# Transit-Oriented for All:

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


A Great Communities Collaborative Framing Paper

RECONNECTING AMERICA
CENTER FOR TRANSIT-ORIENTED DEVELOPMENT

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GREAT COMMUNITIES
COLLABORATIVE
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## The Great Communities Collaborative

The Great Communities Collaborative is a unique cooperative relationship between four Bay Area nonprofit organizations – 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.


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# I. 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.[1] This growth is driven by a remarkably resilient Bay Area economy. New industries drawing investment capital, including biotech and emerging green industries, demonstrate the region's ability to reinvent itself, spur innovation and remain integral to the global economy. Given the ongoing strength of the Bay Area economy, and the continued appeal of the region's natural amenities and cultural richness, there is increasing need to find appropriate locations for housing the economy's workforce and to ensure all Bay Area residents can participate in the regional economy.

Four leading Bay Area nonprofits, two foundations, and a national nonprofit have joined together to form the Great Communities Collaborative, with the aim of shifting regional growth so it is more equitable and sustainable. To address the region's housing crisis, improve neighborhoods, and make the best possible use of new public transit investments, the Collaborative seeks to ensure half of all new homes built by 2030 are in walkable communities located near transit, at a range of prices affordable to families of all income levels.

In support of these efforts, this paper articulates the rationale for expanding mixed-income transit-oriented development (TOD) across the Bay Area region. With considerable new regional investments in transit planned for the coming decade, now is a particularly ripe moment to plan for more supportive land uses and to maximize opportunities for housing for a full range of income levels in areas with easy access to transit. Regional investments in transit have the potential to help alleviate housing affordability pressures, provide wider access to jobs and address mounting traffic congestion. But much hinges on the kind of development, and the affordability of housing, that grows up around new and future transit stations.

This paper summarizes the case for mixed-income TOD in the Bay Area, and outlines factors to consider for achieving sustainable mixed-income TOD in multiple contexts. It is written for a range of actors, sharing a vested interest in making regional growth more equitable and sustainable – from nonprofit housing developers to city elected officials, transit agency staff, for-profit developers, regional advocacy coalitions and local community organizations.

[1] Association of Bay Area Governments, *Projections 2007*.

**Report Overview**

This report begins by looking at the need for mixed-income transit-oriented communities in the Bay Area. Chapter II discusses the combined housing plus transportation cost burden faced by lower-income households in the Bay Area, and the need to provide affordable housing in locations where transportation costs don't undercut housing savings. Chapter II also tracks the region's declining income diversity and the costs that accompany income segregation.

Chapter III reviews the challenges to mixed-income TOD presented by the high costs of new TOD development and the potential for displacement of nearby low-income residents. The chapter also looks at the opportunities embodied in increasing demand for TOD and in the substantial new investments being made in regional transit service and TOD-supportive infrastructure.

Chapter IV examines the separate benefits of transit-oriented communities and mixed-income neighborhoods, and the synergies that result from bringing the two together.

The paper concludes with an initial discussion of what it will take to achieve mixed-income TOD in various contexts. Chapter V discusses common traits of stable mixed-income neighborhoods that avoid "tipping" into places that are predominantly high or low income. Chapter VI reviews the experience of two, recent, high-profile TOD projects – San Mateo's Bay Meadows and the Fruitvale Transit Village – to explore their impact in creating a stable mix of incomes near transit, and the lessons they may offer for other cities. Chapter VII concludes with general lessons for achieving stable, mixed-income, transit-oriented communities in various contexts.

# II. The Regional Context

## *How 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 take a heavy toll on the region's residents, with the heaviest burden shouldered by lower-income households. For the 10th straight year, Bay Area residents named "road congestion, transit and road conditions" the most important problem facing the region in 2007, followed closely by "housing costs and availability."[2]

Indeed, the Bay Area is one of the most expensive and difficult housing markets in the country.[3] While a third of all households nationwide pay more than the recommended 30 percent of income on housing, nearly half of Bay Area households pay too much.[4] In the past seven years, the percentage of Bay Area residents who can afford the median priced home has dropped steadily – from 27 percent in 1999 to 12 percent in 2005.[5] A minimum wage employee would have to work at least 106 hours per week to afford a Bay Area studio at fair market rent,[6] and more than 126 hours per week for a one-bedroom.[7] Many Bay Area households escape unaffordable housing payments by living in overcrowded conditions, with Santa Clara, San Francisco, San Mateo and Alameda counties ranking among the top 100 counties in the US for overcrowding.[8]

Meanwhile the Bay Area experiences the second worst annual delay per commuter in the country. The average Bay Area traveler loses three days (72 hours) per year in stalled traffic, to say nothing of long commutes that steal time from family, education and other pursuits – even when traffic is moving freely.[9] The percent of commuters traveling more than 45 minutes to work is the second highest in the nation (21 percent).[10]

The Bay Area's worsening traffic conditions are fundamentally linked to the limited supply of quality affordable housing near the region's employment centers and near high-quality transit.

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[2] Bay Area Council, *Bay Area Council Poll – General Trends (1995-2007)*, 2007.
[3] National Association of Realtors; National Low-Income Housing Coalition, *Out of Reach 2006*.
[4] American Community Survey, 2004.
[5] 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 US Department of Housing (HUD).
[6] Fair Market Rents typically represent the 40th percentile of combined shelter and utility costs by recent movers, as calculated by the US Department of Housing and Urban Development (HUD).
[7] California Budget Project, *The Rising Tide Left Some Boats Behind: Boom, Bust & Beyond in the San Francisco Bay Area*, December 2005.
[8] ABAG, *A Place to Call Home: Housing in the San Francisco Bay Area*, 2006.
[9] Schrank, David and Tim Lomax, "The 2005 Urban Mobility Report," Texas Transportation Institute, May 2005.
[10] Bay Area Council, Bay Area Economic Forum and the Association of Bay Area Governments, 2006.

As the region's population grew dramatically over the past ten years, housing production failed to keep pace, particularly in the region's employment core. The California Department of Housing and Community Development estimates the Bay Area region needed to produce 230,000 housing units between 1999 and 2006 to meet the region's housing needs. Only 73 percent of these units were produced.[11]

Relatively affordable housing is increasingly built outside the region altogether – if not at the region's edges – in cities like Tracy and other parts of the Central Valley, as well as Brentwood, Oakley, Antioch and Fairfield – where regional transit is limited and employment centers distant. In job-rich areas, cities have consistently under-produced their share of regional housing demand, contributing to surging prices and shortages of housing affordable to moderate, low and very-low income households.[12]

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.[13]

Affordable housing for moderate-income households is particularly uncommon in the Bay Area, due in part to the fact that affordable housing assistance is frequently targeted at low-income households, while market rate homeownership opportunities are priced out of reach.

## *"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, coupled with high transportation costs, to find housing they can afford. But for many households, long commutes and greater reliance on the car eat up much of what is saved on housing, especially when car payments, insurance, gas, parking and car repairs are considered.

Lower-income households are already hit particularly hard by the region's affordable housing crisis. The scope of the affordability crisis broadens when we consider the combined housing plus transportation cost burden faced by lower-income households.

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[11] ABAG, *A Place to Call Home: Housing in the San Francisco Bay Area,* 2006.
[12] "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.
[13] ABAG, *A Place to Call Home: Housing in the San Francisco Bay Area,* 2006.

High transportation costs consume a greater percentage of income for low-income households than for wealthier households, especially in auto-dependent areas. As a result, most low-income Bay Area households end up with a combined housing and transportation burden that is beyond their means.[14] The Center for Neighborhood Technology (CNT) and Center for Transit-Oriented Development (CTOD) have created an Affordability Index to help characterize this burden. For families earning between $20,000 and $50,000, CNT and CTOD found combined housing and transportation costs average 63 percent of household income in the Bay Area – the highest combined housing/transportation burden for this income bracket anywhere in the country. With an average of 35 percent of income dedicated to housing *plus* an additional 27 percent for transportation, very little income remains for other household necessities, including food, education and health care.[15] Figure 1 shows how housing and transportation costs vary for other income brackets.

**Figure 1: Percentage of Income Spent on Housing and Transportation in the Bay Area**

| Household Income | <$20,000 | $20,000 to $34,999 | $35,000 to $49,999 | $50,000 to $74,999 | $75,000 to $99,999 | $100,000 to $250,000 |
|---|---|---|---|---|---|---|
| Housing | 65% | 39% | 30% | 25% | 21% | 17% |
| Transportation | 54% | 32% | 23% | 17% | 13% | 8% |
| Combined Housing and Transportation | 100%+[16] | 71% | 53% | 42% | 34% | 25% |

Source: Center for Neighborhood Technology and Virginia Tech University, *Housing & Transportation Cost Trade-offs and Burdens of Working Households in 28 Metro Areas*, Center for Housing Policy, 2006.

## *Income Diversity is Declining in the Bay Area*

### Many Transit Areas Are Becoming More Income Segregated

The uneven regional distribution of affordable housing has real consequences for neighborhood segregation by income and race. The Bay Area is seeing slow erosion of neighborhood income diversity, according to recent findings by researchers at the UC-Berkeley-based Center for Community Innovation (CCI).[17]

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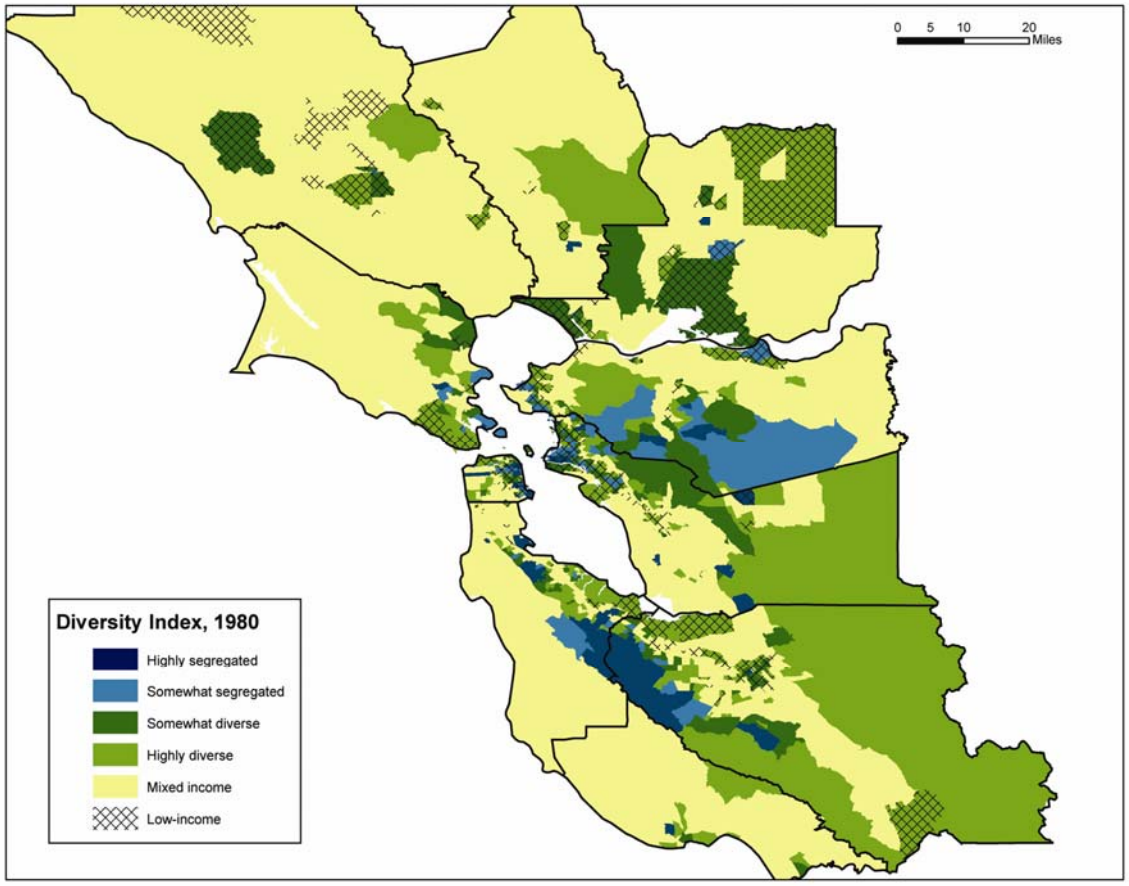
[14] Center for Housing Policy, *A Heavy Load: The Combined Housing and Transportation Burdens of Working Families*, 2006.
[15] Ibid.
[16] This figure may exceed 100 percent of income in part due to the use of a standard cost of transportation for all income levels and applying that cost to the predicted autos and miles each income level will own and drive. Therefore, the results for some low income households may be too high since they are likely spending less on the auto purchase than the average of all households and may not be driving the average vehicle on the road.
[17] Chapple, Karen and Erica Spaid and Bill Lester, *Shaping a Mixed-Income Future: Lessons from the San Francisco Bay Area*, Center for Community Innovation Working Paper, Institute for Urban and Regional Development: 2007, p.11.

