HOUSING AND COMMUNITIES

Generating Affordable and Abundant Transit-Oriented Development in Washington State

A Review of Current Practice and Recommendations for the Future

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List of Acronyms

ADU Accessory dwelling unit

AMI Area median income

BRT Bus rapid transit

CHIP Connecting Housing to Infrastructure Program

FAR Floor area ratio

FLUM Future land use map

GMA Growth Management Act

HUD US Department of Housing and Urban Development

IZ Inclusionary Zoning

LIHTC Low Income Housing Tax Credit

MFTE Multi-Family Housing Property Tax Exemption

MPO Metropolitan planning organization

MTC San Francisco Bay Area Metropolitan Transportation Commission

PDA Priority development area

SEPA State Environmental Policy Act

TOC Transit-oriented community

TOD Transit-oriented development

USDOT US Department of Transportation

WSDOT Washington Department of Transportation

Executive Summary

Washington state is one of the nation's most prosperous thanks to a welcoming climate and a growing economy. New construction is often a way of life in neighborhoods around the rapidly expanding transit networks that have recently been completed or are now being built in the Puget Sound, Spokane, and Vancouver metropolitan areas. Yet not everyone has been able to take advantage of the state's boom, as housing costs have increased at much higher rates than those of the nation overall (box 1). In recent years, the state legislature has sought to address these problems through new municipal requirements and new funding for subsidized housing. What strategies can Washington use to increase the availability of housing, especially affordable housing, in mixed-use neighborhoods near transit? In this report, we recommend ways to get there.

BOX 1

Washington State Is Increasingly Unaffordable

Between 1990 and 2021, the average home in Washington almost tripled in value, adjusted for inflation, as the state's population grew. More specifically,

- median rents increased by 84 percent, the third-highest increase of any state;
- median home values, which were 14th highest among states in 1990, rose to 4th highest by 2021; and
- the share of renters paying more than 30 percent of their incomes to rent increased from 39 to 49 percent over that period.

Source: Authors' analysis of 1990 and 2019–23 US Census data.

Neighborhoods near Washington's transit stations—including light rail, commuter rail, streetcar, and bus rapid transit (BRT) stops—have generally higher population and housing densities than other neighborhoods, and they have grown at a more rapid clip. But differences abound between cities with high housing costs and those with low costs, especially in transit areas, which we define as those within a half mile of rail stations and a quarter mile of BRT stops. Transit areas in high-housing-cost cities have experienced substantial construction and population growth, particularly of people with high educational attainment, high incomes, and low car ownership. But low-housing-cost cities have

not experienced these trends. In low-housing-cost cities, residents have become increasingly car reliant, and they face high housing cost burdens. Meanwhile, these latter cities struggle to provide the infrastructure and accommodating public realm needed to attract private investment near transit.

These trends suggest that a Washington state transit-oriented development (TOD) strategy must account for, and plan for, sometimes opposing trends in different types of communities (box 2). Transit areas in cities with high housing costs are experiencing changes akin to gentrification as the availability of homes affordable to low-income households declines. Meanwhile, residents of transit areas in cities with low housing costs are experiencing rents rising more rapidly than incomes. Everywhere, there is an inadequate supply of housing available to families with low incomes.

BOX 2

Cities in Washington Are Experiencing Opposing Trends in Population and Housing

In this report we document differences and trends in the housing markets of transit-served cities. Median housing values range from less than $300,000 in Spokane to more than $1.5 million on Mercer Island. Other findings include the following:

- With the exception of Lynnwood and Seattle, high-housing-cost cities often have fewer affordable, subsidized units.
- Although population and housing growth has been concentrated near transit in high-housing-cost cities, there has been no such concentration of growth in low-housing-cost cities.
- Areas near transit in high-housing-cost cities are gentrifying, with a more educated, wealthier, and whiter population.
- Transit availability is associated with less car ownership, but only in high-housing-cost cities.

Source: Authors' analysis of 2000 and 2018–22 US Census data and National Housing Preservation Database data.

Ensuring Washington's cities offer abundant and affordable TOD requires building more homes—particularly affordable ones—and surmounting barriers that limit construction today. We identify a number of key challenges, including the following:

- **financing barriers** that limit the potential for housing construction in cities with low housing costs due to high project development risk, combined with inadequate subsidies to cover the costs of units affordable to households with low incomes

- **cost barriers** owing to high land values in the cities with the most demand for housing and inadequate funding for complementary infrastructure needed to create vibrant, pedestrian-friendly, and mixed-use neighborhoods
- **regulatory barriers**, such as parking rules and discretionary design review, that expose projects to unnecessary requirements or delay them

In response to state regulations, cities have adjusted their comprehensive plans and zoning rules to encourage TOD. Though cities have planned for high densities in some transit-accessible areas, in others, they continue to plan for low densities, such as in Lake Forest Park or West Seattle. Localities will eventually have to comply with rules passed during the 2025 legislative session, particularly House Bill (H.B.) 1491, which in most transit areas imposes average density requirements, eliminates most parking minimums, and imposes housing affordability rules. This law, however, raises new questions, such as whether its approach to funding affordable housing could reduce municipalities' ability to pay for investments important for transit and TOD, such as a walkable public realm near stations.

We reviewed how planners and policymakers in six other regions in the United States and Canada have sought to promote affordable TOD. We show that, in the Twin Cities, a predevelopment fund helps reduce project risks by enabling flexible expenditures on new projects. In California, programs are designed to evolve. And in British Columbia, provincial minimum zoning requirements are combined with funds to acquire land for new housing (box 3).

BOX 3

British Columbia's Approach to Promoting Transit-Oriented Development

British Columbia has taken steps to encourage TOD that could be emulated, including the following:

- enabling a transit agency to take a lead role in development on parcels near stations, including by giving it additional land acquisition powers
- creating provincial public development mechanisms, including an organization that provides low-cost construction financing; focusing on publicly owned sites near transit that integrate a mix of uses; and empowering the provincial transportation ministry to plan for TOD as part of new transit projects
- requiring municipalities to zone for very-high-density development near rail and bus rapid transit stations

Source: Authors' analysis of British Columbia provincial policy.

Recommendations for Abundant and Affordable Transit-Oriented Development in Washington State

Based on these case studies and our examination of Washington cities' current regulatory and financial landscapes, we recommend that the state legislature do the following:

- Ensure communities can implement TOD by **funding an expansion in neighborhood infrastructure grants**, particularly to low-housing-cost cities with limited local tax bases. These grants can help those communities create the walkable, desirable, and vibrant neighborhoods that enable future development and improve quality of life. These grants are needed in part to account for the trade-offs inherent in the state's approach to funding affordable housing in TOD areas, which may limit increased property tax revenue in many cities even as they grow.
- Make room for affordable housing by **increasing investment in the housing trust fund**; **leveraging publicly owned land for affordable housing**; **expanding public agencies' ability to acquire land for TOD projects**; **enabling public agencies, including transit authorities, to facilitate development**; and **enabling affordable housing developers to preempt local zoning in cities with low supply of subsidized housing.**
- Expand options for development by **allowing very high densities close to frequent, fast, and reliable transit**, such as Sound Transit's light rail system, beyond the requirements of recent state legislation, with an emphasis on taller buildings.
- **Adjust the state's property tax exemptions and affordable housing requirements** so that they do not inhibit construction in communities with relatively low demand.
- Create opportunities for a mix of uses by **implementing zoning policies that encourage small-scale retail formats**, **introducing a state master lessor for retail space in TOD buildings**, and **encouraging state and local agencies to lease TOD retail for customer-serving uses**.
- Reduce other burdens associated with the development process, including by **limiting design review**, **spreading the burden of impact fee costs**, and **surmounting challenges related to constructing multifamily buildings under the state energy code**.

Municipal governments throughout the state are largely supportive of additional development, and many local staff want to encourage affordable housing in their communities. They can play an important role in partnering with the state, transit agencies, and developers in advancing the collective goal of a more affordable, transit-oriented Washington state.

How We Conducted This Research

Our team assembled datasets on demographics, housing availability, and affordability for areas along existing and planned fixed-guideway transit lines, including light rail, commuter rail, streetcar, and BRT routes, in the Puget Sound, Spokane, and Vancouver regions. We undertook interviews with a variety of stakeholders who have experience working on issues related to urban development in the state of Washington. And we conducted case studies of other regions that are pioneering new approaches to TOD. This analysis thus offers a varied view of the issues faced by the state when it comes to advancing TOD—and the potential opportunities offered by future change.

Generating Affordable and Abundant Transit-Oriented Development in Washington State

Washington state has grown rapidly since the turn of the millennium, adding more than 2 million residents thanks to a dynamic employment sector and high quality of life. Major investments by the state, local governments, and transportation agencies in improved transit in the Puget Sound, Spokane, and Vancouver regions have accelerated that growth, giving people better access to transit and offering options to create transit-oriented development (TOD), meaning dense, walkable, publicly accessible, and mixed-use neighborhoods located near frequent and reliable transit lines (Jamme et al. 2019). That rapid growth has put pressure on the state's residents. Over the past two decades, several of Washington state's metropolitan areas have built new housing at a rapid pace compared with other major West Coast regions, but all those new homes have so far been inadequate to address rising housing costs and growing rates of homelessness.[1] Indeed, the Washington State Department of Commerce estimates that the state's municipalities will face a substantial shortfall in housing units affordable for households with low incomes if current construction trends continue apace.

Policymakers in Washington state are seeking to accelerate additional housing construction, particularly of homes that are affordable for families with low and moderate incomes. They are also focused on encouraging development in areas near transit, where residents can benefit from lower transportation costs and more environmentally sustainable living, and where a mix of uses is possible, enabling easier day-to-day life. In recent years, state legislators have passed amendments to the Growth Management Act (GMA) and other parts of the state code that require municipalities to act to achieve better outcomes, while expanding support for affordable housing. These policies may result in better access to affordable TOD, but they are likely be inadequate to achieve all of the state's goals, particularly when it comes to providing adequate housing for families with low incomes.[2]

Key to the success of the state's TOD efforts is action by municipalities themselves. Localities play an essential role in the planning process, since they are responsible for developing comprehensive plans and associated zoning codes and then implementing them. These local requirements ultimately form the groundwork for new construction—either enabling additional housing or preventing its development. Achieving TOD statewide means joint action by state and local officials.

In this report, we assess how effectively Washington municipalities are planning for affordable TOD while providing recommendations for future policy changes that could improve outcomes, building on other recent research and recommendations for Washington (e.g., Freemark, Lo, et al. 2023; Puget Sound Regional Council 2013; Virant et al. 2024). Several related research initiatives are under way to identify best practices, such as Sound Transit's TOD toolkit for its Everett Link Extension.

We examine the following questions, whose answers can help the state assess how to spur on additional housing, and particularly affordable housing, in areas close to the growing transit network:

- How do transit-served municipalities in Washington state compare in terms of their demographics and housing, and how have these conditions changed over time?
- What barriers stand in the way of additional TOD?
- How are municipalities planning for development in neighborhoods near transit stations?
- What best practices can we learn from areas outside Washington that enable affordable TOD?

We conclude this report with a series of recommendations for lawmakers as they advance policy in the state. In the remainder of this chapter, we define the municipalities we study, describe the methods and data we used to conduct our examination, and identify the limitations of our work.

Land-Use Policy Matters for Housing Affordability and Availability

The state of Washington's efforts to bolster TOD corresponds to the broader recognition that housing availability and affordability are intimately related to land-use policy. In general, more accommodating land-use regulations, like zoning policies that enable more housing construction, have been associated with additional availability of homes nationwide (Stacy et al. 2023). And additional housing construction is associated with more affordable housing and housing that is more accommodating, meaning it offers space for potential residents (Freemark 2025).

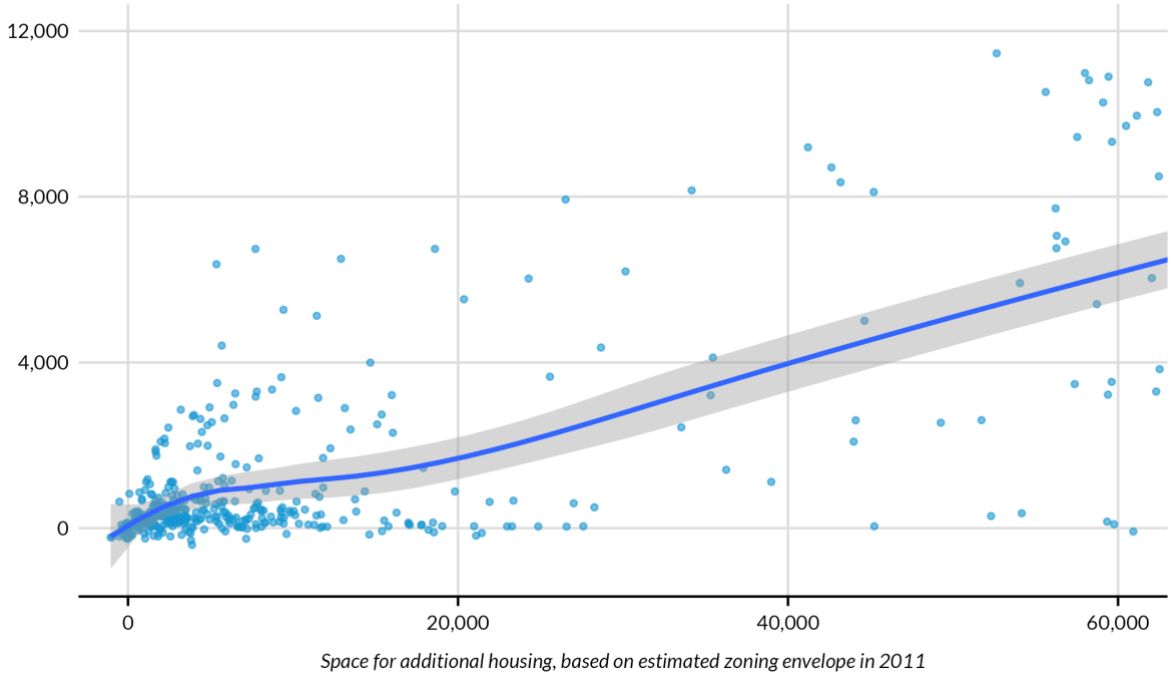
Evidence shows the link between land-use policy and construction in Washington state. We examined municipal zoning policies for neighborhoods near transit in the Puget Sound and compared those with housing growth (Freemark, Lo, et al. 2023). Cities that have zoned for additional new homes do, indeed, get more homes built (figure 1). New construction increases proportionately with availability of land for new housing, such that a city making space for 100 new units, on average, was

able to attract the construction of roughly 10 additional housing units over the past decade. This makes the case that zoning is a major factor promoting—or inhibiting—housing construction.

FIGURE 1

Cities That Have Zoned for More Housing Near Transit Stations Get More Units

Number of housing units added within a half mile of Puget Sound fixed-guideway transit stations, 2011–21



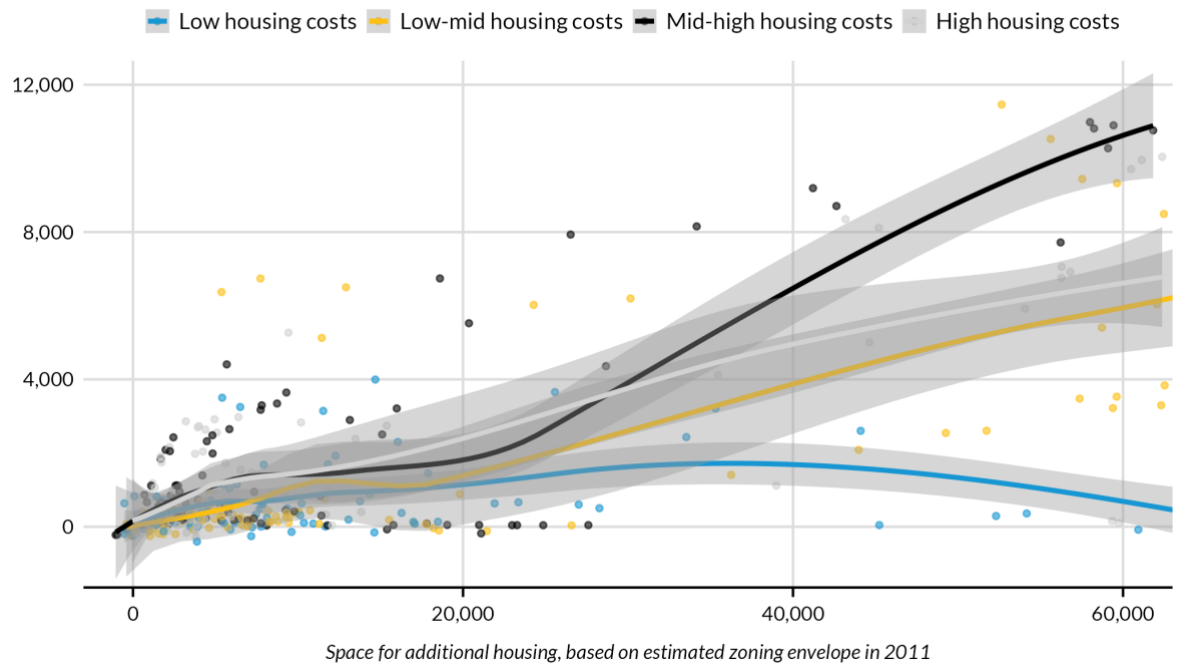
Source: The authors, based on an examination of zoning requirements for municipalities within a half mile of existing and planned rail and bus rapid transit stations (using data assembled from Freemark, Lo, et al. 2023); 2009–13 and 2019–23 American Community Survey five-year data at the block group level (referred to as 2011 and 2021, respectively).
Notes: Graph does not include data from Spokane or Vancouver. Estimates for space for additional housing are based on average allowed residential densities in 2023; zoning policies in some cities may have changed since 2011.

Even so, it is necessary to emphasize that rates of housing construction vary based on market demand and relative attractiveness of different neighborhoods. Making way for additional homes in the zoning code is only likely to attract private market investment when developers can make money from projects. When we compare rates of housing growth in neighborhoods based on their overall housing costs (incorporating those of both rental and ownership units), we find that neighborhoods with low housing costs—reflective of generally lower rates of demand to live there—have historically attracted little development, no matter how much room their respective municipal governments have enabled (figure 2). On the other hand, neighborhoods with higher housing costs and thus demand attract consistently higher rates of development in parallel with their provision of more room for new construction.

FIGURE 2

Housing Construction Is Impacted by Land-Use Policy—but Also by Local Demand

Number of housing units added within a half mile of Puget Sound fixed-guideway transit stations, 2011–21, by housing costs in the station area



Source: The authors, based on an examination of zoning requirements for municipalities within a half mile of existing and planned rail and bus rapid transit stations (using data assembled from Freemark, Lo, et al. 2023); 2009–13 and 2019–23 American Community Survey five-year data at the block group level (referred to as 2011 and 2021, respectively).
Notes: Graph does not include data from Spokane or Vancouver. Estimates for additional housing space are based on average allowed residential densities in 2023; policies in some cities may have changed since 2011. Housing costs combine home values and rent levels for 2011 for neighborhoods within a half mile of each station; low indicates costs that are less than 89 percent of the regional median; low-mid indicates costs that are 89 to 99 percent of the regional median; mid-high indicates costs that are 100 to 112 percent of the regional median; and high indicates costs that are above 112 percent of the regional median.

Readers should consider the interplay between government regulations and market demand as they consider this report's findings. Our analysis confirms that capacity for construction in the zoning code is only likely to result in substantially more housing in in-demand markets (appendix table A.1). Zoning reforms are necessary to encourage space for more building—particularly subsidized affordable housing, which is concentrated in the few zoning districts that allow high-density, multifamily housing[3]—but they are insufficient, their effect depending on other aspects of the real estate market. We account for these facts throughout this report, in which we develop a typology of communities (see the next chapter). Policymakers and other stakeholders should consider issues of both land-use regulation and market demand as they plot strategies to advance affordable TOD statewide.

The Municipalities and Transit Areas in This Study

We focus on the 33 localities in Washington state with at least 12,500 residents and with neighborhoods within reasonable distance of current or planned fixed-guideway transit stations.[4] We define fixed-guideway transit as bus or rail service operating generally—but not always—within a defined right-of-way (i.e., separated from cars) and with high-quality stations. In our analysis, we include existing and under-construction bus rapid transit (BRT) routes as well as existing, under-construction, and planned light rail, streetcar, monorail, and commuter rail routes. These fixed-guideway services are located in three Washington state regions: the Puget Sound, Spokane, and Vancouver, and in five counties: Clark, King, Pierce, Snohomish, and Spokane.

We include Arlington and Marysville in our analysis, but we do not specify the transit-served neighborhoods within the two cities. We include these two localities because Snohomish County's Community Transit expects to build the Gold Line BRT route from Everett north through Marysville and Arlington, with construction to begin in 2027. As of this report's writing, however, the route's final alignment and station locations have not yet been identified; as such, we cannot confidently assert that one neighborhood will receive a station versus another.[5] There are other planned transit routes also not included on the map, such as the RapidRide I Line, which will link Renton and Auburn and eventually improve transit service to other parts of the state.

