



Housing Financing Tools and Equitable, Location-Efficient
Development in California

BUS STATIONS AS TOD ANCHORS REPORT

Prepared in Accordance with California Senate Bill 961, 2017-2018 Regular Session



Prepared for:

Governor's Office of Planning and Research
December 29, 2020

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EXECUTIVE SUMMARY

Report Purpose

This report fulfills a requirement by State legislation (Senate Bill 961, 2017-2018 Reg. Sess.) to study the effectiveness of using tax increment financing (TIF) for location-efficient housing production.¹ As directed by the Governor’s Office of Planning and Research to fulfill the requirements in Senate Bill 961, Strategic Economics prepared three reports:

1. A report on the use of current TIF tools in California;
2. A case study report profiling the use of TIF tools in three cities; and
3. This report, which focuses on the potential for bus transit to serve as anchors for transit-oriented development (TOD).

The Legislature specifically requested an analysis of the impacts of extending the Second Neighborhood Infill Finance and Transit Improvements Act (NIFTI-2) to areas around bus stops, including segregated bus rapid transit. To that end, this report provides background on NIFTI-2 and its use to date, reviews the literature on the ability of bus service to serve as an anchor for TOD, provides an overview of state housing programs and the extent to which they target bus-served locations, and draws conclusions about the likely impact of extending NIFTI-2 to apply to bus stops.

The Second Neighborhood Infill Finance and Transit Improvements Act

Since 2017, California law has provided for Neighborhood Infill and Transit Improvement (NIFTI) districts, a special type of Enhanced Infrastructure Financing District (EIFD) targeted specifically to affordable housing production in infill areas. NIFTI-1 originally provided for EIFDs located on a qualified “infill site,”² with a 20 percent affordable housing requirement. “NIFTI-2”, passed with SB 961 in 2018, increased the affordable housing requirement to 40 percent

¹ SB 961 (2018) added Government Code Section 65040.15: “On or before January 1, 2021, the Office of Planning and Research shall complete a study on the effectiveness of tax increment financing tools for increasing housing production, including a comparison of the relative advantages and disadvantages of infrastructure financing districts, enhanced infrastructure financing districts, affordable housing authorities, use of the Neighborhood Infill Finance and Transit Improvements Act, and use of the Second Neighborhood Infill Finance and Transit Improvements Act. The study shall also include an analysis of the impacts of extending the Second Neighborhood Infill Finance and Transit Improvements Act to areas around bus stops, including segregated bus rapid transit, and make recommendations to the Legislature.”

² An “infill site” is a parcel in an urbanized area and previously developed with a qualified urban use or surrounded by 75% qualified urban uses, as defined by California Public Resources Code Section 21061.3. “Qualified urban use” means any residential, commercial, public institutional, transit or transportation passenger facility, or retail use, or any combination of those uses, as defined by California Public Resources Code Section 21072.

and required districts be within one-half mile of a “major transit stop.” “Major transit stop” is defined by Section 21064.3 of the Public Resources Code to include:

- An existing rail or bus rapid transit (BRT) station.
- A ferry terminal served by either a bus or rail transit service.
- The intersection of two or more major bus routes with a frequency of service interval of 15 minutes or less during the morning and afternoon peak commute periods.

To date, no NIFTI-1 or NIFTI-2 districts have been created. Research suggests that in practice NIFTI-1 and NIFTI-2 are less likely to be implemented than EIFDs, which are not designed to target infill or transit-served locations, and do not have an affordable housing requirement. NIFTI districts originally offered two incentives to encourage their use: 1) allowing the use of sales tax increment in addition to property tax; and 2) streamlining the process for issuing bonds by removing the 55 percent vote initially required of EIFDs. However, with AB 116, this voter requirement was amended for EIFDs across the board, effectively removing the second incentive.