Using an absolute measure of income diversity, which measures the extent to which neighborhoods show equal representation in all income categories,[18] the CCI found the median income diversity level in the Bay Area declined slightly from 1980 to 2000. Figure 2 shows where income segregation was greatest in the Bay Area in 1980, with the darkest shades representing the highest levels of income segregation and the lightest shades representing high diversity; cross-hatching highlights low-income areas (with family median income below 80 percent of the regional median income).

**Figure 2: In 1980, income segregation in the Bay Area was limited to core and outer ring neighborhoods.**

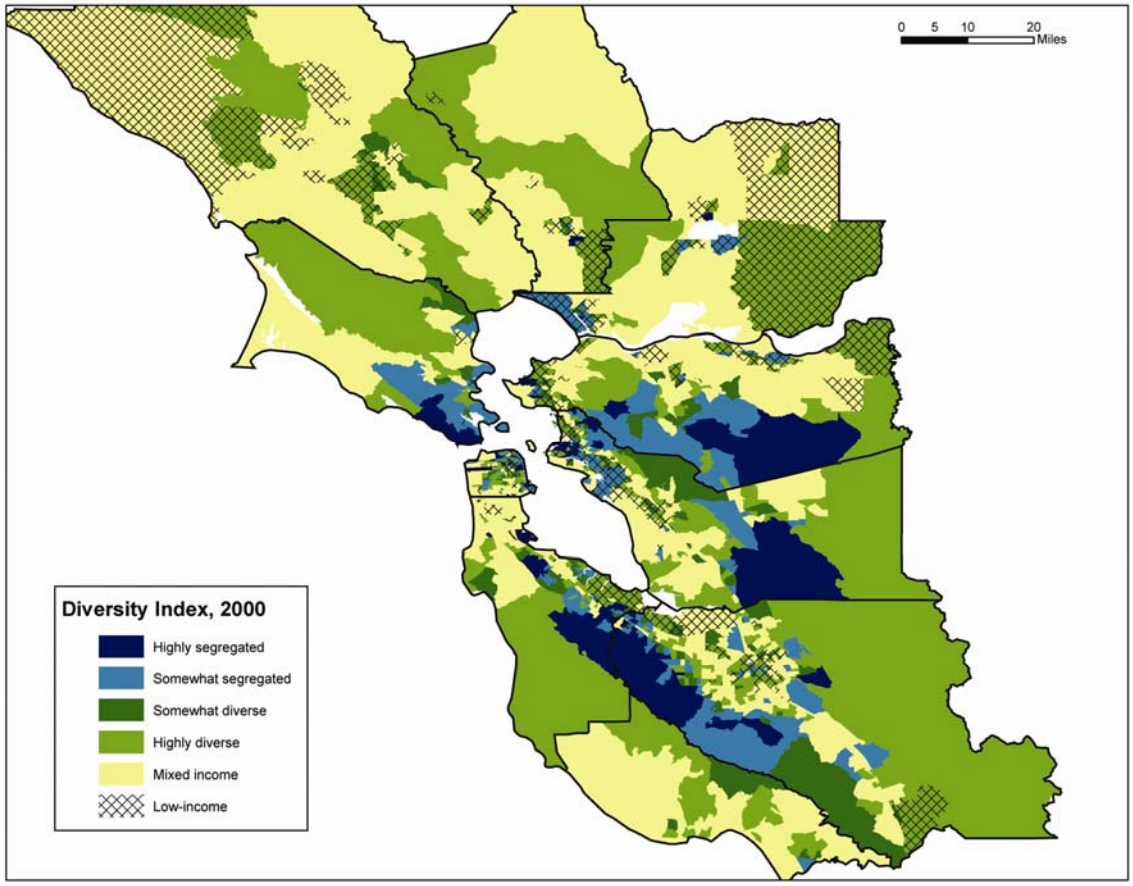



Source: Data from the Neighborhood Change Database (Geolytics); Simpson's D calculations by the Center for Community Innovation.

By 2000, the areas of high economic segregation had expanded considerably, spreading across more of San Francisco, Oakland and outer Contra Costa and Alameda counties, and encompassing most of populated Marin County and Silicon Valley (Figure 3). Relatively few of these segregated areas are low-income; although the number of low-income areas grew overall, low-income segregated areas remain for the most part confined to the region's central cities.

[18] The statistic employed for this analysis is Simpson's D, which ranges from 0 (complete segregation) to 1 (full diversity). The index represents the probability that if we randomly choose two individuals, they will belong to two distinct income groups.

**Figure 3: By 2000, income segregation had spread through much more of the core and outer ring.**




Source: Data from the Neighborhood Change Database (Geolytics); Simpson's D calculations by the Center for Community Innovation.

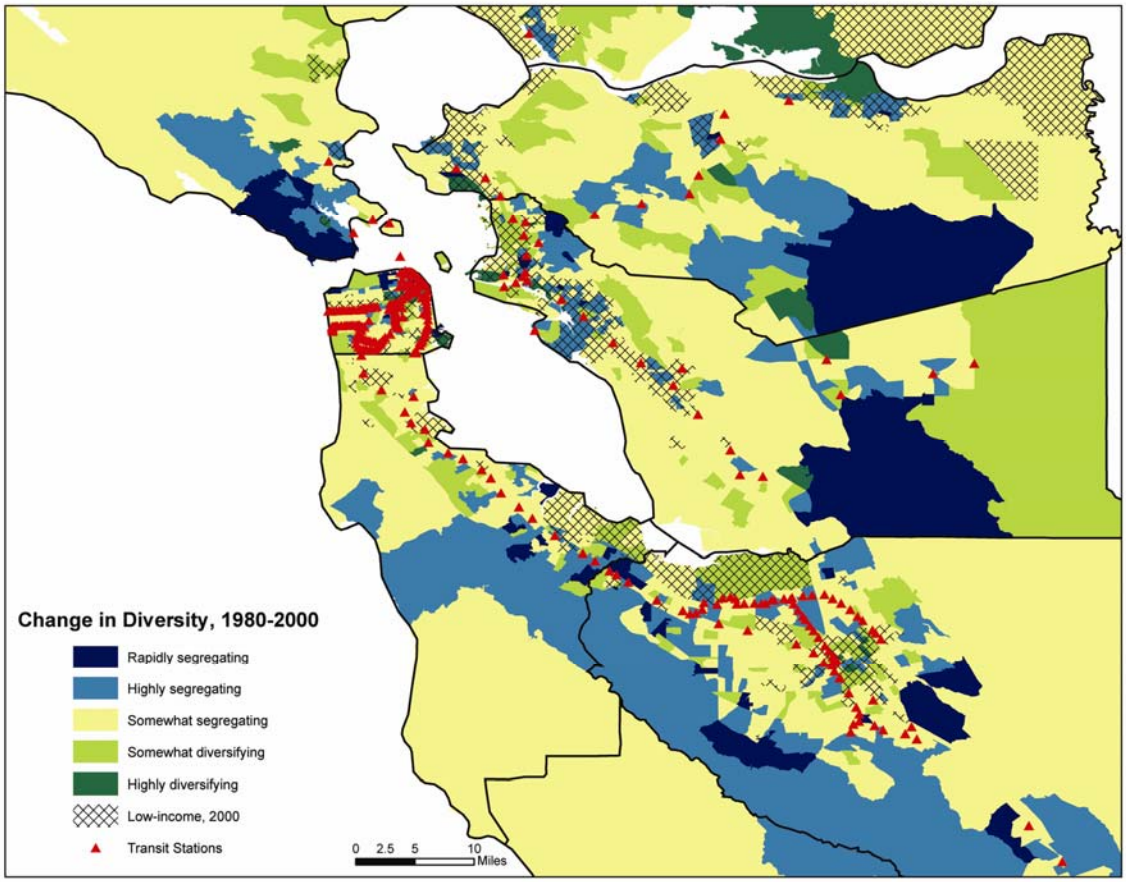
The number of tracts that are highly segregated (in the two darkest categories on the map) increased from 141 (10 percent of the total) to 237 (16 percent of the total) from 1980 to 2000. Yet, a large proportion of tracts also have a stable mix of incomes: 568 tracts, or 40 percent of the total, have diversity indices over the median in both 1980 and 2000.

Figure 4 summarizes changes in neighborhood income diversity between 1980 and 2000. Areas in yellow and blue are generally losing diversity, while areas in green are gaining diversity. Once again, cross-hatching identifies low-income areas. Red triangles identify transit stations (including rail and ferry).

The map indicates very different patterns across the region. In San Francisco and Silicon Valley, transit stations are generally located in areas that are becoming less diverse (or more income segregated) over time; although some stations are adjacent to low-income areas, almost all are located in areas with median income above 80 percent of the regional median. In contrast, in the East Bay, transit stations are located in both diversifying and segregating areas, most of which are low-income. This variation means that in order to develop mixed-income TODs

throughout the region, planners will need to use a diverse set of strategies (as discussed in Chapter VI, the Bay Meadows and Fruitvale cases).

**Figure 4: Trends from 1980 to 2000 reveal that few areas near transit stations are becoming more diverse over time.**




Source: Data from the Neighborhood Change Database (Geolytics); calculations by the CCI.

## The Costs of Income Segregation

Mixed-income neighborhoods are important in part because of the costs of segregation and how they are borne disproportionately by low-income groups concentrated in neighborhoods—ultimately raising costs for all the region's residents. As the incomes of neighborhood residents decline to levels unable to support a viable retail sector or to maintain housing, a spiraling of abandonment and decay begins.[19] Once the area becomes a high-poverty neighborhood,[20]

[19] J Jencks, C. & S. Mayer, "Residential segregation, job proximity, and black job opportunities," *Inner-City Poverty in the U.S.*, Laurence Lynn and Michael McGeary, eds., 1990.
[20] Typically with 40 percent or more households living in poverty.

average educational attainment levels decrease,[21] and teenage pregnancy and high school drop out rates may increase dramatically.[22]

Concentrated poverty is highly correlated with racial segregation, which itself causes poverty. Racial segregation increases, by as much as 33 percent, the probability that a young black man does not work.[23] Were segregation to decrease, so would the poverty rate, the high school dropout rate, the unemployment rate, and the homicide rate.[24] While segregation can be shown to have a direct role in poverty, it also contributes to poverty in more indirect ways. Segregated communities suffer from the depletion of financial, informational, and human resources that hinder the development of human capital and the transmission of information about job opportunities, thereby increasing discriminatory barriers.[25] Segregation also increases the costs of goods (such as groceries), services (such as car insurance), and access to capital (such as mortgage loans) for low-income communities.[26]

Overall, these regional trends are creating new costs for all Bay Area communities and residents. As the supply of affordable housing dwindles, low-income households are pushed out to the region's perimeter, increasing their transportation costs. Residents of communities that are increasingly segregated by income find themselves paying more for goods and services, while their municipalities experience new fiscal strains. New transit infrastructure, if built together with permanently affordable housing, has the potential to alleviate many of these costs.

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[21] Datcher, L., "Effects of Community and Family Background on Achievement," *The Review of Economics and Statistics*. 64(1), 32-41. Corcoran, M., Gordon, R., Laren, D. and Solon, G., *Intergenerational Transmission of Education, Income, and Earnings*, 1987.
[22] Crane, J., "The epidemic theory of ghettos and neighborhood effects on dropping out and teenage childbearing," *American Journal of Sociology* 96: 1226-59, 1991.
[23] Massey, D. S., Gross, A. H., and Eggers, M. L., "Segregation, the concentration of poverty, and the life chances of individuals," *Social Science Research* 20, 397–420, 1991.
[24] Cutler, D.M., and Glaeser, E.L., "The Rise and Decline of the American Ghetto," *NBER Working Paper Series*, Issue 5881, 1997; Galster, G.C., Keeney, W., "Race, Residence, Discrimination, and Economic Opportunity: Modeling the Nexus of Urban Racial Phenomena," *Urban Affairs Quarterly* 1(24), 87-117, 1988; Galster, G.C., "Housing Discrimination and Urban Poverty of African-Americans," *Journal of Housing Research* 2(2), 87-120, 1991.
[25] Galster, G. C.,"Polarization, Place, and Race," in John Boger and Judith Wegner, eds., *Race, Poverty, and American Cities*, 1996.
[26] Annie E. Casey Foundation, *The High Cost of Being Poor: What It Takes for Low-Income Families to Get By and Get Ahead in Rural America*, 2005 (www.aecf.org/publications); The Brookings Institution, *The Price is Wrong: Getting the Market Right for Working Families in Philadelphia*, 2005 (www.brookings.edu/metro).