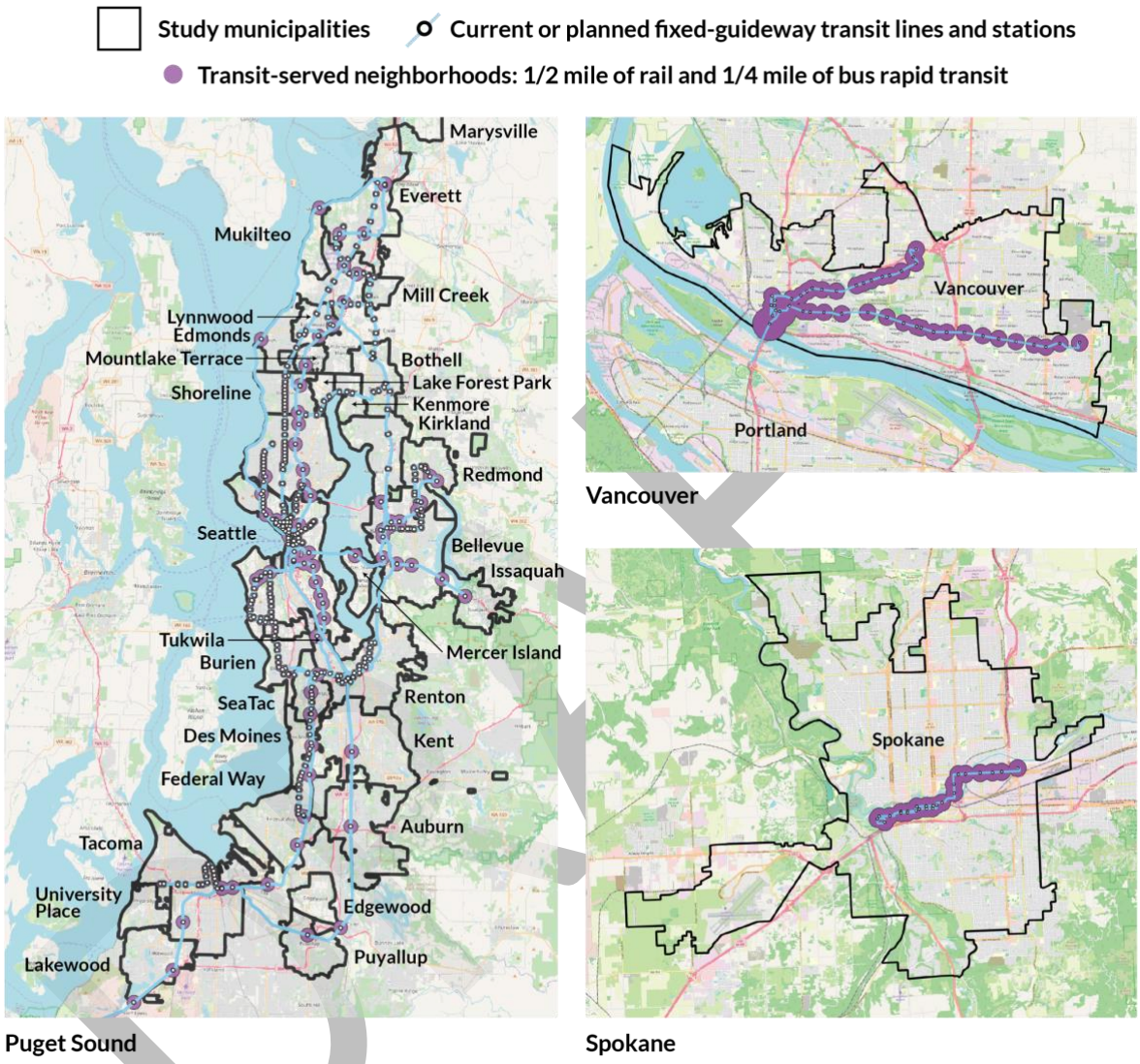
We do not include in our analysis unincorporated areas of King, Pierce, or Snohomish Counties through which current and planned fixed-guideway transit lines run. Nor do we examine other types of transit options, such as ferry service, which play an important role in connecting Kitsap County, in particular. Lastly, although "regular" bus service plays an important role in connecting people to opportunities throughout the state, we focus specifically on the fixed-guideway services that have been substantially improved through capital investment.

We examine conditions both across municipalities as a whole and within easy access of stations along those fixed-guideway lines. We classify areas "near" fixed-guideway transit as those within a half mile (as the crow flies) of light rail, monorail, and commuter rail stations, or within a quarter mile of BRT and streetcar stations. We refer to these areas collectively as "near transit" or "transit-served neighborhoods" throughout the remainder of this report, acknowledging that many cities are served by other forms of transit. We chose these distances based on a review of scholarly standards on examining the effects of transit station adjacency on nearby neighborhoods. We map the municipalities we study, transit lines, and the transit-served neighborhoods in figure 3.

FIGURE 3

The Municipalities in This Study Served by Fixed-Guideway Transit

Neighborhoods within reasonable distance of rail and bus rapid transit stations



Source: The authors, using data from Transit Explorer and OpenStreetMap contributors.
Notes: Arlington is not shown because it does not include any current fixed-guideway transit, or planned lines whose routes have been finalized. The Puget Sound, Spokane, and Vancouver maps are at different scales.

Methods and Data

We conducted this research by leveraging data collected using a mix of methods. Our goal was to leverage quantitative, geospatial, and qualitative data to provide insight into conditions related to

housing near transit in Washington state today, while also identifying potential avenues to expand the availability of housing, particularly homes affordable for households with low and moderate incomes.

We began by collecting data from sources that describe the demographics and housing conditions of cities across Washington. We focused on data available at the municipal and tract levels from the US Census and its American Community Survey. We used a series of geospatial analyses to identify conditions specific to the neighborhoods located near fixed-guideway transit, as described above, using data sourced from Transit Explorer.[6] In addition, we collected information from the National Housing Preservation Database, which provides information about "project-based" housing units that are federally subsidized and affordable to households with low and moderate incomes. These include units subsidized by the Low-Income Housing Tax Credit (LIHTC), public housing, project-based Section 8, and other similar programs. These are income-restricted units, meaning only households under a certain income level (generally 60 percent of metropolitan median income, referred to as area median income [AMI], for LIHTC and 30 percent for public housing and project-based Section 8) can live in them.

We also collected information from jurisdictions themselves. We asked all study municipalities to provide shapefiles that represent the geographical extents of their most recently passed comprehensive plans and zoning policies. We undertook a geospatial analysis to compare how different localities have chosen to plan for future housing and mixed-use development in the areas near transit. We also reviewed comprehensive plans and local zoning policies to understand how municipalities differ in terms of such regulations as local minimum parking requirements and development fees. Lastly, we collected data from each of the relevant counties about their expectations for each municipality's housing growth over the next few decades.

In addition, to conduct our case studies of best practices, we reviewed web-based information about the progress of other regions in the US and Canada on promoting TOD, particularly affordable TOD. We began by selecting six regions based on a preliminary review of what appeared to be working. We then delved into the details to understand the history of each region's TOD policies and identify lessons each region offers for the state of Washington. We also sought feedback about our case studies by interviewing people working on the ground in each of the six regions of interest.

We conducted interviews and a virtual roundtable in November and December 2024 with public, private, and nonprofit stakeholders working to facilitate development to understand their views on barriers to TOD in Washington. The interviewees included people with experience in for-profit and nonprofit housing development, representatives from a commercial real estate development

association, municipal staff, and transit agency workers. The research team asked these stakeholders to identify their role in TOD delivery and identify the greatest challenges associated with building residential projects in transit-rich locations. We specifically asked them to rank the parts of the development process in terms of how they could impact development feasibility. We also asked them to identify areas where state intervention would be of most value to overcome barriers to TOD. Separately, we spoke with staff from more than two dozen of the municipalities included in this study.

We presented on our work to a number of groups involved in TOD in Washington, including the Puget Sound Regional Council. We reviewed all of the feedback collected from these conversations and used it to inform our findings and recommendations. Finally, we collected input on report drafts from 14 stakeholders and peer reviewers.

Recent State Legislation for Denser, Affordable Housing

Washington state has recently passed major legal changes intended to promote development, in some cases with the goal of encouraging additional affordable housing and in some cases with the goal of encouraging additional housing near transit. Some particularly notable laws include the following:

- **2023's H.B. 1110 (middle housing)**. This law requires cities of 75,000 or more residents to legalize four homes per residential lot, or six if (a) the lot is within a quarter mile of a major transit station, or (b) two of the homes are affordable (all of these requirements are lower for smaller cities).
- **2023's H.B. 1337 (accessory dwelling units)**. This law mandates that localities allow construction of accessory dwelling units (ADUs) by legalizing two ADUs per lot, capping impact fees, and prohibiting owner-occupancy requirements. The law lifts parking requirements for ADUs near transit.
- **2023's H.B. 5412 (State Environmental Policy Act)**. This law exempts housing projects from State Environmental Policy Act (SEPA) review requirements if they comply with local comprehensive plans.
- **2023's capital budget (2023–25)**. The budget allocates $570 million for affordable housing, including $400 million for the Housing Trust Fund, $60 million to link affordable housing and infrastructure, $50 million for affordable transit-oriented housing, and $40 million for land acquisition.

- **2025's H.B. 1403 (condominium construction) and H.B. 1516 (study of insurance options for permanently affordable homeownership units)**. These laws are intended to reduce problems related to condominium liability and insurance difficulties that currently limit the construction of homeownership units in the state.
- **2025's H.B. 1096 (lot splitting)**. This law eases the process by which one lot can be split into two. It ensures that the lot-splitting process can be undertaken administratively, rather than requiring discretionary review.
- **2025's H.B. 1491 (transit-oriented development)**. This law promotes TOD by requiring most cities with fixed-guideway transit access to zone for station-area densities of a floor area ratio (FAR) of at least 2.5 (BRT and streetcar) or 3.5 (light rail and commuter rail); in these areas, if any residential uses are allowed, multifamily buildings must also be allowed. The law provides an additional 1.5 FAR density bonus for buildings whose units are all affordable. For mixed-income buildings, it generally requires that new station-area buildings have 10 to 20 percent affordable or workforce housing; such buildings are in turn rewarded by a 20-year multifamily property tax exemption. The law requires cities to provide developers claiming this exemption with a 50 percent reduction on impact fees and generally mandates that cities eliminate off-street parking requirements for residential or mixed-use projects in station areas. It creates a categorical exemption from SEPA for residential or mixed-use projects in station areas.
- **2025's S.B. 5148 (Growth Management Act enforcement)**. This law creates new enforcement mechanisms for the state's GMA, which is the state code requiring cities and counties to show how they are planning to accommodate future housing needs. The Washington State Department of Commerce is to review plans for compliance; if it finds that a city has not complied, the city may not deny the construction of affordable or moderate-income projects (this is sometimes referred to as a "builder's remedy").[7] A noncompliant city may also be denied certain sources of state infrastructure funding.
- **2025's S.B. 5184 (parking requirements)**. This law limits municipal parking requirements to 0.5 parking spaces per multifamily dwelling or 1 space per single-family home, in cities of more than 30,000 residents. The law eliminates parking requirements entirely for residences under 1,200 square feet, affordable housing, ground-floor commercial space, and other uses.
- **2025's capital budget (2025–27)**. The budget allocates $605 million to the Housing Trust Fund and an additional $8 million for transit-oriented housing development.

Limitations of This Research

Our work presents information about current conditions, opportunities, and barriers in the development of mixed-use TOD—particularly affordable TOD—in municipalities across Washington state. By necessity, our work presents a snapshot; in other words, some of our results may not stand the test of time. We cannot predict how changes in the real estate market or in workforce conditions may affect the state economy and, in turn, the need for housing in areas near transit.

One particular challenge that we faced in this research was the timing of our work, which we conducted between summer 2024 and summer 2025. All of the municipalities in the Puget Sound region were required by state law to update their comprehensive plans in line with the state's GMA by the end of 2024. These plan modifications corresponded to substantial changes in many communities, and in some cases, municipalities were unable to complete their updates on time. We sought to account for this fact by working with municipal staff to ensure our research accurately reflects their most recent drafts, but policy in some places remains in flux as of this writing.

Moreover, the state legislature's burst of housing-related activity over the past few years has been in response to the broad consensus that Washington needs to do more to accommodate residents. In this report, we seek to account for legal changes, including those passed in 2025, but we acknowledge that certain impacts of these changes may not be fully reflected because of how recently the laws were passed. Moreover, some of these laws will take years to be implemented because of the time it takes to incorporate changes into comprehensive plans and then zoning policy.

We also emphasize that the frequent legislative activity has made it challenging for some municipalities to keep up, according to many of the local officials with whom we spoke as part of our research. We do not know the long-term implications of these changes, either. This rapidly shifting policy environment may mean that some of the local practices we describe no longer apply.

Existing Conditions: Housing Availability Near Transit

State and local governments across Washington have invested in substantially improved transit options and have begun to implement changes to land-use requirements with the goal of supporting mixed-use neighborhoods and increased housing—particularly affordable housing—near stations. But not every municipality served by transit has similar features. The distinctions between them are the product of differences in local real estate demand, quality of transit service, and local regulations related to what types of housing can be constructed and where. In this chapter, we examine how housing conditions compare across the municipalities we studied, with a particular focus on how housing affordability has changed over the past few decades, before turning to an investigation of barriers to future development in the chapter that follows.

A Typology of Transit-Served Municipalities

More housing, particularly affordable housing, is needed across Washington, but the factors that lead to investment in new units differ broadly across cities. A community adjacent to a new light rail station, for example, may experience rapid housing investment. Another community may have access to new transit service but nevertheless get little building. Another might become increasingly unaffordable to local residents because rents increase more quickly than incomes, especially for the households with the lowest incomes. Across the United States, jurisdictions whose residents have low incomes often struggle to attract new investment, which concentrates in areas where developers believe they are more likely to be able to charge high rents and where home sale values are high (Freemark 2022). This reality is important to understand when considering how to encourage TOD.

To account for differences in TOD potential, we developed a simple-to-understand typology that seeks to account for the interplay between transit access and housing demand as a mechanism for making sense of the real estate environments that different cities might face. We study citywide transit access because it reflects the degree to which the city is planning for transit overall—not just in station areas. This typology includes the following four "types" of cities:

- **Abundant transit, high housing costs**. These cities have a high share (greater than 10.7 percent, the median among the study cities) of their land area located near current or planned

fixed-guideway transit stations, plus high home values (greater than $545,100, the median among the study cities) near those stations.

  - *What we might expect here:* Based on these conditions, we expect that these communities are likely to be most able to attract investment in market-rate housing. But homes may be difficult to afford for people who want to move into these communities, and higher housing costs may increase the risk of displacement for those who live in them.

- **Abundant transit, low housing costs**. These cities have a higher-than-median share of land located near transit and lower-than-median home values.

  - *What we might expect here:* Based on these conditions, we expect that these communities offer opportunities for affordable housing, but they might have difficulty attracting market-rate development in their transit-served areas because of limited demand.

- **Limited transit, high housing costs**. These cities have a lower-than-median share of their land area near transit and higher-than-median housing costs.

  - *What we might expect here:* These communities are expensive to live in and relatively inaccessible in terms of transit access. They have the capacity to attract TOD, but only in a relatively small portion of their land area.

- **Limited transit, low housing costs**. These cities have a lower-than-median share of land area near transit and lower-than-median housing costs.

  - *What we might expect here:* These cities may struggle not only to attract development, but also to create a collection of neighborhoods that are transit-adjacent and have sufficient ridership to support quality transit service.

We use this typology in this report in several ways. First, we demonstrate that different economic conditions affect a community's ability to attract investment. This can mean, ultimately, that high-housing-cost communities are able to bring in increasing economic development, whereas low-housing-cost communities fall farther behind. Second, we recommend different policy approaches for these different communities, acknowledging that they have different needs.

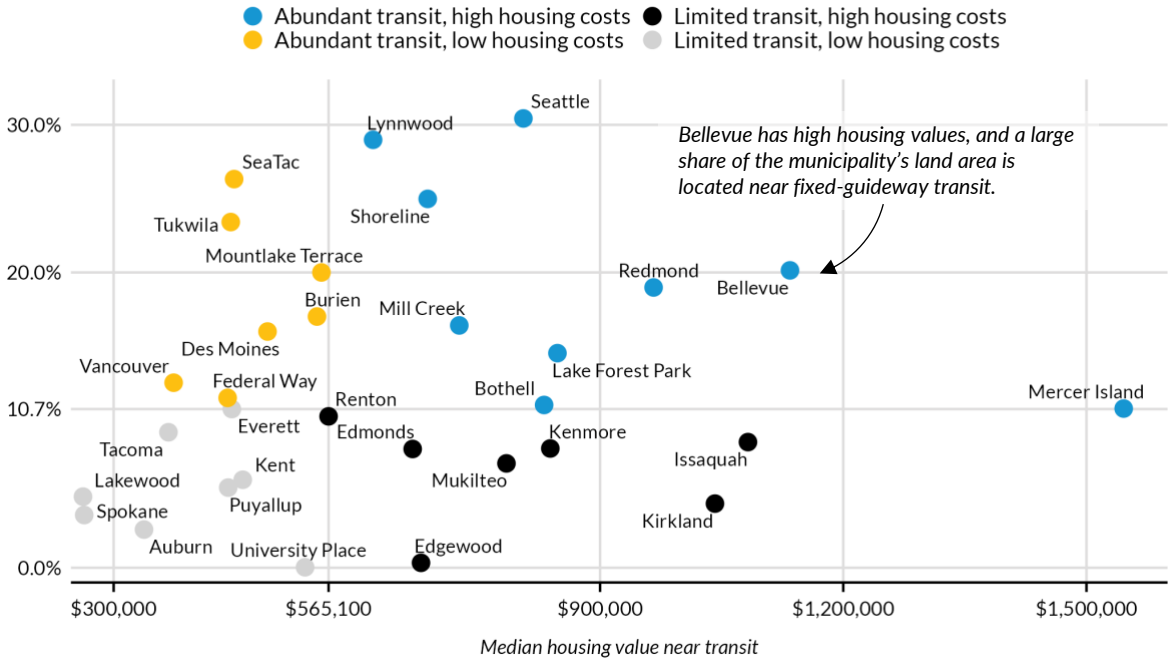
We graph how the study cities fit into this typology in figure 4, with median housing values in the areas near transit shown on the X axis and the share of each city's land area located near transit on the Y axis. Kirkland, for example, fits into the limited transit / high housing costs type, as its median housing values near transit are high, but little of the city's land area is within a reasonable distance of

existing or planned stations. (This typology does not take into account planned *BRT*, like the RapidRide I Line between Renton and Auburn, which will expand access in those and other cities.)

FIGURE 4

Typology of the Cities in This Study

Share of city land near transit



Source: The authors, based on an analysis of Transit Explorer and 2018–22 American Community Survey five-year data.
Notes: Arlington and Marysville not shown as they do not have any land area located near transit stations as defined in this study. Graph encompasses both current and planned transit stations. The median housing value ($565,100) and median share of city land near transit (10.7 percent) among these municipalities are marked on the graph's axes.

This typology is, by necessity, a simplification of conditions in Washington municipalities, which are more accurately a continuum rather than a set of groupings identified by specific cutoffs. As shown in figure 4, for example, we classify Everett and Federal Way as reflecting different types of conditions, even though their characteristics are quite similar. This typology, then, should be seen as a way to understand conditions on the ground and potentially identify appropriate solutions, but certainly not the *only* way to do so. Housing values represent economic conditions—but they are just one way among many of measuring a community's circumstances, which can also involve difficult-to-quantify factors such as quality of life.

In table 1, we compare several of the major demographic and housing characteristics in the 33 study cities, divided into the four jurisdictional types described above. These comparisons are

citywide; many municipalities have submarkets that differ from the citywide average. Nonetheless, this comparison illustrates the following key facts about the cities:

- **Greater access to transit is associated with a larger share of workers using transit and a larger share of housing near fixed-guideway transit stations**. To some degree, this is self-perpetuating: transit agencies have an incentive to invest in projects in communities that use transit more (though they sometimes choose projects that do not meet that goal because of cost or political considerations). High transit use is common across the cities with abundant transit. This suggests that increasing transit options could be associated with more transit ridership and certainly a larger share of housing located near stations.
- **In general, federally subsidized affordable housing units are much more likely to be located in communities with low housing costs, whether or not those communities have abundant access to transit options**. The major exceptions to this trend are Lynnwood, Seattle, and Shoreline, which have high housing costs and also relatively large shares of affordable subsidized housing, and Mountlake Terrace, which has relatively low housing costs and good access to transit but a small share of affordable subsidized housing. Similar trends are present for federally supported Housing Choice Vouchers, which are relatively rare among high-housing-cost cities, except in Lynnwood and Seattle.