Research Findings about the Ability of Bus Transit to Serve as an Anchor for TOD

Research regarding bus transit impacts on land use is very limited. Most academic studies and professional reports examining the relationship between development patterns and nearby transit have focused on rail corridors, and few studies have considered bus transit. Within the broader topic of bus impacts on development, BRT has attracted more interest from researchers than standard bus, and only a small number of studies have focused on projects in the United States. Among U.S. studies, some have explored the relationship between BRT and land use and suggest that BRT and bus can have positive impacts on property values. Two studies also illustrate that development has occurred along both bus and BRT lines. Studies have found that other factors, including the broader economic and land use context, have an important influence on the potential for bus to influence surrounding land use patterns. Ultimately, the research is insufficient to draw firm conclusions about the ability of bus to serve as anchors for TOD or draw distinctions between different levels of bus service.

Transit Requirements of Other State Funding Sources

The report provides an overview of state housing and infrastructure funding sources focused on promoting housing and infill development and evaluates the extent to which they are available in bus-served locations, given that the extent to which these programs align with NIFTI-2 requirements could influence the feasibility of NIFTI-2 TIF districts. The review finds that some form of bus transit is eligible for all the programs that have transit requirements or that award points for projects with a transit component. For most programs, eligible bus transit

stations and stops must adhere to certain quality standards related to the number of intersecting bus routes and the frequency of headways. In one case, the Infill Infrastructure Grant Program, points are awarded only to projects with a more limiting definition of bus transit than NIFTI-2.

Conclusions

- **Several studies suggest there is potential for bus to play a role in facilitating TOD, however the ability for bus transit to successfully anchor TOD is highly contextual and dependent upon a wide variety of factors.** Case study research suggests that local government support and local real estate conditions are particularly important for facilitating development near bus corridors.
- **No research has been conducted that can be used to establish a threshold for the minimum level of bus service required to enable TOD.** While some research speculates about how certain transit qualities can better support TOD, there are no substantive studies that correlate the occurrence of development with the quality of bus transit features.
- **The transit requirements associated with state funding sources designed to encourage housing and infill development to bus areas vary and in one case is more limiting than the current NIFTI-2 legislation.**
- **Additional incentives may be required to encourage creation of NIFTI-2 districts.** To date, no NIFTI-2 districts have been created. Research suggests that practitioners are instead choosing to create EIFDs, which are not designed to target infill or transit-served locations, and do not have an affordable housing requirement.

I. INTRODUCTION

Report Purpose

This report fulfills a requirement by State legislation (Senate Bill 961, 2017-2018 Reg. Sess.) to study the effectiveness of using tax increment financing (TIF) for location-efficient housing production.³ As directed by the Governor’s Office of Planning and Research to fulfill the requirements in Senate Bill 961, Strategic Economics prepared three reports:

1. A report on the use of current TIF tools in California;
2. A case study report profiling the use of TIF tools in three cities; and
3. This report, which focuses on the potential for bus transit to serve as anchors for transit-oriented development (TOD).

The Legislature specifically requested an analysis of the impacts of extending the Second Neighborhood Infill Finance and Transit Improvements Act (NIFTI-2) to areas around bus stops, including segregated bus rapid transit. To that end, this report provides background on NIFTI-2 and its use to date, reviews the literature on the ability of bus service to serve as an anchor for TOD, provides an overview of state housing programs and the extent to which they target bus-served locations, and draws conclusions about the likely impact of extending NIFTI-2 to apply to bus stops.

Report Organization

Following this Introduction section, this report is organized as follows:

- Section II provides background on NIFTI-2 requirements and the extent of its use to date.
- Section III examines the existing body of research related to bus transit-oriented development.
- Section IV provides an overview of complementary state housing and infrastructure funding sources and the extent to which they target bus station areas.
- Section V summarizes key findings and provides recommendations about the potential impacts of extending NIFTI-2’s application to bus stops.

³ SB 961 added Government Code Section 65040.15: “On or before January 1, 2021, the Office of Planning and Research shall complete a study on the effectiveness of tax increment financing tools for increasing housing production, including a comparison of the relative advantages and disadvantages of infrastructure financing districts, enhanced infrastructure financing districts, affordable housing authorities, use of the Neighborhood Infill Finance and Transit Improvements Act, and use of the Second Neighborhood Infill Finance and Transit Improvements Act. The study shall also include an analysis of the impacts of extending the Second Neighborhood Infill Finance and Transit Improvements Act to areas around bus stops, including segregated bus rapid transit, and make recommendations to the Legislature.”

