private vehicle use when they locate in transit zones. There is even linkage between transit oriented neighborhoods and job market stability. As residential areas tend to get farther from employment centers, employers' access to qualified workers is enhanced by having strong transit options in place.

## About CSI

The Center for State Innovation (CSI) believes every state can achieve shared prosperity, environmental sustainability, and efficient democratic government. We offer evidence-based, outcome-measured, fiscally prudent strategies for doing so.

A non-partisan, not-for-profit institution, CSI provides many types of assistance to state executives interested in implementing progressive policies.

To learn about CSI's Policy Briefings, Strategy Academies, and other services offered at no cost, visit [www.stateinnovation.org](http://www.stateinnovation.org).

## COSTS

The costs of developing TODs are highly variable. Every project will have its own unique scope, barriers, advantages, and costs. This makes general cost assessments difficult or impossible. The major public cost of TOD is transportation infrastructure and public area expenditures. Because TODs are local developments, states generally are not involved in site specific planning.

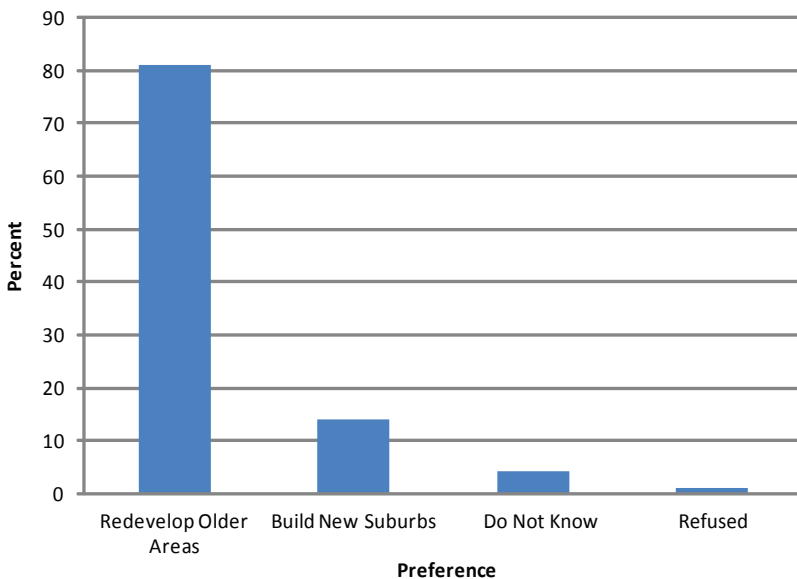
However, states can play a large role in creating conditions that minimize or offset costs for local development. States may lease government owned land to developers to offset costs. They also may provide tax-exempt debt to encourage developers to bear the private costs. Direct or priority funding is also an option. In Massachusetts' 40R legislation, which provides funding for smart growth development plans like TOD, the state can provide anywhere from \$10,000 to \$600,000 depending on the details of the development.

Even though TOD developments may take more public dollars to build than sprawl development, they often make up for these costs over time by exceeding other developments in property values.

States' economies are also at stake when planning new developments. Cost reductions to households reverberate throughout the economy, and development is a factor in how households spend their money. Transportation is a major household expense. The Center for Transit Oriented Development estimates that the average American household spends about 19 percent of their income on transportation alone. According to the Center for Housing Policy, this figure reaches up to 29 percent of income and represents the largest single household expenditure for families in the country's largest metropolitan areas making \$50,000 or less. Access to good public transit is associated with major cost savings in this area. Households in proximity to good transit spend only nine percent on transportation.

CHART

### Preferred Development Method



Source: National Association of Realtors and Smart Growth America

## PUBLIC PERCEPTION

Public interest in smart growth development like TOD is high. Public preferences coincide strongly with TOD. These are represented in a year Center for Transit Oriented Development study of real estate investments rating 'transit adjacency' as the most important criteria for investment. The same publication has rated this along with 'urban infill' as well as '24 hour character' among the top five criteria for a decade. A year poll from National Association of Realtors and Smart Growth America shows 81 percent of those surveyed preferring redevelopment of urban areas over building new suburban ones (See Chart). Moreover, demand among households preferring to be near transit is expected to double in the next 25 years. The Center for Transit Oriented Development projects that demand for new homes in transit areas will be nearly a quarter of total demand by 2030 - more than 15 million households.

