

# Affordable Housing Coming to Dallas Via Transit-Oriented Development

By Emily Ryder

**UPDATE: Lancaster Urban Village opened June 2014.**

**T**ransit connects individuals with employment, education and resources such as food, retail and financial establishments. Accordingly, access to transportation is fundamentally important to working households, particularly those in lower- to middle-income (LMI) brackets.

With commute times growing and gasoline prices rising, policy and planning have the potential to shape social and economic opportunity within cities across the nation (*see Box 1*). Sustainable, innovative and inclusive planning is increasingly crucial. One particularly impactful method used to develop communities in Texas and elsewhere is transit-oriented development (TOD).

A TOD is generally defined as a high-density, mixed-use development around which public transit is accessible within less than half a mile. The benefits of this type of urban planning are well-documented. In general, TOD projects have the ability to improve employment, health, financial security, economic development and environmental quality.<sup>1</sup>

The benefits can be even greater for LMI families, which are often more dependent on public transportation access and less likely to own a car. More than 40 percent of future demand for housing near transportation will come from LMI households, according to estimates by the Center for Transit Oriented Development.<sup>2</sup>

## Box 1: Transportation Costs Often a Burden for Lower-Income Families

Transportation costs are typically the second-highest expense for American households, right behind the cost of housing.<sup>1</sup> There has always been a trade-off between proximity to job opportunities and a lower cost of living. For low- to moderate-income (LMI) families in search of affordable housing, this trade-off represents more than an inconvenience; it can be an insurmountable barrier to employment and economic stability.

The share of U.S. workers with long commutes has climbed again after reversing course during the recent recession (*see figure*). Gas prices, meanwhile, have been on a steady upward path. Both are making it difficult for LMI households to live on the outskirts of metropolitan areas.

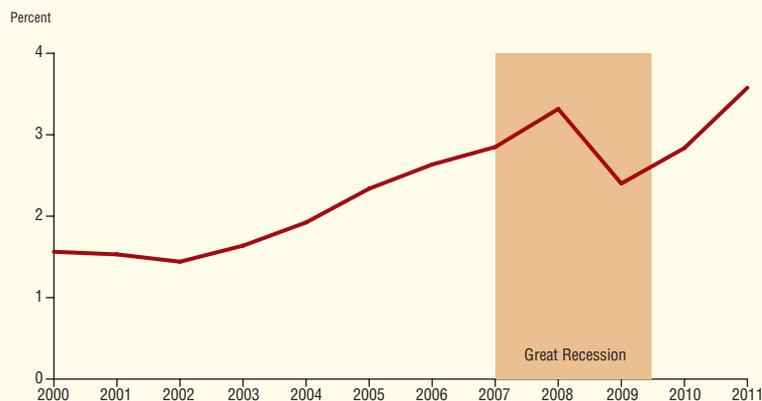
Although the average family spends approximately 19 percent of household income on transportation costs, those with access to public transit spend only 9 percent.<sup>2</sup> For LMI families, this difference represents a significant reduction of their household burdens.

### Notes

<sup>1</sup> "Preserving Opportunities: Saving Affordable Homes Near Transit," Center for Transit-Oriented Development, [www.ctod.org/portal/node/2182](http://www.ctod.org/portal/node/2182).

<sup>2</sup> See note 1.

### Share of Workers Commuting More than 45 Minutes to Work Climbs



SOURCES: American Community Service; Census Bureau.

## Lancaster Urban Village: Vision, Plan and Financing

Although modern concepts of TOD projects date back more than two decades, they have often failed to incorporate affordable housing, and this oversight has left LMI families behind.<sup>3</sup>

Indeed, Dallas TODs such as Mockingbird Station and the West Village have been built around higher-income communities and feature high-end retail shops and residential lofts that are unaffordable for most LMI households.<sup>4</sup> However, that is about to change in Dallas.