# III. Challenges and Opportunities

## *The Potential of New Transit Investments*

The Bay Area stands on the brink of a substantial round of new investment in transit services with the potential to address the challenges of unaffordable housing, congestion and declining neighborhood diversity described above. Bay Area voters have approved $12 billion in new public transit investments since 2000, which will add 100 new stations to the region's existing 300 rapid transit stations and transit corridors.[27] The Metropolitan Transit Commission is poised to invest in multiple new and expanded transit services, including:

- The BART system, from Fremont to San Jose and into eastern Contra Costa County;
- Bus Rapid Transit connecting Berkeley, Oakland and San Leandro;
- Expanded Caltrain service and the rebuilding of the Transbay Terminal;
- San Francisco MUNI Third Street Light Rail;
- Sonoma to Marin commuter rail; and
- Dumbarton commuter rail.

The recent passage of California Proposition 1C will add another $300 million in statewide infrastructure investment to stimulate denser development along these and other transit lines. Once allocation rules have been finalized, TOD projects that include affordable housing are likely to receive priority funding.[28]

## *The Growing Demand for Housing near Transit – A Challenge and an Opportunity*

Market demand for transit-oriented housing is broad and deep. By 2030 there will be potential demand for an additional 423,000 homes near transit in the Bay Area, according to analysis by the Center for Transit-Oriented Development.[29] At least **54 percent** of demand for Bay Area TOD is likely to come from households earning less than $75,000 per year (2000 dollars).[30]

Growing demand for transit-oriented housing in the Bay Area is the result of converging demographic trends, changing housing preferences and the growing reach of the transit system itself. Consumers are increasingly choosing smaller, more compact houses in neighborhoods

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[27] Transportation and Land Use Coalition (TALC) – www.greatcommunities.org. Note that the extent of expansion depends upon the availability of funding.
[28] Legislative Analyst's Office – http://www.lao.ca.gov/ballot/2006/1C_11_2006.htm.
[29] CTOD and Strategic Economics, 2006.
[30] CTOD, 2006; US Census, *American Community Survey*, 2004.

where shops and services are within walking distance and where high-quality transit service is a viable alternative to driving.[31] Additionally, the types of households who most tend to seek out TOD – singles, baby-boomer couples without children, the elderly and low-income minority households – are expected to increase significantly in number in the Bay Area over the next 25 years.[32] This convergence of trends creates the potential for greater development in infill locations near transit.

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

Growing demand for TOD presents both an opportunity and a challenge. On the one hand, overall demand creates greater opportunities and incentive for TOD developers. But with this market comes the **risk that virtually all new development near transit in the region will be unaffordable to lower-income households**.

Presently, high-end housing projects are best suited for absorbing the time, uncertainty and cost of risk inherent in TOD in the Bay Area. The cost of land in and around existing and future transit stations is rising due to speculation, and land is frequently broken into small parcels, making it difficult for developers to find sites large enough to produce high density housing at prices affordable to both the developer and to potential residents.

Furthermore, TOD is not yet supported by appropriate zoning codes in many communities, leading to lengthy and costly permitting processes and unnecessarily high parking standards. Both the entitlement delays and the high parking requirements increase construction costs.

The factors inhibiting the general TOD market make it even harder to deliver mixed-income housing near transit stations. The addition of an affordable housing component further increases the complexity of the TOD process. Without strong proactive steps by government agencies to reduce costs and make TOD more inclusive, it will be easiest for developers to respond to demand from high-moderate and high-income market segments exclusively, particularly aging baby boomers and young and childless professionals.

Additionally, new or enhanced transit service has the potential to displace residents from existing low-income and mixed-income neighborhoods. A sizeable number of low-income households already live within a half-mile of Bay Area transit service that uses exclusive right-of-way, according to analysis by the Center for Transit-Oriented Development. Consistently, station areas in the Bay Area are more economically diverse than the region as a whole, though

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[31] Leinberger, Chris, *Emerging Trends in Real Estate*, 2004.
[32] CTOD and Strategic Economics, 2006.

this income diversity is declining as discussed in Chapter II.[33] The large numbers of renters who live near transit in the Bay Area are vulnerable to being pushed out of transit zones as absentee owners sell, as rental units are converted to ownership units and as the growing appeal of walkable transit districts allow property owners to command higher rents.

As land near transit is bought and locked away for housing targeted at the upper end of the market, rare opportunities for inclusive TOD will be lost. Stakeholders need to focus their efforts to facilitate the development of housing near transit that is affordable to a broader range of incomes than the market would otherwise provide. Policies, programs and financing tools that support the creation of mixed-income communities surrounding transit stations are urgently needed to ensure that the benefit of the formidable new transit investments are leveraged equitably and efficiently.

Convenient access to transit and the diverse population of San Francisco's Hayes Valley neighborhood energizes the new Hayes Valley Green community park and its nearby commercial district.

Many of the tools needed to create and sustain income diversity in transit communities already exist, but need to be tailored to the particular issues of a given transit district. Neighborhoods near transit are not the only settings in which existing lower-income residents may face displacement pressures, or where new affordable housing construction may be limited. Tools like housing preservation trusts, condo conversion mitigation fees and renter first-right-of-purchase laws have evolved in other settings to help lower-income households retain a foothold in appreciating housing markets. Similarly, many cities have found inclusionary zoning ordinances and reduced parking requirements useful for stimulating new affordable housing construction. Cities working to create and preserve mixed-income transit-oriented neighborhoods can draw from an array of tested policies to find the right set of tools for achieving mixed-income transit-oriented communities.

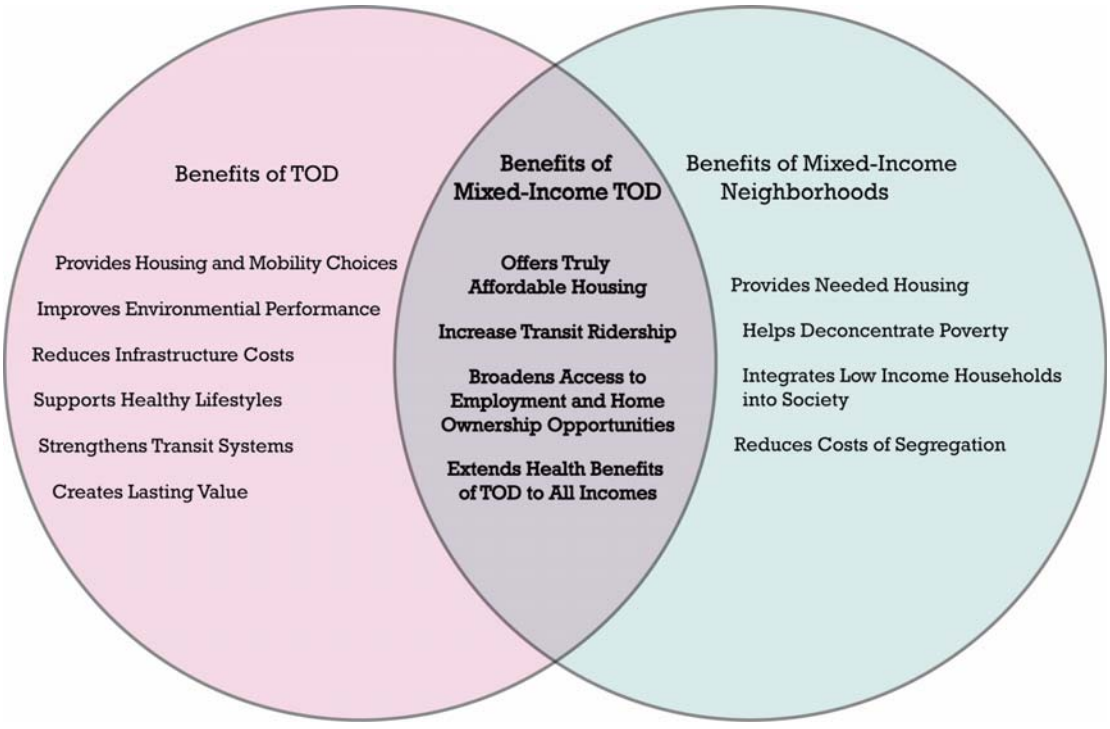
[33] CTOD, 2000 US Census.

# IV. The Synergies of Mixed-Income Transit-Oriented Communities

Much has been written about the importance of density, a diversity of land uses and pedestrian-oriented design in leveraging transit investments for greater ridership. Less discussed, but equally important to TOD's success, is ensuring that housing built within walking distance of transit offers opportunities to a broad spectrum of income levels. Indeed, a range of housing choices in TOD – "mixed-income TOD" – is crucial to realizing the full potential of the region's future transit investments.

Mixed-income transit-oriented communities combine the separate benefits of TOD and mixed-income communities, while reaping synergistic benefits that come from bringing the two together (Figure 5). By offering genuinely affordable housing, a stable and reliable base of transit riders, broader access to opportunity, and health benefits to multiple income groups, mixed-income TOD holds the potential to address the seemingly intractable problems of worsening congestion, rising unaffordability and the growing wealth and health gap between lower-income and higher-income residents in the Bay Area.

**Figure 5: The Synergies of Combining Mixed-Income Neighborhoods with TOD**




These synergistic benefits are discussed later in this section. But first we look at the separate benefits of transit-oriented communities and mixed-income neighborhoods.

## *The Benefits of Transit-Oriented Communities*

Transit-oriented communities achieve greater ridership through a combination of appropriate density, a diversity of housing prices, a mix of land uses and pedestrian-oriented design. Ultimately the success of transit systems is tied to the characteristics of the entire ½-mile district surrounding stations, and not just a single project. For this reason, advocates have begun to talk more broadly about "TOD" as a district rather than a development, or to speak instead of "transit-oriented communities or neighborhoods."

Transit-oriented communities make ridership and a "low-car" lifestyle convenient. The measures of effective transit-oriented neighborhoods are simple: Can parents drop a child off at daycare on the way to work? Can errands be done on foot? Is it possible to take a business client to lunch without having to use a car?

High quality transit-oriented neighborhoods are an essential part of sustainable regional growth. Placing more households near accessible transit, and in communities requiring less car use, is the key to reducing regional congestion, improving air quality and boosting transit ridership. Studies of California neighborhoods have shown that people who live within a half mile of transit stations are 5 times more likely to use transit than their neighbors in the same city, and people who work in TOD are 3.5 times more likely to use transit than other workers in the same city.[34] This is particularly true when TOD is developed at stations throughout a transit corridor, ensuring that both origins and destinations of trips are within an easy walk of a transit station. In fact, people who both live and work within a half mile of rapid transit are 10 times more likely to use transit than people who neither live nor work near rapid transit.[35]

Transit-oriented neighborhoods deliver benefits to a range of stakeholders.

**Benefits to Transit Agencies**

- **Greater ridership**. Well-designed transit-oriented development generates increased ridership by making the combination of transit and walking a viable alternative to driving.

- **Lower-cost ridership**. TOD residents and workers are the least costly riders to bring to transit, since they don't require the additional and considerable costs of new parking facilities, additional road space and operating costs associated with feeder buses.

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[34] Robert Cervero et al., *Transit Oriented Development in America: Experiences, Challenges, and Prospects. Washington*, D.C.: Transit Cooperative Research Program, Report, 102, 2004.

[35] Metropolitan Transportation Commission, *Characteristics of Rail and Ferry Station Area Residents in the SFBA: Evidence from the 2000 BATS*, 2006.

- **Value capture**. Through careful joint development, transit agencies can use transit-oriented development to capture the increases in land value that result from public investment in new rail lines. TOD reduces the need for surface parking lots and auto-related infrastructure and instead allows for uses that provide more revenue to transit agencies (and local governments).

**Benefits to Employers**

- **Less absenteeism**. Traffic congestion not only contributes to long commutes, it can cause commuters to be late for work and increase absenteeism, which can be a big cost to employers. Greater transit ridership can cut down on absenteeism, tardiness and turnover, given the ability of transit systems with exclusive rights-of-way to run on a more regular schedule without the uncertainties of traffic accidents or other unforeseeable events.

