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# **HUD, DOT, Transit-Oriented Development and Affordable Housing**

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**Presentation before the USGBC Affordable  
Housing Summit  
November 10, 2009**

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# GAO

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United States Government Accountability Office

**GAO**

Report to the Chairman, Subcommittee  
on Transportation, Housing and Urban  
Development, and Related Agencies,  
Committee on Appropriations, U.S.  
House of Representatives

September 2009

**AFFORDABLE  
HOUSING IN  
TRANSIT-ORIENTED  
DEVELOPMENT**

**Key Practices Could  
Enhance Recent  
Collaboration Efforts  
between DOT-FTA  
and HUD**

## Why GAO Did This Study

- Transit-oriented developments are perceived to have benefits that include reducing individual households' transportation costs by providing residents with walkable access to transit service and shopping, and reducing the investment needed for local governments to build and maintain roads.
- Some policy makers and housing experts, however, have raised concerns that lower-income households might not benefit from these developments for reasons including the following:
  - High demand in TODs may encourage developers to build primarily market rate housing which is not affordable housing
  - Existing affordable housing near transit may not remain affordable as real estate values increase in TODs

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## Why GAO Did This Study (continued)

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- There has been an increased focus on combining the cost of housing and transportation as the “true” cost of housing affordability.
- However, under the current structure, the federal government provides significant funding to states and local governments to support both local affordable housing and surface transportation programs through separate housing and transportation departments.

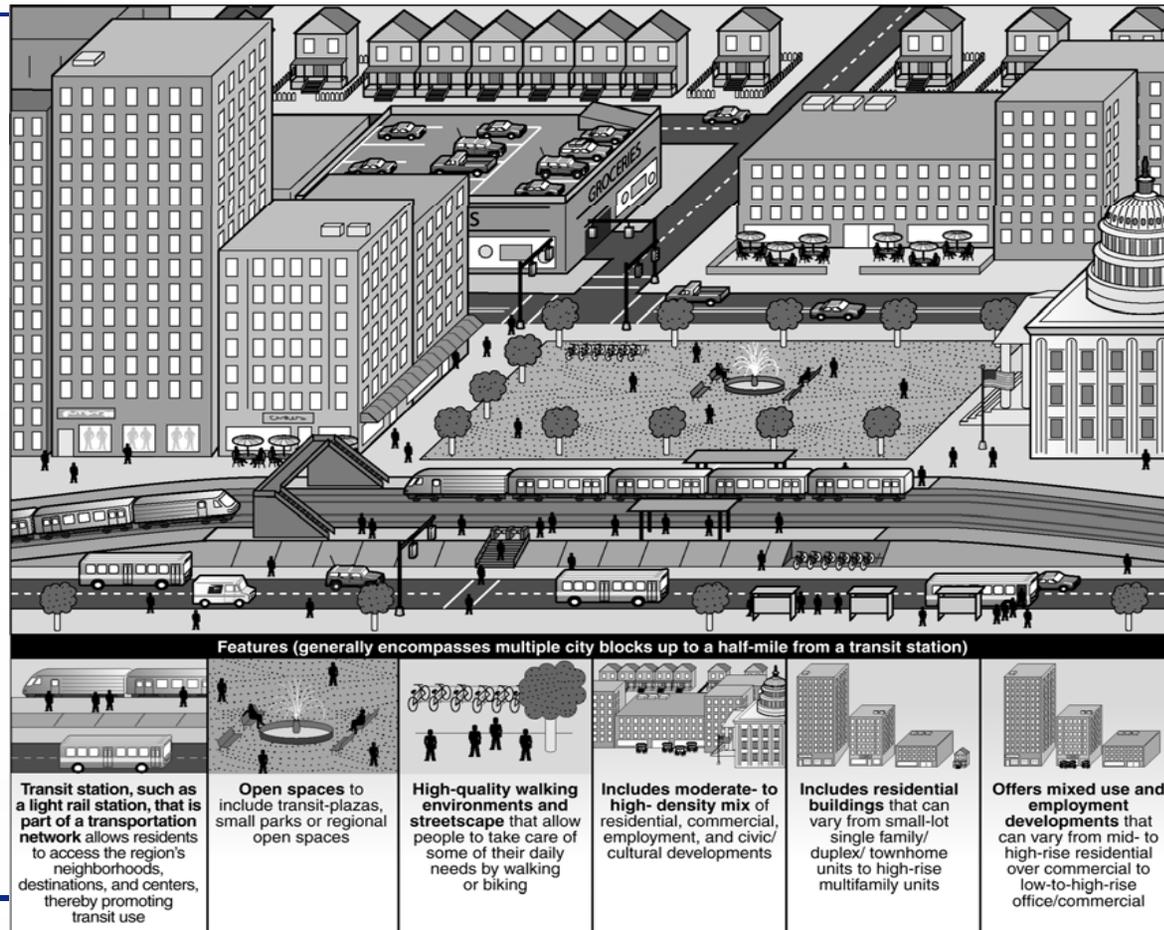
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## How GAO Defined Transit-Oriented Development

