MODULE 7: INCLUSIVE TOD: AFFORDABLE HOUSING AND JOB CREATION

Transit Oriented Development at a Corridor Scale
Module Outline and Objectives

Objectives:
At the end of this module, the participant will be able to:
  • Understand the obstacles to inclusive TOD and strategies used to address them, with an emphasis on affordable housing and business dynamics
  • Cite several examples of innovative approaches that have worked in various contexts

Outline:
1. Inclusive TOD challenges
2. Housing strategy tools for inclusive TOD
3. Job creation, local economic development, and training
Part 1: Challenges for Inclusive TOD

Inclusive TOD Challenges: Need for Broader Definition of Affordability (H+T)
Inclusive TOD Challenges: Gentrification and Displacement

Chinatown, Kuala Lumpur, Malaysia
Inclusive TOD Challenges: The High Cost of Development

- High land prices around stations
- Limited funding for affordable housing
- Complex financing structures
- Sites often require land assembly and rezoning
- Community opposition (NIMBY)
- High cost of collaboration between public, private and nonprofit sectors

Source: Based on TOD 201
Inclusive TOD > TOD

**Benefits of TOD**
- Provides Housing and Mobility Choices
- Improves Environmental Performance
- Results in Infrastructure Cost Savings
- Helps Support Healthy Lifestyles
- Strengthens Transit Systems
- Creates Lasting Value
- Reduces Greenhouse Gas Emissions

**Additional Benefits of Mixed-Income TOD**
- Offers Truly Affordable Housing
- Stabilizes Transit Ridership
- Broadens Access to Opportunity
- Relieves Gentrification Pressures

**Benefits of Mixed-Income Neighborhoods**
- Provides Needed Housing
- Helps Deconcentrate Poverty
- Integrates Low Income Households into Society
- Helps Workforce Stability

Source: TOD 201
Local Economic Development at Corridor Scale
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.
Location of Affordable Housing in the Corridor

Recap: Inclusive TOD = **provision of affordable housing** and Access to jobs and opportunities

Two broad options to locate new housing:

<table>
<thead>
<tr>
<th>Option 1</th>
<th>Option 2</th>
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<tbody>
<tr>
<td>Affordable housing at every station area</td>
<td>Affordable housing distributed along the corridor, with good accessibility to job markets</td>
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![Diagram of housing options]
Part 2: Housing Strategy Tools for Inclusive TOD

### 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
- New production opportunities are relatively scarce

#### Production
- Key income groups are being underserved by the existing housing stock
- There are multiple opportunity sites for new development
  - Redevelopment of underutilized sites,
  - Vacant lots,
  - Joint public/private development

Source: Based and adapted from Mixed-income housing TOD action guide
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
Housing Preservation: Tools to Protect Against Immediate Displacement

1. Condominium conversion tools
2. First-Right-of-Refusal Laws for Tenants and Nonprofits
3. Clarity of eviction rules
4. Pre-project land tenure formalization

Renovated council housing in the United Kingdom.
The capacity of low- and moderate-income households to own housing in TOD neighborhoods can be increased through:

1. Targeted homeownership Assistance
2. Limited Equity Housing Co-ops (shares)
Housing Preservation: Subsidized Housing and Low-Cost Rental Housing

Community Land Trusts

How does a community land trust work?

Various sources of public and philanthropic capital... → CLT → ...to acquire homes in a geographic focus area.

- Private donors
- Federal housing subsidies
- City-owned property
- Community foundations
- Anchor institutions

Community land trusts tweak the normal process of homebuying...

A new resident buys their house outright... → CLT → ...and the CLT retains permanent ownership of the land.

...but leases the land underneath from the CLT.

...to make housing permanently affordable.

Current resident sells their house at a price set by the CLT, earning a portion of the increase in value of their home...

CLT → ...while the CLT retains the land.

A new resident buys the house at a price that's been kept affordable...

...and agrees to the same requirements around resale.

Case Study: National Baan Mankong Program, Thailand

The Baan Mankong Housing Program in Thailand provides an example of an innovative collective ownership cooperative program for housing for the poor.

Housing Production Strategies and Tools

1. Link affordable housing production to market-rate development
2. Reduce the cost of housing production
3. Remove site-specific development obstacles
4. Provide land acquisition assistance for affordable housing
5. Increase the availability of subsidy funding and financing for affordable housing in transit districts
6. Zone for a diversity of housing types, including rentals

Housing Production: Link Affordable Housing Production to Market-Rate Development

Inclusionary zoning – different specifications

i. Percentage required
ii. Income targeting
iii. Mandatory vs voluntary requirement (in-lieu-fee)
iv. Formula to calculate the fees

Incentive-based zoning

I. Density bonuses
II. Greater height or floor-area allowances
III. Parking space reductions

Housing Production: Reduce the Cost of Housing Production

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

Case Study: Incremental Housing in Quinta Monroy, Chile

• Economically efficient “half a good house” model of Alejandro Aravena and ELEMENTAL

• Pioneered in Chile, also used in Mexico and Brazil
Housing Production: Remove Site-Specific Development Obstacles

- Tax forgiveness
- Brownfield remediation
Housing Production: Provide Land Acquisition Assistance for Affordable Housing

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

Housing Production: Land Readjustment

Before

Reserved land
(future budget for project)

Exchange

Public Facility
(Road, Park, etc.)