- **Greater workforce access and retention**. When transit becomes a more viable option for a broader spectrum of the region, employers gain access to a larger and more diverse workforce. This makes it easier to recruit new employees, and retain employees over time. In light of the high costs of finding and replacing employees, this amounts to real savings for businesses.

**Benefits to Regions**

- **Reduced carbon emissions.** The increased transit ridership generated by TODs improves overall air quality. Equally important is that there are fewer "cold starts" – a significant contributor to regional air pollution – when more people walk or bike instead of driving to transit.

- **Focused growth.** TOD helps focus growth into targeted areas, diminishing pressure for growth at the edge of regions, and cutting down on unsustainable development patterns and the loss of open space.

**Benefits to Households**

- **Healthier neighborhoods.** Neighborhoods that make it feasible to walk or bike to essential destinations are not only more appealing and socially connected, but also promote healthier lifestyles.

- **Greater independence.** TOD improves mobility for youth, the disabled and the growing numbers of elderly in the US for whom car use is not an option.

- **Opportunities for lower transportation expenses.** As discussed later in this report, TOD districts enable households to reduce automobile expenses, both for commute trips and non-work trips. This can yield substantial savings, particularly for lower-income households.

## *The Benefits of Mixed-Income Neighborhoods*

The term mixed-income is a buzzword among planners, politicians, developers and the community alike. Many equate the mixed-income ideal with equal opportunity as well as shared understanding among people of different backgrounds. Some associate a mixed-income community with a sense of neighborhood vitality not found in other neighborhoods. Although much has been written about the prevalence and importance of diversity in terms of race and ethnicity, less is known about the benefits of mixing incomes within a neighborhood.

### What is a Mixed-Income Neighborhood?

There is no commonly accepted definition of mixed-income neighborhoods in the literature, although definitions do exist for *properties* subject to HUD or other guidelines for subsidized housing. In part, this is because most housing policy mechanisms address particular developments, rather than entire neighborhoods.

In practice, mixed-income properties have typically combined market-rate and affordable housing, with the majority of units being market-rate. Although the exact proportions differ, a commonly employed ratio of market-rate to affordable housing, used for instance in HUD or inclusionary housing developments, is 80/20 (or in some regions, 85/15).

Of course, given the relatively small proportion of families that can afford to buy a home or even rent at market rates, especially in a strong market like the San Francisco Bay Area, a mixed-income *neighborhood* containing 80 percent market-rate and 20 percent affordable units would be considered more segregated than diverse, due to the large share of high-income households.[36] Moreover, most researchers prefer to use more systematic measures of diversity than the 80/20 split. They typically measure neighborhood diversity against an ideal of perfect diversity, in absolute rather than relative terms. Most diversity indices measure diversity within neighborhoods based on equal representation in all existing categories.

### Benefits

The interest in promoting mixed-income neighborhoods comes from the general sentiment that "communities function best when they contain a broad social mix."[37] Underlying this ideal is the notion, developed originally by Jane Jacobs,[38] that the mixture of household types, tenures,

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[36]As mentioned above, the California Association of Realtors estimates that in 2005, only 12 percent of Bay Area residents could afford the median-priced home. However, developers and housing experts consider units priced for households with 120 percent of area median income and above to be market-rate.

[37] Berube, A., *Mixed communities in England: A US perspective on evidence and policy prospects*, Brookings Institution, 2005.

[38] Jacobs, Jane, *The Death and Life of Great American Cities,*

and incomes that create diverse neighborhoods are vital components of neighborhood revitalization.

Although no studies detail the tangible benefits of living in a mixed-income neighborhood, research on mixed-income developments and racially integrated neighborhoods suggests some positive outcomes that are likely to occur in mixed-income neighborhoods as well.[39]

For low-income residents, living in a mixed-income neighborhood instead of a concentrated poverty area can mean less crime, higher quality education, and better health. Income mixing can enhance the ability of low-income residents to move up occupational and social ladders and participate more fully in economic and political life because they have better networks to those assimilated into mainstream society. Not only do mixed-income neighborhoods offer an approach for reducing the cost of goods and services in the short-term, but they also contribute to the reduction of social costs down the road. By reducing the segregation of the poor from the mainstream, creating mixed-income neighborhoods can halt the cycle of neighborhood decline and contribute to greater neighborhood stability.[40]

Communities throughout the region, including high-income neighborhoods, would also benefit from these changes, as they would be likely to reduce crime rates, improve educational outcomes, increase tolerance, and stabilize neighborhoods. Further, mixed-income neighborhoods may well reduce the cost of government services, savings that can benefit all of the region's residents. This provides a rationale for planning interventions that support mixed-income neighborhoods because of their ability to use public funds more efficiently and effectively.

Policymakers in the Bay Area have recognized the importance of diverse, mixed-income neighborhoods to the health of the region. At the regional level, the Association of Bay Area Governments' 2002 report, "Smart Growth Strategy: Regional Livability Footprint Project" outlines three possible models for growth through 2020. All three list "mixed-income development" as a major priority. Furthermore, the report specifically advocates the "proliferation of compact, mixed-use and mixed-income neighborhoods along transit corridors, particularly near transit stations." Diverse, mixed-income communities, the report advises, expand social opportunities and job access, while ensuring that all residents benefit from the economic welfare of the region.

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[39] See, for instance, Sarkissian, W., "The Idea of Social Mix in Town Planning: An Historical Review." *Urban Studies*. Vol. 13. 231-246, 1976; Dreier, P., Mollenkopf, J., & Swanstrom, T, *Place Matters: Metropolitics for the Twenty-first Century,* 2004; and Varady, D.P. & Walker, C.C, "Housing vouchers and residential mobility," *Journal of Planning Literature* 18(1), 2003.
[40] Jargowsky, Paul, *Stunning Progress: Hidden Problems: Declines in Concentrated Poverty in the 1990s*, Brookings Institution, 2003; Dreier et al., 2004; Jencks & Mayer, 1990.

## *Joining Forces: Bringing Mixed-Income and Transit-Oriented Communities Together*

There are significant benefits to expanding transit-oriented neighborhoods and furthering mixed-income communities. To date, stakeholders have generally pursued each goal separately. When combined, however, mixed-income transit-oriented neighborhoods create synergies that allow stakeholders to more fully achieve their respective objectives. These synergies create four new benefits described in further detail below.

### 1: Truly Affordable Housing

Mixed-income TOD pairs lower-cost housing with manageable transportation costs, to create the opportunity for genuine affordability – in which a household's combined housing and transportation costs are no longer unwieldy.

Given the trade-off many lower-income households make between lower housing prices and higher commute costs, it is important to locate affordable housing in walkable, transit-served, mixed-use neighborhoods where transportation costs are lower overall. Ultimately **location matters for lower-income families**. Neighborhoods with access to transit are the first piece of the low-transportation-cost equation, as transit use is less expensive than owning and driving a car. While the average American family spends roughly 19 percent of household income on transportation, households with access to good transit service spend only 9 percent.[41]

The second piece of the low-transportation-cost equation – dense, mixed-use neighborhoods – further reduce transportation expenses by offering opportunities to walk to frequent destinations like groceries, dry cleaners and day care centers.[42]

Together, the land use and transportation characteristics of a neighborhood – density, walkability, the availability and quality of transit, and the accessibility of jobs and amenities such as grocery stores, dry cleaners, daycare and movie theaters – are actually more highly correlated to transportation expenditures than income and household size alone are.[43]

By making low-transportation-cost communities more accessible to a broader range of likely users, mixed-income TOD offers the potential for genuinely affordable housing to be available to a greater number of Bay Area low-income households.

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[41] CTOD and the Center for Neighborhood Technology, *The Affordability Index*, Brookings Institution Press, 2006.
[42] CTOD and the Center for Neighborhood Technology, 2006.
[43] CTOD & CNT, 2006.

**2: Stabilizing "High-Percentage" Riders**

Prominent among TOD's benefits are the dividends paid to transit systems. TOD is one of the most cost-effective mechanisms for stabilizing and increasing transit ridership. That said, there is no guarantee that residents who rent or purchase homes within a one-half mile walk of transit will give up their cars, especially before TOD proliferates throughout a region.

For this reason, it is particularly useful to a transit operator to preserve or create opportunities for lower-income households to live near transit. Low-income households are more transit-dependent and less likely to own cars than other income segments. As such, they use transit much more than other demographic groups. For the US as a whole, more than half (59 percent) of all transit users are individuals in households earning less than $37,000 annually.[44] In the Bay Area, households earning $66,000 or less for a family of four commute by bus more than twice as frequently as households earning more.[45]

Because those without a car often use transit for non-work trips as well – e.g., trips to the store, school or recreation – low-income households also play a crucial role in filling seats during "off-peak" times. This makes transit service more efficient, while also paying dividends for the region through less congestion. Mixed-income transit-oriented development helps ensure that transit's most frequent riders have access to transit, by placing a range of housing options within walking distance of the station.

**3: Broadening Access to Opportunity**

Housing opportunities for low-income households near transit can improve their access to employment, education and homeownership opportunities – without the high transportation costs associated with driving.

The changing nature of work in cities throughout the Bay Area is such that a majority of residents work outside their city of residence. Currently 1.47 million jobs – comprising 39 percent of all Bay Area jobs – are located in close proximity to fixed-guideway stations and major bus routes. This percentage is expected to jump to 44 percent by the year 2030, according to analysis by the Center for Transit-Oriented Development.[46] A recent multi-regional study found that those industries exhibiting the greatest preference for locations near fixed-guideway transit systems offer the most diverse range of occupations, impacting workers at the widest

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[44] Pucher, J.R., "Socioeconomics of Urban Travel," *Transportation Quarterly*, 52(3), 1998. (Dollar figure cited is adjusted to 2006 dollars).
[45] Rice, Lorien, *Transportation Spending by Low-Income California Households: Lessons for the San Francisco Bay Area,* Public Policy Institute of California, 2004. (It is likely that these numbers understate the greater use of transit by lower-income households, as they don't take into account non-commute trip transit use.)
[46] Center for Transit-Oriented Development, *Transit-Oriented Development Demand Analysis*, MTC: 2005.

range of incomes.[47] Accordingly, opportunities to live near BART, BRT, Caltrain and other new commuter rails would be particularly useful for commuters in a range of income brackets, including the Bay Area's lower-income households.

When it comes to accessibility, what is good for workers is also good for employers, not to mention the regional economy as a whole. When more workers live in areas with easy access to transit, employers benefit from broader recruitment, easier retention and less tardiness.

In wealthy communities, mixed-income transit-oriented neighborhoods also enable a broader range of households to live in neighborhoods with well-funded schools, access to a wide variety of jobs and stronger city services, including policing and after-school programming.

Finally, for households ready to purchase a home, moderately priced TOD housing can help low-to-moderate-income families and individuals gain access to homeownership and accumulate wealth in appreciating housing markets. In fact, **the potential to save money on transportation costs in TODs helps make it more possible for lower-income households to afford the wealth-building opportunities of homeownership in the first place**. New mortgage products by Fannie Mae (Location Efficient Mortgages and Smart Commute Mortgages) now explicitly allow families in transit areas to qualify for larger mortgages. This will be particularly useful to households who in other areas of the region would fall just shy of qualifying for a mortgage. While some jurisdictions may choose to pursue affordable homeownership models in which participants share price appreciation with other entities (e.g. the city or community land trusts), moderately priced housing in transit-oriented neighborhoods can extend homeownership opportunities to a lower income bracket than in areas with higher transportation costs.

Ultimately, mixed-income TOD holds the potential of connecting lower-income households to place-based opportunities (through access to better schools and stronger local employment networks) and regional job opportunities (through access to rapid, low-cost transit service linked to the region's major employment centers). Extending both sets of opportunities is crucial to spreading opportunities more equitably through the region.