- Section VI: provides a bibliography of reports and research cited in the Section III literature review.

II. BACKGROUND ON THE SECOND NEIGHBORHOOD INFILL FINANCE AND TRANSIT IMPROVEMENTS ACT

Since 2017, California law has provided for Neighborhood Infill and Transit Improvement (NIFTI) districts, a special type of Enhanced Infrastructure Financing District (EIFD) targeted specifically to affordable housing production in infill areas. NIFTI-1, established with AB 1568, originally provided for EIFDs located on a qualified “infill site”⁴ with a 20 percent affordable housing requirement. “NIFTI-2” was passed with SB 961 in 2018, further requiring the district be within one-half mile of a major transit stop (defined below), and 40 percent affordable housing. As an incentive to offset these additional requirements, NIFTI-1 and NIFTI-2 allowed the use of sales tax increment in addition to property tax. NIFTI-1 and NIFTI-2 legislation also streamlined the process for issuing bonds by removing the 55 percent vote initially required of EIFDs. However, with AB 116, this voter requirement was amended for EIFDs across the board, effectively removing this particular advantage of NIFTI districts.

Definition of Bus Transit

NIFTI-2 districts are limited to infill areas within a half mile of a “major transit stop”.⁵ The definition of major transit stop includes:

- An existing rail or bus rapid transit station.
- A ferry terminal served by either a bus or rail transit service.
- The intersection of two or more major bus routes with a frequency of service interval of 15 minutes or less during the morning and afternoon peak commute periods.

Extent of Use

To date, neither NIFTI-1 nor NIFTI-2 has been used to implement a TIF district in California. Research and interviews conducted for the companion report, “Report on the Use of Tax Increment Financing”, found that the respective packages of incentives and requirements offered by both NIFTI-1 and NIFTI-2 lack a clear advantage in comparison with EIFDs, which are not designed to target infill or transit-served locations, and do not have an affordable

⁴ An “infill site” is a parcel in an urbanized area and previously developed with a qualified urban use or surrounded by 75% qualified urban uses, as defined by California Public Resources Code Section 21061.3. “Qualified urban use” means any residential, commercial, public institutional, transit or transportation passenger facility, or retail use, or any combination of those uses, as defined by California Public Resources Code Section 21072.

⁵ Per SB 961, this definition is consistent with Public Resources Code section 21064.3. “Bus rapid transit” is defined in Section 21060.2 as a public mass transit service provided by a public agency or by a public-private partnership that includes all of the following features:(1) Full-time dedicated bus lanes or operation in a separate right-of-way dedicated for public transportation with a frequency of service interval of 15 minutes or less during the morning and afternoon peak commute periods. (2) Transit signal priority. (3) All-door boarding. (4) Fare collection system that promotes efficiency. (5) Defined stations.

housing requirement. Thus, it is likely that other incentives will be required to encourage their use. For additional information about the potential for current TIF tools, see the companion report, “Housing Financing Tools and Equitable, Location-Efficient Development in California: Report on the Use of Tax Increment Financing”.

III. LITERATURE REVIEW

This section reviews the literature related to bus transit impacts on development patterns, including studies about standard bus transit as well as bus rapid transit (BRT). The analysis examines what is known about bus transit’s ability to facilitate development and what factors support successful, location-efficient development near bus stations and corridors. The studies cited in this section are also listed in the bibliography (Section VI).