TABLE 1

Demographics and Housing Characteristics of the Cities in This Study, 2020

City	Population	Housing units	Share of workers using transit	Share of housing near transit	Median housing value citywide	Share of units federally subsidized	Share of households using housing choice vouchers
Abundant transit, high housing costs							
Bellevue	150,522	64,960	7.4%	31.1%	$1,183,636	3.1%	2.0%
Bothell	48,295	19,834	5.5%	14.0%	$757,911	2.6%	0.9%
Lake Forest Park	14,155	5,780	8.7%	18.7%	$860,226	1.8%	0.6%
Lynnwood	42,189	17,571	8.4%	30.3%	$593,020	10.9%	8.0%
Mercer Island	25,464	10,514	7.2%	27.1%	$1,689,163	1.2%	0.3%
Mill Creek	22,321	9,451	5.4%	19.1%	$737,565	3.2%	1.4%
Redmond	72,621	31,077	6.4%	28.0%	$1,026,172	5.1%	1.8%
Seattle	734,696	372,432	15.6%	50.0%	$918,293	8.2%	3.4%
Shoreline	58,019	23,360	9.6%	31.1%	$746,665	6.9%	2.1%
Abundant transit, low housing costs							
Burien	48,910	19,978	8.4%	24.6%	$575,732	6.3%	2.4%
Des Moines	31,736	12,695	5.4%	21.4%	$492,452	6.9%	2.3%

City	Population	Housing units	Share of workers using transit	Share of housing near transit	Median housing value citywide	Share of units federally subsidized	Share of households using housing choice vouchers
Federal Way	100,054	38,517	6.2%	13.9%	$448,641	6.3%	3.9%
Mountlake Terrace	20,944	9,111	8.3%	19.4%	$558,544	2.0%	1.9%
SeaTac	31,615	12,222	8.3%	37.0%	$417,333	14.4%	3.3%
Tukwila	23,611	9,592	10.6%	27.6%	$422,792	7.4%	3.8%
Vancouver	190,417	80,650	2.2%	19.0%	$412,511	6.2%	3.3%
Limited transit, high housing costs							
Edgewood	11,937	4,605	2.3%	0.3%	$587,622	0.0%	0.5%
Edmonds	42,398	19,002	5.9%	11.8%	$787,700	1.2%	0.9%
Issaquah	33,370	14,026	6.8%	6.8%	$977,541	4.5%	1.9%
Kenmore	24,221	9,694	8.3%	11.4%	$797,394	2.0%	0.9%
Kirkland	87,169	38,000	6.1%	3.9%	$1,020,450	1.9%	1.6%
Mukilteo	19,854	7,972	3.6%	4.4%	$776,475	0.5%	0.6%
Renton	105,332	42,641	5.2%	7.4%	$575,102	5.4%	1.9%
Limited transit, low housing costs							
Arlington	16,666	6,711	0.7%	0.0%	$454,927	14.8%	3.1%
Auburn	82,981	31,309	4.5%	2.8%	$449,641	9.0%	2.5%
Everett	110,331	46,731	4.0%	16.2%	$472,232	9.5%	7.4%
Kent	128,581	45,895	5.9%	7.8%	$469,656	7.2%	3.6%
Lakewood	63,965	28,605	3.6%	6.0%	$403,650	1.6%	3.8%
Marysville	65,504	24,411	2.2%	0.0%	$444,203	5.7%	2.0%
Puyallup	41,399	16,846	3.3%	8.5%	$470,376	4.8%	1.3%
Spokane	224,739	99,793	3.3%	6.4%	$301,194	6.3%	3.6%
Tacoma	218,775	93,656	5.3%	11.9%	$447,968	5.8%	4.8%
University Place	36,074	14,983	3.3%	0.1%	$517,637	2.1%	3.0%

Source: The authors, based on an analysis of Transit Explorer, 2018–22 American Community Survey five-year data, National Housing Preservation Database, and Puget Sound Regional Council data.
Notes: The median household incomes in this table differ somewhat from those in figure 4, as this table presents data for entire municipalities, whereas the data in figure 4 (which we used to develop our typology) represent only neighborhoods near transit.

In table 2, we provide more details about each study city, focusing on housing densities—meaning how concentrated housing units are across the jurisdiction's land area—and housing goals developed under the state's GMA; we detail planned locations of new housing under each city's comprehensive plan in a later chapter in this report. This table illustrates a more complicated story:

- **Current housing densities among the study cities range dramatically**, from far suburban municipalities like Arlington and Edgewood with low densities of fewer than 700 units per square mile, to Seattle, which has the highest densities among study cities, with more than 4,400 units per square mile.

- **All cities increased their housing densities over the past two decades**, with Seattle experiencing the most dramatic increase. Burien, Edgewood, and Lake Forest Park had the smallest increases in housing densities among the study cities.
- **Under GMA requirements, all cities are expected to increase their housing densities over the next two decades**. Edmonds, Everett, Lynnwood, Mountlake Terrace, Redmond, Seattle, and Shoreline are planning to increase their overall housing densities by more than 1,000 units per square mile. Here, again, there is no connection between the local real estate markets and planned increases in housing densities, with some high-housing-cost jurisdictions, such as Issaquah, Lake Forest Park, and Mercer Island, planning much lower increases in housing densities than low-housing-cost jurisdictions like Tacoma or Tukwila.

TABLE 2

Housing Goals and Characteristics of Study Cities

City	Housing units (2020)	Long-term housing goal	Housing density per square mile	Increase in housing density, 2000–20	Planned change in housing density to meet goal
Abundant transit, high housing costs					
Bellevue	64,960	99,960	1,813	387	977
Bothell	19,834	32,616	1,455	435	937
Lake Forest Park	5,780	6,650	1,636	112	246
Lynnwood	17,571	31,622	2,227	441	1,781
Mercer Island	10,514	11,753	1,670	287	197
Mill Creek	9,451	12,068	2,029	757	562
Redmond	31,077	51,077	1,803	608	1,160
Seattle	372,432	484,432[a]	4,404	1,210	1,324
Shoreline	23,360	36,690	2,006	202	1,145
Abundant transit, low housing costs					
Burien	19,978	27,478	1,977	131	742
Des Moines	12,695	16,495	1,985	157	594
Federal Way	38,517	49,777	1,713	208	501
Mountlake Terrace	9,111	16,794	2,190	261	1,847
SeaTac	12,222	18,122	1,194	179	576
Tukwila	9,592	16,092	999	160	677
Vancouver	80,650	NA	1,538	361	NA
Limited transit, high housing costs					
Edgewood	4,605	7,037	549	150	290
Edmonds	19,002	28,070	2,122	183	1,012
Issaquah	14,026	17,526	1,064	531	266
Kenmore	9,694	12,764	1,577	348	499
Kirkland	38,000	51,200	2,134	332	741
Mukilteo	7,972	10,118	1,276	204	343
Renton	42,641	59,641	1,807	454	721

City	Housing units (2020)	Long-term housing goal	Housing density per square mile	Increase in housing density, 2000–20	Planned change in housing density to meet goal
Limited transit, low housing costs					
Arlington	6,711	14,505	683	295	794
Auburn	31,309	43,405	1,048	335	405
Everett	46,731	85,288	1,329	208	1,097
Kent	45,895	56,095	1,334	200	296
Lakewood	28,605	36,377	1,514	153	411
Marysville	24,411	38,664	1,161	378	678
Puyallup	16,846	25,588	1,164	202	604
Spokane	99,793	122,152	1,436	178	322
Tacoma	93,656	135,175	1,883	268	835
University Place	14,983	20,047	1,796	236	607

Source: The authors, based on an analysis of 2018–22 American Community Survey five-year data and county data.
Notes: NA = not available. Housing unit figures are sourced from the US Census and may not align exactly with state estimates of each city's housing supply. Housing goals are set by counties and are minimum requirements under the Washington Growth Management Act; for Puget Sound municipalities they are to 2044; the goal for Spokane is 2046. [a] Seattle, like several other cities, is proposing a large expansion in its zoned housing capacity, which would result in substantially more housing than is documented in this table.

The study municipalities are thus expected to grow in the coming years, and many of the cities plan to make housing located near current or future transit stations a major focus of that growth.

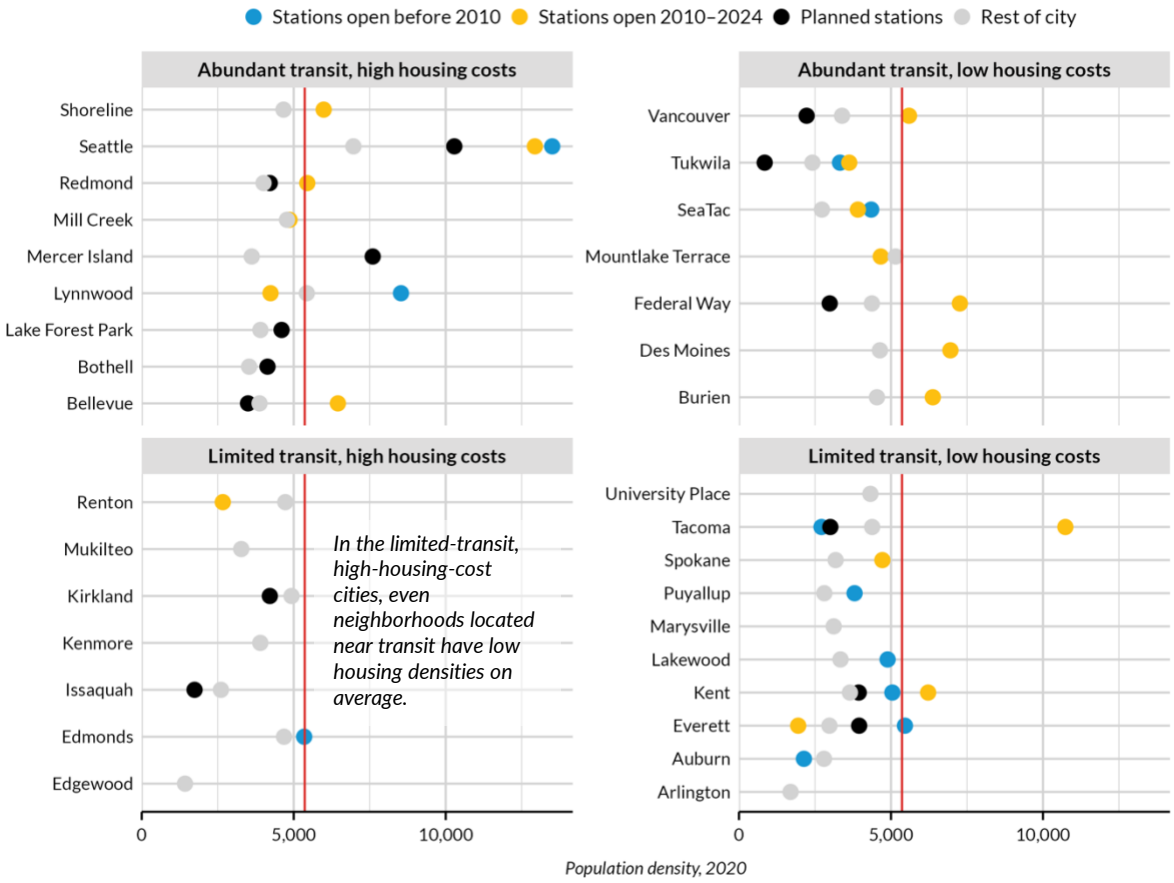
Housing Near and Far from Transit

In this section and the next, we detail how conditions differ *within* the study cities, based on distance to stations. We differentiate between neighborhoods near stations that opened before 2010, those near stations that opened between 2010 and 2024, those near planned stations (including stations under construction), and the rest of the city.[8] We differentiate in this way because we expect that market conditions take time to change after stations open. In most cities, population densities are higher near stations, particularly older ones (figure 5). But levels differ. In Seattle, neighborhoods near stations average more than 15,000 people per square mile. In SeaTac, on the other hand, they average fewer than 5,000 people per square mile. These differences are often the product of differing land uses; one of SeaTac's stations, for example, is at the airport.

FIGURE 5

Population Is Generally Concentrated in Neighborhoods Near Current and Planned Transit Stations

Population density per square mile, 2020



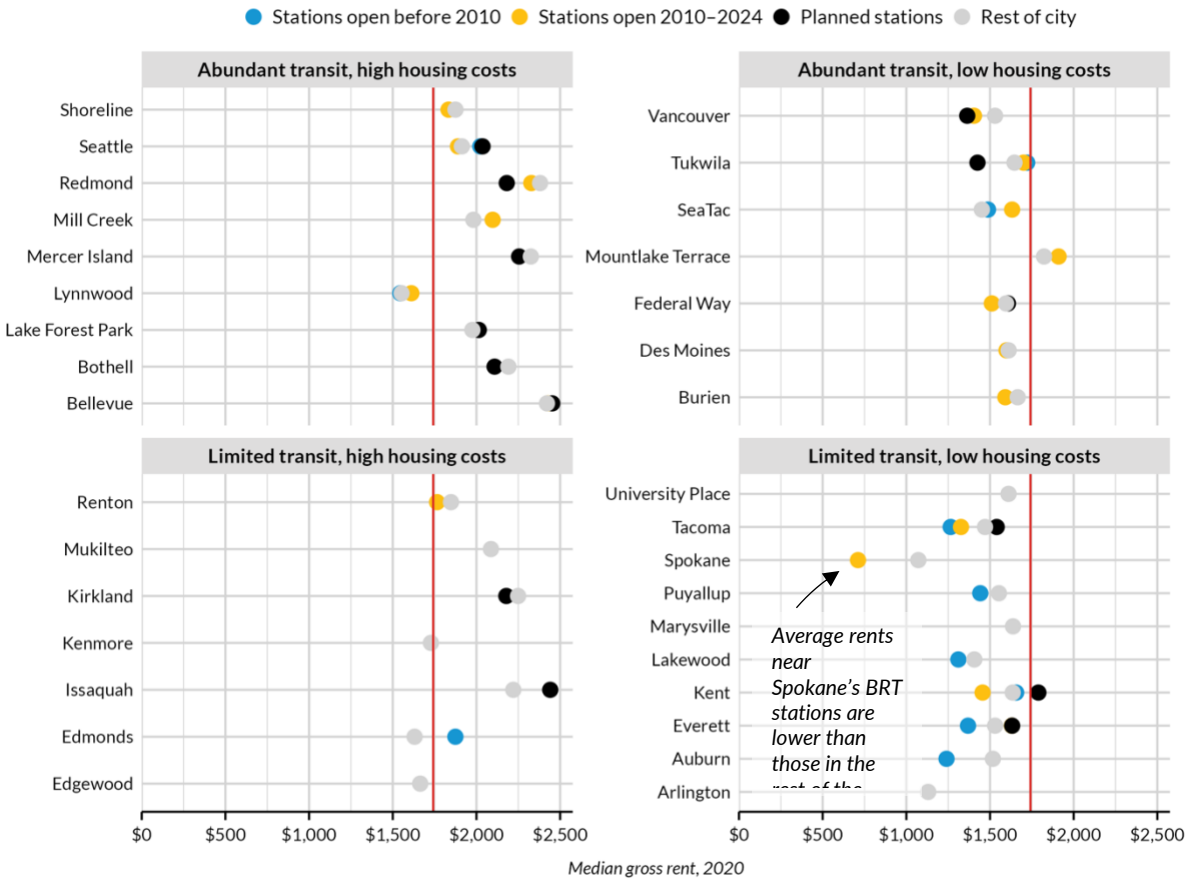
Source: The authors, based on an analysis of 2018–22 American Community Survey five-year data, by tract.
Notes: The median of tracts among cities analyzed is shown with the red line. Abundant-transit cities are those with a greater-than-median share of city land area near fixed-guideway stations; limited-transit cities are the others. Low-housing-cost cities are defined as those with lower-than-median housing values; high-housing-cost cities are the others.

Perhaps surprisingly, we find no consistent relationship between median rents and adjacency to transit (figure 6). We might expect that transit commands a price premium because of the advantages of living near affordable, quality transportation options, but that has not translated into higher rents (both for all units and for one-bedroom units, which we do not show here). For example, there is no statistically significant difference in rent levels between Seattle neighborhoods near existing or planned transit stations and other parts of the city. In some cities, like Everett, neighborhoods located near existing BRT stations have substantially lower median rents than those in other parts of the city, on average. But these conditions have changed over time, as we show below.

FIGURE 6

There Is No Consistent Relationship between Distance to Transit Stations and Rental Costs

Median gross rent, all rental units, 2020



Source: The authors, based on an analysis of 2018–22 American Community Survey five-year data, by tract.
Notes: BRT = bus rapid transit. The median of tracts among cities analyzed is shown with the red line. Abundant-transit cities are those with a greater-than-median share of city land area near fixed-guideway stations; limited-transit cities are the others. Low-housing-cost cities are defined as those with lower-than-median housing values; high-housing-cost cities are the others. Rent data produced by the American Community Survey may not fully encompass market rents and could be supplemented by data from sources such as Zillow or CoStar. Nonetheless, because we use these data to conduct historical analysis, for which only census data are available, we stick to this source.

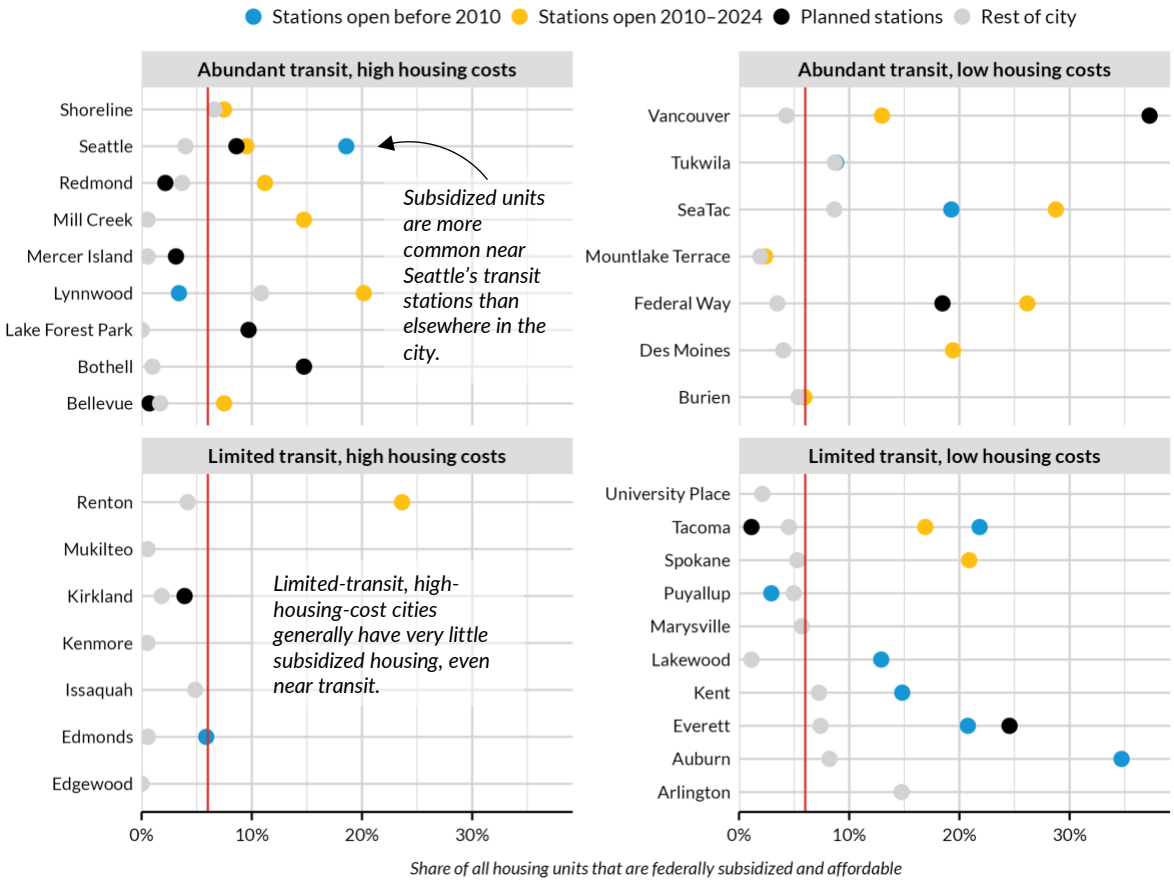
One explanation for the above finding is that federally subsidized affordable housing units are, in most cities, disproportionately concentrated near transit, which may reduce median rent levels (figure 7). In most cities we study, there is a far higher share of such units near stations than elsewhere; in Seattle, for example, almost 20 percent of all units near stations opened before 2010 are subsidized, compared with 5 percent in areas far from stations. These data suggest that municipalities may be choosing to concentrate investment in subsidized affordable housing in areas near fixed-guideway

transit, which may be beneficial to those units' occupants, since it could mean lower transportation costs for them. This outcome could also be a reflection of the relatively higher-density zoning in areas near transit stations, which enables the provision of subsidized units in multifamily buildings.

FIGURE 7

Subsidized Housing Units Are Rare in Cities with Limited Transit and High Housing Costs

Share of all housing units that are federally subsidized and affordable, 2020



Source: The authors, based on an analysis of 2018–22 American Community Survey five-year data, by tract, and National Housing Preservation Database data.

Notes: The median of tracts among cities analyzed is shown with the red line. Federally subsidized housing units are project-based units designed to be affordable for households with low and moderate incomes and subsidized through programs such as the Low Income Housing Tax Credit and public housing. Abundant-transit cities are those with a greater-than-median share of city land area near fixed-guideway stations; limited-transit cities are the others. Low-housing-cost cities are defined as those with lower-than-median housing values; high-housing-cost cities are the others.

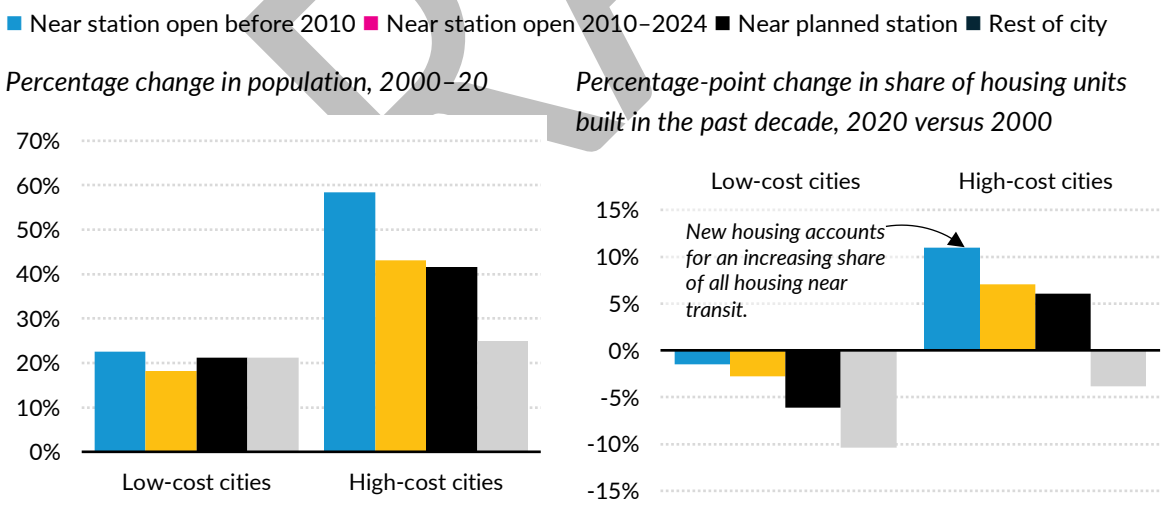
Recent Trends in Municipal Demographics and Housing

Today's conditions are the product of decades of change. In this section, we examine how the different types of cities evolved between 2000 and 2020. Communities with lower-cost housing have struggled to attract construction—particularly in neighborhoods far from transit. Incomes in these communities have increased at a somewhat lower rate than their housing costs, meaning their residents have experienced greater housing-cost burdens. The wealthy cities are becoming wealthier and the poorer cities are experiencing challenges, including near transit.

