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# BTC Brief

► NC BUDGET & TAX CENTER

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## INVESTMENTS IN PUBLIC TRANSIT: Why Equity Matters

### KEY FINDINGS:

- **Public transit enhances mobility and connectivity and has the potential to provide residents with an improved quality of life. This is especially important for lower-income North Carolinians, who make up the majority of those using public transit to commute to work.**
- **Research shows that a majority of neighborhoods where new transit stations are built experience higher housing costs, undergo gentrification, and attract higher-income residents.**
- **Transit plans need equity components—primarily, affordable-housing tools—in order to ensure that transit investments generate a return for all North Carolinians, regardless of income.**

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### Transit Investments Create Community Development Opportunities and Challenges

Policymakers across North Carolina are moving forward with plans to upgrade and extend public-transit options, including high-speed rail, light rail, and bus rapid transit. Transit investments and the implementation of transit-oriented development—which refers to compact, mixed-use development within walking distance of transit stations—offer residents additional mobility choices while combating land-use sprawl and traffic congestion.<sup>1</sup>

Last year, North Carolinians traveling to work by means of public transit were disproportionately people with lower incomes: 60.4 percent of riders had incomes below \$25,000 while only 13 percent had incomes above \$50,000.<sup>2</sup> Transit-oriented development is a planning approach that can benefit lower-income people by increasing access to employment networks and services, reducing transportation expenditures, and renewing private investment in economically depressed areas.<sup>3</sup> However, transit investments can lead to higher rent prices, gentrification, and displacement of lower-income residents around new transit stations.<sup>4</sup>

To ensure that transit investments generate a return for all North Carolinians, evidence suggests that transit plans need equity components—primarily, affordable-housing measures.<sup>5</sup>

### New Transit Stations Impact Affordable Housing Opportunities in Surrounding Neighborhoods

Last year, housing and transportation accounted for 55.1 percent of expenditures for the average lower-income American household. The average national costs of these two necessities jumped 10.5 percent and 11.2 percent, respectively, over the last five years, while national median household income dropped 3.1 percent during the same period.<sup>6</sup> Rising costs and falling incomes affect where a person can afford to live and work, greatly impacting one's ability to be self-sufficient.

While living near a transit stop can free up a portion of an individual's transportation expenditures, research shows that a reverse trend occurs with housing expenditures. A 2010 report indicates that in the majority of cases studied, neighborhoods surrounding new transit stations are occupied primarily by renters and tend to experience increases in housing costs and gentrification a few years after the transit service begins. This study also found that these neighborhoods tend to attract higher-income residents who are less likely to use public transit compared to people who are transit-dependent but who are often "priced out" of the neighborhood.<sup>7</sup>

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Another study estimates that the supply of housing near transit will fall short of demand over the next twenty years.<sup>8</sup> In addition, the population living within urban areas in the United States is expected to double to 300 million people by the year 2050.<sup>9</sup> These pressures are likely to drive up housing costs in urban areas where many lower-income families currently live, and therefore policies need to be put in place to ensure that lower-income families can remain in and move to neighborhoods that offer public transit.<sup>10</sup>

## Securing Equitable Neighborhood Development in North Carolina’s Transit Plans

As policymakers in North Carolina upgrade and extend public-transit options across the state, they can build affordable-housing measures into transit plans. By better coordinating transportation and housing policy, this proactive approach works to ensure that the benefits of transit investments are equitable and broadly shared.

Affordable-housing measures generally have two aims: to preserve existing affordable housing and to create new affordable housing. Policymakers can achieve these equity goals near new transit by using one or more available tools. For instance, local policymakers can establish a housing trust fund to provide public financing for existing and new affordable housing units near planned transit hubs. Amidst the planning stages of the Lynx light rail, which became operational in 2007, policymakers in Charlotte created a housing trust fund in 2001 to provide loans or grants to developers to secure affordable housing units.<sup>11</sup>

Policymakers also have the option to establish an acquisition fund to purchase property near transit stations to preserve or produce affordable housing. These funds are designed to make the purchases early, before property values spike. In Charlotte, city officials created an acquisition fund in 2005 to purchase land near the planned transit stations along the South Corridor Light Rail Line for the development of mixed-income housing. City officials capitalized the fund with a \$5 million appropriation.<sup>12</sup>