Literature Overview

In general, research regarding bus transit impacts on land use is limited. Most academic studies and professional reports examining the relationship between development patterns and nearby transit have focused on rail corridors, and few studies have considered bus transit. Within the broader topic of bus impacts on development, BRT has attracted more interest from researchers than standard bus. Until recently, the majority of research on the impacts of BRT has focused on examples in South America and Asia, and only a small number of studies have focused on projects in the United States.⁶

RECENT U.S. STUDIES

A few recent studies have explored the relationship between BRT and land use (see Figure 1). Three studies focused on the impacts of BRT on adjacent property values, including studies on the Martin Luther King Jr. East Busway in Pittsburgh, the EmX BRT in Eugene, Oregon, and the Silver Line BRT in Boston.⁷ Other studies rely on qualitative assessments to explore the ability of BRT to facilitate new development. The Government Accountability Office (GAO) examined the economic benefits of BRT using surveys and interviews with project sponsors and other stakeholders in the U.S.⁸ Another study by the Institute for Transportation and Development Policy (ITDP), reviewed 21 case studies of light rail (LRT), BRT, and streetcar systems in the U.S. The report provides an estimate of new development occurring within walking distance from stations for each of the transit lines reviewed.⁹

⁶ Qing Shen, Simin Xu, and Jiang Lin, “Effects of Bus Transit-Oriented Development (BTOD) on Single-Family Property Value in Seattle Metropolitan Area,” *Urban Studies* 55, no. 13 (October 1, 2018): 2960–79, <https://doi.org/10.1177/0042098017729078>.

⁷ Victoria A. Perk and Martin Catalá, “Land Use Impacts of Bus Rapid Transit: Effects of BRT Station Proximity on Property Values along the Pittsburgh Martin Luther King, Jr. East Busway” (Washington: Federal Transit Administration, December 2009); Victoria A. Perk, Martin Catalá, and Steven Reader, “Land Use Impacts of Bus Rapid Transit: Phase II—Effects of BRT Station Proximity on Property Values along the Boston Silver Line Washington Street Corridor” (Washington, DC: U.S. Department of Transportation, July 2012); Victoria A. Perk et al., “Impacts of Bus Rapid Transit (BRT) on Surrounding Residential Property Values” (Portland: National Institute for Transportation and Communities, July 2017).

⁸ United States Government Accountability Office, “BRT: Projects Improve Transit Service and Can Contribute to Economic Development,” Report to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate (United States Government Accountability Office, July 2012).

⁹ Walter Hook, Stephanie Lotshaw, and Annie Weinstock, “More Development for Your Transit Dollar: An Analysis of 21 North American Transit Corridors” (Institute for Transportation & Development Policy, September 2013), http://www.itdp.org/documents/ITDP_MORE_DEVELOPMENT_924.pdf.

Very few studies shed light on the relationship between standard bus transit and development in the U.S. This includes one study that speculated on the qualities that would allow bus transit to successfully facilitate TOD.¹⁰ Another study evaluated the effects of bus on the market value of nearby single-family homes for four bus transit-oriented developments (BTODs) in the Seattle Metropolitan Area.¹¹ Lastly, the study by the ITDP (2013) suggested that four of the BRT systems it reviewed actually more closely resemble standard bus lines. While their respective transit agencies label them as BRT, the quality of these systems is more akin to regular bus, and therefore the reports' evaluation of these lines could potentially serve as standard case studies.¹²

FIGURE 1: BUS TRANSIT-BASED DEVELOPMENT STUDIES

Year	Study	Authors/Institution	Study Focus
2006	Bus Transit Oriented Development - Strengths and Challenges Relative to Rail	Currie	BRT and standard bus
2009	Land Use Impacts of Bus Rapid Transit: Effects of BRT Station Proximity on Property Values along the Pittsburgh Martin Luther King, Jr. East Busway	Perk and Catalá	BRT
2012	Land Use Impacts of Bus Rapid Transit: Phase II—Effects of BRT Station Proximity on Property Values along the Boston Silver Line Washington Street Corridor	Perk and Catalá	BRT
2012	BRT: Projects Improve Transit Service and Can Contribute to Economic Development.	Government Accountability Office	BRT
2013	More Development for Your Transit Dollar: An Analysis of 21 North American Transit Corridors	Institute for Transportation & Development Policy	LRT, streetcar, BRT, and standard bus
2017	Impacts of Bus Rapid Transit (BRT) on Surrounding Residential Property Values	Perk and Catalá	BRT
2018	Effects of Bus Transit-Oriented Development (BTOD) on Single-Family Property Value in Seattle Metropolitan Area	Shen et al.	Standard bus

¹⁰ Graham Currie, “Bus Transit Oriented Development – Strengths and Challenges Relative to Rail,” *Journal of Public Transportation* 9, no. 4 (September 2006): 1–21, <https://doi.org/10.5038/2375-0901.9.4.1>.