We begin by comparing cities with high and low housing costs in terms of changes in population between 2000 and 2020 (figure 8, left panel). The data here are striking: in low-housing-cost cities, population increased relatively uniformly—by about 20 percent—in areas both near and far from stations. Yet we found major contrasts in the cities with high housing costs; those neighborhoods adjacent to stations that opened before 2010 increased their populations by about 60 percent during that period, substantially higher growth than that around stations that opened later or have yet to open, and higher still than the population increase in areas without any access to transit.

FIGURE 8

Population and Housing Growth Has Concentrated in High-Housing-Cost Cities—and Particularly in Neighborhoods Close to Fixed-Guideway Transit Stations



Source: The authors, based on an examination of 2000 US Census and 2018–22 American Community Survey five-year data, both at the tract level.

Notes: Low-housing-cost cities are defined as those with lower-than-median housing values; high-housing-cost cities are the others. The locations of planned stations are based on the latest planning data as of this writing. The right panel shows the share of housing units completed within the past decade in 2020 minus the share of housing units completed within the past decade in 2000; a negative number means housing construction has declined.

Data on the share of housing units built over the past decade provide similar evidence (figure 8, right panel). Rates of housing construction have declined somewhat in cities with low housing costs, matching our expectation that these communities struggle to attract investment. Even so, we show that there have been marked contrasts by neighborhood, depending on distance to stations. Indeed, while construction levels remained relatively flat in areas near stations that opened before 2010, they declined quite substantially in neighborhoods *far* from transit.

We document a similar contrast in building patterns in the high-housing-cost cities. There, we show that there has been a dramatic acceleration in construction in areas near the older transit stations. There has also been an expansion in growth in areas near newer and planned stations—and a decline in growth elsewhere in these communities. Overall, these data point to two trends:

- Growth has increasingly concentrated in neighborhoods adjacent to transit stations, and the longer stations have been in use, the more growth has concentrated there.
- Cities with low housing costs have struggled to attract growth in transit-served areas, while those with high housing costs have generally built a lot in those neighborhoods.

Of course, differences abound between the study cities; the trends we present above are reflective of general conditions, not necessarily the experience of one community or another. In figure 9, we show how housing density has changed for each of the 33 municipalities, in neighborhoods near stations and in other parts of the city.

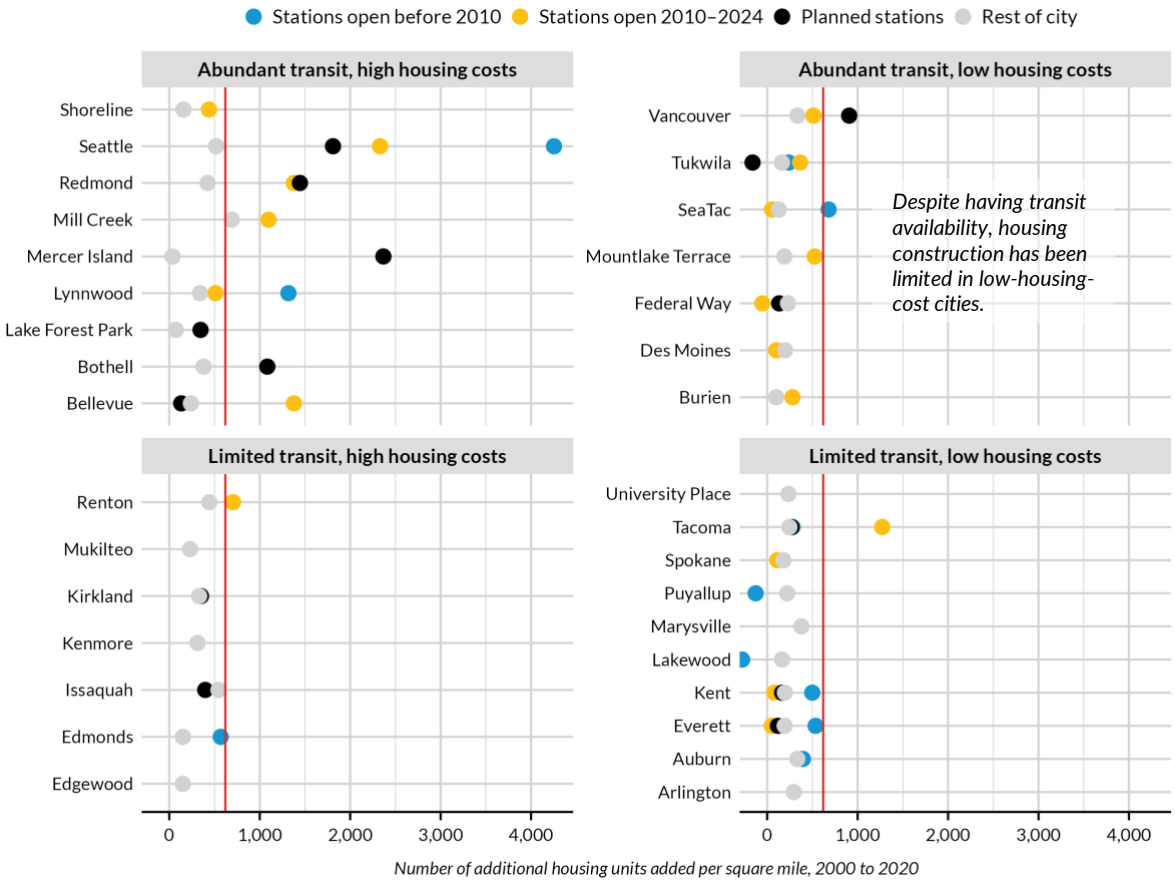
Building has been more common in cities with abundant transit and high housing costs—and construction levels therein have generally been much higher in neighborhoods near transit than elsewhere. Among these cities, Seattle has boosted its density the most, adding an average of 4,000 housing units per square mile in areas near stations opened before 2010, even as areas of the city far from transit added only about 500 units per square mile. Bellevue, Lynnwood, Mill Creek, and Redmond also saw large increases in housing densities around open stations, and Bothell and Mercer Island expanded densities substantially around planned stations.

Housing density increases have not been as substantial in cities of the other three types, though in most cases, areas near transit have gained housing faster than other parts of each city. Again, these data suggest that adjacency to transit encourages construction, assuming conducive land-use regulations, an issue to which we turn below. But such increases are much more likely in cities that have high housing costs—indicating substantial market demand to live there—and abundant transit options.

FIGURE 9

Cities with High Housing Costs and Abundant Transit Added More Housing

Number of additional housing units added per square mile, 2000 to 2020



Source: The authors, based on an analysis of US Census and 2018–22 American Community Survey five-year data, by tract.
Notes: The median of tracts among cities analyzed is shown with the red line. Abundant-transit cities are those with a greater-than-median share of city land area near fixed-guideway stations; limited-transit cities are the others. Low-housing-cost cities are defined as those with lower-than-median housing values; high-housing-cost cities are the others.

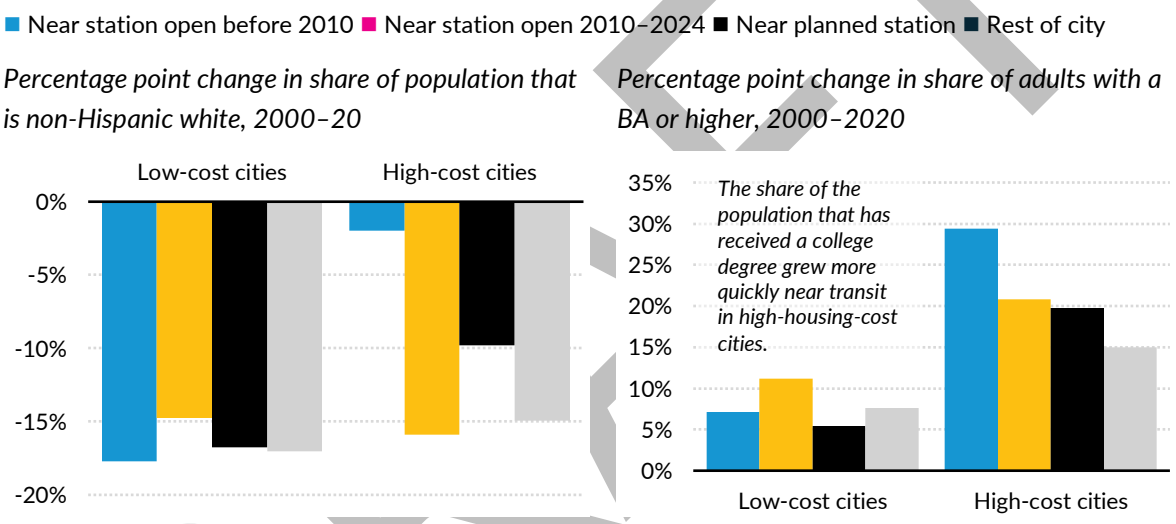
Differences in housing production between municipalities are related to changes in demographics among residents. On average, the cities and their constituent neighborhoods both near and far from transit are becoming substantially more racially and ethnically diverse, with non-Hispanic white population shares falling (figure 10, left panel). The exception is neighborhoods near stations that opened before 2010 and are in high-housing-cost cities; in these neighborhoods (which are disproportionately in Seattle), the white population share barely changed.

More dramatic are trends in education levels (figure 10, right panel). The share of adults with a bachelor's degree or higher increased everywhere between 2000 and 2020. But while it expanded by

15 percentage points or more in high-housing-cost cities, increases were less than half as high in low-housing-cost cities; residents with higher incomes are concentrating in certain communities and not others. This is particularly true near transit stations. The share of adults with a college education increased by almost 30 percent in high-housing-cost cities and near stations that opened before 2010, and by about 20 percent near more recently opened or planned stations, but by only about 15 percent elsewhere in the high-housing-cost cities.

FIGURE 10

Municipalities Have Become More Racially and Ethnically Diverse, but High-Housing-Cost Cities, and Their Transit-Accessible Neighborhoods, Have High Concentrations of Highly Educated Residents



Source: The authors, based on an examination of 2000 US Census data and 2018–22 American Community Survey five-year data, both at the tract level.
Notes: Low-housing-cost cities are defined as those with lower-than-median housing values; high-housing-cost cities are the others. The location of planned stations is based on the latest planning data as of the writing of this report.

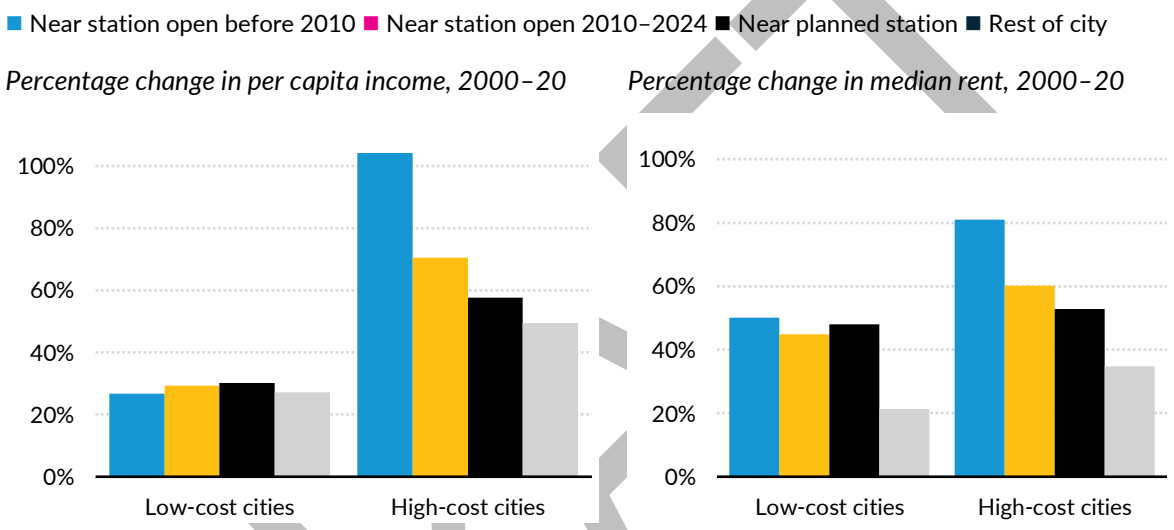
The increasing educational attainment among people living near stations in high-housing-cost cities has translated into increased per capita incomes, adjusted for inflation (figure 11, left panel). We identified no similar trend of higher-income people concentrating in areas near transit in the cities with lower housing costs. This reaffirms that wealthier people have concentrated in high-housing-cost communities and that they are increasingly concentrating in areas near transit.

This increase in incomes has corresponded with a substantial increase in rents near stations in both low- and high-housing-cost cities; a particularly large increase in rents has occurred in areas near stations that opened before 2010 (figure 11, right panel). Rents increased far less in areas *far* from

transit. In 2000, rents in high-housing-cost cities near stations that opened before 2010 were less than 69 percent of those in areas far from transit; in 2020 this figure had increased to more than 92 percent. In low-housing-cost cities, these figures increased from 85 to 105 percent, respectively, during that period. Comparing the two panels of figure 11 shows that rents increased more quickly than incomes in low-housing-cost cities, but *less* quickly than incomes in high-housing-cost cities.

FIGURE 11

Incomes Are Increasing—but in Low-Housing-Cost Cities, Rent Is Increasing More Quickly Near Transit

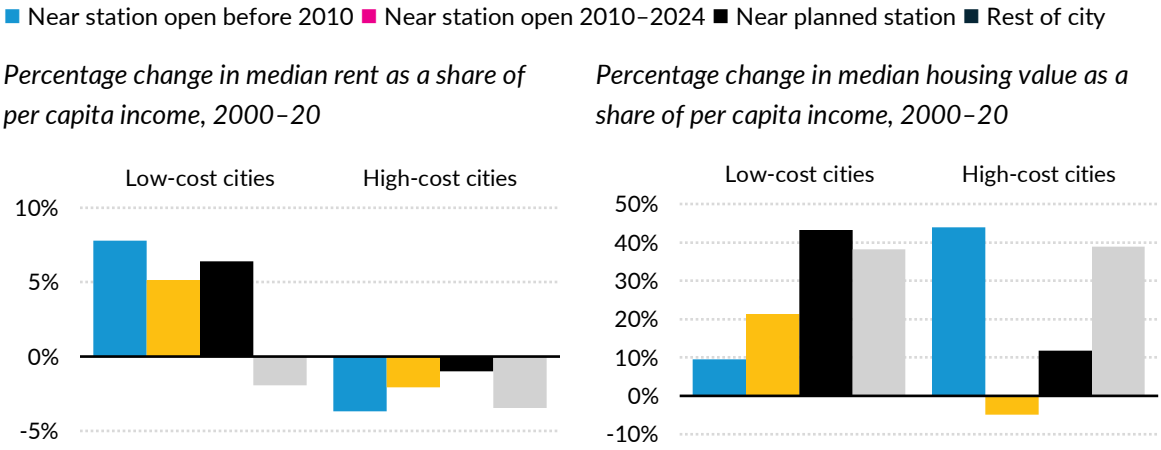


Source: The authors, based on an examination of 2000 US Census data and 2018–22 American Community Survey five-year data, both at the tract level.
Notes: Low-housing-cost cities are defined as those with lower-than-median housing values; high-housing-cost cities are the others. The location of planned stations is based on the latest planning data as of the writing of this report. Incomes and rents are adjusted for inflation.

These opposing phenomena in high- and low-housing-cost cities have produced differing trends in terms of resident spending on dwellings. Because rents are increasing faster than incomes in the station areas of low-housing-cost cities, *average* rental housing affordability there is worsening (figure 12, left panel). Because the opposite is occurring in high-housing-cost cities, average rental housing affordability is getting better there. For prospective homeowners, housing costs increased faster than incomes virtually everywhere (figure 12, right panel). Indicators of average housing affordability, however, can mask differing conditions facing residents with the lowest incomes.

FIGURE 12

Housing Cost Burdens Are Worsening in Low-Housing-Cost Cities



Source: The authors, based on an examination of 2000 US Census data and 2018–22 American Community Survey five-year data, both at the tract level.

Notes: Low-housing-cost cities are defined as those with lower-than-median housing values; high-housing-cost cities are the others. The location of planned stations is based on the latest planning data as of the writing of this report. Incomes and rents are adjusted for inflation.

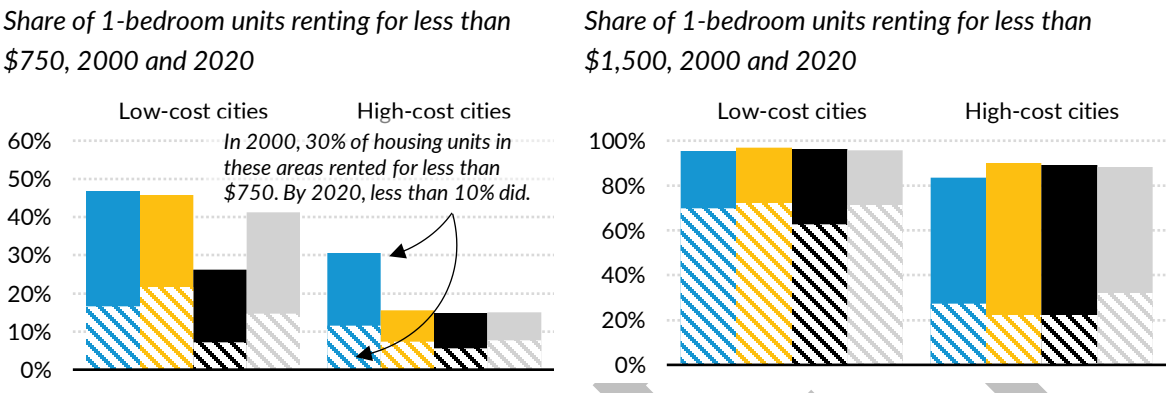
To examine the lowest-cost housing supply, we study how the share of housing units with rents below $750 and $1,500 changed between 2000 and 2020, adjusted for inflation in (figure 13). This comparison illustrates that the supply of low-housing-cost units has declined dramatically, particularly in high-housing-cost cities, though the trends are citywide, not just in areas near stations. The number of affordable units available is declining as people have to spend an increasing share of their incomes on housing costs. This indicates that the changes in average housing cost burden—which suggested that high-housing-cost cities have become more affordable (see figure 12)—only explain so much. Indeed, the share of rental units that is relatively cheap both near and far from transit is considerably higher in the *low*-housing-cost cities; this means that for the average family with a low or moderate income, living in a low-housing-cost city is much more affordable.

FIGURE 13

Housing Affordability for Renters with Low and Moderate Incomes Has Declined

■ Near station open before 2010 ■ Near station open 2010–2024 ■ Near planned station ■ Rest of city

Solid bars = percentage in 2000; diagonal striped bars = percentage in 2020



Source: The authors, based on an examination of 2000 US Census data and 2018–22 American Community Survey five-year data, both at the tract level.

Notes: Low-housing-cost cities are defined as those with lower-than-median housing values; high-housing-cost cities are the others. The location of planned stations is based on latest planning data as of the writing of this report. Incomes and rents are adjusted for inflation; because of Census data, the left panel represents the share of 1-bedroom units renting for less than $500 in 2000 (or $763 in 2020), and the right panel represents the share renting for less than $1,000 in 2000 (or $1,528 in 2020).

In table 3, we investigate additional measures of housing affordability using citywide measures. The share of units with households using Housing Choice Vouchers increased in most cities between 2000 and 2020 (except Marysville and Mukilteo), with particularly large increases in Everett, Lynnwood, and Tacoma (in some cases, these increases were brought on by cities replacing their public housing stocks with vouchers). Nevertheless, housing affordability worsened virtually everywhere; the share of renter households paying more than 30 percent of their incomes to housing costs increased by double digits in most cities, with only Bellevue and Redmond, which had very large increases in resident incomes, posting declines; the share paying more than 50 percent on rent similarly increased almost everywhere.

Sound Transit adopted an 80/80/80 policy designed to promote housing affordability. The policy requires the agency to devote 80 percent of its surplus land to affordable housing developers; of the new units it constructs, 80 percent must be affordable to residents with incomes at or below 80 percent of AMI.[9] This policy has enabled the agency to dispose of excess property along its light rail routes and produced housing developments in areas such as Federal Way, Mount Baker, and Othello. Nevertheless, as shown in table 3, approaches such as this are inadequate to mitigate the rising housing-cost burdens faced by renters in most cities.