## TALKING POINTS

*Will TOD development lead to gentrification in existing urban areas, or only provide benefits for those who can afford the higher property values?*

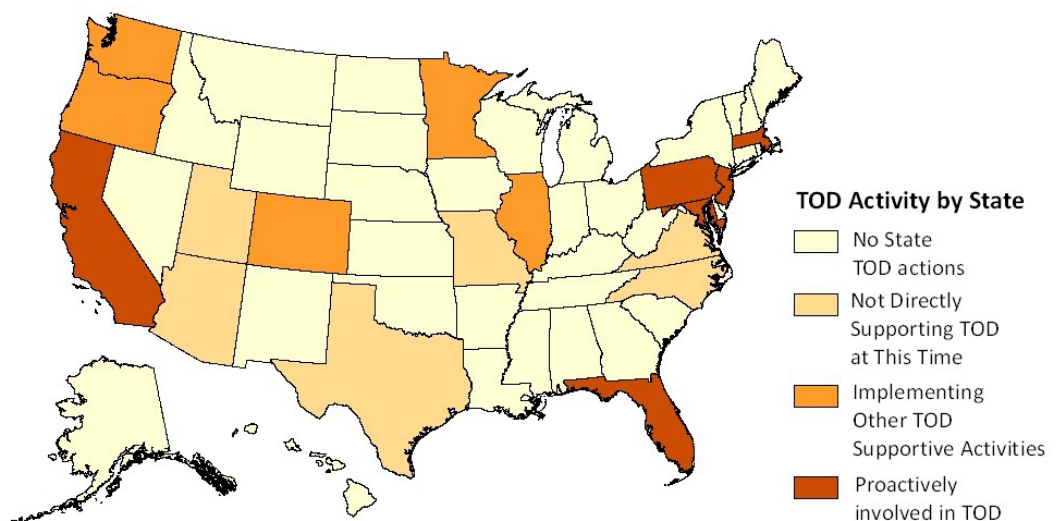
There are a variety of ways that TOD can incorporate mixed income housing. For example, simply increasing the amount of available TOD housing can lessen displacement of low-income households. Twenty-eight states have policies that allocate some portion of their low income housing tax credit programs to transit proximity. This could be a major factor in both promoting mixed income development and easing costs for low-income households. There is no reason to assume TOD must be exclusively aimed at high-end markets. The majority of transit zones are previously existing neighborhoods that already house 6 million households near transit, according to the Center for Transit Oriented Development (CTOD).

*Why have TODs been unsuccessful or not reached their full potential?*

A major reason TODs do not succeed as well as they could stems from a misunderstanding on how to plan them and what constitutes them. Data about TOD outcomes may be skewed by including adjacent non-TOD developments in TOD assessments. It is also important to clarify what constraints exist to classify a development as TOD. To rectify this a 'TOD index' has recently been created to quantify how strongly a project performs as a TOD. Recent studies suggest the most important aspects to a quality TOD site are transit ridership, quality of streetscape, density, quantity of mixed use structures, pedestrian safety and activity, increase in property value and tax revenue, parking, number of transit connections and public perception. Sufficient funding, planning expertise, and increasing success in all stages of TOD development serve to maximize the understanding necessary to create fully realized TODs.

## WHO ELSE IS DOING IT?

A 2006 American Association of State Highway and Transportation Officials study on state TOD activity surveyed states' departments of transportation as well as other agencies to identify current policies and practices. Seventeen states were surveyed and categorized based on level of involvement with TOD. These categories are: 1) states proactively involved in TOD, 2) states implementing other TOD-supportive activities, and 3) states not directly supporting TOD at this time. Various approaches have been taken by these states, representing the diversity of approaches and unique conditions of each state. The states and their level of involvement are shown below.