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Transit-Oriented Development— compact, mixed-use (commercial and residential), walkable neighborhoods located near transit facilities – such as fixed-guideway stations.

# Representation of a Transit-Oriented Development and Key Components



Source: GAO.

## Key Practices Could Enhance Collaboration Efforts between DOT-FTA and HUD

We examined the following objectives for our study:

- What is known about how transit-oriented developments affect the availability of affordable housing?
- How have local, state, and federal agencies worked to ensure that affordable housing, including housing subsidized through HUD programs, is available in transit-oriented developments?
- To what extent do FTA and HUD work together to ensure that transportation and affordable housing objectives are integrated in transit-oriented developments, and what opportunities exist to enhance collaboration?

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## Key Practices Could Enhance Collaboration Efforts between DOT-FTA and HUD

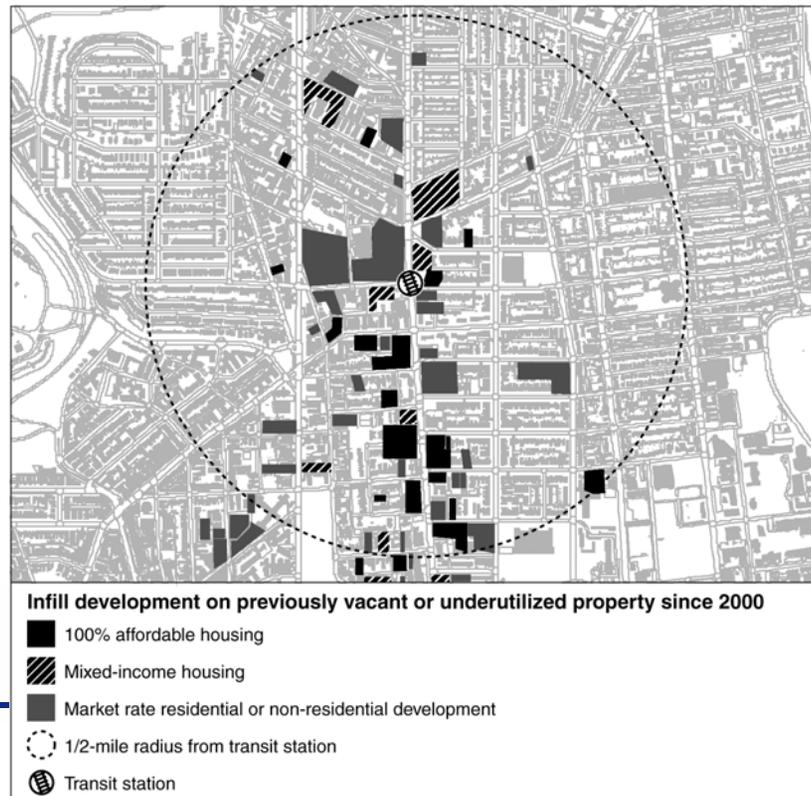
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### How TOD Affects the Availability of Affordable Housing

- Characteristics of TOD can increase nearby land and housing values
- Availability of affordable housing in transit-oriented developments varies depending on land and housing values, local decision making, and other factors
- Limited research and data complicate conclusions about the effect of transit-oriented developments on the availability of affordable housing.

