TOD & Affordable Housing
Potential to Combine Objectives

Dao Harrison
Senior Housing Specialist
Sustainability, Urban, Resilience & Rural (SURR) GP
1. TOD + Affordable Housing: Blending Objectives

2. Key Outcomes: Unlocking Land Value + Build an Inclusive TOD
Land Price Tripled in Price while Inventory-on-hand at 5 Years Stock Level
KEY SUPPLY SIDE CONSTRAINTS FOR AFFORDABLE HOUSING

**Common Challenges**
- Access to affordable land: Speculative and hoarding of land common
- Land acquisition - time consuming and expensive process
- Slow construction approval permitting
- Debt financing and/or Equity funding are expensive

- Housing categorized as infrastructure expected to ease debt financing cost … though likely only for larger developers

**Unique Challenges: Affordable Housing**
- AH Supply requires different model
  - Volume game w/ shorter cycle time
  - Construction process needs to be automated and cost-efficient
- Thinner margin, eased by faster absorption rate if done right
- Cheap un-developed land requiring higher cost of infrastructure development

- **AH Business Model Still Emerging as market acceptance varies depending greatly on location**

Leading developers such as Tata Housing, Mahindra Lifespace, etc. are going down market
New breed developers such as VBHC are also entering segment
CURRENT DEVELOPMENT TREND: LEAPFROGGING TO ACCOMMODATE HIGH COST OF LAND

Lack of land within city limits have pushed developers to develop projects in sub-optimal locations for low-income segments.

Sub-optimal locations lack access to employment opportunities and access to basic services and social connectivity.

Source: Jones Lang La Salle
NO SUPPORT INFRASTRUCTURE AND LACK OF CONNECTIVITY

Project in Karjat: Sheltrex
HOMES BUILT FAR AWAY FROM CITY CENTERS CAN LEAD TO HIGH VACANCY RATE & ABANDONMENT

Indonesia Subsidy Projects Built Far Away With High Vacancy Rate

Source: MPWH Evaluasi Unit

Mexico’s 400,000 Abandoned Homes Draw Venture Capital

FACTORS AFFECT HOUSING AFFORDABILITY ACROSS THE HOUSING VALUE CHAIN

- Land Acquisition
- Permits and Approvals
- Rental Rates
- Amenities Costs
- Down payments
- Availability of Mortgages
- Interest Rates
- Household savings
- Rental Rates
- Amenities Costs

NATIONAL LEVEL REGULATIONS AND POLICIES

TOD policies can address challenges here
AFFORDABLE HOUSING STRATEGIES ENABLED BY TRANSIT

Core City Districts
• Highly valued land
• Affordable housing difficult and expensive to build

Urban Fringe/Inner Suburban
• Medium-high land values
• Affordable housing can be paired with market-rate developments next to stations

Suburban Transit Stations
• Lower land values, but newly accessible land
• Large amounts of affordable housing can be created as part of TOD districts at these stations
MUTP3 LOAN PROGRAM: VIRAR-PANVEL CORRIDOR STATION

Existing conditions of Virar-Panvel rail corridor
POTENTIAL DEVELOPMENT AREAS AROUND VIRAR-PANVEL

Nilaje: Existing areas of development and open land

Taloja: development not currently connected well to station

Nighu/Narivali: Vacant land available for large-scale comprehensive TOD implementation

Bhiwandi: areas of ongoing development and available land
Not Leveraging TOD for Affordable Housing Development

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Loss Opportunity
1. Why TOD + Affordable Housing: Blending Objectives

2. Key Outcomes: Unlocking Land Value + Build an Inclusive TOD
TOD CAN CAPTURE VALUE & PROVIDE AFFORDABLE HOUSING

Within 500m-2km: Coordinated development plan with funded infrastructure

Affordable housing can be developed in these areas, partially cross-subsidized by profits at immediate station

Within 500m: core station area with highest densities and land value

Land Value Capture through FSI premiums, etc. to fund infrastructure and social housing

Extended TOD Station Area

Cross subsidies

LVC provide funds to invest in infrastructure & housing in extended TOD station area

Extended TOD station area: ridership for rapid transit services + customers for commercial facilities around station
Transit-oriented districts can be excellent places for affordable housing.

Leverage available public land to create housing (Singapore example: right).

Slums/informal housing areas are inherently transit-oriented. Upgrading opportunities and insertion of new social amenities can enhance connectivity to new stations.

Over time, land readjustment that increases FSI around stations can be considered.
TWO COMPLEMENTARY APPROACHES FOR AFFORDABLE HOUSING

Preservation

• There are multiple, appropriate preservation opportunities
• There is high potential for displacement of existing renters, so a wide range of rental arrangements must be available

Production

• There are multiple opportunity sites for new development
  • Redevelopment of underutilized sites,
  • Vacant lots,
  • Joint public/private development

Most TOD strategies focus on production of new housing
Housing Production:
TOD with public land acquisition can be used for affordable housing

- Public land dedication and write-downs
- Joint public-private developments
- Land banking
- Land readjustment


Public housing in Singapore
Housing Production:
Land readjustment (Town Planning Scheme) as prerequisite

Before

Exchange

After

Reserved land (future budget for project)

Public Facility (Road, Park, etc.)

Income from sales of reserved land

Public budget

Project cost for land readjustment (development of land, public facility)

Source: Kazuko Ochizuco, TTIUT
Housing Production:
Link Affordable Housing Production to Market-Rate Development

Inclusionary zoning

Incentive-based zoning (FSI)

Housing Production:
Reduce building costs with coordinated TOD planning

Fast-track permitting
Fee-waivers, reductions and deferrals
Regulatory accommodation for small sites
Allow for and promote incremental housing

Housing Preservation Strategies and Tools

1. Protect against immediate renter displacement
2. Homeownership assistance (housing demand)
3. Preserve existing subsidized housing and low-cost rental housing
INCLUSIVE TOD = SOLUTION TO BROADER AFFORDABILITY DEFINITION (H+T)
Inclusive TOD: Address Gentrification and Displacement

Chinatown, Kuala Lumpur, Malaysia
Inclusive TOD: Local Economic Development at Corridors
Accommodating existing informal sector workers, such as food hawkers, is a way to provide safer locations where needed services and job opportunities are available. One such example of this are the neighborhood hawker centers in Singapore.

Even technology-focused economies are sustained by large populations of laborers and support staff, and they need housing options that are affordable and accessible.
INCLUSIVE TOD IS FAR MORE POWERFUL THAN TOD

Source: TOD 201
OPPORTUNITY FOR CHENNAI: TOD + AFFORDABLE HOUSING?