- Six states are proactively involved in TOD. (California, Florida, Maryland, Massachusetts, New Jersey, Pennsylvania).
- Five states implementing TOD supportive activities (Colorado, Illinois, Minnesota, Oregon, Washington).
- Five states are not directly involved in TOD activities (Arizona, Missouri, North Carolina, Texas, Utah, Virginia).

## SPOTLIGHT ON INNOVATION

2004 Massachusetts 40S implemented a smart growth zone overlay district, which essentially gives funding and other financial incentives to localities that meet state certified requirements of dense residential and mixed use districts, affordable housing and proximity to transit stations. This act is a good model because it uses various strategies to promote TODs. Among these are inclusionary zoning, expedited permitting and financial incentives.

Another successful example is 1997 Minnesota Chapter 202, which connected funding between affordable housing, efficient land use, and transportation infrastructure. This helped funnel resources to Minneapolis's Hiawatha corridor (a recent TOD project).

New Jersey recently passed a 2007 New Jersey Chapter 346, which gives tax credits to businesses locating close to transit hubs. This strategy can increase TOD success by making it profitable and convenient for business and employees to embrace transit zones as desirable areas.

## WHAT CAN YOU DO?

By their nature, TODs are usually local projects. However states may play a large role in promoting local initiatives to create TODs. States often own favorable land that can be leased or sold to TOD developers. Regulations set by and funds operated by the state may also contribute to TOD development. Various tax schemes are powerful tools. In some cases, state mandates may be the preferred course of action.

The most common way for states to influence TOD growth is to create favorable financing and tax environments. These strategies could include providing direct support through DOTs, priority funding for TOD projects, and enhanced incentives for businesses to locate near transit, a strategy recently enacted by 2007 New Jersey Chapter 346.

Since reducing greenhouse gas emissions is strongly linked to private transportation and VMT, states may use greenhouse gas (GHG) reduction targets to funnel funding into TOD. One way to do this is by earmarking state funds to localities that meet GHG and/or VMT reduction targets. Another way to use GHG legislation to expand TOD is by charging carbon impact fees on new development projects. Impact fees would charge new developments a penalty if they are designed in a way that emits many GHGs. The intended effect is internalizing the cost of emissions, rewarding low emission developments, and raising fee revenues that can be used to fund transit and other projects.

States also play a role in creating economically sound investment in TOD. One way to do so is through tax increment financing (TIF). A TIF uses funds created from property and sales tax increases that occur in a specific development zone to pay back the cost of development. The state can use this tool by granting these zones to localities that implement desired development plans. The state also may play a continued role by providing guidance on how to achieve these goals. Different states, such as California and Illinois have tailored TIF to their unique circumstances.

One useful tool for states is the Housing Transportation Affordability Index developed by the Center for Neighborhood Technology, Brookings Institution and CTOD. This index provides policymakers and planners a tool to more accurately measure housing affordability.

## RESOURCES

### Policy Reports

American Association of State Highway and Transportation Officials (AASHTO)

- “The Role of State DOTs in Support of Transit-Oriented Development”  
[http://www.community-wealth.org/\\_pdfs/articles-publications/tod/report-bailey-et-al.pdf](http://www.community-wealth.org/_pdfs/articles-publications/tod/report-bailey-et-al.pdf)

Center for Housing Policy

- “A Heavy Load: The Combined Housing and Transportation Burdens of Working Families”  
[http://www.nhc.org/pdf/pub\\_heavy\\_load\\_10\\_06.pdf](http://www.nhc.org/pdf/pub_heavy_load_10_06.pdf)