# Key Practices Could Enhance Collaboration Efforts between DOT-FTA and HUD

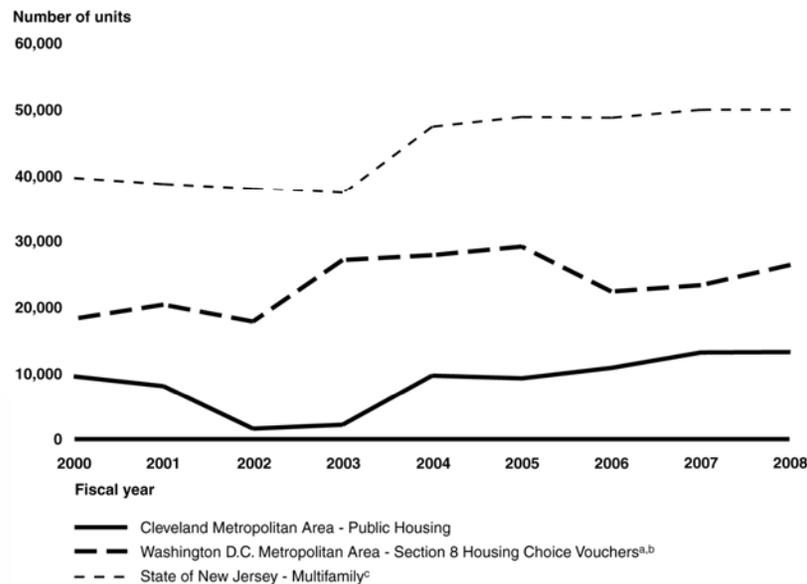
Infill Development, Including Some Affordable Housing Units, Has Replaced Vacant or Underutilized Land near the Columbia Heights Station in Washington, D.C.



Source: GAO analysis of District of Columbia planning data.

# Key Practices Could Enhance Collaboration Efforts between DOT-FTA and HUD

## Examples of Inconsistencies in Number of HUD-Subsidized Housing Unit Records



Source: GAO analysis of HUD Data.

## Key Practices Could Enhance Collaboration Efforts between DOT-FTA and HUD

### Local, State, and Federal Programs and Policies Support, But Generally Do Not Require Affordable Housing in TOD

- Few local and state programs are specifically targeted to affordable housing in TOD and most are incentive based.
- Incentives include density bonus permits, parking reductions, tax increment financing, and affordable housing trust funds.
- Requirements include inclusionary zoning, and affordability requirements on publicly financed residential development.

## Examples of State and Local Affordable Housing Incentives and Requirements that Have Been Used in Transit-Oriented Developments but Are Not Specifically Designed for Use in Transit-Oriented Developments

Category	Type	Location	Example	Result
Nonfinancial incentives	Density bonus	Arlington County, Virginia	Arlington County permits a 25% density bonus to developers who provide affordable units. The density bonus allows both market rate and affordable units, with the income from the market-rate units designed to offset the cost of the affordable units.	Quincy Plaza, a residential development in the transit-oriented development around the Ballston Metro station, used the full 25% bonus to add 25 affordable units.
Financial incentives	Tax increment financing	Sacramento, California	All local redevelopment agencies in California are required to set aside 20% of tax increment financing resources for a separate affordable housing fund.	Sacramento's redevelopment agency supported 114 low-income senior apartments in a transit-oriented development through \$6 million in tax increment financing.
Financial incentives	Affordable housing trust funds	Los Angeles, California	The City of Los Angeles's Affordable Housing Trust Fund provides funding to create affordable housing, as well as revitalize neighborhoods and remove blight.	In 2008, 225 affordable housing units in three developments located in transit-oriented developments in Los Angeles received over \$21 million from the Affordable Housing Trust Fund.
Requirements	Inclusionary zoning	Montgomery County, Maryland	Montgomery County's Moderately Priced Dwelling Unit program requires that at least 12.5 percent of the units in new subdivisions of 20 or more units be set aside as affordable units.	King Farm, a mixed-use transit-oriented development adjacent to the Shady Grove Metro Station in Rockville, Montgomery County, includes 3,200 units, of which 353 units are affordable as part of the County's inclusionary policy.
Requirements	Affordability requirements on publicly financed residential development	New Jersey	Statutory requirement that any new housing development for which the land was purchased from a state or local government agency, or which received any kind of state funding, must set aside at least 20% of the residential units for low- and moderate-income individuals.	Legislation enacted in July 2008 and results are not yet available.