¹¹ Shen, Xu, and Lin, “Effects of Bus Transit-Oriented Development (BTOD) on Single-Family Property Value in Seattle Metropolitan Area.”

¹² According to the report, basic BRT must include at least all of the following: dedicated right-of-way, busway alignment, off-board fare collection, intersection treatments, platform-level boarding. Hook, Lotshaw, and Weinstock, “More Development for Your Transit Dollar: An Analysis of 21 North American Transit Corridors.”

Evidence of Bus-Based Transit Impacts on Property Values

Most research seeking to understand transit impacts on development has focused on rail transit's effects on nearby property values. Most of the U.S. studies find that properties located near high-quality transit stations experience a property value premium of between one and ten percent.¹³

A few recent studies found that U.S. BRT lines have positive impacts on home prices. Perk and Catalá (2009), reported that single family homes located 100 feet from Pittsburgh's Martin Luther King Jr. East Busway stations were priced about \$9,745 more than homes 1,000 feet from a station. Perk et al. (2017), also found a positive impact on single family homes located closer to stations along the Eugene, Oregon's EmX BRT system.¹⁴ The authors found that for each 100-meter increase in distance to a station home values increased by \$1,128. Looking at condominium sales prices along the Boston Silver Line's Washington Street, Perk et al. (2012) found a price premium of 7.6 percent for units located within a quarter-mile of a BRT station.¹⁵

One recent US study provided an assessment of standard bus transit impacts on property values and found a positive impact. In their study, Shen et al. (2018), evaluated single-family home prices near four BTODs in the Seattle Metropolitan Area. The study authors define BTOD as a dense, mixed-use development that includes pedestrian-oriented design and is located adjacent to a major standard bus node. The authors found that single-family homes located less than one-half mile from a major bus node were priced three to five percent higher than similar homes located further than one mile away.¹⁶ The authors did not find a strong relationship between sales prices and other TOD characteristics measured for the BTODs, such as land use mix and walkability. This study, Shen et al., also claimed that in their review of the existing research, they were able to find only one other study regarding standard bus impacts on property values, which found a small increase in property values within walking distance to new stops along a bus line in Cardiff, Wales.¹⁷

¹³ Higgins, Christopher D., and Pavlos S. Kanaroglou. "Forty Years of Modelling Rapid Transit's Land Value Uplift in North America: Moving beyond the Tip of the Iceberg." *Transport Reviews* 36, no. 5 (September 2, 2016): 610–34. <https://doi.org/10.1080/01441647.2016.1174748>.

¹⁴ Perk and Catalá, "Land Use Impacts of Bus Rapid Transit: Effects of BRT Station Proximity on Property Values along the Pittsburgh Martin Luther King, Jr. East Busway"; Perk et al., "Impacts of Bus Rapid Transit (BRT) on Surrounding Residential Property Values."

¹⁵ Perk, Catalá, and Reader, "Land Use Impacts of Bus Rapid Transit: Phase II—Effects of BRT Station Proximity on Property Values along the Boston Silver Line Washington Street Corridor."

¹⁶ The report describes major bus nodes as "transit centers," but does not provide a standard definition of a transit center in the text. However, the report's individual description of each transit center shows that they are served by a significant number of standard bus lines (between nine and 15 bus lines).

¹⁷ Shen, Qing, Simin Xu, and Jiang Lin. "Effects of Bus Transit-Oriented Development (BTOD) on Single-Family Property Value in Seattle Metropolitan Area." *Urban Studies* 55, no. 13 (October 1, 2018): 2960–79. <https://doi.org/10.1177/0042098017729078>.