TABLE 3

Housing Affordability by Study Municipality

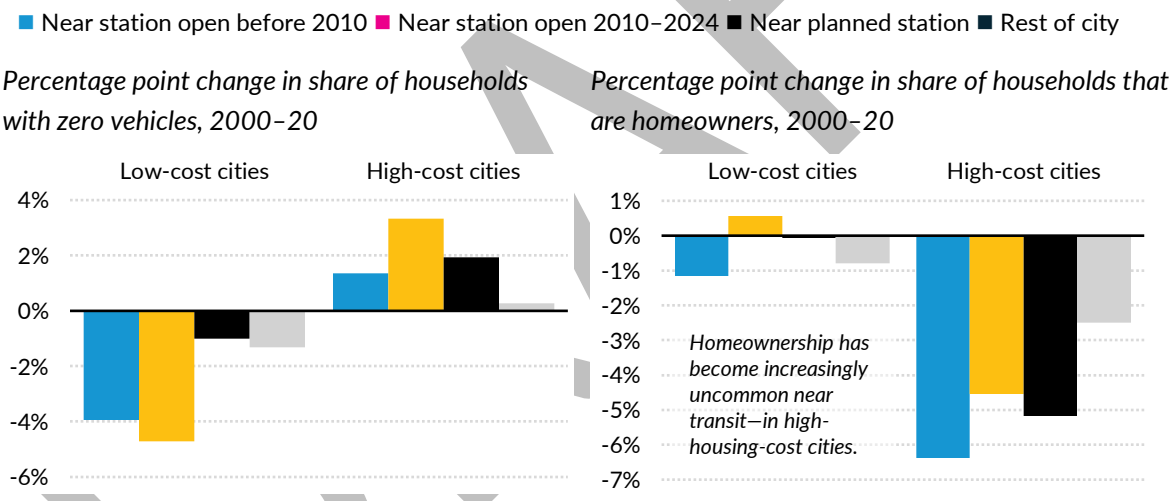
City	Share of units with HCVs	Share of renters paying >30% on rent		Share of renters paying >50% on rent	
	Percentage point change 2000–20	2020	Percentage point change 2000–20	2020	Percentage point change 2000–20
Abundant transit, high housing costs					
Bellevue	1.1%	34.4%	–6.4%	18.0%	–0.1%
Bothell	0.5%	48.2%	11.1%	25.2%	10.9%
Lake Forest Park	0.3%	48.5%	11.9%	16.8%	2.8%
Lynnwood	4.9%	60.1%	18.4%	32.4%	14.2%
Mercer Island	0.3%	50.3%	12.0%	26.0%	6.6%
Mill Creek	0.7%	52.9%	19.1%	27.9%	11.9%
Redmond	0.7%	33.5%	–1.9%	16.9%	3.6%
Seattle	1.8%	44.2%	3.1%	20.3%	2.3%
Shoreline	1.5%	55.9%	16.8%	27.0%	10.9%
Abundant transit, low housing costs					
Burien	0.1%	53.1%	10.7%	25.6%	6.5%
Des Moines	0.3%	67.1%	29.5%	32.0%	16.3%
Federal Way	1.5%	58.1%	17.1%	25.1%	7.4%
Mountlake Terrace	0.4%	48.1%	11.7%	16.5%	–0.2%
SeaTac	1.1%	54.5%	17.2%	22.8%	7.7%
Tukwila	1.8%	48.1%	9.1%	19.6%	3.4%
Vancouver	2.4%	53.1%	11.5%	23.9%	4.0%
Limited transit, high housing costs					
Edgewood	0.3%	41.2%	10.8%	18.6%	4.8%
Edmonds	0.5%	48.8%	6.6%	22.8%	4.1%
Issaquah	1.3%	40.9%	0.4%	18.8%	5.7%
Kenmore	0.5%	50.5%	12.8%	18.0%	2.2%
Kirkland	1.3%	42.0%	8.1%	19.3%	3.5%
Mukilteo	-0.6%	51.6%	20.1%	15.2%	5.1%
Renton	0.8%	51.0%	10.9%	23.0%	5.8%
Limited transit, low housing costs					
Arlington	1.7%	47.7%	0.2%	24.6%	9.7%
Auburn	0.8%	52.7%	12.2%	27.0%	6.8%
Everett	4.5%	54.0%	12.1%	25.1%	8.2%
Kent	2.3%	52.1%	13.6%	24.4%	8.5%
Lakewood	1.7%	54.0%	10.0%	23.1%	2.3%
Marysville	-0.4%	50.5%	10.5%	23.5%	6.2%
Puyallup	0.5%	50.5%	9.0%	22.7%	2.9%
Spokane	2.3%	51.2%	6.1%	23.9%	1.3%
Tacoma	3.1%	53.7%	9.4%	25.0%	2.7%
University Place	1.8%	55.4%	17.1%	22.8%	8.6%

Sources: The authors, based on an analysis of 2000 US Census data, 2018–22 American Community Survey five-year data, and 2024 US Department of Housing and Urban Development Picture of Subsidized Households data.
Notes: HCV = Housing Choice Voucher.

How residents get around has also changed. In cities with low housing costs, the share of households with zero cars unexpectedly declined between 2000 and 2020, with the reduction more substantial in areas near transit stations than elsewhere in those cities (figure 14, left panel). Transit in these communities is perhaps inadequate to meet people's transportation needs. Several explanations may be at play: people in these communities may be more likely to hold service or gig jobs, both of which may have nontraditional working hours; individuals may hold multiple jobs; and the neighborhoods around stations may be less conducive to walking than similar areas in high-housing-cost cities. As such, people may continue to buy cars even when they live near transit. But in high-housing-cost cities, a *larger* share of households chose to live without a car—and this was especially true near transit.

FIGURE 14

Residents Near Transit Became Less Likely to Own Cars or Own Homes—but Only in High-Housing-Cost Cities



Source: The authors, based on an analysis of 2000 US Census data and 2018–22 American Community Survey five-year data, both at the tract level.

Notes: Low-housing-cost cities are defined as those with lower-than-median housing values; high-housing-cost cities are the others. The location of planned stations is based on the latest planning data as of the writing of this report.

These data paint a picture of transit systems in Washington meeting some needs, but not others. Some residents may be choosing to live near stations because it saves them money on transportation or gives them greater access to amenities regionwide. These residents may be willing to pay a greater share of their incomes for rent because of lower transportation costs. On the other hand, in transit areas in low-housing-cost cities, the fact that people are not choosing to give up their cars suggests that the transit system is not providing them the complete accessibility they need.

Homeownership patterns also changed. The share of households that own their homes remained relatively flat in cities with low housing costs, near and far from transit (see figure 14, right panel). But in high-housing-cost cities, rentership became more common, particularly near transit. In areas close to stations that opened before 2010 in these cities, the share of households that own their homes declined more than 6 percentage points, while *far* from transit it declined only about 2.5 percentage points. One explanation is that these neighborhoods have experienced a boost in construction over recent years (see figure 8), most of in the form of new multifamily rental buildings. There has also been a recent increase in the number of ADUs, which are more likely to be occupied by renters.

Is Gentrification or Displacement Occurring Near Transit?

Taken together, how can we interpret these trends? We have shown that the transit areas of high-housing-cost cities are experiencing increased construction, population growth, increased educational levels, and booming incomes. These trends are the classic indicators of gentrification, or in some cases, simply the further enrichment of already wealthy communities (Landis 2016). In low-housing-cost cities, transit areas are experiencing different trends. They are not facing particularly higher rates of population growth than surrounding communities, and changes in their residents' demographics largely parallel citywide conditions, suggesting no gentrification is occurring there.

The gentrification or enrichment of transit areas in high-housing-cost cities is associated with less average housing cost burden for renters, even as average housing burden has increased near transit in low-housing-cost cities. This is a factor of incomes rising more quickly than rents in the former group of cities. But these trends suggest that living in transit areas in high-housing-cost cities is increasingly difficult to afford for people with low and moderate incomes. The high-housing-cost cities have suffered a decline in their share of rental units that are of reasonable cost; though the number of voucher subsidies has generally increased, it has not increased enough to make up the gap.

Displacement of residents with low or moderate incomes *may* thus be occurring near transit in some cities. But we caution that we have inadequate evidence to definitively prove whether displacement is occurring. It is possible that some families with low incomes may choose to pay more for housing in exchange for the reduced transportation costs made available thanks to transit investments. The Puget Sound Regional Council has mapped displacement risk in the Puget Sound; further research is needed to explore the extent of this phenomenon.[10] Moreover, we do not track important indicators of *social or cultural* displacement, such as changes in the presence of stores owned by people of different backgrounds, or the comfort with which people experience life on the street.

Barriers to Affordable, Mixed-Use Transit-Oriented Development

Though TOD has become a popular development goal in Washington, there remain barriers to its achievement. These barriers may stand in the way of increasing the number of housing units—particularly affordable housing units—located in close proximity of the state's transit stations. In this chapter, we highlight the following key themes:

- **Financing barriers** are the key obstacle to successful TOD today, in part because of high interest rates, but also because of public sector requirements that increase project risk and thus make development more difficult to finance. Washington's Multi-Family Housing Property Tax Exemption (MFTE) program has enabled construction in strong markets, but additional subsidies are needed to offset the costs of projects that seek to support households with the lowest incomes, and these subsidies are only occasionally available.
- **Cost barriers** limit developers' ability to undertake projects. Development costs may inflate because of government-imposed fees (such as permit and impact fees, or taxes on construction), but also because of high land costs. The cost of land can be particularly challenging to surmount in the neighborhoods with the highest land values—exactly where more investment in affordable housing may be most desirable. Staff from municipalities that want to encourage TOD argue that additional funds are necessary for complementary infrastructure, but they do not currently have access to adequate support on this front to achieve desired TOD goals.
- **Regulatory barriers** remain an issue for many TOD projects, though the state legislature's recent changes may enable more development in the coming years. Requirements for off-street parking and stormwater requirements, specifically, can increase project costs and string out construction timelines, ultimately resulting in fewer housing units being built. Energy code requirements may also be discouraging the construction of multifamily buildings.

We summarize these barriers in detail in the subsections that follow.

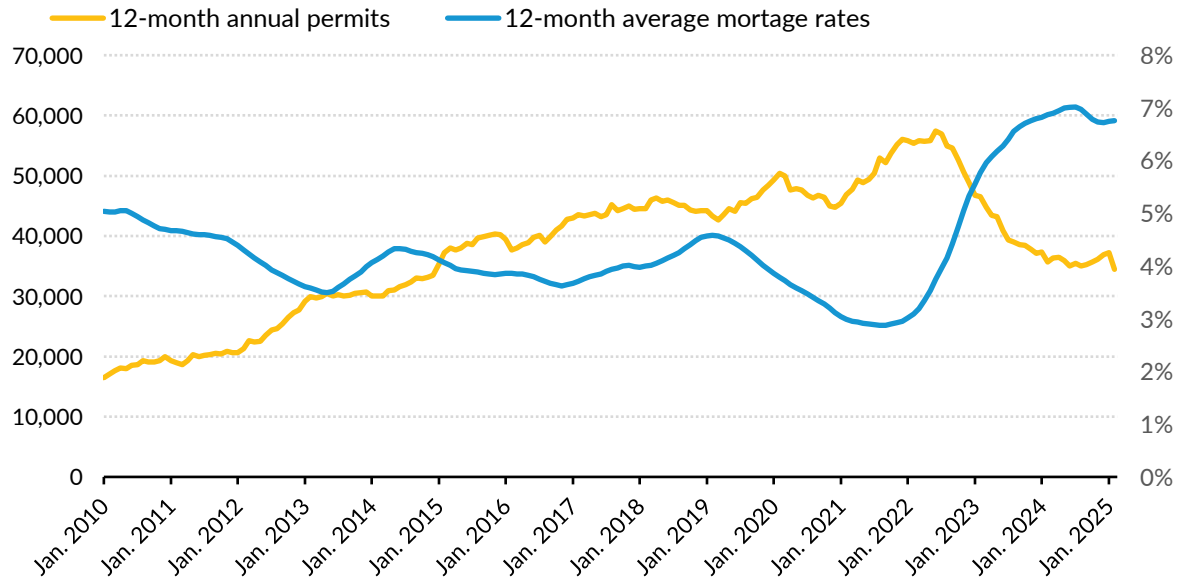
Financing Barriers

Stakeholders identified financing as the most significant factor affecting TOD delivery. Stakeholders noted that the particular moment in which this study was being undertaken coincided with a drop in housing construction, and, indeed, data back that claim (figure 15). Between mid-2022 and early 2025, the annual rate of housing permitting in Washington declined from almost 60,000 units to about 35,000 units, the lowest levels since 2014. Key to explaining the recent drop has been an increase in the cost of debt over this same period; after a decade of declines in loan rates, they more than doubled in late 2022 and 2023 (TOD projects are no more affected by this phenomenon than other types of projects; Washington is also no exception to the national trend). Stakeholders emphasized that these high debt costs have made projects more difficult to finance; essentially, expected rents or home sale values have not risen to compensate for higher loan repayment costs.[11]

FIGURE 15

Housing Construction Rises with Falling Interest Rates

Annualized Washington state building permits (left axis) and average 30-year fixed-rate mortgage rates in the United States (right axis)



Source: The authors, based on 2025 data from the Federal Reserve Bank of St. Louis on new private housing units authorized by building permits for Washington and 30-year fixed-rate mortgage averages in the United States, not seasonally adjusted.
Notes: Permitting data are rolling sums of the previous 12 months of data; mortgage rate data are rolling averages of the previous 12 months of data.

High interest rates are a macroeconomic condition that an individual municipality, or even the whole state, can only address indirectly. If interest rates decline in the coming years, which is possible, housing construction is likely to accelerate—at least assuming that the rest of the economy holds up. In theory, developers might be willing to take out a loan today with the expectation that they could refinance at a lower rate in the coming years. But the recent decline in permitting illustrated in figure 15 suggests that many developers and investors are unwilling to take that risk—and forecasters suggest that interest rates are likely to remain above 6 percent through at least 2026.[12]

Stakeholders we interviewed emphasized that financial *risk* is a key element of the overall financing barrier. They noted that anything that increases a project's risk inflates development costs, as lenders up rates or require additional insurance. Key to this issue is that higher risk can delay the opening of projects, thus increasing land-holding costs while putting off revenue further into the future. It may ultimately make projects impossible to build.

One problem that plagues individual investors is what interviewees referred to as a "first mover" disadvantage. The first dense urban development in a newly accessible neighborhood (e.g., one adjacent to a new light rail station) is saddled with the costs of infrastructure updates, such as roadway improvements and sewer system expansions. This is despite the fact that these upgrades provide broad benefits to both existing residents and future development projects. (Tax increment financing districts are sometimes used to cover such costs, including in Washington state.)[13] Some noted that in cities in Asia and Europe, it is the transit agencies that take on infrastructure updates around stations, but this is difficult to accomplish in the United States because transit agencies lack adequate financing and jurisdictional powers to make such investments, particularly when they cannot generate funds from future developments. Moreover, those investments do not always produce projects that are dense enough to drive adequate future farebox revenues.

From stakeholders' perspective, there are several mechanisms by which the public sector plays a role in increasing project risk. Regulations related to affordable housing are relevant to this issue. For example, stakeholders emphasized that rules about what share of new units should be affordable sometimes change over the course of projects' development, which can disrupt projects. (Affordable housing requirements can also play a role in increasing project costs; see below.)

Washington state and its cities have a number of options for supporting deeper affordability (meaning units that are affordable for people with lower incomes) in new housing projects, including the MFTE and a series of subsidies. Nevertheless, these options are not consistently available. Applications for the LIHTC program, which supports projects affordable to households at or below 60

percent of metropolitan median incomes, and associated private activity bonds, both exceed available financing in Washington state (Gallegos 2021). The US Department of Housing and Urban Development's HOME grants and Section 8 funds, which can further subsidize LIHTC projects to make them affordable to households at 30 to 50 percent of AMI, are even more limited.

Developers must apply for these funds in a competitive process, a risky proposition. Washington state's qualified allocation plan, which establishes selection processes for LIHTC financing, prioritizes TOD areas (Washington State Housing Finance Commission 2023). But this preference is only applied to King County, and it accounts for just 1 out of 164 minimum points a project has to achieve for it to be considered for financing.

Cost Barriers

After financing barriers, stakeholders cited cost barriers as those that most challenged investors' ability to undertake affordable TOD projects. These barriers come in several forms, some a result of the real estate market's fundamentals and others produced by public-sector regulations; in some cases, they are produced by an intersection of the two. Financing and funding for affordable housing are essential to make affordable TOD feasible, but sources often do not align or are inadequately available to make affordable housing feasible on TOD sites.

High Land Costs

Stakeholders emphasized that neighborhoods with excellent transit access have high land costs. These costs reflect transit's mobility benefits, as well as the fact that areas where transit has been improved are often also those with high access to opportunity and high growth potential. Properties near stations, then, are expensive to acquire. High acquisition costs go on to limit development potential—especially for affordable housing—since those costs must be absorbed by future home sales or apartment rents. Moreover, ground-floor retail, sometimes required by local zoning, is often unprofitable for developers. They seek to find stores and restaurants that can commit to long-term, cost-covering leases, but these are difficult to come by, particularly among retailers that are not national chains.[14] This sometimes forces developers to cross-subsidize retail with income from residential uses.

Public policies designed to encourage additional housing development in areas near transit sometimes have the unfortunate effect of increasing land costs. For example, cities often rezone to

increase allowed densities for new development in areas near new transit stations. This increase in allowed density, in turn, increases land values, since developers respond to the potential for building more into the future. Yet higher land values make lower-cost housing challenging to finance without additional subsidies (Freemark 2024).

This is why many successful TOD projects, such as those associated with Sound Transit, have been realized on surplus parcels left over after station construction. Stakeholders emphasized that this availability of publicly owned land made feasible projects that otherwise could not have been built. Despite these successes, however, public agencies, including transit authorities, have just a small amount of land available to extend this model. Moreover, under state law, transportation agencies only have limited ability to acquire new land for purposes outside of their core mandate of providing mobility solutions.

Taxes and Fees for New Development

Second, stakeholders emphasized that the taxes and fees local and state governments levied on new development made some projects difficult to pursue. Variously, interviewees pointed to local permit and impact fees (both of which we discuss in detail in the next chapter), taxes on construction, and real estate excise taxes as negatively impacting the ability to pursue TOD. One interviewee noted that, to make a project financially feasible, future rents on new development (or equivalent subsidies) needed to be at least 8 percent higher than otherwise to compensate for the 10 percent tax on general contractor services in the state.

Taxes and fees are often used by local governments to cover the costs of infrastructure upgrades necessary to enable more development (Washington state allows impact fees for transportation facilities, such as streets and bikeways; publicly owned parks and recreation facilities, schools, and fire protection, all of which must be capital investments that improve local systems and proportional to expected project impacts).[15] This situation puts some local governments between a rock and a hard place: they want to reduce fees to encourage more construction, yet in doing so they may make it more difficult to create the conditions necessary for more construction. Even so, multiple stakeholders cited the fact that some cities use impact fees not to support costs directly related to projects, but rather to pay for deferred maintenance on existing infrastructure. This, from their perspective, undermines the value of such fees in the first place and disproportionately requires new developments to cover local costs that they argued should be covered by residents and businesses in the city at large.

Affordable Housing Requirements

Stakeholders emphasized that local and state regulations related to affordable housing requirements may add surplus costs to projects that make them infeasible, adding to the financing issues described above. Many cities impose inclusionary zoning (IZ) regulations (see next chapter) that require certain shares of newly built housing units to be affordable for households at lower-than-median income levels. The theory behind these rules is that new market-rate units can cross-subsidize the costs of providing units affordable for people with low or moderate incomes. Stakeholders argued, however, that some of these mandates cannot be met by the existing market. In some communities, projects that are barely financially feasible if they are fully filled with market-rate units become impossible to finance if a share of them has to be made less expensive—because the market-rate rents cannot rise enough to cross-subsidize the other units. This may ultimately cause underdevelopment or even no development at all in some TOD areas.

In some strong markets, the MFTE helps fill the funding gap; many cities associate the use of the MFTE for new projects with the IZ mandates mentioned above. The MFTE can "fund" affordable units by reducing the property tax bills for new developments over the course of operations. That said, stakeholders cautioned that this equation only functions as long as affordability requirements are relatively minimal, either in terms of share of units or expected affordability level.[16] Interviewees also noted that affordability can only be maintained in projects as long as the MFTE continues (that is, if projects are required to begin paying property taxes, they are unlikely to be able to continue subsidizing affordable housing units without falling into default).

Local government stakeholders emphasized that they needed additional support to invest in infrastructure that makes TOD feasible or appealing for developers in their communities. Some local staff, for example, noted that they needed infrastructure funds to pay for roadway improvements to transition them from being automobile oriented to being pedestrian friendly, well landscaped, and generally better places to live through sidewalk improvements, the construction of bike lanes, and more. Here, the use of the MFTE can make local efforts to invest in infrastructure, such as through tax increment financing, more difficult. The MFTE on most new projects means lower property tax revenues for municipalities and reduces the revenue-generation potential of tax increment financing, at least for projects with a substantial residential component.

Despite praise for Washington's Connecting Housing to Infrastructure Program (CHIP), which funds infrastructure for new affordable housing, interviewees unanimously called out the state's inadequate funding for local infrastructure support. Several staff members noted that the state's

Public Works Board offers low-interest loans through a revolving loan fund to support investments of this sort. But they argue that the funding for this program has decreased, making it increasingly difficult to ensure TOD areas are achieving the goals sought by developers and investors.

