

CTS Research Brief

Spurring Private-Sector Development Along Transit Corridors

“This study affirms that there is interest in and demand for development that incorporates transit and for transit that incorporates development.”

—Metropolitan Council Chair Susan Haigh

Project Fast Facts

- Interviews with businesses and developers revealed pent-up demand for transit-oriented development (TOD) in the Twin Cities metropolitan region.
- Regulatory and cost barriers, combined with the uncertainty of transit expansion, inhibit the market from responding to this demand for TOD.
- Developers view transportation access as highly important when selecting sites but will sacrifice transit access if a transit-oriented site is more expensive or presents more complex regulatory hurdles than traditional auto-oriented design.
- Employers say that providing a great work location is critical to recruiting highly skilled young professionals who are likely to desire—or demand—urban living and access to transit.
- Multiple participants say efforts to make transit-accessible housing affordable by design rather than by subsidy are crucial to promoting mixed-income neighborhoods in station areas.

Background

By 2030, a network of 14 connected transit corridors is planned for the Minneapolis–St. Paul metropolitan region. The success of this network hinges on ridership from nearby housing and businesses. To find out what policymakers can do to help spur transit-oriented development, University researchers interviewed key players in the private sector. They then created a set of policy recommendations aimed at effectively promoting mixed-income housing and living-wage job creation near transit corridors.

Project Design

University researchers conducted interviews with 24 central-city and suburban developers, 3 real estate brokers, and 16 business leaders in the Twin Cities to learn whether and to what degree transit factored into their current and future site-location decisions. The interview questions revolved around four basic themes:

1. What are the crucial factors in site-selection decisions?
2. How do transportation and transit access fit into site selection?
3. What makes transportation and transit access important?
4. What actions can the public sector take to make transit-accessible sites more attractive for private-sector development and job creation?



This “cloud” shows the words most commonly cited by developers during interviews. The most prominent transportation term is parking. Developers cited it as a major cost driver for multifamily and mixed-use developments, particularly on urban sites.

Project Conclusions

Transit-oriented development is in demand in the Twin Cities metropolitan region, but regulatory barriers, cost issues, and uncertainty surrounding future development of transit prevent both developers and businesses from selecting such sites.

Multifamily residential developers, redevelopment specialists, and large corporate office tenants have a strong interest in transit-accessible sites, but single-use zoning, low maximum-density regulations, and high minimum-parking ratios are significant hurdles.

Employers said that access to transit is an attractive feature when making location or expansion decisions, but they are more focused on how employees currently access their jobs through existing roads and transit services than on proposed future options. However, as younger professionals succeed baby boomers in the workforce, demand for walkable neighborhoods with access to transit will play an increasing role in TOD. Employers realize they will need to offer a desirable location to recruit highly skilled members of the millennial generation, and transit is one amenity they can use.

Developers specializing in affordable housing need to achieve economies of scale to be profitable. Rehabilitation of dilapidated properties in the central cities or developed suburbs can generate broad neighborhood support, but new construction of affordable housing can bump up against significant “not in my backyard” opposition. Multiple developers said that for affordable housing to be financially feasible, it needs to be “affordable by design” (through increased height and density limits and reduced parking ratios) rather than by public subsidy. Several participants also said that transit access itself—by dramatically reducing household transportation costs—makes all housing inherently more affordable.

Recommendations

To encourage a balance of living-wage jobs and mixed-income housing near transit, the researchers recommend that policymakers focus on making site-selection decisions for developers and employers less challenging by:

- Fostering communication and collaboration between the public sector and groups in the private sector that already have shown an interest in transit-accessible locations. These groups include multifamily residential developers, redevelopment specialists, large corporations, startups and other small, innovative employers, and employers of low-wage workers.

- Promoting vibrant, walkable neighborhoods through flexible design and regulatory reform such as form-based codes in station areas (regulating only appearance and externalities rather than uses), high-enough densities, and maximum parking requirements.
- Promoting diverse affordable-housing options by helping affordable-housing specialists pursue cost-effective designs that reduce parking ratios and increase density by raising height restrictions.
- Promoting diverse transit options—including high-frequency bus routes and high-quality rail—and accelerating system development.

“What’s the best way to build affordable housing?...You don’t have to subsidize the unit or do anything—just put it on transit.”

—Developer

“The millennial generation is looking for something different than the baby boomers are... As we go forward, access to transportation is going to [make] a bigger impact on attracting talent.”

—Employer

About the Research

This research was conducted for the Metropolitan Council as part of the Corridors of Opportunity Initiative, a broad-based plan to accelerate the build-out of a Twin Cities regional transit system so that people of all incomes and backgrounds share in the resulting opportunities. Assistant Professor Yingling Fan and Research Fellow Andrew Guthrie, both with the University of Minnesota’s Humphrey School of Public Affairs, led the research. The study was funded under an award from the U.S. Department of Housing and Urban Development. The full research report—*Research on How to Achieve System-Level, Transit-Oriented Jobs-Housing Balance* (CTS-13-24)—is available at cts.umn.edu/Research.