## Key Practices Could Enhance Collaboration Efforts between DOT-FTA and HUD

### Local, State, and Federal Programs and Policies Support, But Generally Do Not Require Affordable Housing in TOD

- HUD and FTA programs allow local and state agencies to promote affordable housing near transit, but rarely provide direct incentives to target affordable housing in transit-oriented developments
- HUD programs have been used to support affordable housing in TODs under the flexibility of those programs.
- FTA policies which allow local transit agencies to support affordable housing in TOD are limited although FTA's joint development does allow land purchased with FTA funds to support TOD through joint development partnerships.
- FTA's New Starts program does not weigh certain criteria—such as mobility improvements and economic development benefits— which are perceived to be benefits of TOD).

## Key Practices Could Enhance Collaboration Efforts between DOT-FTA and HUD

### DOT, HUD, and FTA Have Collaborated to Promote Affordable Housing in TODs, However Implementation Has Been Limited and Additional Steps to Enhance Collaboration Could Be Taken

- **Interagency Agreement** – In 2005, HUD and FTA entered into an interagency agreement regarding understanding the demand for housing in TODs.
- **HUD-FTA Action Plan** – In 2008, HUD and FTA issued an action plan to better coordinate their respective programs to promote affordable housing in TOD.
- **Partnership for Sustainable Communities** – In 2009, DOT and HUD announced a partnership which seeks to help families gain better access to affordable housing, more transportation options, and lower transportation costs by coordinating federal programs.

## Key Practices Could Enhance Collaboration Efforts between DOT-FTA and HUD

- Federal agencies can face a range of barriers when they attempt to collaborate with other agencies.
- In prior GAO work, we identified eight key practices federal agencies can undertake to overcome these barriers and enhance and sustain their collaborative efforts.
- We found that the agencies have taken some initiation actions consistent with some of the key practices; however these actions have not been fully formalized.
- Key practices include defining and articulating a common outcome; agreeing on agency roles and responsibilities; and developing mechanisms to monitor, evaluate, and report on results.

## Concluding Observations from GAO's TOD and Affordable Housing Report

- HUD and FTA have not generally attempted to link federal housing and transportation programs.
- The scarcity of reliable housing data and the limitations on transit modeling limit the ability of DOT, HUD, and FTA to determine whether current and future efforts are ensuring the availability of affordable housing in transit oriented developments.
- Without a formal approach to collaboration, DOT, HUD, and FTA may miss opportunities to effectively leverage each other's unique strengths to promote affordable housing in transit-oriented developments.

# Key Practices Could Enhance Collaboration Efforts between DOT-FTA and HUD

## Recommendations

- Develop and publish an implementation plan for interagency efforts to promote affordable housing in transit-oriented developments.
- Develop a plan to ensure that data collected on the various programs of the agencies related to affordable housing and transit are sufficient to measure the agencies' performance toward goals and outcomes established in the HUD-FTA Action Plan and the Partnership for Sustainable Communities.
- Adopt a formal approach to encourage further collaboration in promoting affordable housing in transit-oriented developments.

# Other Relevant GAO Reports

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GAO United States Government Accountability Office  
Report to the Chairman, Subcommittee on  
Transportation, Housing and Urban  
Development, and Related Agencies,  
Committee on Appropriations, House of  
Representatives

October 2008

## GREEN AFFORDABLE HOUSING

HUD Has Made  
Progress in Promoting  
Green Building, but  
Expanding Efforts  
Could Help Reduce  
Energy Costs and  
Benefit Tenants

- GAO reports can be found at [www.gao.gov](http://www.gao.gov)