



CENTER FOR INNOVATIVE FINANCE SUPPORT

QUICK FACTS

Transit-oriented development (TOD) provides compact, mixed-use development with housing, commercial and retail space, and other amenities—all in close proximity to transit stations.

TOD provides a high-quality walking environment and encourages transit ridership.

TOD focuses on developing cohesive communities with business clusters and entertainment centers to counter the effects of urban sprawl.

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VALUE CAPTURE

Transit-Oriented Development (TOD)

Transit-oriented development (TOD) is compact, mixed-use development near transit facilities that provides high-quality walking environments. It usually includes new residential development, office space, and other service amenities that are within a half-mile of public transportation and easily commutable by other means, such as walking and biking. TOD typically creates sustainable neighborhoods that provide a convenient, affordable, and active lifestyle.

There are two broad types of TOD, both of which are developed around transit systems. Urban TOD is located in or near city centers in close proximity to main light rail, heavy rail, or express bus routes. It features high-density residential and commercial developments and employment clusters. Neighborhood TOD is located along the feeder lines or bus routes further away from the urban core. Although neighborhood TOD areas also feature mixed-use properties, population densities are not normally as high as with urban TOD.

The potential benefits of TOD may include:

- Increased land values.
- New prime retail spaces for businesses to attract customers.
- Increased higher-density development and up-zoning.
- Increased foot traffic and visibility to customers for businesses.
- New development subsidies to improve and maintain community infrastructure.

By increasing access to public transit, TOD facilitates growth in transit ridership and a corresponding reduction in vehicular traffic and parking demand in TOD areas. TOD is also often used with other value capture strategies, including joint development and special assessment districts.

Planning for TOD has focused on forecasting the benefits that such developments bring to transit investments. The impetus for this dates back to the focus on the metropolitan planning organization (MPO) process laid out in the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 and the Transportation Equity Act for the 21st Century (TEA-21) of 1998. TEA-21 mandated that the MPO process “protect and enhance the environment, promote energy conservation, and improve the quality of life,” and also stipulated that it should include land use analysis and growth management strategies to achieve specific development goals. In addition, the legislation tied funding for New Starts transit projects to their performance in these areas. Together these dynamics have led MPOs around the country to include TOD in their regional plans and have made public funding available to support community infrastructure costs.



Lake Street Transit Village, Minneapolis, MN.

Source: Metro Transit

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PROJECT EXAMPLES

HENNEPIN COUNTY, MN

In 2003, the Hennepin County Board of Commissioners created a TOD program to support the redevelopment and construction of new transit lines and encourage transit ridership. To date, the county has awarded more than \$29 million in funding to urban and suburban TOD projects along major transit corridors, including the Metro Transit Blue, Green, and Red lines. The Lake Street Transit Village is a transformational TOD project in the Corcoran neighborhood near the Lake Street/Midtown station on the Blue Line in south Minneapolis. It opened in 2017 and combines a new county Human Services Center, retail space, and more than 500 units of housing immediately west of the Lake Street/Midtown station. Additional housing will be phased-in over time. The development complements a new \$45 million senior housing project located near the station and the Midtown Farmer's Market, which attracts over 66,000 annual visitors. The Lake Street Transit Village is one of many transit-oriented communities to be developed in the Minneapolis–St. Paul region in the past 15 years.

DAVIS SQUARE, SOMERVILLE, MA

Davis Square is located in Somerville, MA, north of Cambridge at the terminus of the Massachusetts Bay Transportation Authority (MBTA) Red Line. Prior to the extension of the Red Line, the area had been in decline. Officials and local residents established the Davis Square Task Force to develop plans to revitalize the neighborhood using the creation of the new MBTA station as a catalyst for development.

The plan called for repurposing existing buildings, new construction, improving streets and parking, and creating pedestrian amenities. The city worked with State and Federal agencies to raise funding for the following TOD improvements:

- Redeveloping streets and sidewalks, street lighting, and fencing and landscaping with assistance from the Federal Highway Administration's Urban Systems program.
- Using Community Development Block Grants to fund a storefront- and façade-improvement program.
- Redeveloping 100,000-ft² of the Buena Vista office and retail complex through the Urban Development Action Grant.
- Reusing an abandoned freight railroad right-of-way for bike and pedestrian pathways to provide access to the Alewife MBTA station.
- Building a parking structure with over 2,600 parking spaces at the Alewife MBTA station, together with traffic-calming measures to help mitigate traffic and car usage.

Together these improvements transformed Davis Square into one of the first transit-oriented communities in the United States.



Alewife MBTA station, Cambridge, MA.



OFFICE OF INNOVATIVE PROGRAM DELIVERY

PROGRAM AREAS OF THE CENTER FOR INNOVATIVE FINANCE SUPPORT

The Center for Innovative Finance Support provides a one-stop source for expertise, guidance, research, decision tools, and publications on program delivery innovations. Our Web page, workshops, and other resources help transportation professionals deliver innovation.

PUBLIC—PRIVATE PARTNERSHIPS

The Center for Innovative Finance Support's P3 program focuses on the potential of design–build–finance–operate–maintain (DBFOM) concessions funded through tolls or availability payments to reduce project cost, improve quality outcomes, and provide additional financing options.

ALTERNATIVE PROJECT DELIVERY

The Center for Innovative Finance Support's Alternative Project Delivery program provides information on contractual arrangements that allow for greater private participation in infrastructure development by transferring risk and responsibility from public project sponsors to private sector engineers, contractors, and investors.

PROJECT FINANCE

The Center for Innovative Finance Support's Project Finance program focuses on alternative financing, including State Infrastructure Banks (SIBs), Grant Anticipation Revenue Vehicles (GARVEEs), and Build America Bonds (BABs).

TOLLING AND PRICING

The Center for Innovative Finance Support's Federal Tolling and Pricing program focuses on the use of tolling and other road user charges as a revenue source to fund highway improvements and the use of variably priced tolls as a tool to manage congestion.

VALUE CAPTURE

The Center for Innovative Finance Support's Value Capture Strategies program explores strategies for tapping into the added value the transportation improvements bring to nearby properties as a means to provide new funding for surface transportation improvements.



U.S. Department of Transportation
Federal Highway Administration