Transit-Oriented for All:
The Case for Mixed-Income Transit-Oriented Communities in the Bay Area

Executive Summary
The Great Communities Collaborative

This paper was commissioned by the Great Communities Collaborative (GCC). The GCC is a unique cooperative relationship between four Bay Area nonprofit organizations – the Greenbelt Alliance, the Nonprofit Housing Association of Northern California, the Transportation and Land Use Coalition, and Urban Habitat – along with the national nonprofit Reconnecting America, and UC Berkeley’s Center for Community Innovation. The goal of the Collaborative is for half of the Bay Area’s new homes between now and 2030 to be located in walkable neighborhoods near transit.

The Center for Community Innovation (CCI) at UC Berkeley nurtures effective solutions that expand economic opportunity, diversify housing options, and strengthen connection to place. The Center builds the capacity of nonprofits and government by convening practitioner leaders, providing technical assistance and student interns, interpreting academic research, and developing new research out of practitioner needs.

The Center for Transit-Oriented Development (CTOD) is a national nonprofit organization dedicated to providing best practices, research and tools to support market-based transit-oriented development. CTOD is a joint venture with the nonprofit Center for Neighborhood Technology, an urban policy and GIS center based in Chicago; and Strategic Economics, an urban economics firm in Berkeley.

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Introduction

The San Francisco Bay Area is expected to grow significantly over the next 30 years, with an additional 1.9 million people and 1.8 million jobs projected by 2035. This growth is driven by a remarkably resilient Bay Area economy that continually reinvents itself. With our economy’s ongoing strength and the continued appeal of our region’s natural and cultural amenities, we increasingly need to find better ways to house the economy’s workforce, ensuring that all Bay Area residents can participate in the regional economy.

With considerable new regional transit investments planned for the coming decade, now is a particularly ripe moment to maximize opportunities for transit-accessible housing for a full range of income levels. Regional transit investments can not only address increasing commutes and traffic congestion, but they can also help increase housing affordability and provide wider access to jobs.

This brief argues for expanding mixed-income transit-oriented development (TOD) across the Bay Area. We begin by outlining the context – a Bay Area with a growing housing and transportation crisis and increasingly income-segregated neighborhoods. We then discuss the benefits of transit-oriented communities and mixed-income neighborhoods separately, and the synergies that result from combining the two. Case studies of the Bay Meadows and Fruitvale TOD projects highlight issues that come up during implementation and lead us to some general lessons for developing stable mixed-income transit-oriented communities.
The Regional Context

Traffic Congestion and Unaffordable Housing are Related

Living in the Bay Area comes at a steep price. The combination of unaffordable housing, traffic congestion and long commutes takes a big toll on our region’s residents, with the heaviest burden shouldered by lower-income households.

The Bay Area is one of the most expensive housing markets in the country. From 1999 to 2005, the percentage of Bay Area residents who could afford a median priced home dropped by more than half, from 27 percent to just 12 percent. As a whole, between 1999 and 2006, the Bay Area produced only 72 percent of needed low-income housing, 29 percent of needed moderate income housing, and 35 percent of needed very low-income housing.

Meanwhile, the Bay Area has the second worst annual delays per commuter in the country. Long commutes steal time from family, education and other pursuits. New, relatively affordable housing is increasingly built at the region’s far edges, where transit is limited and employment distant, making for long commutes. Job-rich cities don’t produce enough housing to meet their share of the demand, contributing to surging prices and shortages of housing affordable for low, very low and moderate-income households.

“Driving to Affordability” Undercuts Housing Savings

With much of the region’s affordable housing being built at the periphery, many Bay Area households are forced to endure long commutes to find housing they can afford. The resulting high transportation costs eat up much of their housing savings. Lower-income households, already hit hardest by the region’s affordable housing crisis, have an even greater percentage of their income taken by high transportation costs compared to wealthier households. Low-income Bay Area households’ combined housing and transportation costs consume an average of 63 percent of their income – a burden beyond their means that is the highest for this group in the U.S. This burden leaves very little for necessities such as food, education and health care.

Increasing Income Segregation in Bay Area

The uneven regional distribution of affordable housing has had real consequences for neighborhood diversity. According to recent findings by researchers at the UC-Berkeley-based Center for Community Innovation (CCI), from 1980 to 2000, the Bay Area’s median income diversity level declined slightly, and areas of increased economic segregation, with mostly higher incomes, grew considerably throughout several counties.

