RESIDENT OWNERSHIP WITHIN TRANSIT ORIENTED DEVELOPMENTS

Written by Peter Song
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Professor Jeff Loux

INTRODUCTION

While Transit Villages and Transit Oriented Developments (TODs) can offer significant benefits in environmental, traffic and social areas, there are sometimes negative consequences brought on by their very success. High demand leads to low affordability pushing many residents out or into subsidized housing. In this paper, I look at some of these consequences and the possibility of using resident ownership as a tool to mitigate them. I'll also briefly look at finance as an additional tool in the increasingly growing sustainability toolbox.

There is some uncertainty and debate as to what exactly constitutes a TOD. Patrick Siegman, 2006 (appendix A) tries to make a distinction between what he calls a "true transit-oriented development" versus a mere "transit-adjacent development". For this paper, I will assume that TODs are still evolving but broadly definable as mixed-use developments that are consciously designed to make walking, biking and transit competitive choices to driving. Some TODs work better than others and we tend to intuitively know it when we see it. A 1000 foot walk under shady trees can be much more 'walkable' than a 500 foot walk exposed to direct sun and adjacent to fast moving cars.

ARE TODs SUCCESSFUL? SUSTAINABLE?

Using the 3 E's (ecology, economy and equity), can TODs be described as sustainable? Numerous indicators show that TODs do succeed in providing environmental benefits. Cervero, et al., (2004) show that TODs can reduce per capita auto travel. Renne & Wells (2005) found that, from 1970 to 2000, transit commuting fell from 19% to 7.1% within U.S. metro regions, but within 103 TODs within the same metro region, transit use increased 11% during the same 30 year period from 15.1% to 16.7%. Cervero, et al. (2004) also found that TODs help achieve virtually all transit demand management (TDM) objectives. TDM objectives include reducing transportation costs, pollution from autos, increased travel choice and less pavement per capita.

Other indicators show economic sustainability. One indicator in this area would be how willing banks are to lend money for development in TODs. Over the last ten years, it has become easier to get loans and financing for TOD projects (Parzen & Sigal, 2004). Studies also show that properties within TODs have higher market values than similar properties not located in a TOD and that there is an increasing shift from a desire to live in suburbs to walkable neighborhoods with transit (Smith, 2004).

It could be argued that where TODs fall short in sustainability is with equity. Most sustainable designs become cheaper and more broadly available as the design 'succeeds'. A new energy saving device for the home, for example, becomes cheaper as more are produced. However, TODs can be said to become less accessible (and more expensive) as they become more successful. Bohl (2002) describes Kansas City Plaza (not specifically designated a TOD but somewhat fits the description) as increasingly serving tourists and visitors while serving residents less and less, while forcing out modest businesses. This could characterize a number of successful developments in general as Bohl states, “Like most good places, the Plaza is, to an extent, a victim of its own success” (p46).

HOW TODs ARE BORN...A BRIEF BACKGROUND

All developments, in general, tend to be fairly complicated and TODs are no exception. Private developers, local government, transit agencies, community groups, various investors and lending sources all play a role in the TOD process. Often, local governments will provide some incentives in order to encourage private developers to take on the risk of development. There may also be grants and funding from various federal and transit agencies. All of these players expect some financial return. Local governments expect higher tax revenue from a successful TOD to recapture their investment. Transit agencies will often end up assessing a fee on businesses within the TOD area often called a benefit assessment district. Meanwhile, private developers and banks obviously want a return for their effort and risk taking. With all these players negotiating, making deals and agreements, what is the impact on the resident’s perception of their role and stake in the process?

RESIDENT OWNERSHIP

A development process in which residents are included as equity owners in either land or businesses could offer many sustainability benefits. Local residents would have an additional incentive to use local businesses while promoting an environment and community where non-locals are welcomed to visit or shop in the area. Such developments could stress the celebration of the uniqueness of a local culture as with Fruitvale in Oakland or Market Creek Plaza in San Diego. Lower income residents would also be more likely to be able to afford staying in a successful TOD. To some degree, higher living costs could be offset by higher dividends as the area becomes more successful. A greater psychological sense of ownership is also more likely to promote a sense of community involvement among residents. There may also be opportunities for residents to be involved with running the businesses and gaining experience they may not otherwise have.