### 4: Extending the Health Benefits of TOD to All Incomes

The hallmarks of transit-oriented communities – a diversity of land uses; housing, retail and employment density; close destinations; grid street networks and sidewalks; and accessible, high-quality transit – are highly correlated with higher rates of walking and biking, lower

[47] Strategic Economics, *FTA New Starts Economic Development Criteria*, 2006.

probabilities of being overweight or obese, and lower risks of life-threatening, obesity-related diseases for its residents.[48]

Neighborhoods that make amenities accessible, promote the safety of pedestrians and bicyclists, and provide alternatives to automobile transportation have higher rates of physical activity and healthier body mass indices,[49] which in turn lowers the risk of mortality.[50] Living in less walkable neighborhoods corresponds to higher probabilities of being overweight or obese,[51] which in turn increases the risk of multiple life-threatening illnesses, such as high blood pressure, high cholesterol, type 2 diabetes, heart disease and stroke, gallbladder disease and arthritis.[52]

In one recent study, researchers found that a mere 5 percent increase in walkability yielded a 32 percent increase in minutes of physical activity and a lowering of body mass index, not to mention fewer polluting emissions from vehicles.[53]

Transit accessibility is a particularly important part of inducing walking. Recent analysis by the Metropolitan Transportation Commission found that people walk for more of their trips – particularly short trips – if they live close to transit, compared to those who live greater than a half-mile away.[54]

Unfortunately, not everyone *can afford to* live in a walkable neighborhood near transit. Many lower-income households are priced out. This is troubling given that lower-income households already have higher rates of being overweight or obese, as well as more barriers to physical activity and healthy food, elevating their risk of developing life-threatening illnesses.[55]

Including affordable housing for lower-income households in TOD can help address obesity-related health problems for a demographic that is particularly at risk. From a health perspective alone, it is increasingly important to offer households of all incomes the opportunity to live in walkable, transit-served neighborhoods, to allow those who wish to integrate active transportation into their daily lives to reap the health benefits of greater physical activity.

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[48] ABAG, MTC, BAAQMD and BCDC, *Transit-Oriented Development: New Places, New Choices in the San Francisco Bay Area*, 2006.
[49] Frank, Sallis, Conway, Chapman, Saelens, and Bachman, 2006.
[50] US Department of Health and Human Services, *Physical Activity and Health, A Report from the Surgeon General*, 1996.
[51] (1) Frank, Lawrence, Peter Engelke, and Thomas Schmid, *Health and Community Design: The Impact of the Built Environment on Physical Activity*, 2003; (2) Frank, Lawrence, James Sallis, Terry Conway, James Chapman, Brian Saelens, and William Bachman, "Many Pathways from Land Use to Health," *Journal of the American Planning Association*, 2006, 75-87; (3) Moudon, Anne V. et al., "Operational Definitions of Walkable Neighborhood: Theoretical and Empirical Insights," *Journal of Physical Activity and Health*, 2006, S99-S117. (4) Ewing, Reid, Tom Schmid, Richard Killingsworth, Amy Zlot, Stephen Raudenbush, "Relationship Between Urban Sprawl and Physical Activity, Obesity, and Morbidity," *American Journal of Health Promotion*, 2003, 47-57.
[52] (1) U.S. Department of Health and Human Services, *Healthy People 2010: Understanding and Improving Health*, 2000; (2) Frank, Engelke, and Schmid, 2003.
[53] Frank, Sallis, Conway, Chapman, Saelens, and Bachman, 2006.
[54] ABAG, MTC, BAAQMD and BCDC, 2006.
[55] Frank, Engelke, and Schmid, 2003.

# V. Elements of Stable Mixed-Income Neighborhoods

Although policymakers are beginning to focus on how to create mixed-income neighborhoods, one stumbling block remains: once upper-income residents have begun settling in low-income neighborhoods, how can we prevent these areas from "tipping" into mostly high-income neighborhoods? In other words, how do we stabilize mixed-income neighborhoods?

**Characteristics of Stable Mixed Income Communities**

**Social Seams.** Places in the neighborhood where people of different racial or socioeconomic background interact. These include grocery stores, parks, schools, commercial corridors, religious institutions, other social or cultural institutions.

**Barriers & Edges.** Physical structures within a community that thwart neighborhood change by isolating a piece of the neighborhood from broader neighborhood trends.

**Social Awareness.** A neighborhood that is conscious of its status as a mixed-income neighborhood is more likely to take the steps necessary to ensuring that it stays mixed.

**Permanent Affordable Housing.** Provides dedicated housing units to low-income families that are guaranteed in the face of wholesale neighborhood change.

Our understanding of what mixed-income neighborhoods look like has grown in recent years. More diverse places tend to have a greater range of housing unit types, housing ages, housing values, and housing tenure types, as well as a smaller proportion of whites.[56] Rather being than master-planned places, they tend to be planning leftovers, located next to barriers such as interstate highways, adjacent to commercial corridors, and often containing a mix of uses.[57] Over time, diverse neighborhoods emerge as concentrations of young and/or poor families leave and the neighborhood offers opportunities for first-time homeownership rather than hot rental properties catering solely to a transient high-income market niche.[58]

Both of these findings suggest that planners seeking to create mixed-income neighborhoods would be better off identifying mixed-income areas as they emerge organically, making incremental interventions to support permanent affordability, rather than trying to engineer large-scale diversity. Although there have been many recent attempts to create mixed-income communities (e.g., Hope VI), it is too early to tell whether these will result in *stable* mixed-income areas.

Much remains unknown about whether stable income-diverse neighborhoods exist and what they look like. The major scholarly contributions in this area[59] look at racial diversity, not

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[56] Talen, E., *Diverse neighborhoods and how to support them,* Unpublished paper, 2006.
[57] Talen, E., *Design for diversity: Evaluating the context of socially mixed neighborhoods*, Unpublished paper, 2005.
[58] Galster, G.C., "Consequences from the redistribution of urban poverty during the 1990s: A cautionary tale," *Economic Development Quarterly* 19(2), 119-125, 2005.

income diversity, and find that stable racially integrated communities do exist. These findings suggest two types of diversity: diversity spread over blocks, and small pockets of racial homogeneity within the larger diverse community.[60] Stable diverse communities tend to feature both social seams, or "points in the community where interaction between different ethnic and racial groups is 'sewn' together in some way," and awareness of diversity within the community (or "self-conscious diversity"), which spurs social and community groups that advocate for the preservation of the diversity.[61]

Recent research on mixed-income neighborhoods in the Bay Area[62] confirms the importance of these social seams – e.g. grocery stores, parks, schools, religious institutions, and commercial strips – in helping neighborhoods maintain a stable mixed-income population. Looking at pairs of adjacent neighborhoods in San Francisco and Oakland, the study by the Center for Community Innovation found that the presence of more social seams in a neighborhood tended to either attract upper-income newcomers, thereby increasing diversity,[63] or stabilize a mixed-income area.[64] This may occur because of more awareness (as other studies have found), or because some of these institutions encourage community involvement in planning issues. But also what may be happening is that such places simply reduce the availability of real estate for investment and speculation, thereby stabilizing the area.

Another factor that seems to matter is the presence of barriers and edges. Theoretically, barriers could contribute to economic segregation at both the high and low ends of the income spectrum because of their ability to thwart neighborhood change by isolating the neighborhood.[65] Barriers like major thoroughfares can keep a place from gentrifying because they have lots of unpleasant traffic. But barriers like topography can keep a neighborhood wealthy by making it physically and economically inaccessible. In one Oakland neighborhood studied (Temescal), barriers have actually kept part of the neighborhood from attracting the upper-income residents it would need to become mixed instead of low-income.

Finally, and most importantly, affordability matters. The case of San Francisco's Western Addition shows that permanently affordable housing developments have kept some blocks from gentrifying completely, even as valuable Victorian architectural stock nearby attracts upper-income newcomers. In the absence of permanent affordability, there is little planners can do to change the dynamics of neighborhood change.

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[59] Ellen, Ingrid Gould, *Sharing America's Neighborhoods: The Prospects For Stable Racial Integration*, 2000; Nyden, P., Maly, M., & Lukehart, J., "The emergence of stable racially and ethnically diverse urban communities: A case study of nine U.S. cities," *Housing Policy Debate* 8(2), 1997.
[60] Nyden et al., 1997.
[61] Ibid.
[62] Chapple, et al., 2007.
[63] As in part of Oakland's Temescal neighborhood.
[64] As in part of San Francisco's Mission neighborhood.
[65] As found by Talen, 2005, 2006.

# VI. Case Studies

Case studies of two, recent, high-profile TOD projects are presented below – San Mateo's Bay Meadows and Fruitvale's Transit Village. These two projects were chosen for further investigation because they represent very different contexts for creating mixed-income transit communities – a predominantly lower-income neighborhood in Oakland, and a predominantly higher-income community in San Mateo County. Each holds lessons for other cities looking to create a stable mix of incomes near transit.

## *Case Study 1: San Mateo Bay Meadows*

Bay Meadows Racecourse has been part of the San Mateo landscape for over 70 years. In the early 1990s, the track's owner – the California Jockey Club – decided to redevelop the site in two phases, starting with the 75-acre practice track and racehorse boarding area, and continuing with the main track. After many different proposals, the development team and surrounding community have settled on plans for a mixed-use commercial and residential neighborhood. Phase I is near the Hillsdale Caltrain station but was not necessarily designed as a transit-oriented development. A pedestrian and bicycle path connects residences, shops and restaurants to the train station, but the residential train station is nearly one mile from the furthest home – a distance that appears to be limiting transit use by residents and other visitors. Phase II is next to a planned upgraded Caltrain express station, and is specifically designed as transit-oriented development, with dense commercial and retail uses immediately adjacent to the train station, and lower density residential uses further away. When complete, over 250 of nearly 2,000 new residential units will be affordable for low- to moderate-income households.

### Phase I

The California Jockey Club began evaluating options for redeveloping Bay Meadows in the early 1990s, at the same time that the City of San Mateo was beginning its first general plan update in 20 years. After facing community opposition to its first proposal – a stadium, a casino, and high-rise office buildings – the Jockey Club began exploring a residential and commercial mixed-use project. It hired Calthorpe Associates to create design alternatives. Meanwhile, as part of the General Plan amendment, the City instituted 55-foot height limits and zoned the parcel for 780 residential units. At first, the community and surrounding homeowners were wary of having such dense development replace the practice track. But through public workshops at which the development team presented design alternatives, Calthorpe succeeded in getting the community to support the Jockey Club's plan for over 700 residential units (nearly 600 apartments and condominiums and approximately 150 single family homes and townhouses) along with 900,000 square feet of commercial and retail space.

San Mateo approved the Bay Meadows Specific Plan in 1997. The Specific Plan proposed commercial, retail, and open space in addition to a mix of residential unit types: single family homes, small-lot single-family homes, townhouses, apartments, and live/work lofts. Despite its proximity to the Hillsdale Caltrain station and mixed-use design, the development team recognized that the proposed development would generate more daily traffic than the previous use. Thus congestion mitigation became the major focus of Phase I. These traffic provisions significantly complicated and lengthened the approval and permitting process.

In 1991 the City of San Mateo adopted a Below-Market-Rate inclusionary housing program that requires all new, redeveloped, or converted residential projects with a minimum of 11 units to dedicate at least 10 percent of those units to low- to moderate-income households. The affordable guidelines differ depending on household tenure, with rental units required to reach households at 80 percent or less of area median income (AMI) and remain permanently affordable, and homeowner units to reach households at less than 120 percent of AMI and remain affordable for 45 years, renewable with each subsequent owner.

The affordable housing in Phase I was limited to the 10 percent inclusionary requirement. According to a former City staff member, additional provisions for affordable housing were never discussed. The developers knew they were required to make 10 percent of their units affordable, but were not interested in increasing the number of affordable units beyond what was required. Reportedly, affordable housing advocates were not active in Phase I of the project. The community's response to the proposed housing development concerned density, lighting, and accessibility, and did not focus on the intended number of affordable units. City staff pushed for affordable housing and succeeded in getting the developer to distribute the 70 affordable units throughout the development, ensuring that some single-family homes and townhouses, as well as apartments, were available to low- to moderate-income households. One former San Mateo City staffer considered this distribution a victory and commented that if the City has pushed harder for more units, the developers might have been less likely to include the day care center, park space, and other project amenities.

The density of housing in Phase I was won, in part, at the expense of physical integration with surrounding neighborhoods. Residents of Fiesta Gardens, a neighborhood of exclusively single family homes directly north of Phase I, requested that the development team build a sound wall between the Bay Meadows development and their homes, eliminating both vehicular and pedestrian access. The wall blocks pedestrian movement between the neighborhoods, and inhibits access by residents of Fiesta Gardens to the shops and transit path. By eliminating the opportunity for interaction and "self-conscious diversity" that social seams provide, this wall may negatively impact the potential for successful income integration in Bay Meadows. Further, the wall may act as a barrier slowing neighborhood change (and integration) in Fiesta Gardens.

**Phase II**

Phase II of the redevelopment was approved by the San Mateo City Council in November 2005. The Bay Meadows Specific Plan Amendment proposes 1.25 million square feet of office space, 1,250 residential units, 1,500 square feet of retail space, and 15 acres of open space and parks on the 83.5 acres currently occupied by the main racetrack. It will feature high-density office and retail developed immediately adjacent to the upgraded Hillsdale Caltrain station, flanked by lower-density residential neighborhoods on the eastern side of the parcel.