The map to the left shows these changes: blue and yellow areas decreased in diversity, while green areas increased in diversity; cross-hatching identifies low-income areas, and red triangles mark transit stations. In particular, neighborhoods around San Francisco and Silicon Valley transit station areas are becoming more income segregated and are increasingly skewing towards higher-than-average median incomes.

Trends from 1980 to 2000 reveal that many transit station areas are becoming more income-segregated and skewing towards higher-than-average incomes.

Source: Data from the Neighborhood Change Database (Geolytics).
**Income Segregation's High Costs**

The costs of segregation are borne disproportionately by low-income neighborhoods, ultimately raising costs for all Bay Area residents. As neighborhood incomes decline to levels unable to support a viable retail sector or to maintain housing, a spiraling of abandonment and decay begins. High-poverty neighborhoods tend to have lower educational attainment levels, and teenage pregnancy and high school dropout rates may increase dramatically. Concentrated poverty is also highly correlated with racial segregation. Segregated communities suffer from the depletion of financial, informational, and human resources, increasing discriminatory barriers. Segregation also increases the costs to low-income communities of goods, services, and access to capital.

Overall, increased income-segregation in Bay Area neighborhoods creates new costs for all our region’s residents. As available affordable housing dwindles, low-income households are pushed to the region’s perimeter, increasing their commutes. Residents of income-segregated communities pay more for goods and services, and their municipalities experience new fiscal strains. New transit infrastructure, built together with permanently affordable housing, has the potential to alleviate many of these costs.

**Substantial New Transit Investments**

The Bay Area stands on the brink of a substantial round of new investment in transit services. Bay Area voters have approved $12 billion in new public transit investments since 2000. The Metropolitan Transit Commission (MTC) is poised to invest in multiple transit services, including BART, Caltrain, East Bay Bus Rapid Transit (BRT), San Francisco’s Third Street MUNI line and new Transbay Terminal, and Sonoma-Marin and Dumbarton commuter rails. California Proposition 1C will add another $300 million in statewide monies to stimulate denser development along transit lines. TOD projects that include affordable housing are likely to receive priority funding.

**A Growing Market for Housing near Transit**

Market demand for more compact housing located within walking distance of shops, services, and transit is increasing. According to analysis by the CTOD, by 2030 the Bay Area could see demand for an additional 423,000 homes near transit. At least 54 percent of this demand is likely to come from households earning less than $75,000 per year. Furthermore, the types of households who most tend to seek out housing near transit – singles, childless baby-boomers, the elderly, and low-income minority households – are expected to increase significantly in number over the next 25 years.

**And A Closing Window for Low and Moderate Income Households**

The growing TOD market presents both an opportunity and a challenge. On the one hand, greater demand creates greater incentive for developers to act. But with this comes the risk that new development near transit in the Bay Area will be unaffordable for or displace, lower-income households. Many factors favor exclusively high-end TOD projects: land costs around existing and future transit stations are rising due to speculation, and often this land consists of smaller parcels that have higher per-square-foot development costs. Outdated zoning codes make TOD more difficult in many communities, requiring unnecessarily high parking standards and lengthy, costly permitting processes.

Additionally, new or enhanced transit service may potentially displace low- and moderate-income residents. Even though income diversity is declining in the Bay Area, transit station areas are consistently more economically diverse than the region as a whole. The large numbers of renters who live near regional transit are vulnerable to being pushed out of their homes as condo conversions increase, and as the growing appeal of walkable, transit-accessible neighborhoods drive rents higher.
Joining Forces: The Synergies of Mixed-Income Transit-Oriented Communities

Transit-oriented development and mixed-income neighborhoods have clear benefits of their own. Transit-oriented neighborhoods make transit ridership possible and convenient; in doing so, they help improve air quality and reduce regional traffic congestion. And mixed-income neighborhoods are an important component of neighborhood revitalization: they can mean less crime, higher quality education, and better health for low-income residents – benefits that can resonate throughout the region and help all communities. Expanding transit-oriented neighborhoods and developing mixed-income communities together reaps important new synergistic benefits for stakeholders.

1: Providing Truly Affordable Housing
Transit use is less expensive than owning and driving a car, and mixed-use neighborhoods further reduce transportation expenses by making it easier to walk to frequent destinations like schools, shops, and services. As a result, on average, households with access to good transit service spend 50 percent less on transportation expenses than other households. For very low-income Bay Area households, who currently spend nearly two-thirds of their income on housing and transportation combined, such savings can make a huge difference, offering them the possibility for genuine affordability.