Lancaster Urban Village, which broke ground in March of this year, expects to open its first residential units in early 2013. The development, located in a southern Dallas census tract with median household income of \$23,500 and 18.4 percent unemployment, puts affordable housing and workforce development at the heart of its mission and vision.<sup>5</sup> The Lancaster initiative is mindful and inclusive of the demographics of its neighborhood. About 59 percent of the residents in the TOD's census tract are black, and 40 percent are Latino. The poverty rate is 41 percent, nearly three times the national average.<sup>6</sup>

This 3.5-acre development will include 193 residential units, 14,000 square feet of office and retail space, and an expansion of the Urban League of Greater Dallas and North Central Texas to include space for trade-skill and workforce development classes. More than half of the apartments will have income restrictions, keeping the units affordable to LMI individuals and families. Mixing affordable units with those that are market rate will also reduce income segregation and may improve economic mobility.

The future site of Lancaster Urban Village is a formerly undeveloped area near Dallas Area Rapid Transit (DART) light-rail stations in what is known as the Lancaster Corridor. The stations service the VA Medical Center, Lancaster-Kiest Shopping Center, Paul Quinn College and Cedar Valley College.

While the northern Dallas region has enjoyed strong economic development, southern Dallas has not. Although 45 percent of Dallas' population is south of the Trinity River, this area represents only 15 percent of the total tax base.<sup>7</sup> The development neighborhood along Lancaster Road was a high-crime area with run-down, dilapidated buildings. Thanks to community leaders, these buildings have been knocked down over the past two years, paving the way for reinvestment and revitalization.

Financing this type of TOD in a low-income area with multiple purposes—retail, residential and office—presents challenges. Yet the city of Dallas was able to creatively harness various funding methods to make the concept a reality.

The groundwork for the project began in 2008 when the Dallas Office of Economic Development created the TOD Tax Increment Financing (TIF) District, spanning from North Dallas to the Lancaster Corridor (see *Box 2*). This TIF district consists of four subdistricts, one of which is Mockingbird Station, along with three less-developed regions, including Lancaster Corridor (see *map, page 16*). The strength of this type of TOD TIF project lies in its funding structure—an increment-sharing arrangement in which some projected revenue increases are passed from the higher-income subdistricts to lower-income ones. In this way, the TIF incremental revenue generated in the Mockingbird station area not only funds its TIF incentives, but also subsidizes development in the southern subdistricts.

A requirement for development of mixed-income housing in all TIF-financed projects ensures that affordable housing will be an integral component of each development. TIF districts are

---

**Although modern concepts of transit-oriented development projects date back more than two decades, they have often failed to incorporate affordable housing, and this oversight has left lower- and middle-income families behind.**

---

### **Box 2: TIF Districts and TODs**

Tax-increment financing (TIF) is a public financing method often used by cities to subsidize new private investment in targeted areas. TIFs use the projected increase in tax revenue that will be generated by a public improvement project to finance the debts incurred to pay for the project.

TIF districts are designated areas in which future gains in tax revenue can generate a source of funding for community improvements. In 2007, the city of Dallas amended local TIF laws to create special categories for transit-oriented developments (TODs), making it easier to combine TIFs and TODs.

For more information on TIFs in Dallas, see [www.dallas-ecodev.org/incentives/tifs-pids](http://www.dallas-ecodev.org/incentives/tifs-pids).

**The groundwork for the Lancaster Urban Village began in 2008 when the Dallas Office of Economic Development created the TOD Tax Increment Financing District, spanning from North Dallas to the Lancaster Corridor.**

not always transportation related, but in this case, the city of Dallas combined the two. This shared-increment area, running north to south along the transit line, allows the higher growth in North Dallas to fund the southern sector, too.