Bus Transit Case Studies

Two reports include case studies of development along BRT and bus lines, and both observed significant development built along corridors following the opening of the service (Figure 2).

The ITDP (2013) found significant new development along five of the seven U.S. BRT corridors it profiled. In addition to BRT, the report illustrated that new development had occurred near three of the four standard bus lines it included as case studies.¹⁸

The GAO (2012) describes significant new development occurring along two of the five BRT case studies it reviewed.¹⁹ Both the ITDP and the GAO reported development near the Healthline BRT in Cleveland, Ohio and the Emerald Express Green Line (EmX) BRT in Eugene, Oregon. However, the GAO report notes that several project sponsors and other stakeholders interviewed for the report were unsure of the degree to which the BRT lines actually played a role in facilitating development.²⁰

FIGURE 2: SUMMARY OF NEW NEARBY DEVELOPMENT SINCE START OF BUS OPERATIONS

BRT Corridors	ITDP (2013)	GAO (2012)
Cleveland HealthLine	\$5.8 billion	\$4-\$5 billion
Las Vegas Strip & Downtown Express (SDX)	\$2 billion	*
Pittsburgh Martin Luther King Jr. East Busway	\$903 million	*
Los Angeles Orange Line	\$300 million	*
Eugene Emerald Express Green Line (EmX)	\$100 million	\$100 million
Pittsburgh South Busway	Nominal	*
Pittsburgh West Busway	Nominal	*
Los Angeles, Metro Rapid System	*	Limited development
Seattle RapidRide A Line	*	Limited development
Kansas City Troost MAX	*	None observed
Standard Bus Corridors	ITDP (2013)	GAO (2012)
Kansas City Main Street Metro Area Express (MAX)	\$5.2 billion	*
Boston Waterfront Silver Line	\$1 billion	*
Boston Washington Street Silver Line	\$650 million	*
Las Vegas Metropolitan Area Express (MAX)	Nominal	*

*Bus or BRT line not reviewed in report.

Source: Institute for Transportation and Development Policy (ITDP), 2013; Government Accountability Office (GAO), 2012; Strategic Economics, 2020.

¹⁸ The report describes the amount of development as “nominal” along two BRT lines (Pittsburgh South Busway and Pittsburgh West Busway) and one standard bus line (Las Vegas Metropolitan Area Express [MAX]).

¹⁹ Some recently built transit-oriented development was described in all the case studies besides the Kansas City Troost Max line, where project sponsors instead suggested that BRT had positioned the corridor for new future development.

²⁰ United States Government Accountability Office, “BRT: Projects Improve Transit Service and Can Contribute to Economic Development.”

Impact of Bus Service Quality and Frequency on Development

None of the existing studies look closely at the impact of the quality of bus service on development potential. While Currie (2006) suggests several potential factors such as a bus lines' newness, speed and frequency could encourage development in bus corridors, the study does not provide any substantive analysis of these factors. Some sources discuss the sense of permanence as an important factor for attracting developers. Stakeholders interviewed for the GAO (2012) report suggested certain features of BRT, distinct from standard bus, can provide a sense of permanence. These physical characteristics of BRT include dedicated bus lanes, intersection treatments, and boarding platforms at stops.²¹

Other Factors That Support Location-Efficient Development Near Bus Stations and Corridors

Research on rail-based TOD has suggested that transit service quality and frequency have an important influence on development potential, however other factors related to the broader economic and land use context also play an important role. Examples include the strength of the real estate market, demand for transit-oriented land uses (e.g., higher density residential building types), the location within a region relative to major employment centers, and local government support.²²

The limited research on bus transit makes similar claims. The ITDP (2013) argues that the most important factors for stimulating development near bus transit are government support and the strength of the real estate market.²³ The GAO (2012) reports that “local policies and development incentives are factors that can enhance BRT’s to leverage economic development.” Both the ITDP and the GAO report also note the importance of institutional anchors for catalyzing development, such as the hospitals and universities along the Cleveland HealthLine corridor.

²¹ Hook, Lotshaw, and Weinstock, “More Development for Your Transit Dollar: An Analysis of 21 North American Transit Corridors.”