2: Stabilizing High-Percentage Riders
Lower-income households are less likely to own cars than other income segments and thus are more transit-dependent. In fact, in the U.S., almost two-thirds of all transit users live in households earning less than $37,000 a year. As a result, increasing opportunities for lower-income households to live near transit is one of the most cost-effective mechanisms for increasing and stabilizing transit ridership. Furthermore, since car-less households often use transit for non-work trips as well, low-income households also play a crucial role in filling seats during off-peak times, making transit service more efficient.

3: Broadening Access to Opportunity
Enhanced transit availability for low-income households can increase their access to employment, education, and homeownership opportunities. Currently 39 percent of all Bay Area jobs are located near transit stops and stations, and this percentage is expected to rise to 44 percent by 2030. Furthermore, employers in industries with the most diverse ranges of occupations tend to have the greatest preference for transit-accessible locations. Accordingly, opportunities to live near transit will be most useful for commuters in a range of income brackets, including the Bay Area’s lower-income households. Mixed-income transit-oriented neighborhoods also enable a broader range of households to live in neighborhoods with well-funded schools, good city services, and access to a wide variety of jobs.

Finally, transit-accessible housing can help low- and moderate-income households achieve homeownership, one of the greatest wealth builders for Americans. The transportation cost savings of living in TODs makes it more possible for lower-income households to afford homeownership. Fannie Mae’s Location Efficient and Smart Commute Mortgages allow households living near transit to qualify for larger mortgages, enabling those otherwise on the edge of qualifying to make the move to homeownership.
4: Extending the Health Benefits of TOD to All

Transit-oriented communities’ characteristics - a diverse mix of land uses, close destinations, and accessible transit - are all highly correlated with multiple health benefits. Residents of such neighborhoods have higher rates of physical activity, lower body mass indices, and reduced risk of respiratory ailments such as asthma due to better air quality. Those who live in less walkable neighborhoods are more likely to be overweight or obese, which increases the likelihood of developing life-threatening illnesses such as high blood pressure, high cholesterol, type 2 diabetes, heart disease and stroke.

Lower-income households already have higher rates of obesity, as well as more barriers to physical activity and healthy food, factors that increase their risk of developing life-threatening illnesses. Including affordable TOD housing for lower-income households can better enable this at-risk demographic group to address obesity-related health problems. From a public health perspective, it is important that all households, regardless of income level, have the opportunity to reap the health benefits of living in a transit-oriented community.

Elements of Stable Mixed-Income Neighborhoods

One issue remains to be addressed: once upper-income residents have begun settling in low-income neighborhoods, increasing income diversity, how can we prevent these areas from “tipping” into mostly high-income neighborhoods? In other words, how do we stabilize mixed-income neighborhoods? To address this, we looked at the characteristics of stable mixed-income and racially diverse neighborhoods. Such places tend to have four characteristics:

- **Social seams**, places in the community where interaction between different ethnic and racial groups is ‘sewn’ together. Research confirms that such social seams - examples include grocery stores, parks, schools, religious institutions, and retail strips - help Bay Area neighborhoods maintain a stable mixed-income population.

- **Social awareness of diversity** among a community’s residents (“self-conscious diversity”), which spurs social and community groups that advocate for the preservation of such diversity.

- **Barriers and edges** that isolate parts of neighborhoods from broader segregating trends. While in many cases it may not be desirable to nurture such barriers, it is important to understand their role in preserving neighborhood diversity.

- **Permanent affordable housing** is the most important factor - developments that provide dedicated housing units for low-income families even in the face of gentrification, as seen in San Francisco’s Western Addition neighborhood.
Learning from Case Studies

The following case studies – San Mateo’s Bay Meadows and Oakland’s Fruitvale Village – represent two very different contexts: one, a predominantly higher-income community in San Mateo County; the other, a predominantly lower-income neighborhood in Oakland. Each case offers lessons for Bay Area cities looking to create mixed-income transit-oriented communities.

Case Study 1: San Mateo Bay Meadows

The Bay Meadows Racetrack has been part of the San Mateo landscape for over 70 years. In the early 1990s, the Racetrack owners decided to redevelop the site into a mixed-use commercial and residential neighborhood. Though not intentionally planned as transit-oriented development, the residences, shops, and restaurants of Phase I are connected to the Hillsdale Caltrain station via a pedestrian and bicycle path. Of the over 700 new residential units in Phase I, 70 are affordable to low- and moderate-income households.