The Bay Meadows Specific Plan Amendment is part of 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. The provisions of the Bay Meadows plan, while dense compared to existing uses in San Mateo, fit well within the Corridor Plan's suggestions for height and bulk.

Amending the Specific Plan took five years, lengthened by a difficult environmental review process, and it will be at least two more years before Phase II is fully approved and permitted. As the largest parcel within the Corridor Plan, Bay Meadows has caused much concern among neighboring residents about the additional traffic they think such a large development will create. One group of homeowners in particular has created major disruptions in the planning process as it called for further studies of traffic mitigation alternatives and sought to save the racetrack by having it declared a historic landmark. The development team solicited community input into the planning process beginning with a community preferences survey that showcased other mixed-use projects as potential models. A former San Mateo City staffer expressed surprise at the density of development that the community ultimately seemed willing to accept, but attributed this to the success of Phase I in attracting Whole Foods, the Franklin Templeton campus, and other amenities similar to what might be available in Phase II.

**A Victory for Affordable Housing Advocates**

Housing was a more prominent issue in Phase II than it was in Phase I, though it was still overshadowed by the community's concern about traffic. Like the first phase, the development team is required to make 10 percent of Phase II housing units affordable to low- to moderate-income households. Peninsula Interfaith Action (PIA), the Housing Leadership Council (HLC) and other advocates for affordable housing attended and participated in Planning Commission, City Council, and Citizen Advisory Committee meetings and encouraged the City to require more affordable housing. Concerned about housing availability and affordability in San Mateo and Santa Clara Counties, PIA first advocated for the development team to prioritize housing over office space, suggesting it build up to 1,900 units. Once the development team settled on

1,250 units, PIA campaigned to make 20 percent of them affordable. The developer resisted, according to one advocate, stating that it would not "pencil out."

With pressure from housing advocates and the City Council, the development team agreed to help the project achieve 15 percent affordability, in part by providing additional below-market-rate workforce housing, and in part by donating an acre of land to the City, on which the City and a nonprofit partner will build 50 units of housing for very low to moderate income households. The developer agreed to land donation in exchange for being allowed to keep a few buildings entirely market rate, which is usually prohibited by the City's inclusionary housing ordinance. Though they pushed for more, housing advocates saw the 15 percent achievement as a victory.

**The Growing Need for Affordable Housing**

Neither phase of Bay Meadows was explicitly designed to be mixed-income. Nonetheless, the introduction of below-market-rate housing at Bay Meadows provides affordable housing for a segment of the population that appears to be struggling to remain in the neighborhood – households earning between 80 percent and 120 percent of AMI. Between 1990 and 2000, households in this income bracket declined from 25 percent of the population within a half-mile of the project to 15 percent, as household incomes became more concentrated at both low and high levels. Two-thirds of the area within a half-mile radius of the station now is income-segregated and high-income.[66]

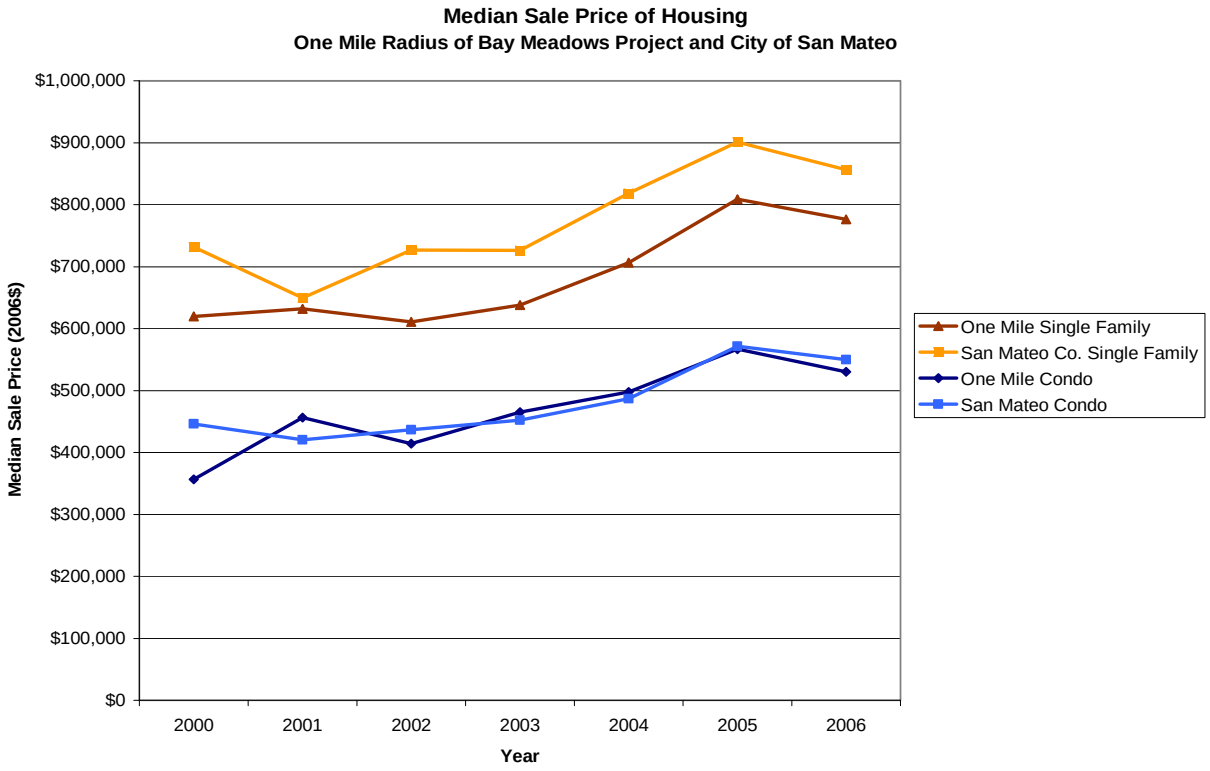
Home prices have been increasing steadily in the immediate vicinity of Bay Meadows (Figure 6). Between 2000 and 2006 the median sales price of single-family homes within a mile of Phase I increased 25 percent, from $620,000 to $775,000 in 2006 dollars, compared to a 15 percent increase countywide. The median sales price of condominium units within a mile of Phase I increased nearly 50 percent during this same period while the countywide increase was 23 percent.[67]

On the one hand, with approximately 180 affordable units, Phase II of Bay Meadows will add affordable options in San Mateo, providing a foothold in an increasingly inaccessible market. But Bay Meadows only meets 13 percent of the city's outstanding Regional Housing Needs Allocation (RHNA). Citywide, San Mateo is producing little affordable housing for households earning below the area median. According to a recent housing report by the Association of Bay Area Governments (ABAG), between 1999 and 2006, San Mateo permitted only 12 percent of its

[66] US Census Bureau, 1990 Census of Population and Housing, SF3; Claritas, 2007, Pop-Facts Demographic Comparison Snapshot Report.
[67] First American Real Estate Solutions Data (FARES), 2000.

very-low income RHNA, four percent of its low-income allocation, and one percent of its moderate-income allocation.[68]

**Figure 6: From 2000 to 2006, home prices appreciated faster in the vicinity of Bay Meadows than in San Mateo County.**

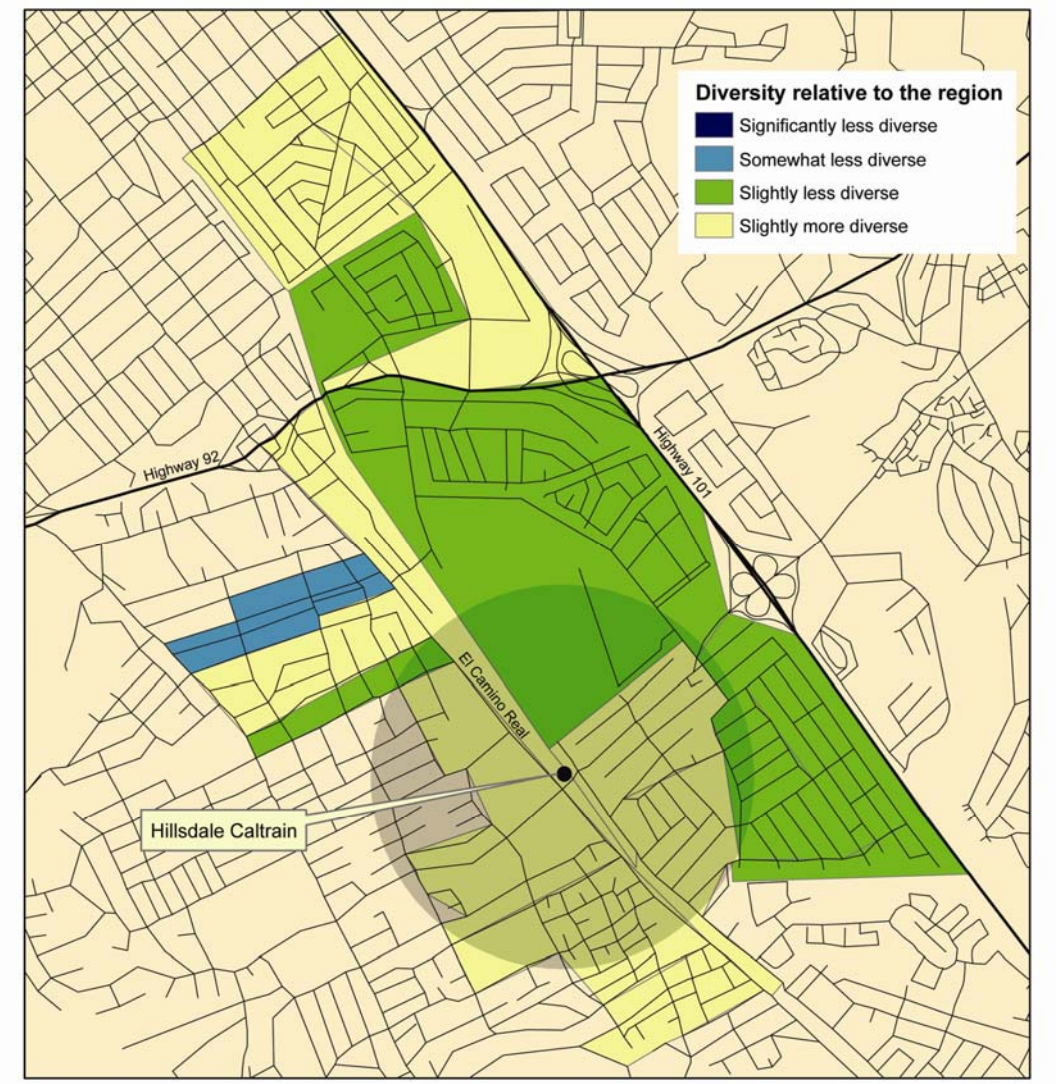



Sources: FARES, San Mateo Housing Leadership Council, CCI.

What would it take to make each of these mini-neighborhoods ("block groups") as mixed-income as the average Bay Area block group? As Figure 7 shows, most of the area is actually at about the same diversity level as the region. An analysis using the diversity index shows that in total, before factoring in the Bay Meadows project, about 100 market-rate units would need to be built, but also over 300 affordable units (at 120% of AMI or below), in order to create a *full spectrum* of income diversity. In other words, three affordable units would be needed for every market-rate unit. At present, with 1737 market-rate units built or planned, along with 261 affordable units, plans for Bay Meadows fall far short of that goal and will make the area *less* diverse than the region.

[68] Fassinger, Paul and Gillian Adams. 2006. *A Place to Call Home: Housing in the San Francisco Bay Area*. Oakland, CA: ABAG.

**Figure 7: In 2000, Bay Meadows neighborhoods were as diverse as the region's.**[69]




* Circle represents a half-mile radius from the existing Hillsdale Station. Sources: CCI, Strategic Economics.

## Bay Meadows Lessons Learned

Bay Meadows provides practitioners with at least three lessons for integrating mixed-income housing and TOD:

- **Cities should be creative and flexible with inclusionary housing requirements.** By allowing some buildings to be entirely market-rate, in return for a land dedication from the developer, the City of San Mateo was able to increase the supply of affordable

[69] "Significantly less diverse" is more than 1.65 standard deviations less than the Bay Area median; "somewhat less diverse" is between .825 and 1.65 standard deviations less than the Bay Area median; "slightly less diverse" is between 0 and .825 standard deviations less than the Bay Area median; and "slightly more diverse" is between 0 and .825 standard deviations more than the Bay Area median.

housing in Phase II by 50 percent over prevailing inclusionary requirements. However, this is just a small fraction of the affordable housing necessary to make Bay Meadows as income diverse as the average Bay Area neighborhood. If San Mateo's inclusionary ordinance were made more flexible in other ways – for example by not requiring the spread of affordable units among every unit type – it might reach more households, given the lower cost of building apartments compared to single-family homes. Furthermore, inclusionary housing requirements need to reflect an understanding of neighborhood income levels and the dynamics of change (i.e., whether the neighborhood is becoming more segregated).