In the low income Columbia Heights neighborhood in Washington D.C., a community owned laundromat called B.I.G. Wash has not only given an excellent financial return to the residents, but business experience. Within three years of start up, the business had returned 185% in dividends and had not missed any loan payments (McCulloch, 2001). Although B.I.G. Wash is not specifically part of a TOD, the example highlights the potential success and sustainability of using resident ownership in low income neighborhoods. Another resident owned development on an even larger scale is Market Creek Plaza in San Diego which is a 20 acre, mixed-use development with several restaurants, a theater, retail, office and cultural space. Market Creek Plaza particularly stands out because of the commitment that developers have made to making business involvement and education for residents a priority. As with B.I.G. Wash, Market Creek Plaza is not specifically a TOD but is transit rich, walkable and mixed-use. As a community with a 23% poverty rate, Market Creek also shows the potential that resident ownership can play in development in general.

One other distinction between B.I.G. Wash and resident ownership in TODs could be the process by which a resident gains equity. As in the case with Market Creek Plaza and B.I.G. Wash, residents do have to purchase shares. While inexpensive, it does require a financial outlay and allows those who have more to gain a greater stake. It could be possible in the case of TODs to grant equity solely based on being a resident within the TOD and including renters. This would converge better with the goals of TODs which are significantly based on geography. Residents need to be near transit and businesses need to be accessible by walking. For community development purposes, it might be required for a resident to live within walking distance of the TOD for a certain period, say five years, before gaining share. This would encourage long term residency (it's hard to have a community with high transiency) and prevent instant 'buying' into ownership simply by moving into a successful area. One wouldn't be able to buy additional shares or sell their share although moving out would cause the share to be lost.

Existing examples where some type of ownership is gained merely by residing somewhere includes the Alaska permanent fund and Village Homes in Davis. The Alaska fund pays dividends from oil revenue to all state residents. The homeowners association at Village Homes owns several on site businesses including a restaurant and apartments. While a dividend is not paid, profits do go to pay for improvements in the community.

Resident ownership could also offer some measure of reducing gentrification while simultaneously reducing the subsidy that market rate tenants must pay for affordable housing. This isn't to say that low income housing won't be necessary since there will always need to be a path for new low income individuals moving in to earn equity within the development. Of course, dividends on resident ownership may also not be enough to offset cost increases.

MAKING RESIDENT OWNERSHIP WORK

Resident ownership shouldn't be exclusive of private developers. In no way should such a development process be seen as implying that private developers are replaceable. In fact, private developers often drive some of the most creative and innovative ideas while often taking on great risks to do so. The expertise and experience of private developers is also necessary for success. I also believe that resident ownership offers benefits to private developers and that the process can be a 'win-win' situation. Not only would a community be more likely to support development, but it’s possible that financing and debt load for developers could be made easier.

Often among the biggest obstacles to creating a TOD are the existing residents themselves. Bernick and Cervero, 1997 (p139) describes the “not in my backyard” NIMBYISM as one of the two biggest barriers to transit villages. This is not that surprising as it can be difficult for residents to see the benefit to them while being aware of the negatives such as increasing costs, traffic and construction disturbances. It may also seem to the resident that developers, government agencies, banks and other players in the development have a financial motive and benefit, all the while telling residents that they will gain non-monetary things such as more transit choices, less need for travel and a better ‘community’ whatever that may mean. And in fact, the development process can leave residents feeling detached and alienated in the process and can hurt more than help create a sense of community. Ohland, et al. 2004 (p51) describes the additional cost to development when community support is insufficient and the enormous costs through lawsuits when developers try to circumvent community input. Resident ownership would not only encourage support but would guarantee that residents have input as actual owners and not merely the promise of being heard.