Moreover, implementing provisions that deepen affordability—such as supporting households with incomes at 30 instead of 60 percent of AMI, a provision that has been implemented in some cities' MFTE requirements—requires additional subsidy. As noted above, additional sources of funding and financing to cover these costs have limited availability, thus increasing development risks. It can also be difficult for developers to "stack" multiple sources of subsidies for a project, including grants, low-interest loans, and tax exemptions from local, state, federal, and nonprofit sources, as there is no single source of revenue to cover the full costs of these different programs.

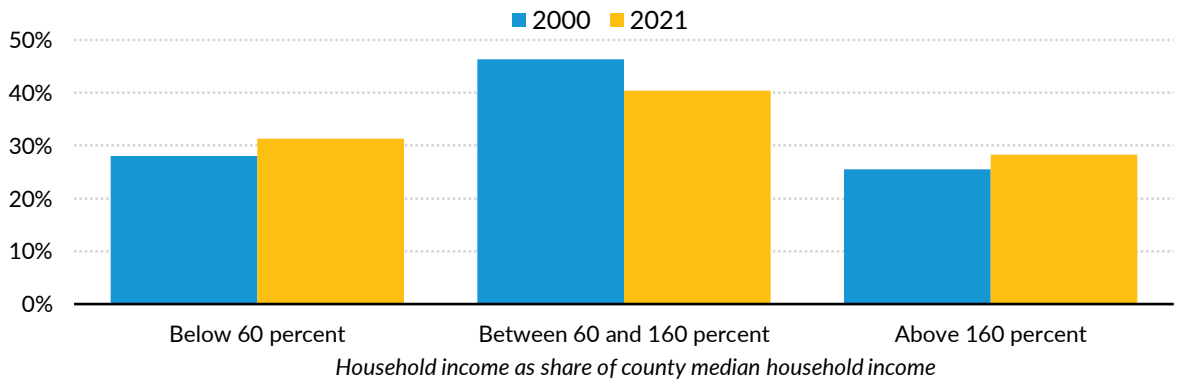
Nonetheless, these additional sources are key to enabling projects because MFTE is inadequate to support the subsidies needed to cover the costs of housing units affordable to households at or below 60 percent AMI, according to interviewees. This is particularly true in the context of some local requirements that developers provide units designed for large families and which have otherwise lower rates of return (developers are able to charge higher per-square-foot rents for smaller units, versus bigger ones).

Relatedly, stakeholders emphasized that cities throughout Washington are suffering from widening income disparities. They noted that the incomes of households with low and moderate incomes are not increasing at the same rates as median incomes (confirming the conditions in low-housing-cost cities described in the previous chapter); this results in rising cost burdens for these households. Indeed, data for King County show that between 2000 and 2021, the share of households with incomes in the middle of the income range declined from about 46 percent to 40 percent, as the share of households with low or high incomes increased (figure 16). This phenomenon is resulting in more competition for a limited number of affordable housing units, while making market-rate housing units more expensive for a larger number of residents.

FIGURE 16

In 2021, Fewer Middle-Class Households and More Households at the Bottom and Top of the Income Range in King County Than in 2000

Share of households by income range



Source: The authors, based on data from 2000 US Census data and 2019–23 American Community Survey five-year data at the county level.
Notes: Estimations are based on income buckets in US Census data.

Regulatory Barriers

Lastly, stakeholders pinpointed regulatory barriers inhibiting TOD. We review these barriers in much more detail in the next chapter, but here we discuss how local regulations limit the ability of municipalities to attract TOD. It is worth emphasizing that the regulations we describe here have trade-offs. Though in some ways they may be limiting new construction, in some cases they provide important benefits to communities that implement them.

In general, interviewees noted that denser cities trend toward comparatively greater regulatory constraints than communities in suburban or rural locations. This has the counterproductive result of encouraging more development in exurban, greenfield areas rather than in infill neighborhoods with excellent access to transit. Developers with whom we discussed this issue noted that, even when they wanted to expand investment in urban areas, they found themselves overwhelmed with having to respond to requirements, such as increasingly complex design standards and permitting processes, both of which they said were easier to handle elsewhere.

Stakeholders universally agreed that off-street minimum parking requirements have few positive impacts while imposing substantial costs on new construction. As we show in the next chapter, though some study cities allow developers to provide as much (or as little) parking as they believe the market demands, there is no consistent approach (this will change after the passage of new state legislation in

2025). Consequently, developers working on two sides of a city boundary might experience very different parking requirements. Interviewees emphasized that excess parking requirements increase construction costs (especially when that parking must be buried underground to fit site constraints), thereby reducing projects' financial feasibility in some communities. These parking requirements also have negative spillover effects on walkability. Cheaper parking solutions, such as surface lots and above-ground structures, tend to have worse effects on walkability and future TOD density.

Stakeholders noted a number of other regulatory barriers that limit the construction of infill housing, including building-code safety regulations that discourage the placement of secondary stairwells and corridors on buildings' exteriors and that, in some cities, ban single-stair apartment buildings, despite these being shown to be just as safe as two-stair buildings. They also noted that stormwater requirements that mandate on-site stormwater management (such as through detention pools and green roofs) can burden project financing for multifamily development. They argued that a centralized approach to handling the impacts of major storms could be more effective than requiring new projects to take on water infiltration themselves. Centralized funding could cover the costs of stormwater parks or underground regional detention facilities in station areas, for example.

Some also mentioned state energy codes as a barrier to TOD. The state's 2023 analysis of the most recent energy code update identified that the code revisions would save $714 for *society* over a 50-year assumed housing unit lifecycle (Salcido et al. 2023). For unit owners, however, the code changes were expected to result in a $580 loss per unit over that same lifecycle. Because of the way the code is written, these costs disproportionately burden multifamily construction compared with single-family projects. This is because expensive sustainability features that are applied to each unit, such as heat pumps, serve fewer occupants and less square footage on a per-unit basis in smaller multifamily units compared with larger single-family homes.

Interviewees noted that since multifamily units are inherently more energy efficient than single-family homes, by virtue of their shared walls and smaller sizes, the cost savings in lifecycle energy efficiency from adding these features to these units are less than in single-family homes (Salcido et al. 2023). So even if the cost of compliance is similar on a per-unit basis, the energy cost savings are lower for multifamily units (Jonathan Rose Companies 2011). Interviewees suggested that as a result, the energy code may not ultimately be resulting in the development of projects that maximize energy efficiency, since it may be encouraging more single-family homes.

Interviewees also pointed to some issues related to preproject reviews. Stakeholders argued that SEPA review requirements and traffic impact studies impose major process barriers for new

construction that increase the risk and time associated with permitting new housing. They argued that imposing these requirements on projects located directly next to transit stations ultimately contradicted the state's goal of easing development in these communities. Again, this problem may be resolved by legislation passed in 2025.

Lastly, as we discuss in the next chapter, municipalities differ substantially in terms of their allowances for density in areas adjacent to stations. This applies to issues such as maximum allowed heights, lot coverage, setbacks, dwelling units per acre, and maximum floor area ratios. In general, communities that are more flexible in terms of allowing density may be able to attract more TOD.

How Have Transit-Served Localities Planned for the Future?

Municipalities plan for the future by developing comprehensive plans, zoning ordinances, and other rules that define how new construction should occur—both in terms of form and use. As we have seen, these policies and regulations play a role in encouraging or limiting the potential for TOD, particularly of housing that is affordable for people with low and moderate incomes. In this chapter, we document differences in how localities are regulating TOD, showing how different cities have approached this issue in terms of expectations about how new construction should be developed.

We emphasize that the comprehensive plans and zoning ordinances profiled here do not always reflect final approved plans, since some cities had not yet finalized their most recent comprehensive-plan updates as of this report's writing. Moreover, none of the plans we examine reflect the changes in state regulations promulgated during the 2025 legislative session, notably H.B. 1491, which will require higher zoned-housing densities around stations in many cities. Nevertheless, we hope the comparison presented in this chapter provides useful details on the general state of play among municipalities.

We conduct this analysis by examining current regulations and comprehensive plans. We review key practices that we identified in our research as affecting development. Focusing on neighborhoods near transit stations, we thus explore how municipalities are regulating parking requirements, IZ and density bonuses for affordable housing, MFTE practices, impact fees, and permitting and review timelines. Given that Puget Sound cities were required to update their comprehensive plans in 2024, which will precipitate changes to their regulations, we also review their comprehensive plans and their future land use maps (FLUMs) to identify where jurisdictions are facilitating or preventing TOD. As part of this latter work, we collected geospatial data about how the study municipalities are planning for future housing densities and mixed uses. Though we seek to provide the most up-to-date analysis possible, we may not accurately represent the regulations of certain cities.

Overall, our scan of jurisdictions' zoning ordinances reveals a generally favorable landscape for mixed-use, mixed-income TOD, though there is variation between cities. We identified, notably, a few cases where jurisdictions have high fees for infrastructure development and public services, complex and lengthy design review and/or permitting processes for multifamily developments, or high parking

requirements that make mixed-use, multifamily development significantly more costly—all without carve-outs to facilitate or concentrate development around stations.

Planners in those jurisdictions explained in interviews that these rules responded to narrow street widths, transit station locations (e.g., along highways), and a lack of local funding to support the costs of development-serving infrastructure. Those arguments, however, were broadly suggestive of a desire to preserve the status quo rather than enthusiastically clear barriers or find alternative ways to create attractive and affordable transit hubs and reduce residents' car use.

In contrast, several jurisdictions have ordinances that align regulatory components to clear barriers to attractive affordable, mixed-use TOD. For example, many cities have minimized parking requirements; offered creative bonus density options for affordable housing around transit, in downtowns, and throughout their jurisdictions; instituted pre-application meetings to ensure faster review times; created design and permit review standards that can be gone over administratively; offered deeper MFTE than required by the state; and simplified, limited, or waived development impact fees. Combined with allowances for high housing densities and a mix of uses, these could provide more opportunities for homes near transit.

Jurisdictions' comprehensive plans all contain goals to support the development of mixed-use, walkable, and affordable areas near transit. Some jurisdictions paired the goal of promoting dense residential and employment uses near stations with an array of supportive subgoals, such as encouraging dispersed 15-minute mini urban centers around transit stops and colocating affordable housing in the development of new city-owned capital facilities. That said, other jurisdictions' comprehensive plans provided little more than a generic goal related to promoting TOD; if they included supportive subgoals, these used weaker language like "exploring" or "considering" policies that would reduce barriers to mixed-use, mixed-income housing near transit.

We also find that localities plan for housing densities in many different ways through their future land use maps. Some cities, such as Redmond, are promoting very high densities in most neighborhoods near stations; others, such as Lake Forest Park, have limited planned densities to relatively low levels. In some communities, such as Seattle, approaches to encouraging density near transit differ tremendously by neighborhood, with some communities expected to accommodate very high densities and others no major expansion compared with existing conditions. Most cities plan for a mix of uses in their FLUMs.

Key Municipal Policies Related to Housing Development

The subsections below lay out our analysis of jurisdictions' policies and comprehensive-plan goals that affect mixed-use, mixed-income TOD. We summarize our findings across cities by typological group, pointing to key examples where relevant. We detail our analysis of the comprehensive plans' FLUMs in the next section.

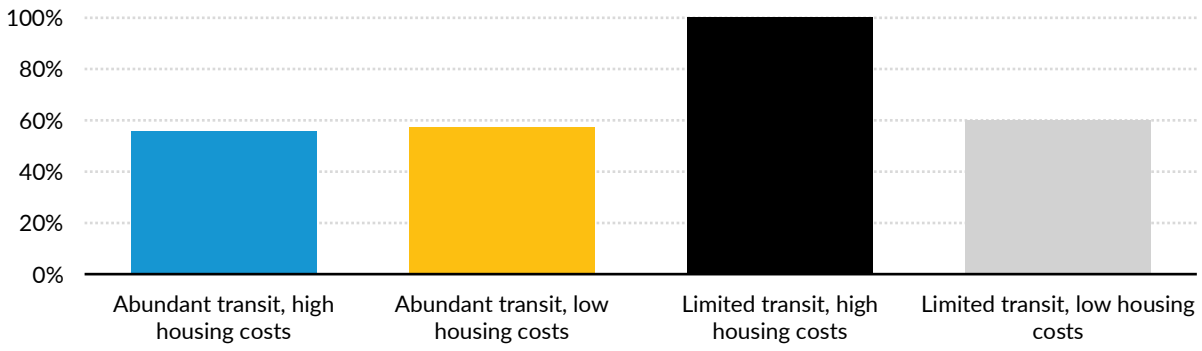
Parking Requirements

While many cities establish alternative parking requirements for certain areas, such as downtown growth districts, we focus here on baseline minimum parking requirements in residential areas near transit, as these serve as the standard to which exceptions are made. We find that most jurisdictions continue to have high minimum parking requirements, including for multifamily housing (note that these requirements will change dramatically in the coming years because of new state rules). For instance, 22 of the 33 study cities require more than one parking space per studio apartment (figure 17), and all but six cities require more than one space for a three-bedroom apartment near transit. Notably, Spokane is the only study city that broadly exempts residential development from parking minimums, and only three cities—Redmond, Seattle, and Shoreline—currently offer broad exemptions to parking minimums for affordable multifamily housing or housing located near transit. (We detail jurisdiction-by-jurisdiction parking requirements in appendix table A.2.)

FIGURE 17

Most Cities Have Stringent Parking Requirements, Even for Small Units

Share of cities in each cohort requiring more than one parking space per studio apartment, near transit



Source: The authors, based on an analysis of jurisdictions' municipal codes.
Notes: Many cities reduce parking requirements for new development projects that incorporate high levels of affordable housing. Parking requirements typically vary based on the number of bedrooms per planned housing unit.

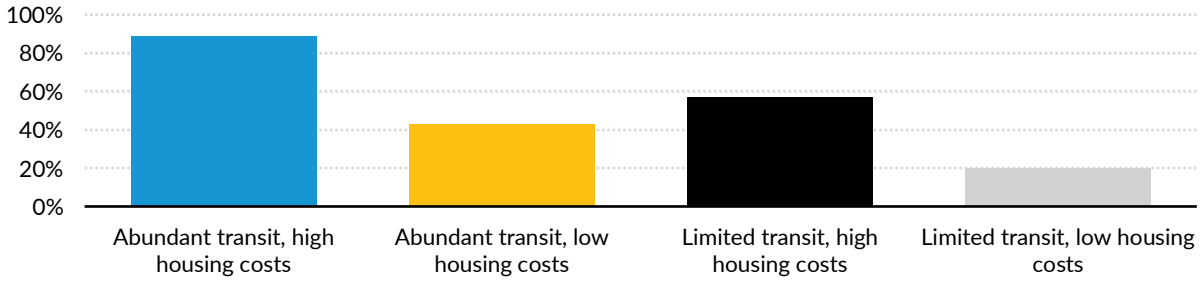
All jurisdictions offering parking reductions for multifamily housing (as an incentive against constructing single-family homes) have above-median housing costs and are generally well served by transit. These high-demand cities often use parking reductions as a mechanism to provide greater flexibility for developers and accommodate growth. Several other high-housing-cost, abundant-transit cities, however, offer no reductions despite having some of the most stringent parking requirements. In these cases, rigid requirements may be inhibiting development and contributing to elevated housing costs.

In response to the challenges posed by strict parking requirements for development, many cities are incorporating parking reform into their updated comprehensive plans. Nearly every city we examined acknowledges the need to "right size" current standards, particularly in growth centers and transit areas. Generally, cities with more abundant transit have emphasized the need to reduce parking requirements (figure 18). More car-dependent cities, on the other hand, are targeting strategies to improve parking efficiency, such as promoting shared parking facilities and offering more flexible design standards. Some of the more expensive, transit-abundant cities are taking the most decisive action. Redmond and Seattle are aiming to eliminate parking requirements in areas near transit and in urban centers, and Shoreline plans to eliminate parking minimums altogether. Even cities with less abundant transit but high housing costs, such as Edgewood and Kenmore, have proposed reducing or eliminating parking requirements in downtown areas and near transit. It is evident that most cities acknowledge how parking reform can support a variety of objectives across different contexts, serving as a tool to boost transit ridership, promote more efficient land use, and facilitate housing construction.

FIGURE 18

Cities with High Housing Costs and Abundant Transit Are Taking the Strongest Approach to Parking Reform

Share of cities in each cohort whose comprehensive plans mention reducing or eliminating parking minimums



Source: The authors, based on an analysis of jurisdictions' updated comprehensive plans.
Notes: Mentions of changes to parking requirements in comprehensive plans have not yet necessarily been incorporated into local zoning regulations; these may take several months or years to be implemented, depending on the community.

Inclusionary Zoning or Affordable Housing Requirements and Supports

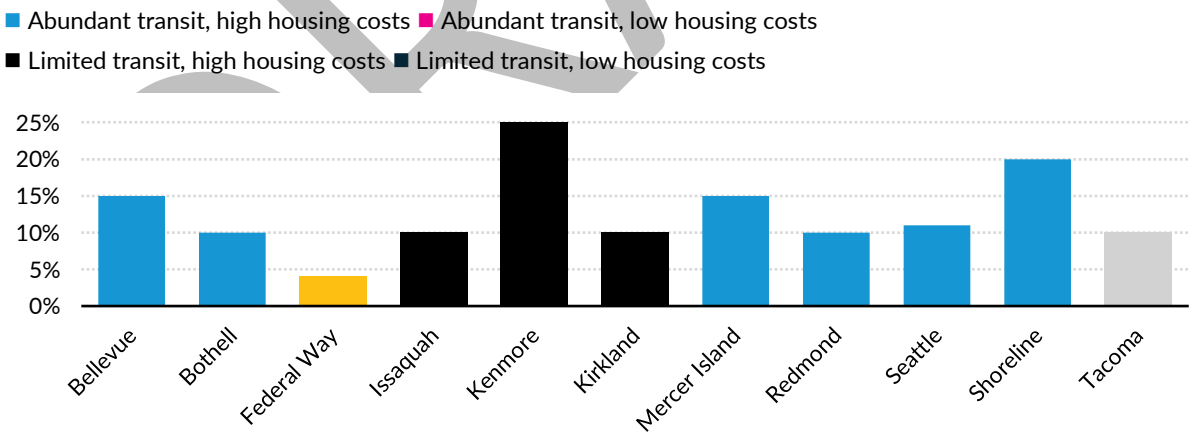
Jurisdictions' regulatory efforts to create income-restricted housing differ. Only 1 of the 17 low-housing-cost jurisdictions we examine, Federal Way, had a mandatory IZ requirement citywide, and its affordability requirements are comparatively low, at 4 percent of units required to be affordable for families with low or moderate incomes in buildings with 25 units or more. Based on our conversations with local planners, this reticence of low-housing-cost cities to mandate IZ likely stems from the desire to not disincentivize market-rate development and, relatedly, to encourage a diversity of residents (these policies will change with new state laws, as well).

Mandatory IZ requirements are more common for high-housing-cost jurisdictions; they typically require that 10 percent of units be reserved as affordable to households earning less than 50 percent of AMI (figure 19), though some jurisdictions offer alternatives (e.g., some cities allow 20 percent affordable units for households at 80 percent of AMI). A smaller share of cities with limited transit but high housing costs has IZ requirements. This may respond to these jurisdictions' desire to limit construction of low-cost housing in their geographies.

FIGURE 19

Cities with Higher Demand for Housing Require Larger Shares of New Units to be Affordable

Maximum percentage of units in new buildings required to be affordable across study cities with IZ programs, by typological group



Source: Authors' analysis of local regulations for new development.
Notes: IZ = inclusionary zoning. The graph displays the maximum set-aside rates for cities with IZ programs. Some cities set lower set-aside rates in certain areas. For example, Seattle's set-aside rate differs by zone, ranging from 5 to 11 percent. Shoreline requires 10 percent of units to be affordable citywide, but 20 percent in transit areas. Issaquah's set-aside rate depends on the depth of affordability each unit must meet. Bellevue does not have a mandatory IZ program but offers an optional density bonus for projects that set aside 15 percent of units as affordable.

Zoning density bonuses offered by study cities also differ, with their effectiveness dependent in part on affordability requirements. In the low-housing-cost cities, municipal codes offer at least 100 percent unit bonuses, and 4 of the 17 offer up to 200 percent density bonuses when certain conditions are fulfilled. Among the 9 abundant-transit, high-housing-cost cities, 5 offer bonuses for affordable housing: 2 offer 15 percent density bonuses and 100 percent unit bonuses, 1 offers a 50 percent density bonus, and the other 2 offer individually negotiated bonuses. Some cities require units to be affordable for households at 50 percent of AMI, whereas others require affordability at 80 percent of AMI; this can make a big difference in terms of whether a bonus is actually a net benefit to developers.

Seattle provides density bonuses for nonresidential space in exchange for providing child care facilities. One jurisdiction (Mercer Island) offers a two-story density bonus, and another offers a parking-minimum reduction for affordable housing near transit, similar to a low-housing-cost city that offered an additional 15 percent bonus density and 10 percent parking reduction near transit stations.

Jurisdictions' comprehensive-plan updates do not seem to propose shifting patterns in zoning codes. Limited-transit, high-housing-cost jurisdictions' plan updates rarely promised actions to promote development of or clear barriers to affordable housing, focusing instead on promoting middle-density housing and ADU development to incentive newly built projects that nonetheless could be affordable for families in the middle class. Rather than focus on providing affordable housing through IZ, low-housing-cost jurisdictions' comprehensive plans often emphasized the need to partner with developers and minimize production, permitting, and infrastructure costs for affordable housing development.