- **Cities should consider making resources available in TODs to subsidize affordable housing.** One housing advocate suggested that 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 City Council to encourage the development team to include more affordable housing.

## *Case Study 2: Fruitvale Transit Village*

The development of Fruitvale Village has been well publicized over the past several years. As a mixed-use project built on a former BART parking lot, it has become a favorite example – cited both by critics and advocates – of transit-oriented development in the Bay Area. However few studies have examined the Transit Village from the perspective of its mixture of market-rate and affordable housing. Accordingly, the Fruitvale Transit Village is revisited below with an eye toward lessons that may help future mixed-income TOD endeavors.

The Fruitvale Village Development in Oakland is one of the most well-known examples of transit-oriented development in the Bay Area.

In 1989, the Fruitvale neighborhood in Oakland was in very poor condition. Forty-six percent of households within a half-mile radius of the station qualified as "very low income," earning less than 50 percent of the median for Alameda County. Another 27 percent qualified as "low

income," with incomes between 50 and 80 percent of that median.[70] International Boulevard, Fruitvale's main commercial corridor, had vacancy rates of roughly 50 percent. The neighborhood was in desperate need of investment.

Soon thereafter, in 1991, BART announced its plans to convert a surface parking lot into a multi-story garage at its Fruitvale station. The parking facility, if built, would have created a physical barrier between the station and the residential and commercial centers of Fruitvale. Many members of the Fruitvale community opposed the plan, not only because the garage would symbolically cut the neighborhood off from this high quality mode of transit, but also because it would provide no benefits to the local community. This was especially important given the project's setting near the heart of International Boulevard. Given its state of need, the neighborhood could not afford to allow the opportunities afforded by such a centrally located site to be squandered.

After learning of the plans for the parking lot, the Unity Council in Fruitvale (a local community development corporation) engaged BART to discuss alternatives. While BART maintained its need for the garage, it expressed a willingness to build it on another site nearby, if one could be provided for them. With this in mind, the Unity Council began the eight-year process of acquiring land, planning and designing the new project, and gathering the grants and loans to bring it to fruition.

**Planning the Village**

In 1992, the Unity Council received a $185,000 Community Development Block Grant from Oakland to develop an alternative plan for the parking lot site. The Unity Council used these funds to convene a series of public meetings, involving stakeholders in the process to determine what form the project should take. They also collaborated with the University of California Berkeley's National Transit Access Center to conduct a community design symposium, during which architects offered designs for the development, inspired by ideas voiced by community members in attendance. Key themes that emerged were the need to revitalize existing businesses along International Boulevard, while better integrating them with transit. In 1993, the Unity Council was awarded a $470,000 grant from the Federal Transit Administration to conduct economic, traffic, and engineering studies of the area. From these studies, the Unity Council was able to ascertain what was possible for the project and developed a general vision for a mixed-use development containing space for housing, retail, and community services.

In 1995, the Unity Council organized another round of community meetings to determine local residents' needs, concerns, and goals for the project. Attendees placed affordable housing,

[70] 1990 US Census.

expanded retail opportunities, improved public safety around the BART station, and job creation among their highest priorities for the development. While the exact balance of retail, office, and residential space would shift somewhat, depending on the requirements of grants or the robustness of the markets for each use, by the end of these meetings, the plans for Fruitvale Village were essentially complete.

**Acquiring the Land**

Acquiring land for the Fruitvale Transit Village proved to be complicated and expensive. BART would only consider ground-leasing a portion of the land, and giving another portion in exchange for a lot of comparable value. The Unity Council had to acquire a parcel from Union Pacific to trade with BART for that land. In addition, the Unity Council had to raise more than $12.7 million to construct the replacement parking garage adjacent to the Fruitvale Village and the BART station. The Unity Council secured a $7.65 million grant from the Federal Transit Administration on behalf of BART for the construction of the facility, plus $4.1 million in funding from ACTIA and $975,000 from a commercial lender.

**Housing Development in Stages**

Prior to breaking ground on what is conventionally known as the Transit Village, the Unity Council developed a 68-unit HUD Section 202 affordable housing project for seniors, completed in 1998. The affordable housing project, Las Bougainvilleas, is located at the intersection of 37th Avenue and E. 12th Street, the northeast corner of the project area.

The Unity Council broke ground on the mixed-use phase of the Fruitvale Village in 2002 and the first tenants moved in two years later. This phase contains 47 residential apartment units. Ten of these have been set aside for families earning 30-80 percent of the area median income. In addition, the project includes 114,000 square feet of community services space, of which the Unity Council occupies 29,000 square feet, and 40,000 square feet of retail.

In order to facilitate the connection between Fruitvale Village and International Boulevard, 12th Street – formerly a fast moving four-lane arterial – was diverted, calmed, and narrowed to one lane in each direction. The block of 34th Avenue between 12th Street and International Boulevard was closed and converted to a plaza that acts as a gateway to Fruitvale Village. As a complement to the development in Fruitvale Village, the Unity Council facilitated the establishment of the Fruitvale Business Improvement District in 2001. Business owners on International Boulevard voted to tax themselves an additional fee that is used to fund street cleaning, façade improvement, parks improvement, and public safety.

**Initial Outcomes**

Although it received its first tenant only three years ago, Fruitvale Village has had some early successes. The community services space includes a health clinic, a library, a head start program, a foster children's counseling clinic, and a senior center. These serve 500 to 1,000 people daily, not including the clinic. Between the community services and retail, there will be more than 400 jobs on site when it is fully occupied, providing employment to local residents as well as a boost to the daytime economic base for restaurants and other services.

While the overall profile of the residents of the 47 units of housing is somewhat more affluent than that of the surrounding neighborhood, it is a truly mixed-income development, with household incomes ranging from $20,000 to over $200,000. Thirty-two percent of Fruitvale Village residents utilize BART to commute, which is somewhat lower than advocates had predicted, but is still four times that of Oakland as a whole. Finally, and perhaps most strikingly, the investments made in International Boulevard have converted it to a vibrant corridor, with a near 100 percent occupancy rate.

Despite these successes, however, Fruitvale Village has faced several challenges. The residential component of Phase I was somewhat limited in favor of additional office space. This decision was made because, at the time of construction, the dot-com boom had caused a high demand for office space, which, in turn, resulted in a spike in office rents. The Unity Council saw this as a revenue stream that it could capture in order to pay off the debts associated with the project. By the time the project was ready for occupancy, however, the dot-com bubble had burst and, along with it, the office market. Consequently, Fruitvale Village currently houses 11,000 square feet of vacant community service space. Also, much has been written about the struggles of the Village's retail tenants, and their initial difficulties luring BART patrons and customers from the surrounding neighborhood.

**A Neighborhood at the Tipping Point?**

As the Unity Council now embarks on Phase II of Fruitvale Village it faces a very different landscape than it did in Phase I. Back in 2000, median rents were actually lower in real dollars ($627) than they had been in 1990 ($640). Housing burdens were significant, but slightly lower than those experienced by Oakland residents overall.[71] Consequently, while the Unity Council recognized a need for high quality affordable housing, it was not considered the highest priority in Phase I.

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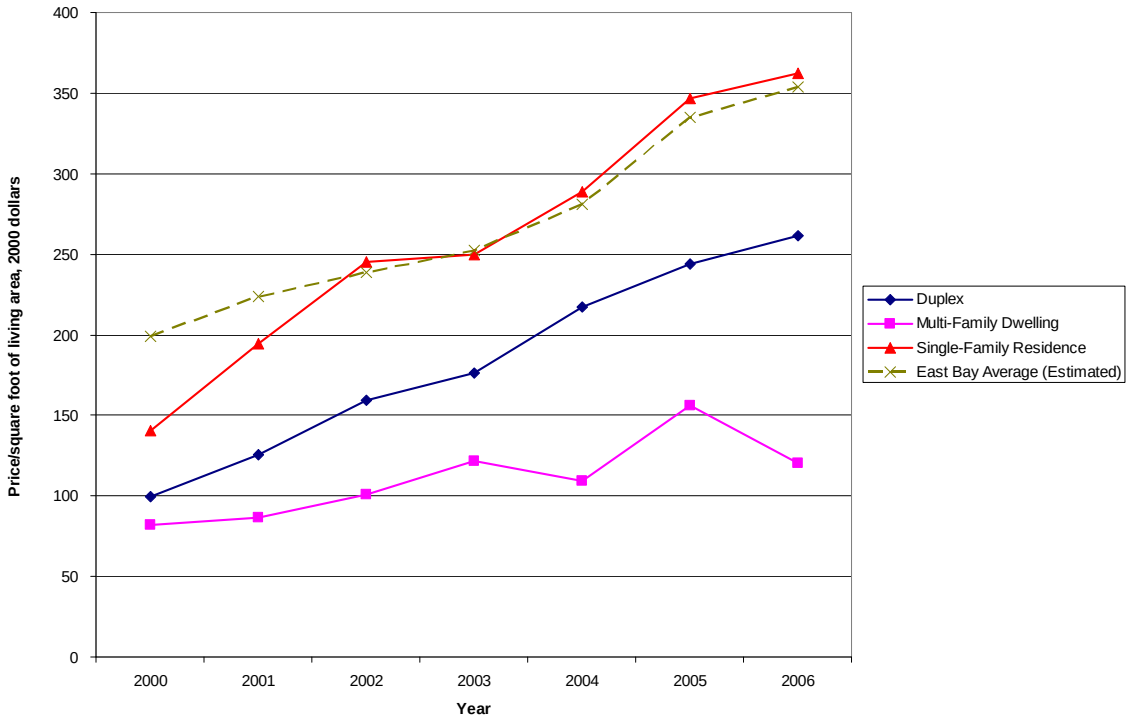
[71] In 2000, 40 percent of residents within the 1-mile-radius of Fruitvale station faced a housing burden, spending more than 30 percent of their household incomes on rent. This included 21 percent of residents that faced a severe housing burden, spending more than 50 percent of their household incomes on rent. While these statistics demonstrate a need for affordable housing, they were actually lower than the figures for Oakland as a whole, where 42 percent faced a housing burden and 22 percent faced a severe housing burden.

But from 2000 to 2006 – during and after construction of the Transit Village – the median price of a single-family home within a mile of the Fruitvale station more than doubled in real dollars, from $140.47 to $363.51 per square foot. Similar price increases occurred for duplexes ($99.82 to $261.41) and multi-family dwellings ($81.71 to $120.19). This home price appreciation mirrored the increase in home prices in the East Bay as a whole (see Figure 8). Over the same period of time, however, the median household income in that area has only risen slightly in real dollars, from $32,915 to $33,881. While only 31 percent of units in this area are owner-occupied, the increases in sales price are likely to be somewhat correlated with increases in rent. Therefore, it is safe to assume that more Fruitvale residents face a higher housing burden than they did at the time of Phase I's construction.