Phase II is specifically designed as a transit-oriented development. It is located next to a planned Caltrain express train station, with dense commercial and retail uses immediately adjacent to the station and lower density residential uses located further away. Phase II fits within the San Mateo Rail Corridor Transit-Oriented Development Plan, an effort to encourage compact growth that complements existing neighborhoods and provides opportunities for economic development between the Hillsdale and Hayward Park Caltrain stations. Neither phase of Bay Meadows was explicitly designed to be mixed-income, however, when complete, over 250 of nearly 2,000 new residential units will be affordable for low- to moderate-income households.

Lessons Learned from Bay Meadows

- Cities should be creative and flexible with inclusionary housing requirements. The City of San Mateo was able to increase the supply of affordable housing in Phase II by 50 percent over prevailing requirements by allowing some buildings to be entirely market-rate in return for a land dedication from the developer. However, this is still a small fraction of the affordable housing necessary to make Bay Meadows truly income diverse. Through a more flexible inclusionary ordinance – for example by not requiring the spread of affordable units among every unit type – the city might reach more households, given the lower cost of building apartments compared to single-family homes.

- Cities should consider making resources available to TODs to subsidize affordable housing. If the City had had an endowment or housing trust, it might have been able to use it to persuade the developer to create more affordable housing in Bay Meadows. Given the shortage of affordable housing in San Mateo – particularly affordable housing near transit – more needs to be done when big opportunities like Bay Meadows present themselves.

- Successful mixed-income TODs engage advocacy groups. Housing advocates played a big role in getting the San Mateo City Council to encourage the Bay Meadows development team to include more affordable housing. It is largely due to their involvement that the supply of affordable housing in Phase II increased by 50 percent.
Case Study 2: Fruitvale Transit Village

The development of Oakland’s Fruitvale Transit Village has been a favorite example for both critics and advocates of transit-oriented development in the Bay Area. The project began in 1991, when BART announced its plans to convert a surface parking lot at its Fruitvale station into a multi-story garage, which would have created a physical barrier between the station and Fruitvale’s commercial center along International Boulevard. After learning of the plans, the Unity Council in Fruitvale (a local community development corporation) engaged BART to discuss alternatives. The Unity Council then began the eight-year process of acquiring land, soliciting community input, and gathering needed grants and loans, that eventually lead to the development of the Fruitvale Transit Village.

The completed Transit Village is a mixed-use development that contains 47 apartments, 10 of which are affordable units for low-income families; 115,000 square feet of community services space, which includes a health clinic, library, Head Start program, and senior center; and 40,000 square feet of retail space. It is flanked by Las Bougainvilleas, a 68-unit affordable housing project for seniors. Also, 34th Street, which connects the Village to International Boulevard, was converted to a pedestrian plaza, strengthening the connection between the transit station and the neighborhood center.

Lessons Learned from Fruitvale Village

In many ways, Fruitvale Village is an exceptional case. Its ambitious goals could not have been realized without the guidance of the Unity Council’s highly skilled, motivated, and well-connected executive director. It also benefited from the active support and cooperation of both BART and the City of Oakland. And finally, its location was uniquely suited to meet the goals of mixed-income transit oriented development. Nonetheless, Fruitvale Village yields some important lessons:

• **Plan for rising housing costs in low-income neighborhoods.** Significant new TOD-related investments can impact home prices beyond the immediate project area. Affordable housing wasn’t an urgent concern in the late 1990s in Fruitvale. But between 2000 and 2006, after the Transit Village’s completion, home prices more than doubled, increasing the potential for displacement. By counting on long-term neighborhood stability, rather than planning for the possibility of gentrification, the Unity Council missed a key opportunity to provide Fruitvale residents with permanently affordable housing.

• **Develop a comprehensive plan that addresses district-wide affordability.** Developers aren’t always thinking about conditions for creating or maintaining a mix of incomes over the long-term. Thus public-sector planning for TOD needs to be more proactive. Government planning agencies should develop an understanding of the community and the dynamics of neighborhood change as a baseline for comprehensive planning.

• **Put value capture mechanisms in place at the neighborhood level,** so that increases in value brought about by TOD can be tapped to keep TODs inclusive. For instance, a designated district can capture the tax increment generated by transit investments to maintain housing affordability just outside the station area.

• **Take advantage of local residents’ support for affordable housing.** While in many communities, affordable housing faces resistance from existing residents, the Fruitvale community supported low-income and mixed-income housing from the earliest stages of planning.

The completed Fruitvale Transit Village includes a mix of affordable and market-rate housing, community services and retail space. It is connected to Fruitvale’s commercial center via a popular pedestrian-only plaza.
Lesson 1: Context is key.

