



# Sustainable Development that Delivers on the Promise of Affordable Housing



By Jaimie Ross

**A**n interagency partnership designed by the Obama Administration among HUD, U.S. Department of Transportation (DOT), and U.S. Environmental Protection Agency (EPA) to support sustainable development is a dream come true for smart growth advocates. The Sustainable Communities Initiative is

a marriage among Housing, Transportation, and the Environment—the very lifeblood of smart growth.

Housing that is built near employment centers or near transit that connects housing to employment, reduces sprawl. Sprawl is typically single-use, low density, and auto dependent development that is usually far from the town center and not contiguous to areas where there are municipal services. Highway funding, road building, and land use/zoning changes to permit new development far away from urban employment centers has created the unsustainable “drive ‘til you qualify” development. But

is housing located far away from town centers really more affordable? Not when you factor the costs of automobile ownership into the equation. The family that buys a home an hour drive away from employment has to pay the bill for that drive. The lender never factored those costs into what mortgage the family could afford for their home—and now the cost of their lifestyle may be a burden for both the family and the larger community that ultimately subsidizes sprawl development.

“Sustainable development” is an often used and rarely defined term. In the context of the federal Sustainable Communities Initiative there are six express principles:

- 1. Provide more transportation choices** - Develop safe, reliable and economical transportation choices to decrease household transportation costs, reduce our nation’s dependence on foreign oil, improve air quality, reduce greenhouse gas emissions and promote public health.

2. **Promote equitable, affordable housing** - Expand location- and energy-efficient housing choices for people of all ages, incomes, races and ethnicities to increase mobility and lower the combined cost of housing and transportation.
3. **Enhance economic competitiveness** - Improve economic competitiveness through reliable and timely access to employment centers, educational opportunities, services and other basic needs by workers as well as expanded business access to markets.
4. **Support existing communities** - Target federal funding toward existing communities--through such strategies as transit-oriented, mixed-use development and land recycling--to increase community revitalization, improve the efficiency of public works investments, and safeguard rural landscapes.
5. **Coordinate policies and leverage investment** - Align federal policies and funding to remove barriers to collaboration, leverage funding and increase the accountability and effectiveness of all levels of government to plan for future growth, including making smart energy choices such as locally generated renewable energy.
6. **Value communities and neighborhoods** - Enhance the unique characteristics of all communities by investing in healthy, safe and walkable neighborhoods--rural, urban or suburban.

## Sustainable Communities Initiative and Livable Communities Act

The Sustainable Communities Initiative has begun with a \$100 million grant program (from \$150 million appropriation) for FY 2010 (with additional \$150 million proposed for FY 2011).

HUD will provide funding to a wide variety of multi-jurisdictional partnerships and consortia. Grants will be designed to encourage regions to build their capacity to integrate housing and transportation planning in a way that maximizes choices for residents and businesses, lowers transportation costs, and creates more sustainable development patterns.

The Livable Communities Act of 2009 currently under consideration for funding would provide about \$4 billion in competitive grants to coordinate housing, transportation, and economic development policy with an eye toward promoting sustainable development. About \$400 million would be slated for planning with the remainder funding implementation. The bill would also create a new office within the Department of Housing and Urban Development to guide and administer the programs. If passed, it would strengthen the Obama administration's multi-agency Sustainable Communities Initiative.

There are many more related initiatives to support sustainable development, including the Energy Innovation Fund. Go to [www.hud.gov/sustainability](http://www.hud.gov/sustainability) or [www.hud.gov](http://www.hud.gov) for more info.

## Transit Oriented Development

In an excellent report published in 2010, authors Jeffrey Lubell and Emily Salomen of the Center for Housing Policy in Washington, D.C., make a compelling appeal for the Federal Department of Transportation to use transportation funds as a carrot to encourage communities to “increase the compactness of residential development; expand the availability of homes affordable to families with a mix of incomes near public transit, job and retail centers, and other essential destinations; and better coordinate affordable housing, transportation and workforce policies.”

The public policy change they propose is buttressed by the belief that communities would implement these land use principles if that was required in order to receive their full allocation of federal transportation dollars. It makes sense. Using transportation funding as the carrot is particularly effective because transportation funding is no small pot of funds. Federal transportation programs provide more than \$50 billion annually. This incentive would surely have the transformative effect on where affordable housing is located, claimed by the Center for Housing Policy.

## A Compelling Case for Using Federal Transportation Funds to Further Housing Choice

HUD Asst. Secretary for Fair Housing John Trasviña, part of the new leadership team at HUD, brought to light in

his remarks at the National Low Income Housing Coalition's 2010 annual conference a little known fact: that all federal agencies have an obligation to affirmatively further fair housing. That's right- **all federal agencies**, not just HUD, "shall administer their programs and activities related to housing and urban development in a manner affirmatively to further the purposes of the Fair Housing Act."<sup>1</sup> The purpose of the Fair Housing Act is to ensure housing choice, so that protected classes (those that have historically suffered from exclusionary housing laws, such as people of color and persons with disabilities) can have the opportunity to live where they choose.

Transit Oriented Development is a housing choice and opportunity that should be available to the protected classes, which (not so coincidentally) also tend to be families that are very low income. If the DOT did allocate its transportation funding in a manner that rewarded communities that were creating housing opportunities to benefit very low income people, it would be acting in a manner that affirmatively furthers fair housing; this will also further the social and economic equity goals of sustainable development.