Additionally, planners in these jurisdictions noted in interviews that their market-rate housing was naturally affordable and that focusing income-restricted development near transit could restrict growth and concentrate poverty. Their challenge lay in balancing affordable housing distribution and stimulating quality housing production overall with few resources. Even abundant-transit, low-housing-cost cities had few concrete strategies to boost transit-adjacent affordable housing beyond promoting moderate densities and offering additional height density bonuses. In contrast, abundant-transit, high-housing-cost jurisdictions all focused on transit-oriented affordable housing by offering regulatory and tax incentives, increasing money available for development, and seeking to promote middle-density and ADU development to improve overall market affordability and housing variety.

Multifamily Tax Exemption

Washington's MFTE program has been implemented in 28 of the 33 study jurisdictions. The state sets the following three standards for tax exemptions on residential property improvements (the exemptions do not apply to nonresidential space or to land value; these requirements will change in areas near transit with the passage of H.B. 1491):

- an 8-year MFTE for multifamily housing construction, with no affordability requirements
- a 12-year MFTE for housing construction with 20 percent of units set aside for 12 years for households making 115 percent or less of AMI
- a 20-year MFTE for housing construction with 20 percent of units set aside for 99 years for households making 80 percent or less of AMI, or 25 percent of units sold under long-term affordability restrictions

Most jurisdictions that have adopted an MFTE program follow the baseline standards set by the state. Several study cities have adopted alternative standards, however, adding affordability requirements to the 8-year exemption, requiring a larger percentage of units to be affordable, or requiring deeper levels of affordability. Additionally, cities differ in terms of the types of development their MFTE targets. Whereas many cities reserve exemptions for large apartment buildings (e.g., 20 or more units), others, like Puyallup and Tacoma, allow middle housing to qualify for tax exemptions. Furthermore, cities differ in terms of what areas are eligible for the MFTE; some jurisdictions apply it citywide whereas others limit it to urban centers and transit areas to encourage more dense multifamily development near transit. Several cities tie the MFTE to their mandatory IZ ordinances to bridge the funding gap in affordable housing provision.

Despite local stakeholders frequently noting the advantages and shortcomings of the MFTE, only a minority of cities address it in their updated comprehensive plans. Broadly speaking, these cities recognize the need to adjust the MFTE to better meet local housing needs while maintaining it as an attractive option for developers. Adjustments to MFTE programs, however, can take different forms. For instance, several jurisdictions that limit the MFTE to growth centers or transit zones have suggested the possibility of expanding the program to other residential areas to encourage broader housing development. Some cities seek to modify requirements to reach deeper levels of affordability; this is particularly common among jurisdictions with limited housing at the lower end of the market. Regardless of the specific approach, there is a common understanding of the need to periodically reassess and update the requirements to better reflect evolving market conditions.

Impact Fees

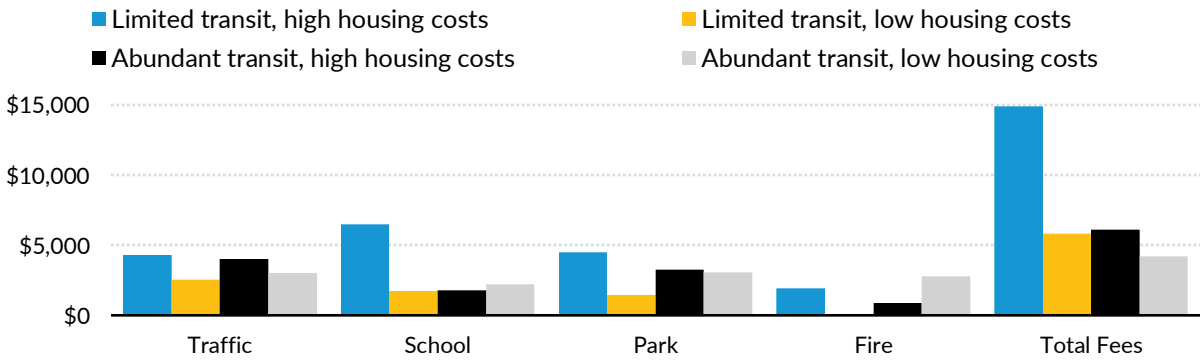
We collected information on impact fees for different housing types for each of the 33 jurisdictions. We observe substantial differences in the types of impact fees, their amounts, and exemptions or reductions to them across municipalities (some impact fees are collected by nonmunicipal entities). Most cities (28 of 33) have implemented transportation impact fees to fund mobility infrastructure investments, such as streets, bike lanes, and sidewalks, in areas where new development is occurring. Many areas also mandate impact fees for parks and schools, and a small number require impact fees for fire protection facilities. These are typically paid by developers when cities issue building permits.

Impact fee amounts differ widely between cities. Transportation impact fees can range from as low as $330 per unit to $6,300 per unit in multifamily developments. There is also notable variation *within* cities, with fees differing by district and housing type. For example, Spokane has a distinct impact fee schedule for each district, and fees depend on the housing type being constructed. Several cities offer reduced impact fee schedules for areas near transit hubs, downtown districts, or designated growth centers. A few cities—Lake Forest Park, Lakewood, Seattle, and Tacoma—do not impose impact fees. In general, limited-transit, high-housing-cost cities tend to have the highest overall fees (especially for schools) per dwelling unit and expected trip generated, with some jurisdictions charging as much as an additional $16,000 per unit in school fees (figure 20). Regardless of the intention of these fees, the result may be the exclusion of residents with low incomes from being able to afford homes in these areas because of high transportation and housing costs.

FIGURE 20

Limited-Transit, High-Housing-Cost Jurisdictions Have the Highest Impact Fees

Average impact fees per dwelling unit in study cities, by city type



Source: Authors' analysis of local regulations for new development.
Notes: These impact fees were calculated assuming a 3-bedroom unit in a 3-to-10-story building downtown and/or within half a mile of a transit station.

Additionally, 14 of the 33 study cities provide impact fee reductions or exemptions for projects that include affordable housing. This approach can ease the financial burden of affordable housing, which is already challenging for developers to make financially viable. Only some cities with mandatory IZ programs offer impact fee reductions or exemptions, though. Some stakeholders noted in interviews that additional development costs like impact fees may make it difficult for developers to bridge financing gaps and can limit affordable housing development, especially in cities that mandate a larger share of units to be affordable or that units meet deeper affordability levels.

Our analysis shows that most cities did not describe their impact fees in their latest comprehensive plans. Among those that did, two key themes emerged. First, cities *without* impact fee programs, such as Lake Forest Park and Seattle, mentioned the possibility of implementing transportation impact fees to fund capital facilities. Tacoma, another city without impact fees, is currently in the process of introducing them. Second, and conversely, the comprehensive plans of many cities with existing impact fee programs mentioned the possibility of reducing or eliminating fees for affordable housing projects to facilitate development. This could create a dilemma for cities that rely on impact fees to fund infrastructure and create conditions conducive to development, while also facing the challenge that these fees can increase the financial burden on developers. The 2025 passage of H.B. 1491 will require cities to halve fees for MFTE projects built in transit zones.

Permitting and Review Processes

Jurisdictions of at least 20,000 residents are subject to the Local Project Review Act (2023's S.B. 5290), which stipulates that the default timelines for arriving at final determinations for building-permit applications must be 65 days if no notice is required for the permit type and up to 170 days if public notice and hearings are required. Despite a January 2025 deadline to commit to these review timelines, at the time of our review only 15 jurisdictions had published permit decision shot clocks of 180 days or less, and 9 had no published standards for maximum review times. Several jurisdictions had more ambitious timelines than S.B. 5290 requires, and one jurisdiction published the average amount of time reviews were taking on its website. Developers also cautioned us that many cities do not meet their deadlines and often ask developers to wait, a request developers are wary of refusing.

Only five jurisdictions offered expedited permitting for affordable housing (Auburn, Bellevue, Kenmore, Seattle, and Tacoma). Projects qualifying for expedited permitting include those designed entirely to meet the needs of families with extremely low or low incomes to those designed for seniors or people with special needs, and the bonus granted ranged from expediting permitting (reducing the maximum review period by 30 days) to allowing projects to forego design review (e.g., in Seattle).

Complicating factors for permitting include the need for projects of some types and in some jurisdictions to pass design review. Six jurisdictions have universal requirements that are upheld during design review by a board, but the vast majority of remaining jurisdictions have differing specifications for project types, costs, or neighborhoods that would trigger design review. For example, some require all projects that are mandated to go through SEPA review to undergo design review, too, while others have a trigger at a certain scale of upzoning, a minimum project cost, or for multifamily developments. (H.B. 1491 implements a categorical exclusion from SEPA for most housing projects in transit areas.)

Jurisdictions also differ in the intensity of design review required: two jurisdictions only require clerical or administrative review, while most others require that at least a director and/or design board (sometimes with requirements for public hearings) review projects. In one case (Auburn), all multifamily development is subject to design board review and public hearings, which can increase the cost of development (most jurisdictions require public hearings for SEPA-level projects or variances, rezonings, and conditional uses). Design-review requirements do not generally differ significantly by jurisdiction housing costs or transit density, though limited-transit, high-housing-cost jurisdictions do, on average, have the fewest project types subject to design review (five of the seven restricted design-review requirements to SEPA or density-increasing projects only), and abundant-transit, high-housing-cost jurisdictions appear to have the most projects subject to design board review.

Jurisdictions' comprehensive plans generally agree that reducing regulatory barriers and streamlining processes to facilitate more predictable, lower-cost, and faster development is desirable. But they differ in terms of what changes they propose. Several jurisdictions mention streamlining processes for permitting in transit station areas (one offers simple processes that incentivize child care and ADUs), reducing permit fees, and offering developers the opportunity to provide input on what permitting practices are most difficult or costly to undergo. One jurisdiction highlights the goal of cooperating across jurisdictions to increase regulatory consistency. Generally, abundant-transit, high-housing-cost jurisdictions seem less concerned about streamlining processes and standards than others, with just two mentioning streamlining processes and standards. Planners we interviewed said streamlining comes at a cost, in terms of staff and fees, that many jurisdictions, especially low-housing-cost jurisdictions with smaller city budgets, cannot afford. At the same time, they noted that having clearer standards that enable developers to understand what a completed permit packet looks like and rules that protect planners from needing to do developers' work for them in their reviews would help speed up processes and potentially free up resources to further streamline development.

Comprehensive Plans and Future Land Use Maps

Our study cities have taken a wide array of approaches to planning for future development in the neighborhoods near transit stations. Some have emphasized high-density residential development, whereas others continue to encourage relatively low-density housing options. Some have focused on encouraging a mix of uses—combining retail and residential options in single buildings or developments, for example—whereas others have left monofunctional land uses in place. In this section, we explore the extent of these differences and show how they intersect with the typology of local characteristics that we introduced above; we find little association between the two, suggesting that municipalities respond to state rules in ways not always based on fundamentals of market demand.

As noted, localities' comprehensive plans and FLUMs are meant to indicate allowances for new development; they do not provide the detailed specificity of zoning regulations and maps. But FLUMs comprise districts that generally correspond to existing or future zoning categories. Municipalities are required to alter their zoning regulations to reflect their comprehensive plans, but, as of this writing, 2024 updates have not been approved by the city councils of the majority of study jurisdictions.[17] As such, in this section, we focus on the general approaches to land-use development proposed in comprehensive plans, *not* on the more specific requirements implemented in zoning policy (we studied zoning policy among jurisdictions in the Puget Sound in previous work; see Freemark, Lo, et al. 2023).

We intersected each study city's FLUMs with the areas near stations, with the goal of calculating the share of transit-adjacent land located in each FLUM district. By reviewing each community's comprehensive plan, we assembled a "data dictionary" to describe information about each municipality's planned development patterns. In each FLUM we focused on two characteristics: proposed housing unit densities and options for a mix of uses (combining residential and low-scale retail options, such as restaurants or corner stores).

We estimated allowed residential density in two ways because municipalities do not follow a standard approach to restricting potential development. Some municipalities describe the expected dwelling units per acre in each FLUM district. In more complicated situations, municipalities describe allowed height limits and/or corresponding zoning districts. In those cases, we attempted to estimate, for each FLUM district, what regulations would influence housing density (including, depending on the city and the FLUM district, allowed units per parcel, FARs, height limits, and allowed lot coverage), and then used an algorithm to estimate how many dwellings could be built per acre under each scenario.[18] Because FLUM districts are usually broader than zoning districts, many municipalities provide a

density range, rather than a specific cut-off point for maximum allowed housing densities. In each case, we assumed that municipalities would eventually allow the highest-possible-density residential projects; we made this choice because we did not want to assume that cities would rezone at lower levels than the maximum allowed under their comprehensive plans. We assumed that developers would be able to leverage incentives to the maximum extent possible, meaning we are likely assessing the high end of allowed development in each community.

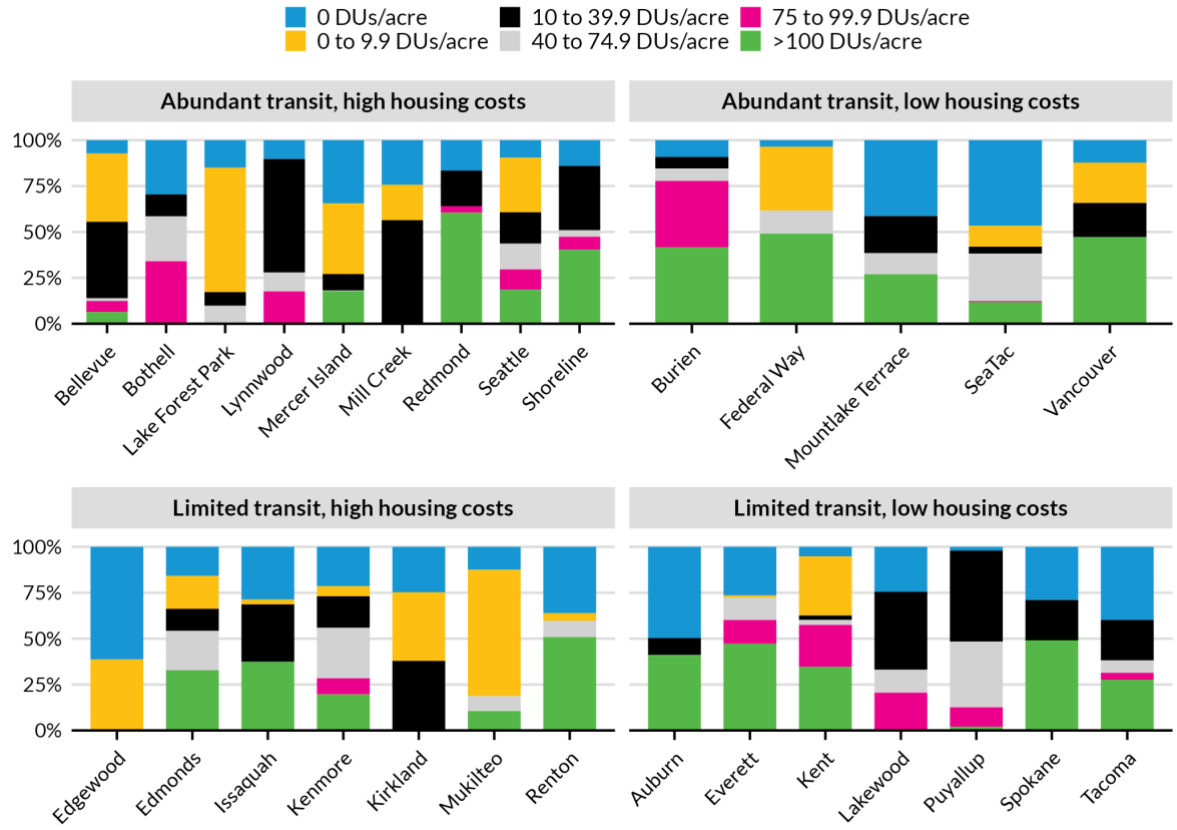
Dwelling Unit Density Allowances

We compare allowances for residential housing by city in figure 21. Cities like SeaTac and Tacoma have a substantial amount of industrial land located near their transit stations; this limits potential future housing. Cities like Kent, Redmond, Shoreline, and Spokane have FLUMs that encourage high densities near transit, with a majority of land proposed to be occupied by housing at 75 or more dwelling units per acre. In contrast, in municipalities like Bellevue, Lake Forest Park, Mercer Island, and Mukilteo, more than a third of land near transit is proposed to be at a low density—fewer than 10 housing units per acre.

FIGURE 21

Cities Like Redmond and Shoreline Are Planning High Housing Densities Near Their Stations, but Others, Like Lake Forest Park and Mukilteo, Plan Few Housing Units

Share of land located near transit by planned housing density, by jurisdiction and city type



Source: Authors' review of comprehensive plans, future land use maps, and transit station location data. Comprehensive plan data may not represent final approved plans in each municipality.

Notes: DU = dwelling unit. We do not account for accessory dwelling units in this analysis, but we do assume that "cottage cluster" projects could be completed at the highest possible density. Land near transit is defined as land area located within a half mile of existing or planned light rail or commuter rail stations, or within a quarter mile of existing or planned bus rapid transit stations. Land defined as 0 DUs per acre disallows residential; this is common in some communities with industrial uses, such as Tacoma.

The data in figure 21 suggest there is little relationship between the typology of cities and their plans for future housing densities. This may reflect a lack of accommodation for construction in some of the cities where housing is perhaps needed the most given existing conditions. Lake Forest Park and Mercer Island, in particular, have developed FLUMs that would accommodate low densities in many of their neighborhoods closest to transit—even though both of those cities have very high housing costs and likely need to accommodate additional housing in order to ensure they are responding to the state's housing demands.

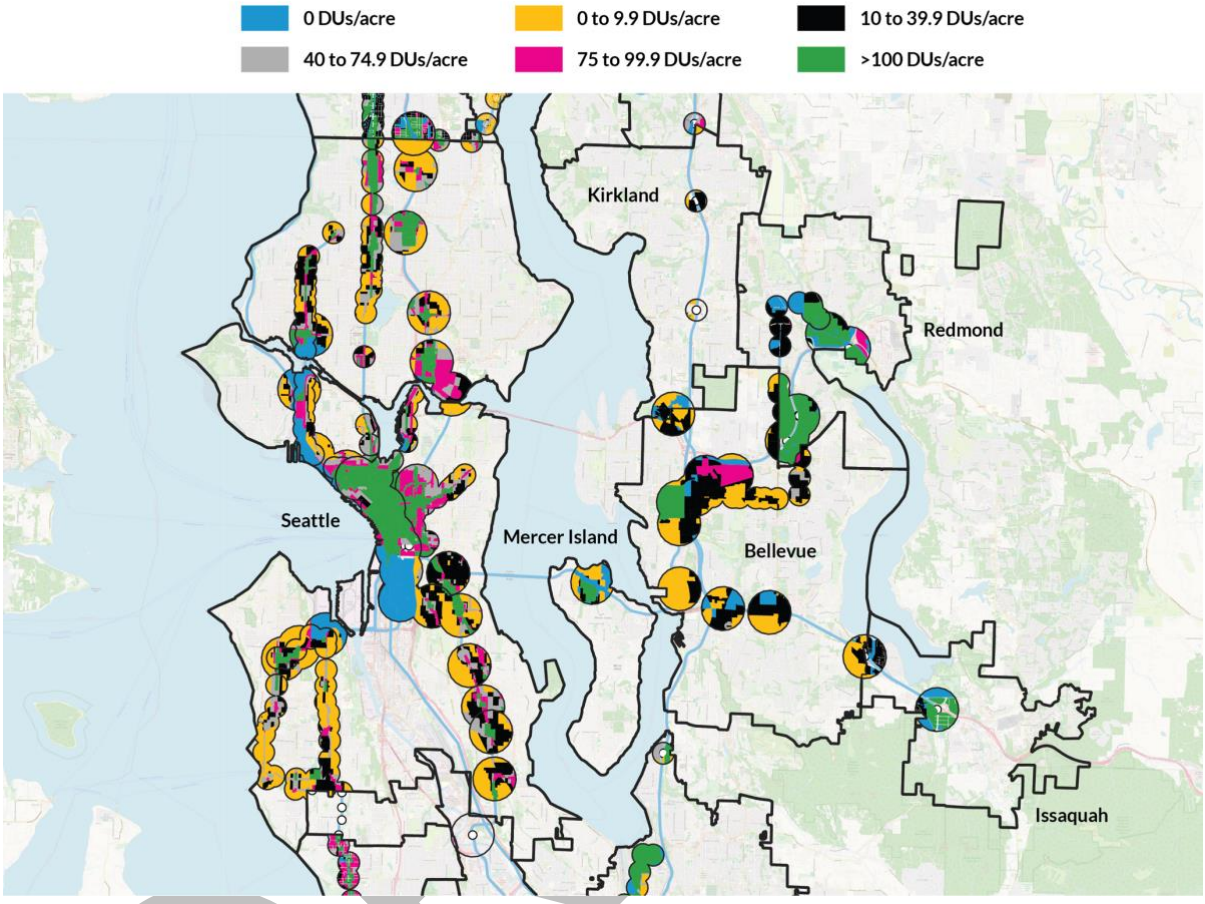
The differences between cities may also reflect the diversity of approaches across neighborhoods, as we examine in figure 22, which maps allowed housing densities in FLUMs in the central parts of the Puget Sound. Here, we document very substantial differences *within* cities. For example, while the Bellevue and Seattle FLUMs provide for quite high housing densities downtown, they propose much lower densities in outlying neighborhoods, such as South Bellevue and West Seattle. Conditions can even differ around a single transit station, too. On Mercer Island, for example, most neighborhoods south of the future light rail station are planned for high densities, whereas most of those north of the station are planned for densities of fewer than 10 dwelling units per acre.