²² Dena Belzer and Alison Nemirow, “Economic Context Report: San Diego Regional TOD Strategy” (Strategic Economics, September 18, 2014), https://www.sandag.org/uploads/projectid/projectid_500_19057.pdf.

²³ Hook, Lotshaw, and Weinstock, “More Development for Your Transit Dollar: An Analysis of 21 North American Transit Corridors.”

IV. TRANSIT REQUIREMENTS OF OTHER STATE FUNDING SOURCES

This section provides an overview of state housing and infrastructure funding sources focused on promoting housing and infill development, and evaluates the extent to which they are available in bus-served locations. The extent to which these programs align with NIFTI-2 requirements could influence the feasibility of NIFTI-2 TIF districts.

Figure 3 provides a matrix that summarizes relevant State funding programs. The matrix includes a brief description of the available assistance type, any transit-related requirements, how application scoring relates to transit qualities, and the bus service type that would fulfill transit requirements or scoring. Key findings about the alignment between these sources and NIFTI-2 are summarized below.

- **Some form of bus transit is eligible for all the programs that have transit requirements or that award points for projects with a transit component.** However, one source, the Transit Oriented Development Housing Program, explicitly states that preference is given to rail over bus transit when awarding points.
- **For most programs, eligible bus transit stations and stops must adhere to certain quality standards related to the number of intersecting bus routes and the frequency of headways.**
 - Of the programs with a transit requirement, the Transit Oriented Development Housing Program has a more limited definition for eligible bus transit than NIFTI-2.
 - The Affordable Housing and Sustainable Communities Program (AHSC) can apply to three types of project areas, one of which is TOD areas. Bus transit in the TOD areas must be BRT with headways of 15 minutes during peak hours. Bus service in the other two project areas (Integrated Connectivity Project [ICP] and Rural Innovation Project Area [RIPA]) have less stringent requirements than NIFTI-2.²⁴ The Transformative Climate Communities Program (TCC) also follows the requirements set forth by AHSC.
- **While transit is not required for the Infill Infrastructure Grant Program (IIGP), the program awards points only for bus transit with a more stringent definition than NIFTI-2.** For the remaining programs, transit is either not required or their transit scoring component is less limiting than the NIFTI legislation.

²⁴ Note: AHSC is not currently evaluating transit due to COVID impacts.

FIGURE 3: SUMMARY OF COMPLEMENTARY STATE FUNDING PROGRAMS FOR BUS STATION AREAS

Program	Description	Agency	Transit Requirements	Transit Scoring	Eligible Bus Transit
Transit Oriented Development Housing Program (TOD)	Low-interest loans for rental housing developments and mortgage assistance for homeownership developments. Grants available for infrastructure improvements that support the connections between housing projects and transit stations.	CA HCD	Project sites must be within a 1/4-mile radius or 1/2-mile walkshed of a transit station/stop.	Points are weighted toward sites near stations that serve heavy rail.	Standard bus or BRT* stations that 1) include at least three bus routes and 15-minute headways during peak hours or 2) are a transfer point for the area's intercity, intraregional, or interregional bus service.
Affordable Housing and Sustainable Communities (AHSC)	Grants and loans for affordable housing development and housing and transportation-related infrastructure to support infill and compact development that reduce greenhouse gas (GHG) emissions.	CA HCD (Strategic Growth Council)	Affordable housing project sites must be within 1/2-mile walkshed of a transit station/stop.	N/A	Standard bus or BRT* stations/stops that meet the service quality requirements associated with each of the three project areas.
Transformative Climate Communities (TCC) Implementation Grants	Grants for multiple, coordinated projects that reduce GHG emissions and provide other community benefits. May fund the development of affordable housing and related transit infrastructure according to AHSC requirements (see above). May also fund land acquisition for affordable housing.	Strategic Growth Council	Affordable housing project sites must be within 1/2-mile walkshed of a transit station/stop.	N/A	Standard bus or BRT* stations/stops that meet the service quality requirements associated with each of the three project areas.