## Will Affordable Housing Built near Transit enjoy Longevity?

If incentives result in the development of affordable housing in transit oriented developments, will they be sustainable- will they survive for future generations, or even for a decade? Without safeguards to ensure long term affordability or a program of land stewardship, the answer is no. We have a lesson to learn from more than sixty new urbanism developments already built in Florida. The Congress of New Urbanism (like the Sustainable Communities Initiative) espouses the principle of a mix of incomes and housing types. But new urbanism development rarely if ever delivers on that promise, as the desirability of traditional

neighborhood design drives market prices, for even the most modest units, out of reach.

To include affordable housing in TOD, it takes more than just building more modest housing that may have an initial sales price or rent that is affordable. But it's worth the trouble. The environmental portion of the sustainable development objective can be best met by locating low income workforce near transit. When middle or upper income families live near transit they are likely to enjoy the convenience of reaching any number of destinations more quickly, but they are unlikely to give up their automobile, because it is a luxury they can afford. The same is not true of the low or very low income family. If their family can get by with only one car or no cars, they will do so. This means fewer cars on the road, less green house emissions and air pollution. It means getting closer to realizing the stated goals of sustainability.

## There are a Number of Ways to Ensure Long Term Affordability

One way to ensure that housing near transit is affordable is to site tax credit developments (which typically have a term of 50 years of affordability) in that location. The Florida Housing Finance Corporation is currently in rule development to encourage development near transit though its tax credit allocation application (the Universal Application). This makes sense and is a logical extension of the existing rules which encourage developments to be energy efficient and to be located near services and transportation.

However, if all or most of the funds administered by FHFC are targeted to TOD, it would be detrimental to the preservation of federally assisted housing stock. This, of course, is a policy issue. Florida, like all states,

**The costs of automobile ownership and maintenance are nearly 20% of the low/moderate income families' income, making an ostensibly affordable house, unaffordable. Glatting Jackson Kercher Anglin, Inc., made a slide show presentation at the Florida Housing Coalition conference in 2007 that showed when you consider the costs of transportation, it costs as much to live in Tampa, as New York City.**

has a limited amount of tax credits to allocate; we cannot fund all the affordable housing that is needed. If, for instance, new TOD affordable housing construction were to be given an advantage over the preservation of project based Section 8 housing, the public policy implication is that it is a better use of public funds to construct affordable housing near transit than to save a federally assisted project that is not near transit.

There are two reasons why this would be bad public policy. The first is that a property with project based section 8 is simply irreplaceable. The project based assistance is federal funding that keeps the property affordable for even our most vulnerable residents- those below 30% of AMI, and persons with special housing needs. It is also “greener” to rehabilitate and retrofit than to build new.

The second policy reason is that Florida will net fewer affordable housing units if we use only our FHFC units to meet the affordable housing portion of the mixed income development near transit. The better policy is to implement inclusionary housing programs in connection with TOD.

## Inclusionary Housing Programs

We need to expand our supply of affordable housing in TOD by not missing the land use opportunity created when transit hubs and stops are created. The value of private property is increased when land is rezoned for TOD, which is typically a requirement in order to permit a mix of uses. Local governments, through their land use authority, are creating value for the private property owner, and in exchange for that increase in value, they should be receiving a public benefit.<sup>2</sup> That public benefit is the creation of some percentage of affordable housing along with the development of market rate housing. Using an inclusionary housing program to create long term affordable housing near transit is the optimum way to affirmatively further fair housing and meet the housing element requirements of the local comprehensive plan.

If there is not sufficient economic value created in the rezoning, local government could augment its inclusionary housing program by dedicating housing funds that it receives as an incentive for creating TOD. These funds could be additional HOME or CDBG funds that the federal government could grant to those communities that adopt inclusionary housing programs in conjunction with

TOD. In other words, HUD could use some of its housing dollars to be the carrot, just as DOT can use its transportation funds as an incentive to gain the development of affordable housing in TOD.

## Conclusion

Sustainable development that delivers on the promise of affordable housing can be realized in the following ways:

1. Tying federal transportation dollars to the development of affordable housing in transit oriented developments.
2. Tying federal housing dollars (like HOME and CDBG) to the development of affordable housing in transit oriented developments.
3. Using local land use regulations (inclusionary housing programs) to ensure that affordable housing is included in the mix with market rate development in transit oriented developments.
4. Ensure long term affordability of all the affordable housing developed using the strategies above through mechanisms such as shared equity programs, community land trusts, and land use restriction agreements.
5. Use some, but not most, of the FHFC funds for transit oriented affordable housing development.

By implementing these policy changes we can ensure the promise of affordability which is essential to sustainable development. **HNN**

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**JAIMIE ROSS**, Attorney at Law, is the Affordable Housing Director at 1000 Friends of Florida, a statewide nonprofit growth management/smart growth organization. [jaimieross@aol.com](mailto:jaimieross@aol.com)

1) Executive Order 12892 signed by President WILLIAM J. CLINTON at the THE WHITE HOUSE, January 17, 1994 in regard to Fair Housing Act, as amended (42 U.S.C. 3601 et seq.)

2) The Guidebook for Implementing Transit Oriented Development in Florida, developed by the Florida Department of Community Affairs and the Florida Department of Transportation (February 2010) states that “land values increase around station areas, therefore if left to market conditions alone, maintaining the affordability of housing near TODs can be problematic over time.”