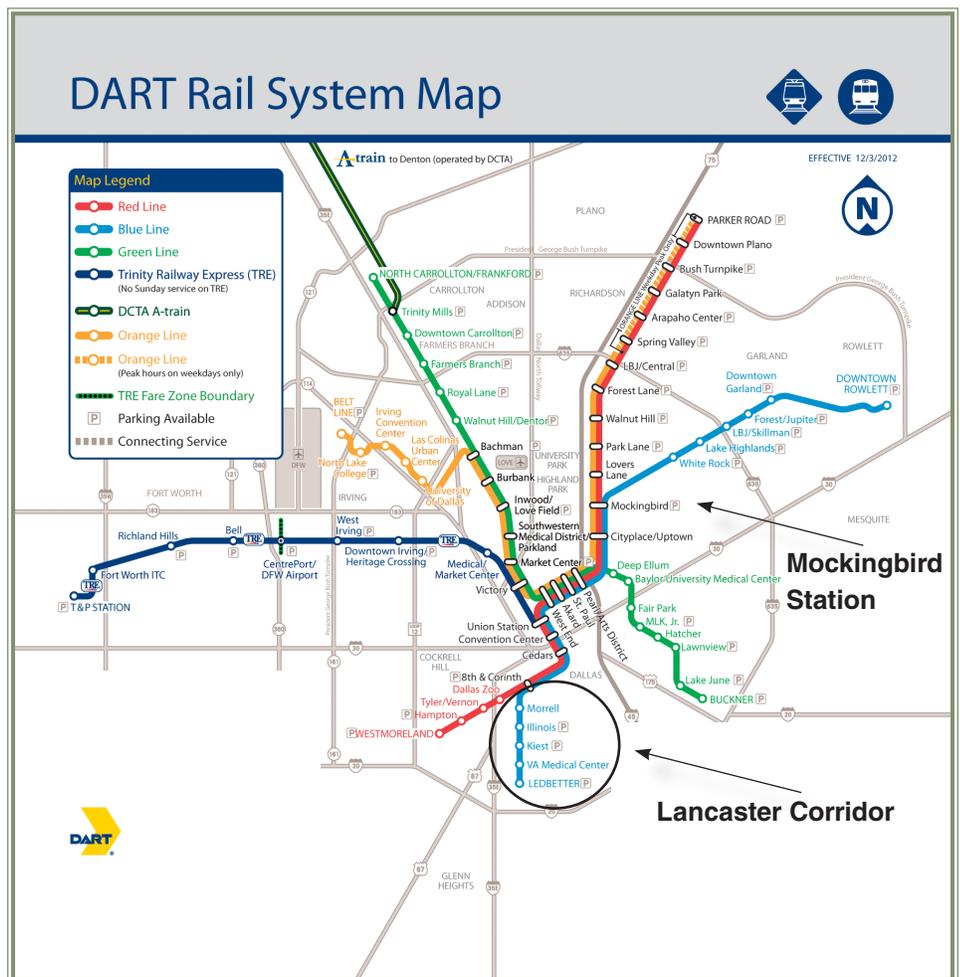
Because TIF funds are generated by future increases in property values, the funds are typically not available as a source of project financing; rather, they are used to back loans—in this case, Housing and Urban Development (HUD) Section 108 loans. This type of loan is guaranteed by the government and funds a large portion of Lancaster Urban Village. Additional financing is needed to fund the rest of the project, with sources including HUD Section 221(d)(4) loans, the New Markets Tax Credit Program and public-private partnerships (see Box 3). TIF funds are not backed by the full faith and credit of the city. They are contingent liabilities,

backed solely by the TIF revenue stream, if and when it develops.

**Benefits and Barriers**

With positive returns seen in areas of health, environment and economic development, TODs have the power to reshape a community. However, funding new TOD projects can be a challenge. Sufficient demand in multiple markets at once—retail, residential and office—is required for mixed-use development but is often not present. This concern is particularly salient in lower-income or unproven market areas, where investors may be more concerned about risk.