Program	Description	Agency	Transit Requirements	Transit Scoring	Eligible Bus Transit
Multifamily Housing Program (MHP)	Deferred payment loans to assist affordable housing development focused on permanent and transitional rental housing for lower-income households.	CA HCD	N/A	N/A	N/A
Low Income Housing Tax Credit (LIHTC) 9%	Federal and state tax credits that allow developers to leverage private equity for affordable housing development.	TCAC	There is no geographic requirement, however, the program is very popular, and applicants may not be competitive without a transit component.	Points are weighted toward sites nearer to transit with more frequent service.	Standard bus or BRT stations/stops.
Low Income Housing Tax Credit (LIHTC) 4%	Federal and state tax credits that allow developers to leverage tax-exempt, multi-family bonds for affordable housing development.	TCAC, CDLAC	N/A	4% federal tax credits are not competitively scored.	N/A
Infill Infrastructure Grant Program (IIGP)	Grants available as gap financing for capital improvement projects that support infill housing development.	CA HCD	N/A	Points are available for being within 1/4-mile walkshed of a transit station.	Standard bus or BRT stations that 1) include at least three bus routes and 10-minute headways during peak hours or 2) are a transfer point for the area's intercity, intraregional, or interregional bus service.

Program	Description	Agency	Transit Requirements	Transit Scoring	Eligible Bus Transit
Infrastructure State Revolving Fund (ISRF) Program	Low-cost loans available to public agencies and nonprofits for a variety of infrastructure projects.	IBank	N/A	N/A	N/A

*Bus Rapid Transit (BRT) is defined by these programs as bus transit usually including “use of dedicated rights-of-way, including busways, exclusive lanes, and bypass/queue jumping lanes for buses at congested intersections to reduce vehicle running time, and typically includes a combination of the following additional features: (1) center of road alignment, mixed traffic prohibitive intersection treatments; (2) use of more limited-stop service, including express service and skip-stopping; (3) application of Intelligent Transportation Systems (ITS) technology, such as signal Department of Housing and Community Development 3 Transit-Oriented Development Housing Program Round 4 Guidelines priority, automatic vehicle location systems, system security, and customer information; (4) platform level boarding; and (5) off-board fare collection.”

Source: Strategic Economics, 2020.

V. CONCLUSIONS

Key findings from the research are summarized below.

- **While the literature is limited, several studies suggest there is potential for bus to play a role in facilitating TOD.** Studies focusing on BRT and standard bus transit in the U.S. have found that both can contribute to higher property values. In addition, examples exist of both BRT and standard bus serving as TOD anchors.
- **However, the ability for bus transit to successfully anchor TOD is highly contextual and dependent upon a wide variety of factors.** Case study research suggests that local government support and local real estate conditions are particularly important for facilitating development near bus corridors. Other factors related to the quality of the bus transit, such as a sense of permanence, may also influence the potential to attract new development.
- **No research has been conducted that can be used to establish a threshold for the minimum level of bus service required to enable TOD.** While some research speculates about how certain transit qualities can better support TOD, there are no substantive studies that correlate the occurrence of development with the quality of bus transit features.
- **The transit requirements associated with state funding sources designed to encourage housing and infill development to bus areas vary and in one case is more limiting than the current NIFTI-2 legislation.** Some existing state programs designed to assist infill development and affordable housing either have requirements or competitive scoring components that focus resources in areas with high standards of bus service. Areas served by standard bus stops with relatively infrequent headways or a limited number of intersecting routes are less likely to be eligible or competitive for funds under most programs.
- **Additional incentives may be required to encourage creation of NIFTI-2 districts.** To date, no NIFTI-2 districts have been created. Research suggests that practitioners are instead choosing to create EIFDs, which are not designed to target infill or transit-served locations, and do not have an affordable housing requirement. NIFTI districts originally offered two incentives to encourage their use: 1) allowing the use of sales tax increment in addition to property tax; and 2) streamlining the process for issuing bonds by removing the 55 percent vote initially required of EIFDs. However, with AB 116, this voter requirement was amended for EIFDs across the board, effectively removing the second incentive.

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