Center for Transit Oriented Development

- “2007 Demand Estimate Update”  
<http://www.reconnectingamerica.org/public/reports>
- “Preserving and Promoting Diverse Transit-Oriented Neighborhoods”  
<http://www.reconnectingamerica.org/public/projects>
- “Realizing the Potential: Expanding Housing Opportunities Near Transit by Reconnecting America’s Center for Transit-Oriented Development for FTA and HUD”  
<http://www.reconnectingamerica.org/public/reports>
- “Tools for Mixed-Income TOD”  
<http://www.reconnectingamerica.org/public/projects>
- “Value Capture: How to get a return on the investment in transit and TOD”  
<http://www.reconnectingamerica.org/public/projects>

National Cooperative Highway Research Program

- “Transit-Oriented Development: Developing a Strategy to Measure Success”  
<http://www.drcog.org/documents/evaluatingTOD.pdf>  
<http://www.vtapi.org/tdm/tdm45.htm>

Sustainability Concepts, A supplement to Mass Transit Magazine

- “A 10-Part TOD Finance Plan”  
[http://www.sppre.com/news/articles/SC\\_10PartTODFinPlan.pdf](http://www.sppre.com/news/articles/SC_10PartTODFinPlan.pdf)

Transportation Research Board

- TRANSIT COOPERATIVE RESEARCH PROGRAM: Traveler Response to Transportation System Changes, Chapter 17  
[http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp\\_rpt\\_95c17.pdf](http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_95c17.pdf)

The Urban Land Institute

- “Growing Cooler”  
<http://www.smartgrowthamerica.org/documents/growingcoolerCH1.pdf>

Victoria Transport Policy Institute

- “Comprehensive Evaluation of Rail Transit Benefits”  
<http://www.vtapi.org/railben.pdf>

- “Using Public Transit to Create More Accessible and Livable Neighborhoods”  
<http://www.vtppi.org/tdm/tdm45.htm>

### Opinion Polls

National Association of Realtors and Smart Growth America

- “2007 Growth and Transportation Survey”  
<http://www.smartgrowthamerica.org/narsgareport2007/narsga2007fullpoll.pdf>

### State Legislation

Massachusetts

Massachusetts Housing and Economic Development

- 40R legislation  
[http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Community+Development&L2=Community+Planning&sid=Ehed&b=terminalcontent&f=dhcd\\_cd\\_ch40r\\_ch40r&csid=Ehed](http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Community+Development&L2=Community+Planning&sid=Ehed&b=terminalcontent&f=dhcd_cd_ch40r_ch40r&csid=Ehed)
- 40S legislation  
[http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Community+Development&L2=Community+Planning&sid=Ehed&b=terminalcontent&f=dhcd\\_cd\\_ch40s\\_ch40s&csid=Ehed](http://www.mass.gov/?pageID=ehedterminal&L=3&LO=Home&L1=Community+Development&L2=Community+Planning&sid=Ehed&b=terminalcontent&f=dhcd_cd_ch40s_ch40s&csid=Ehed)

Minnesota

Minnesota State Legislature

- Chapter 202, Article 3 of 1997 Session Laws  
[https://www.revisor.leg.state.mn.us/laws/?year=1997&type=O&keyword\\_type=all&keyword=Regional+planning%3B+Sustainable+development&doctype=Chapter&id=202.#a3](https://www.revisor.leg.state.mn.us/laws/?year=1997&type=O&keyword_type=all&keyword=Regional+planning%3B+Sustainable+development&doctype=Chapter&id=202.#a3)

Minnesota Dept. of Administration / Office of Geographic and Demographic Analysis / Land Management Information Center

- Community Based Planning Act  
<http://www.lmic.state.mn.us/resource.html?id=1393>  
<http://www.mnplan.state.mn.us/pdf/laws01.pdf>

New Jersey

New Jersey State Legislature

- Bill Number S3043 Urban Transit Hub Tax Credit Act  
[http://www.njleg.state.nj.us/2006/Bills/AL07/346\\_.PDF](http://www.njleg.state.nj.us/2006/Bills/AL07/346_.PDF)