Local policymakers can also offer incentive-based zoning or enable inclusionary zoning. Incentive-based zoning rewards developers with density bonuses or zoning waivers in exchange for an increased supply of affordable housing around transit stations. City officials in Chicago, Illinois use this tool to offer developers the option of either providing affordable housing units or paying a fee to a special fund for affordable housing.<sup>13</sup> Inclusionary zoning typically involves mandatory requirements that call for developers to reserve 10 percent to 25 percent of new homes for affordable housing.<sup>14</sup>

## Conclusion

Transit and land-use policies for the 21<sup>st</sup> century must contend with increasingly burdensome commutes, suburban sprawl, and rising gas prices. Policymakers can invest in public transit to alleviate these problems and to create “healthy, connected neighborhoods.”<sup>15</sup> However, transit plans that are not integrated with housing policies can lead to inequitable effects on lower-income and transit-dependent residents, straining rather than enhancing vulnerable communities’ connectivity to jobs and services. Policymakers can require that transit plans include affordable-housing measures in order to achieve greater transportation equity and access for North Carolinians at all income levels.

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- 1 US Department of Transportation, Federal Transit Administration. “Transit-Oriented Development”.
  - 2 NC Budget and Tax Center’s Analysis of US Census Bureau American Community Survey, 2010.
  - 3 PolicyLink. “Equitable Development Toolkit: Building Regional Equity.” 2008.
  - 4 Pollack, Stephanie, Bluestone, Barry and Billingham, Chase. “Maintaining Diversity in America’s Transit-rich Neighborhoods: Tools for Equitable Change.” Dukakis Center for Urban and Regional Policy. 2010.
  - 5 Housing is generally “affordable” if a family spends less than 30 percent of its annual income on housing expenditures. Quigley, Leo. “Preserving Affordable Housing Near Transit: Case Studies from Atlanta, Denver, Seattle, and Washington, D.C.” Joint Report by the Enterprise, the National Housing Trust, and Reconnecting America. 2010.
  - 6 NC Budget and Tax Center’s Analysis of US Bureau of Labor Statistic’s Consumer Expenditure Survey, 2005-2010.
  - 7 This study analyzed 42 neighborhoods in 12 metropolitan areas. Each of these neighborhoods was first served by transit between 1990 and 2000. Pollack, Stephanie, Bluestone, Barry and Billingham, Chase. “Maintaining Diversity in America’s Transit-rich Neighborhoods: Tools for Equitable Change.” Dukakis Center for Urban and Regional Policy. 2010.
  - 8 Reconnecting America’s Center for Transit-Oriented Development. “Realizing the Potential: Expanding Housing Opportunities Near Transit.” 2007.
  - 9 Renaissance Downtowns LLC. “The Market for Downtowns and Walkable Neighborhoods: The Rise of the Boutique City.” 2010.
  - 10 Pollack, Stephanie, Bluestone, Barry and Billingham, Chase. “Maintaining Diversity in America’s Transit-rich Neighborhoods: Tools for Equitable Change.” Dukakis Center for Urban and Regional Policy. 2010.
  - 11 Supported by financing from the housing trust fund, Charlotte completed its first mixed-income housing project along the South Corridor of the Lynx in 2007. Pollack, Stephanie, Bluestone, Barry and Billingham, Chase. “Maintaining Diversity in America’s Transit-rich Neighborhoods: Tools for Equitable Change.” Dukakis Center for Urban and Regional Policy. 2010.
  - 12 PolicyLink. “Equitable Development Toolkit: Building Regional Equity.” 2008.
  - 13 Shoemaker, Douglas. “Tools for Mixed-Income TOD.” The Center for Transit-Oriented Development. 2006.
  - 14 Pollack, Stephanie, Bluestone, Barry and Billingham, Chase. “Maintaining Diversity in America’s Transit-rich Neighborhoods: Tools for Equitable Change.” Dukakis Center for Urban and Regional Policy. 2010.
  - 15 PolicyLink. “Equitable Development Toolkit: Building Regional Equity.” 2008.