Mixed-income TOD can occur in different contexts. But the challenges and tools associated with achieving mixed-income TOD vary considerably from setting to setting. Ultimately, identifying the right tools for each setting depends on assessing factors such as:

- **Neighborhood and housing stock characteristics**
  (What is the proportion of renters to homeowners? The quality and age of the housing stock? Is permanent affordable housing available nearby?)

- **The nature of development opportunities**
  (How close is it to the transit station? Are parcels underutilized or vacant? What is the size of available parcels?)

- **Local and regional real estate market conditions**
  (Are local sales price trends the same as or different from regional patterns? Is there high turnover activity?)

- **The neighborhood’s relationship to its region**
  (How close are employment centers?)

- **Transit station area land use patterns**

- **The dynamics of neighborhood change**
  (Is the community becoming more or less segregated? At what rate is change occurring?)

Lesson 2: Think comprehensively about the transit district.

It is important to think about TOD as a District, not just a Development. New development will impact the half-mile-radius district surrounding a station. What will its impact be? How will new housing relate to the old? Are there social seams in place that could create opportunities for integration? To create truly successful mixed-income TODs, the entire neighborhood must be considered.

Lesson 3: Think comprehensively about housing affordability.

Stakeholders can enable households at a range of income levels to find quality affordable housing in transit districts in a number of ways, such as:

- **Constructing new housing**, either mixed-income or stand-alone affordable.

- **Providing regulatory assistance** (e.g. lower parking requirements) and/or **financial assistance** (e.g. land acquisition support) for developers to help reduce the high costs of developing affordable housing.

- **Acquiring low-priced housing** and making it permanently affordable.

- **Developing programs** that induce greater private investment in preserving existing affordable housing (e.g. code enforcement, targeted home improvement loans).

- **Changing policies** to protect or permit a diversity of housing unit types.

- **Providing assistance** to help households afford housing (e.g. location-efficient mortgages).

Truly successful mixed-income transit-oriented communities consider the entire neighborhood.
Lesson 4: There are multiple ways to locate affordable housing.

Affordable housing can be located in buildings with market-rate units, in separate buildings, or in separate developments altogether. Current leading sources of affordable housing subsidies such as the Low Income Housing Tax Credit and the California Multi-Family Housing Program (MHP), favor 100 percent affordable developments over projects that mix subsidized and unsubsidized units. Consequently, stand-alone projects can often generate a greater yield of affordable units, ultimately making a bigger impact on a transit district’s income diversity.

Lesson 5: Include a broad spectrum of incomes.

Recently built Bay Area housing has been geared to households earning between 50 and 80 percent of median, and those earning greater than 120 percent of median. Transit-oriented development needs to also reach the very low-income (<50% of AMI) and moderate-income (80-120% of AMI) households that have been ignored by the market.

Lesson 6: Be proactive – start planning early.

The Bay Area still has many mixed-income neighborhoods, but preserving income diversity requires intentional action. The planning process allows cities and the private sector to work together comprehensively and decide which tools are appropriate to develop or maintain a mixed-income community. Creating permanently affordable housing units is the most critical step, but supporting social seams and even maintaining neighborhood edges may be appropriate in some cases. Early planning allows a community to develop the tools needed to remain inclusive before new transit investments and other development begin to affect the market and constrain choices.

Now is the time to plan for mixed-income transit-oriented communities. As the region becomes more segregated, Bay Area stakeholders risk being unable to offer the benefits of transit to low-income groups. Fortunately, recent experiences developing transit-oriented communities offer lessons that will help us create and preserve mixed-income communities into the future.
Notes

1 Association of Bay Area Governments, Projections 2007.
2 National Association of Realtors; National Low-Income Housing Coalition, Out of Reach 2006.
3 ABAG, A Place to Call Home: Housing in the San Francisco Bay Area, 2006, p.2. “Affordable” housing costs are defined here as 30 percent of income – the prevailing standard used by the U.S. Department of Housing and Urban Development (HUD).
4 Ibid.
5 National Association of Realtors; National Low-Income Housing Coalition, Out of Reach 2006.
7 “Moderate-income” households are defined here as earning between 80 and 120 percent of Area Median Income (AMI), “low-income” as those earning between 50 and 80 percent of AMI, and “very low-income” as those earning less than 50 percent of AMI.
17 CTOD and Strategic Economics, 2006.
19 CTOD and Strategic Economics, 2006.
21 CTOD and the Center for Neighborhood Technology, 2006.
22 CTOD and the Center for Neighborhood Technology, The Affordability Index, Brookings Institution Press, 2006. The average American household spends 19 percent of their income on transportation, while households with access to good transit service spend 9 percent.
30 Chapple, et al., 2007.
31 Ibid.
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