Reduction

Income from sales of reserved land

Public budget

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

Source: Kazucko Ochizuco, TTILIT
Housing Production: Increase the Availability of Subsidy Funding and Financing

Targeted financing sources:

- USA: Low-Income Housing Tax Credit (LIHTC)
- TOD Funds
- Brazil: Outorga Onerosa do Direito de Construir (OODC)

Social housing constructed through the Minha Casa Minha Vida program in Brazil.
Housing Production: Diverse Zoning, Including Rentals

- Comprehensive long term plans: General plan/master plan/structural plans
- Station and local area plan
- Overlay zones

Public housing in Singapore
Participants in the Jozi@work program in Johannesburg, South Africa

Part 3: Job Creation, Local Economic Development, and Training

Local Economic Development Strategies and Tools

1. Community Development Financial Institutions (CDFI)
2. Local and minority hiring and training
3. Anchor institutions and public facilities
4. Cluster-based economic development

Community Development Financial Institutions (CDFI)

- **CDFIs** are largely non-governmental financial institutions that provide different types of financial services in targeted underserved areas with which they develop deep community relationships.

- **Examples:**
  - CDFI Fund (US Federal institution)
  - City First Bank of D.C. (Local lending bank in the Washington, D.C. area)
  - Social banks and microfinance lenders, such as the Grameen Bank, Aga Khan Agency for Microfinance, and SEWA (India)
Workforce Development Programs

- Local and minority workforce hiring and training programs can prove critical for providing vital economic opportunities for individuals and local businesses.

- Inclusive economic programs can include:
  - Percentage goals for local hiring (ex: construction work)
  - Capacity building and training
  - Cooperatives and incubators
  - Minority business loans

Some of the most common challenges these types of programs face include:

- Lack of dedicated political leadership
- Lack of monitoring to ensure compliance from businesses
- Strong labor pushback
- Challenges in scaling
Anchor institutions are large, established businesses, organizations, and institutions—most commonly universities and hospitals—that shape and bring value to their communities, often seen as rooted economic drivers of the neighborhood.

Examples:
- Libraries in the Comunas of Medellín (Medellin, Colombia)
- University of Brasilia & Catholic University of Brasilia (Brasilia, Brazil)
- DC USA, Columbia Heights (Washington, D.C.)

Social urbanism connected low-income neighborhoods, regularized informal settlements, and provided high quality services and public facilities such as libraries around improved transport facilities such as escalators and cable cars.

Cluster-based Economic Development

- Cluster-based economic development - the agglomeration of related businesses and institutions
- Examples:
  - Software and computer services cluster in Bangalore, India
  - Apparel industry outside Santo Domingo in the Dominican Republic
  - Aerospace industry in Queretaro, Mexico

Module Quiz

1. Gentrification often involves:
   a. An increase in rents
   b. An increase property taxes
   c. The displacement of poorer residents
   d. A shift in an urban community towards wealthier businesses and residents
   e. All of above

2. The Baan Makong Program in Thailand empowers poor communities to take ownership of their housing development through:
   a. New land acquisition laws
   b. Private investment
   c. Community cooperative land ownership
   d. Government loans for rent payments

3. Housing production and housing __________ are two complementary strategies used to encourage affordable housing options.
   a. Assembly
   b. Preservation
   c. Development
   d. Subsidization

4. Which of the following are ways to reduce the cost of housing production?
   a. Regulatory accommodations for Small Sites.
   b. Fast-track permitting
   c. Reducing parking requirements
   d. Fee-waivers, reductions, and deferrals
   e. All of the above
Module Quiz

5. Alejandro Aravena’s firm ELEMENTAL teamed up with Chile’s Ministry of Housing and Urban Planning to reinvent Quinta Monroy, an informal settlement in the city of Iquique, by providing:
   a. Furniture, bedding, and household goods
   b. A spacious and clear lot for the family to build their own home
   c. The physical foundation of a home in a rowhouse style
   d. A housing unit made of a used shipping container

6. Overlay zones:
   a. Prevent new development in designated areas in order to preserve the current zoning classifications.
   b. Are superimposed over a targeted area for development and modify the underlying zoning classifications
   c. Preserve urban areas of historical importance and value.
   d. Are superimposed over Business Improvement Districts to map out tax credits.

7. True or False: Anchor institutions rely on community support for success.
   a. True
   b. False

8. Often, affordability is thought of in narrow terms as simply the cost of housing. However, a more meaningful measure of affordability is housing costs plus the costs of:
   a. Utilities
   b. Groceries
   c. Transportation
   d. A and C