Ideally, residents would have some form of equity from the start of development. An association of residents could be formed that partners with the other participants such as local government and private developers. While there already are community based associations that guide development such as in Oakland’s Fruitvale Village, the difference here would be that the association participates as a borrower, takes equity and pays out profits in the form of dividends to its residents. This could take some of the financial burden off the developer and other funding sources, in turn giving equity and responsibility to the association.

Would banks be willing to lend to such associations? Obviously that would partly depend on the particular association. Like with any institutional or individual borrower, credit is earned over time. A resident association could start small and gradually build up over time, taking on larger projects. Residents would also have a chance to understand the role of building up credit and asset accumulation. Banks that lend to such associations would understand that they are investing in a community and its ability to generate an economic return.

Some may feel that without a financial outlay by residents, this is just another form of welfare. To that, I would say that the value of community is underappreciated and that community is what is being given equity. If the residents do not get involved with their community, the development probably won’t succeed and the return won’t be there. But by being active participants residents contribute to safety, vitality and businesses in the area. A strong community has tremendous economic value which is frequently not recognized.

CONCLUSION

Every situation is different and resident ownership may not work in many situations. Development is fairly complicated and because of this a detailed proposal for how it could be implemented is beyond the scope of this paper (and beyond the expertise of this writer). Thus, the main purpose of this paper is to suggest ownership into the mindset of innovative, sustainable developers as an exciting possibility in the otherwise often boring field of finance. Are there other ways to incorporate finance into sustainability? One of the common critiques of environmentalists is that they supposedly ignore economic realities. While I don't believe that claim to be true, the use of tools that utilize market forces and decrease subsidies is less prone to such critiques (assuming they work) and encourages a broader audience for sustainability.

Ownership in particular, also addresses a significant sustainability problem...that of economic inequality. As measured by the gini coefficient, the United States has the highest degree of inequality among developed nations. This inequality is also increasing. Is this sustainable? Economic inequality is also not only based on income but on asset ownership. The disparity in assets plays a significant role in increasing the gap between rich and poor as those without assets cannot borrow money as easily (the it takes money to make money argument). Resident based ownership also can help address the asset gap.

As green designers, we want our ideas and inventions to spread to as wide an audience as possible. Many green designs also entail a high initial cost which pays for itself over the long term making it harder for lower income individuals to justify using them. Meanwhile, those with the most assets are more able to take advantage of the long term cost benefit further extending the gap. As sustainable designers, it benefits us directly and society in general when the income gap is reduced.

Appendix A:
Is It Really A TOD? (Patrick Siegman, www.planning.org/planning/member/2003may/todside2.htm, May 22, 2006)

• The transit-oriented development lies within a five-minute walk of the transit stop, or about a quarter-mile from stop to edge. For major stations offering access to frequent high-speed service this catchment area may be extended to the measure of a 10-minute walk.

• A balanced mix of uses generates 24-hour ridership. There are places to work, to live, to learn, to relax and to shop for daily needs.

• A place-based zoning code generates buildings that shape and define memorable streets, squares, and plazas, while allowing uses to change easily over time.

• The average block perimeter is limited to no more than 1,350 feet. This generates a fine-grained network of streets, dispersing traffic and allowing for the creation of quiet and intimate thoroughfares.

• Minimum parking requirements are abolished.

• Maximum parking requirements are instituted: For every 1,000 workers, no more than 500 spaces and as few as 10 spaces are provided.

• Parking costs are “unbundled,” and full market rates are charged for all parking spaces. The exception may be validated parking for shoppers.

• Major stops provide BikeStations, offering free attended bicycle parking, repairs, and rentals. At minor stops, secure and fully enclosed bicycle parking is provided.

• Transit service is fast, frequent, reliable, and comfortable, with a headway of 15 minutes or less.

• Roadway space is allocated and traffic signals timed primarily for the convenience of walkers and cyclists.

• Automobile level-of-service standards are met through congestion pricing measures, or disregarded entirely.

• Traffic is calmed, with roads designed to limit speed to 30 mph on major streets and 20 mph on lesser streets.

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