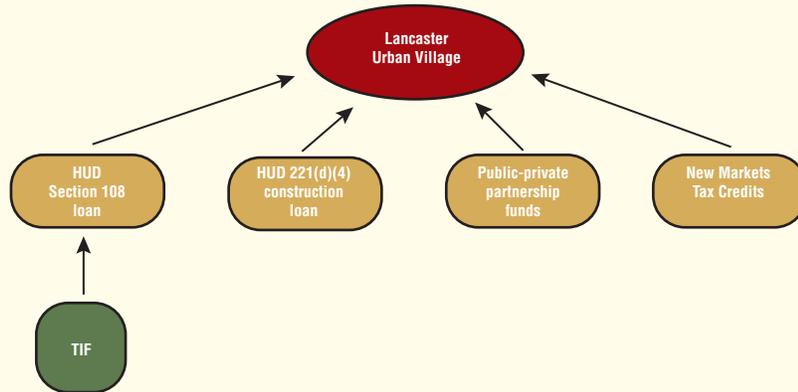
According to lessons learned by the city of Dallas, securing outside sources of funding such as Low Income Housing Tax Credits and New Markets Tax Credits may be necessary to overcome these possible shortfalls.<sup>8</sup>



### Box 3: Sources of Lancaster Funding

Lancaster Urban Village benefits from increment-sharing across the TIF district, which provides backing for loans. The project's financing comes from several sources:

- HUD Section 108: Federally guaranteed loan for the purpose of economic development, housing rehabilitation or construction benefiting low- and moderate-income persons. See: [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/programs/108](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/108).
- HUD Section 221(d)(4): Insures mortgage loans against losses for multifamily residential units; used to foster affordable housing development. See: [www.hud.gov/offices/hsg/mfh/progdesc/sro221d3n4.cfm](http://www.hud.gov/offices/hsg/mfh/progdesc/sro221d3n4.cfm).
- New Markets Tax Credit Program: Designed to attract investment capital to low-income communities by giving investors a tax credit in exchange for making equity investments in community development entities. See: [http://cdfifund.gov/what\\_we\\_do/programs\\_id.asp?programID=5](http://cdfifund.gov/what_we_do/programs_id.asp?programID=5).



With positive returns seen in areas of health, environment and economic development, transit-oriented developments have the power to reshape a community.

The potential is great for Lancaster Urban Village to spur economic growth in the region. The development's close proximity to the VA Medical Center will appeal to the hospital's employees. And its new commercial space and retail will be a draw for the more than 30,000 annual visitors to the hospital area.

Said Dallas Mayor Mike Rawlings: "This Lancaster Corridor is going to be in the next decade one of the most vibrant corridors in the city of Dallas. Mark my words."<sup>9</sup>

#### Notes

<sup>1</sup> Denver Regional Council of Governments, <http://tod.drcog.org/what-are-benefits-tod>, and Center for Transit-Oriented Development, [www.mitod.org/whatisTOD.php](http://www.mitod.org/whatisTOD.php).

<sup>2</sup> "Planning for TOD at the Regional Scale: The Big Picture," Center for Transit-Oriented Development, Aug. 1, 2011, <http://reconnectingamerica.org/resource-center/books-and-reports/2011/ctod-guidebook-explores-importance-of-planning-for-tod-at-regional-scale>.

<sup>3</sup> "Histories of Transit-Oriented Development: Perspectives on the Development of the TOD Concept," by Ian Carlton, Institute of Urban and Regional Development, University of California, Berkeley, Fall 2007.

<sup>4</sup> City of Dallas Economic Development, [www.dallas-ecodev.org/redevelopment/tod](http://www.dallas-ecodev.org/redevelopment/tod).

<sup>5</sup> American Community Survey, U.S. Census Bureau, 2010.

<sup>6</sup> See note 5.

<sup>7</sup> "Grow South," by Dallas Mayor Mike Rawlings, city of Dallas presentation, [www.dallascityhall.com/government/mayor/pdf/GrowSouth.pdf](http://www.dallascityhall.com/government/mayor/pdf/GrowSouth.pdf).

<sup>8</sup> "Transit-Oriented Tax Increment Financing: Using Tax Increment Financing in Dallas," by Karl Studdins, Dallas Office of Economic Development, Aug. 30, 2012.

<sup>9</sup> "Onward with Lancaster Urban Village," by Roy Appleton, *Dallas Morning News*, March 29, 2012.