**Figure 8: From 2000 to 2006, home prices appreciated just as fast in the vicinity of Fruitvale as in the East Bay as a whole.**

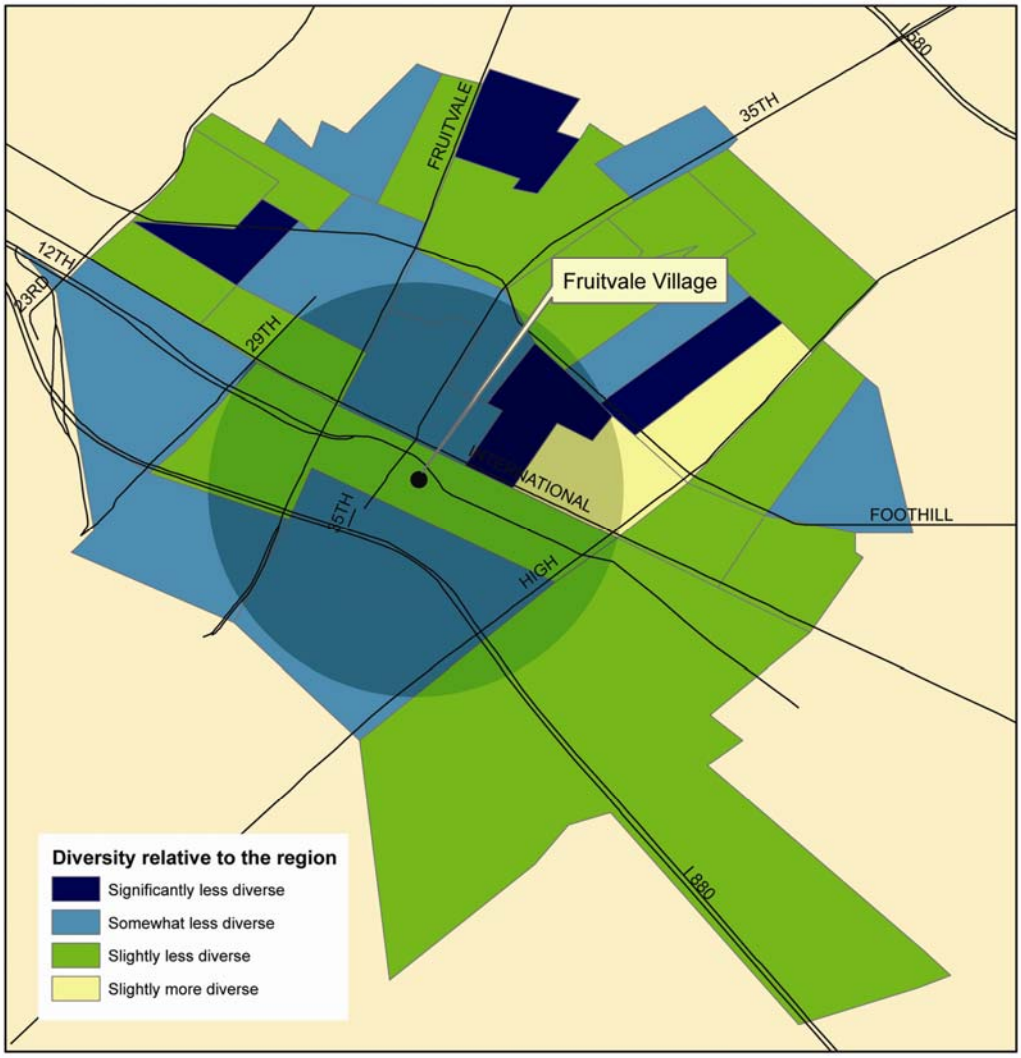



Sources: FARES, OFHOI, CCI, Strategic Economics.

As of 2000, the entire area within a half-mile radius of the Fruitvale BART station was segregated compared to the region (Figure 9) and low-income. What would it take to make each of these mini-neighborhoods ("block groups") as mixed-income as the average Bay Area block group? In total, about 1,000 market-rate units would need to be built – substantially more than are in the pipeline already for Fruitvale Phase II (see below). However, these block groups would also need about 450 affordable units (at 120% of AMI or below, but above 50% of AMI).

In other words, for every two new market-rate units, the area will need one affordable unit to achieve average income diversity.

**Figure 9: In 2000, the Fruitvale area was much less diverse than the region.**[72]




* Circle represents a half-mile radius from the existing Hillsdale Station. Sources: CCI, Strategic Economics.

As planned, Phase II will be composed of townhouses with street frontage, behind which will stand four multi-family apartment complexes. While initially these were intended to be towers containing condominiums, high construction costs, particularly for concrete and steel (midrise) construction, may limit part of the project to wood frame construction, thus limiting their heights and capping the total number of units at between 350 and 370 (still more than 100 units per acre). Both the townhouses and the condominiums will be market rate, though market rates

[72] "Significantly less diverse" is more than 1.65 standard deviations less than the Bay Area median; "somewhat less diverse" is between .825 and 1.65 standard deviations less than the Bay Area median; "slightly less diverse" is between 0 and .825 standard deviations less than the Bay Area median; and "slightly more diverse" is between 0 and .825 standard deviations more than the Bay Area median.

in this area are well below median for Alameda County and the City of Oakland. The Unity Council is also working to secure funding to provide down-payment assistance for up to 50 units, which will be reserved for lower-income clients of the Unity Council's Home Ownership Center.

The Unity Council sees itself as a community advocacy and social service agency, and not an affordable housing developer, having constructed less than 100 affordable units since 1991, including those in the senior housing phase. As a community advocate and needs provider, it has decided that, by facilitating investment in the local economy and diversifying the income base for the Fruitvale neighborhood, a market rate development with affordable elements will better serve the needs of the community, its merchants, families and institutions than a 100 percent low-income housing project.

While an infusion of slightly higher income residents in a brand-new development will bring additional disposable income to the neighborhood, the home sales between 2000 and 2006 suggest that the neighborhood may be at, or approaching a tipping point, after which (at least new) housing will no longer be available to Fruitvale's current residents. On the other hand, Fruitvale has several characteristics that could help it develop and maintain a mix of incomes, especially if it had permanently affordable housing in place. First, its vital retail sector caters towards its low-income residents and helps to reinforce the neighborhood's identity. Second, it has barriers (such as the BART rail lines and the 880 highway) that slow the pace of change. And third, it has a number of places – from community-based organizations to the new Plaza de la Fuente – that can serve as social seams.

**Fruitvale Village Lessons Learned**

In many ways, Fruitvale Village is exceptional, and would be difficult to replicate. It could not have realized its myriad achievements without the guidance of a highly skilled, motivated, and well-connected executive director (Arabella Martinez of the Unity Council). It also benefited from the active support and cooperation of BART and the City of Oakland. And finally, its location was uniquely well-suited to meet the goals of mixed-income transit oriented development. Nonetheless, while it is too early to judge Fruitvale Village's successes and failures, it still yields important lessons for the development of mixed-income TOD:

- **Plan for rising housing costs in low-income neighborhoods.** Affordable housing didn't seem like an urgent concern in the late 1990s in Fruitvale, as rents had not yet surpassed 1990 levels in terms of real dollars, despite rising home prices elsewhere in the Bay Area. But between 2000 and 2006 – following completion of the Transit Village – home prices more than doubled. With household incomes mostly stagnant, the potential for displacement is suddenly very real. The lesson here is that **housing conditions change, making it crucial to think long-term when considering whether**

**and how to include affordable housing in new TOD**. By counting on long-term neighborhood stability, rather than planning for the possibility of gentrification, the Unity Council missed a key opportunity to provide needed housing for Fruitvale residents. With high land and housing values, the possibilities for affordable housing development in Fruitvale have become more limited.

- **Develop a comprehensive plan that addresses affordability.** Developers are not always thinking about conditions for creating or maintaining a mix of incomes over the long-term. Planning for TOD needs to be more proactive on this point, with leadership from the public sector. The public sector 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. Considerable resources might have been generated had something like Austin's Homestead Preservation District been in place before the Transit Village was completed.[73] Such a district captures tax increment generated by transit investments to maintain housing affordability just outside the station area.

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

[73] The Homestead Preservation Act designates tools to help mitigate gentrification in East Austin, including a community land trust, a land bank and a reinvestment zone funded by increases in property tax revenue.

# VII. Lessons for Moving Forward

The preceding case studies, and other research to date, offer helpful lessons for achieving mixed-income transit-oriented development (TOD) in the Bay Area.

### 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. In some mixed- or low-income communities, for example, efforts to promote mixed-income TOD may include strategies to preserve existing affordable housing. In predominantly high-income communities, the emphasis may instead be on new affordable housing development.

Ultimately, identifying the right tools in each setting depends on assessing a variety of factors, such as:

- **neighborhood demographics and housing stock characteristics** (traits can signal a community's vulnerability to displacement such as the relative proportion of renters versus homeowners, the quality and age of the housing stock, and the condition/extent of locally available, permanent affordable housing);
- **location, type and size of development opportunities** (e.g. vacant vs. underutiltized land);
- **local and regional real estate market conditions** (e.g. sales price trends, turnover activity);
- **the relationship between the neighborhood and the region** (e.g. distance to employment centers);
- **station area land use patterns;** and
- **the dynamics of neighborhood change** (e.g. is the community becoming less or more segregated)**.**

In a predominantly low-income transit district where housing oriented to higher-income households is needed to increase income diversity, the community may experience conditions (such as real estate price appreciation) that may potentially displace existing nearby renters. In predominantly high-income communities, the challenges are different. Such communities may show intense resistance to affordable housing, creating a need for tools that enable inclusion of affordable housing in otherwise high-priced markets. Careful research and analysis of a given station area are needed to match the right tools for mixed-income TOD to local and regional conditions.

**Lesson 2: Think comprehensively about the transit district.**

It is important to think about TOD as a **D**istrict, not just a **D**evelopment, when working to achieve mixed-income TOD. New development will impact the half-mile-radius district surrounding a station. What will that impact be? How will new housing relate to the old? Are there social seams in place that could create opportunities for integration? Does the district exhibit housing or demographic characteristics that suggest significant vulnerability to gentrification? To fully understand the design and development choices that will impact the potential for mixed-income TOD, it is necessary to think about TOD at the ½-mile-radius scale.

**Lesson 3: Think comprehensively about housing affordability.**

There are multiple ways to enable households at a range of income levels to find quality affordable housing in transit districts. They include, but are not limited to:

- constructing new affordable housing;
- acquiring low-priced housing and making it permanently affordable;
- programmatic strategies that induce greater private investment in existing, substandard, affordable housing;
- policies (including zoning) that protect or permit a diversity of housing unit types; and
- targeted assistance to help households afford existing housing (e.g. location-efficient mortgages).

In some situations, where a community is vulnerable to displacement, affordable housing retention can be as important as new affordable housing development. In fact, preservation may actually be more efficient, as studies have found that the cost for rehabbing and preserving existing affordable units is typically 30-50 percent of the cost of building new units.[74]

Rehabilitation itself can be approached in multiple ways– from self-sustaining code enforcement programs to targeted home improvement loans that can replace predatory lending as a source of assistance to owner-occupants who want to upkeep their homes.

Finally, efforts to facilitate new affordable housing construction can take many forms, including:

- mixed-income housing;
- stand-alone affordable housing development;
- regulatory assistance (e.g. lower parking requirements) to help with the high costs of developing affordable housing; and

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[74] Center for Transit-Oriented Development, *Finding the Balance: A Look at Regional Efforts to Create Mixed-Income Communities Near Transit,* HUD/FTA, 2007 (forthcoming).

- financial assistance (e.g. land acquisition support) to help with the high costs of developing affordable housing.

**Lesson 4: There are multiple ways to locate affordable housing.**

Affordable housing can be located in mixed-income buildings, in separate buildings featuring different product mixes and prices, or in separate developments altogether. In some settings, where 100-percent-affordable projects can still be integrated into the larger transit district, "stand-alone" projects may be worth serious consideration. Presently, leading sources of affordable housing subsidy – such as the Low Income Housing Tax Credit and the California Multi-Family Housing Program (MHP) – make it harder to finance projects that mix subsidized and un-subsidized units than 100 percent affordable developments. Consequently, stand-alone projects can often generate a greater yield of affordable units than market-rate buildings with inclusionary units, ultimately making a bigger impact on overall income diversity in the transit district. San Mateo's Bay Meadows is an example of this.[75]

**Lesson 5: Healthy mixed-income neighborhoods involve a spectrum of incomes.**

Achieving full income diversity in the Fruitvale and Bay Meadows transit districts would require additional "affordable" and "market-rate" housing, given the shortage of housing options for certain income brackets above and below the area median. But developers in the Bay Area are not presently producing housing options tailored to a full spectrum of incomes. Housing production has been more slanted toward households earning between 50 and 80 percent of median, and those earning greater than 120 percent of median. The challenge is for transit-oriented development to reach the very-low (<50% of AMI) and moderate-income (80-120% of AMI) households that have been left out of housing production in the Bay Area more generally.

**Lesson 6: Early, proactive planning is needed to sustain mixed-income communities.**

There are many mixed-income neighborhoods in the Bay Area, but preserving income diversity in a specific location, particularly one such as Fruitvale that has begun to maximize its transit asset, requires intentionality. Planning is the process through which cities and the private sector can collectively take a comprehensive view, and in turn develop tools for a mixed-income community that are appropriate for a given transit district. The most critical intervention is to create permanently affordable housing units, but another valuable approach is supporting social seams, such as diverse retail corridors and community spaces, and even simply allowing

[75] Another good example is Oakland's Uptown project, located less than a quarter mile from the 19th Street BART Station.

some neighborhood barriers or edges to remain. Early upfront planning is especially useful, as it can allow a community to develop tools needed to keep a community inclusive before new development, transit enhancements and other investments begin to affect market dynamics 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 us lessons that will help us create and preserve mixed-income communities into the future.

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