We document FLUM plans for housing density in the other study cities in maps presented in the appendix. Shoreline (figure A.1) has taken the intentional approach of planning for very high densities in the areas close to the city's light rail and BRT stations, with lower densities farther out. (The Shoreline/Seattle city border is visible on figure 22, which shows much lower planned densities on the Seattle side.) Some of the land around Tacoma's stations (figure A.2) is zoned for no residential use at all because of the predominance of port-related uses. In Vancouver (figure A.3), densities are very high along some parts of the city's BRT lines, but quite low in some near-downtown neighborhoods. And, lastly, in Spokane (figure A.4), the city is planning for high residential densities west of downtown but much less housing in the areas east of it. All in all, these comparisons illustrate the varieties of planning for housing density that are being executed by communities throughout the state—even by communities that are adjacent to one another or have similar baseline economic environments.

FIGURE 22

Cities Plan for a Wide Variety of Housing Densities in Neighborhoods Near Transit

FLUM housing density estimates, by dwelling units per acre, central Puget Sound



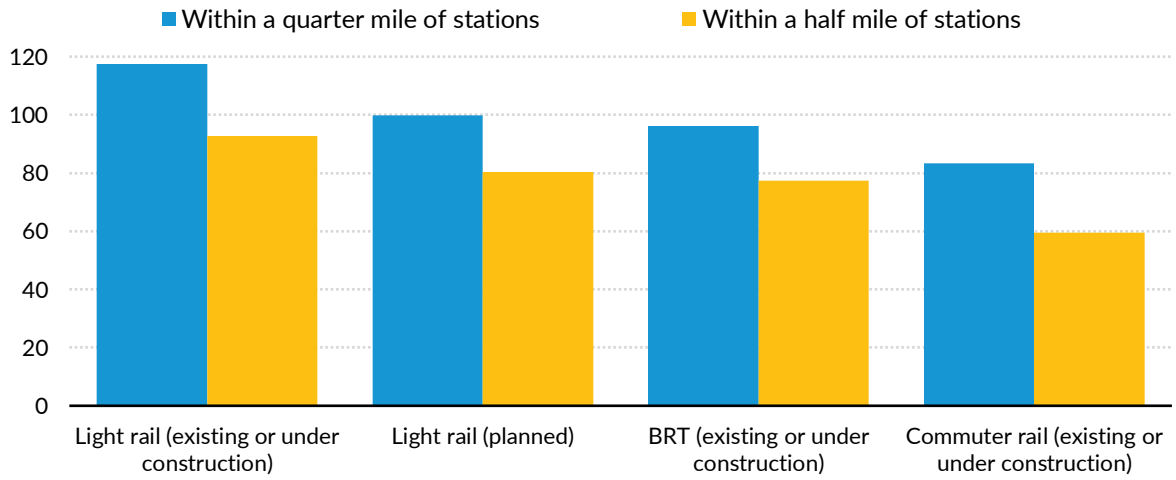
Source: Authors' review of comprehensive plans, future land use maps, and transit station location data. Mapped comprehensive plans may not represent final approved plans in each municipality. Maps for the other study areas are available in the appendix.
Notes: DU = dwelling unit. FLUM = future land use map. We do not account for accessory dwelling units in this analysis, but we do assume that "cottage cluster" projects could be completed to the highest possible density. Land near transit is defined as land area located within a half mile of existing or planned light rail or commuter rail stations, or within a quarter mile of existing or planned bus rapid transit stations.

Differences between dwelling unit densities depend on municipal policy, but also on the mode of service provided by the transit agency and distance from stations (figure 23). Averaged by station, cities plan for considerably higher housing densities in areas within a quarter mile of stops than in those within half a mile. And they plan for higher densities near light rail than near BRT or commuter rail, likely a response to the higher quality of service provided by light rail.

FIGURE 23

Cities Generally Plan for the Highest Densities Near Light Rail

FLUM housing-density estimates in terms of average dwelling units per acre, by mode



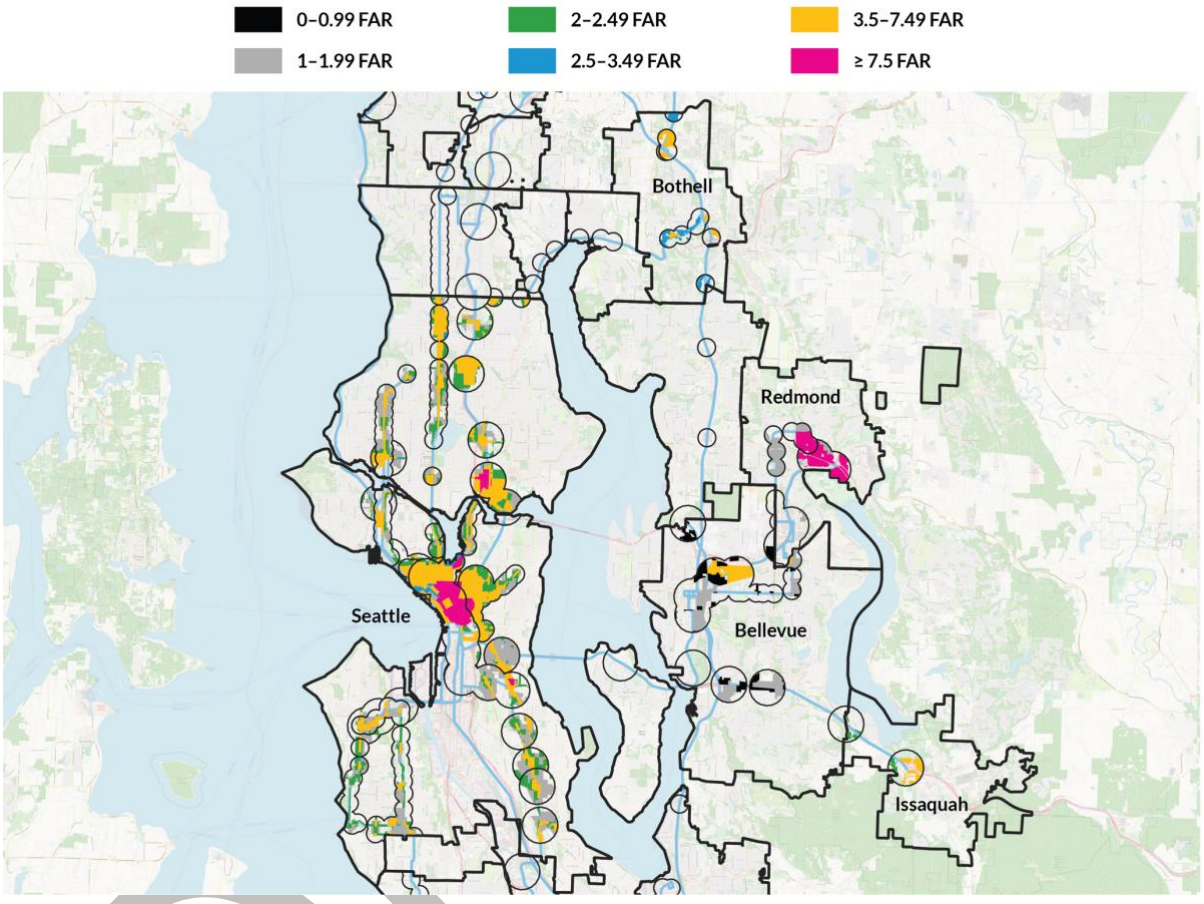
Source: Authors' review of comprehensive plans, future land use maps, and transit station location data. Comprehensive plan data may not represent final approved plans in each municipality.
Notes: BRT = bus rapid transit. FLUM = future land use map. We do not account for accessory dwelling units in this analysis, but we do assume that "cottage cluster" projects could be completed to the highest possible density.

We also reviewed comprehensive plans to assess allowed FAR levels near transit, noting that while some cities, like Bellevue, Redmond, and Seattle, use FARs to regulate building sizes, many others do not (figure 24). Our analysis shows that, among the cities that zone using FAR as a primary density-control measure, many TOD areas are already zoned (or planned to be zoned based on the comprehensive plans) at FARs higher than 3.5, which is the average minimum density that will be required for rail station areas under 2025's H.B. 1491. In fact, some parts of Redmond and Seattle are zoned at FARs above 7.5, meaning the state law will not produce a density boost in these areas. This is not always the case; many station areas currently have lower FAR requirements.

FIGURE 24

Several Cities with the Best Transit Options in the Puget Sound Zone for High Density Downtown

FAR limits in transit station areas in cities' current comprehensive plans, central Puget Sound



Source: The authors, based on a review of most recent comprehensive plans for municipalities with fixed-guideway transit access.

Notes: FAR = floor area ratio. Areas with no specific FAR requirements (i.e., areas that place zoning limits on building using other requirements, such as maximum number of units allowed per acre) are not colored in. Bellevue, Bothell, Issaquah, Redmond, and Seattle are labeled because their FAR requirements are itemized in their comprehensive plans and/or associated zoning codes.

The highest concentrations of *current* housing near transit are in Seattle's downtown-adjacent Belltown, where densities reach up to 70 units per acre, or 140 units per developable acre if about half of land is occupied by undevelopable uses. This latter density roughly translates to an average FAR of 3. Note that these are estimates of average densities and do not reflect individual parcels. A recently approved 19-story tower in Belltown will have a FAR of about 10 and more than 500 units per acre.[19]

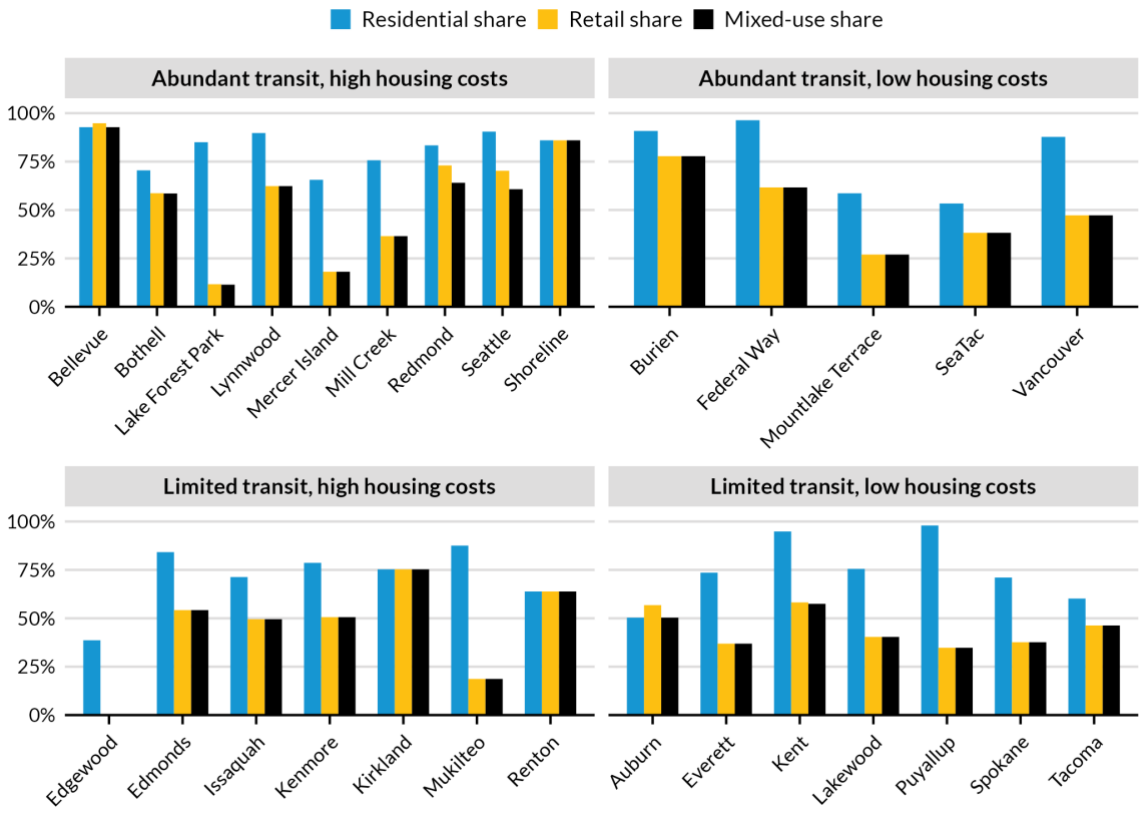
Allowances for Retail and a Mix of Uses Near Transit

Here we explore how cities plan for mixed uses, evaluating each city's share of land near transit that the FLUMs designate for residential use, retail use, and a mix of the two. We compare these data in figure 25. In some cities, like Bellevue, the share of land near transit planned for residential use is close to that planned for retail; most FLUM districts that allow residential also allow retail. This is not the case in cities like Lake Forest Park or Mercer Island, which have vibrant real-estate markets. But for cities with abundant transit and low housing costs, like Mountlake Terrace or Vancouver, a focus on a mix of uses might be less financially relevant. These communities may be less able to attract stores because of their economic environments, and thus it might make sense that they have not prioritized mixed uses.

FIGURE 25

In Some Cities, Comprehensive Plans Recommend Relatively Little Mixed-Use Area Near Transit

Share of land located near transit by allowances for retail and a mix of uses, by jurisdiction and city type



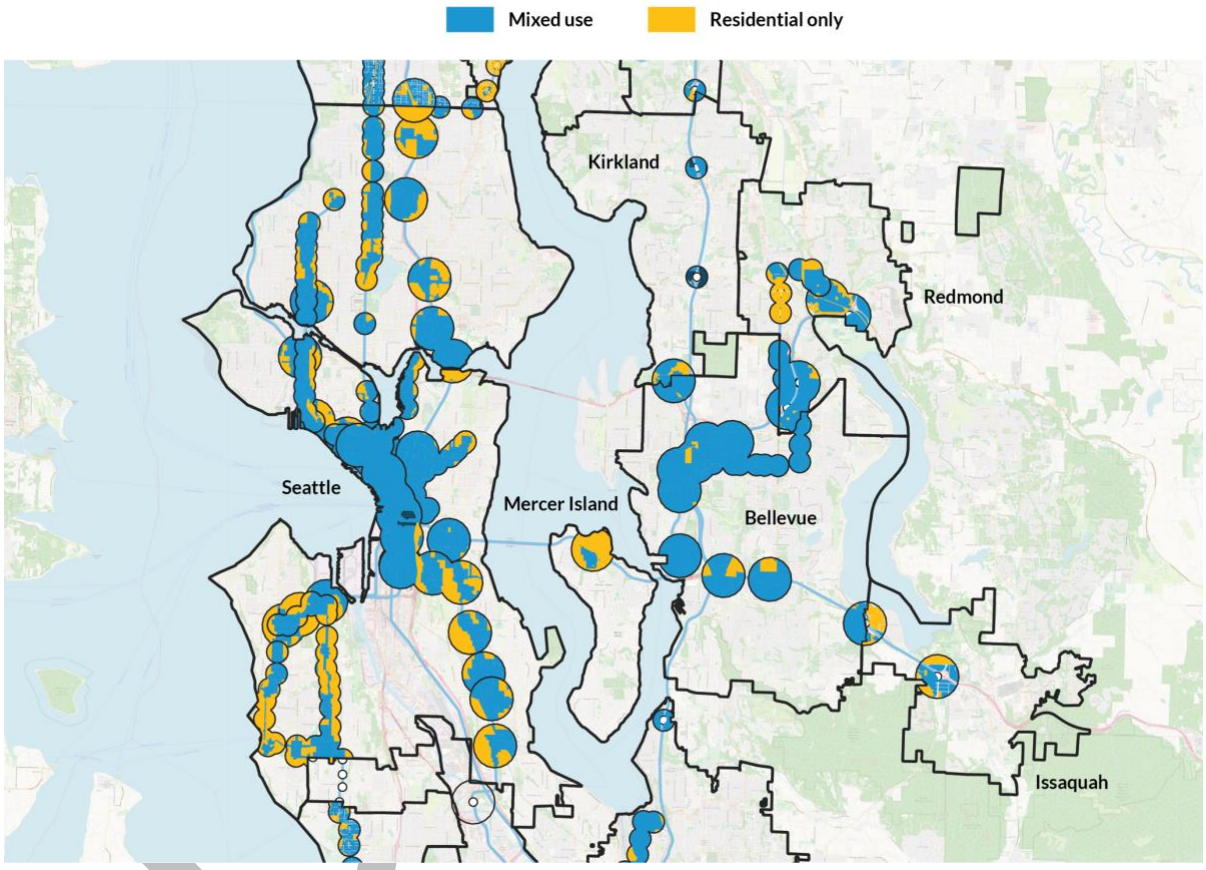
Source: Authors' review of comprehensive plans, future land use maps, and transit station location data. Comprehensive plan data may not represent final approved plans in each municipality.
Notes: Retail uses include corner stores, retail, and restaurants. A mix of uses means residential and retail uses are allowed.

As with residential densities, allowances for retail in residential areas differ dramatically within cities. In figure 26, we map the central Puget Sound. Mixed uses are enabled by FLUMs in downtowns and along transit lines—especially in Seattle, where mixed-use corridors are common along BRT routes. But these are less common in neighborhoods farther out.

FIGURE 26

A Mix of Uses Is More Common in Downtown Areas Than Farther Out

Allowances for mixed use in future development in FLUMs, central Puget Sound



Source: Authors' review of comprehensive plans, future land use maps, and transit station location data. Mapped comprehensive plans may not represent final approved plans in each municipality.
Notes: FLUM = future land use map. Retail is defined as corner stores, general retail, and/or restaurants.

Best Practices in Achieving Affordable TOD

We conducted six case studies of regions in North America to explore how approaches to surmounting barriers to affordable housing in TOD areas differ. We conducted a review of scholarship and other publicly available data about how each region has proceeded, then conducted interviews with a select number of staff to parse out key questions about the regions' successes and difficulties. In this chapter, for each case study we describe background information, summarize results, and offer insight into which elements may be most relevant to Washington state. Our case studies include the following:

- **Bay Area MTC TOD policy**: how to scale TOD program requirements to different contexts within a region.
- **Twin Cities Metropolitan Council TOD**: how to target infrastructure improvements for greatest effectiveness to increase TOD feasibility.
- **Baltimore inclusionary zoning tax exemption**: how to calibrate funding to facilitate affordable housing production in the private market.
- **Oregon Metro TOD program**: how to structure competitive grants for developers to implement affordable TOD.
- **California TOD Housing Program**: how to operate a state-level TOD initiative.
- **British Columbia TOD initiatives**: How to combine a variety of approaches to encouraging affordable TOD, spanning agency action, financing tools, and zoning reforms.

Measuring the success of a TOD program—particularly one introduced over the past few years—is challenging; it is not always clear, for example, whether a new housing development is the product of a TOD reform or something else. Completed projects are typically products of complex, unique, and often innovative partnerships between government, nonprofit, private, and philanthropic entities, all of which much collaborate to enable development financing, construction, and operation. These partnerships are necessary to overcome complexities in land ownership, site and programmatic requirements, and limitations in funding and financing from any one program. But we have identified major takeaways from each of our case studies, summarized in table 4.

TABLE 4

Best Practices Identified in Our Case Studies of Six North American Regions

Case study	Best practices of potential use in Washington state
Bay Area Metropolitan Transportation Commission TOD policy	▪ TOD requirements should be rightsized to reflect differences between communities, including in terms of quality of transit service and existing affordability levels. ▪ Developers should be allowed flexibility in project plans, such as through parking and different levels of density distributed across different parts of a large property.
Twin Cities Metropolitan Council TOD	▪ Funding for predevelopment activities can play an important role in reducing project risk by enabling problems to be identified before projects advance to the construction phase. ▪ Flexible funding that can be used for all stages of a project can help address the complexity of funding for affordable housing projects.
Baltimore inclusionary zoning tax exemption	▪ To implement an effective affordable housing requirement, the affordable housing needs to be funded; it cannot pay for itself, especially in a low-housing-cost city. ▪ While any support for affordable housing may be beneficial, ensuring that it matches market demand, such as by adjusting subsidy, is key to the program's effectiveness.
Oregon Metro TOD program	▪ Flexible TOD grants can help fill gaps in support from other funding sources, funding important elements such as infrastructure and subsidizing deep affordability. ▪ Initial public-sector investment in land can make way for future development by eliminating the site acquisition step in development.
California TOD Housing Program	▪ A larger-scale affordable housing program can help ensure a greater level of affordability than is present with typical grants in Washington state. ▪ Programs should be designed to evolve to respond to the latest needs.
British Columbia TOD Initiatives	▪ Transit agencies can play an important role as developers if given the chance, especially if they are able to integrate housing developments into new stations. ▪ Provincial and local land can serve as a key resource for investment in new housing. ▪ Provincial requirements for localities to zone for high densities near transit can make way for substantial investment in new projects.

Source: The authors, based on a review of scholarship and other publicly available data on each region.
Notes: TOD = transit-oriented development.

Below, we point to examples of built projects where specific TOD programs were a necessary component of implementation. These case studies offer examples for policymakers in Washington to consider.

Bay Area Metropolitan Transportation Commission's TOD Policy

As the region's metropolitan planning organization (MPO), the Bay Area Metropolitan Transportation Commission (MTC) is responsible for the allocation of federal and state funds to infrastructure projects that best serve the region. The agency's 2022 Transit-Oriented Communities (TOC) policy, currently being implemented, builds on previous programs, including the agency's 2005 TOD policy and 2008 Priority Development Area (PDA) policy.[20] These programs enabled the MTC to engage in land-use policy despite its lack of direct authority over this issue. The TOC policy distributes funds only after municipalities show that they have zoned for minimum densities; requirements scale across four tiers, based on each site's relative degree of transit access.[21]

New TOC requirements include eliminating parking minimums and establishing parking maximums, residential and commercial density minimums, and minimum zoning allowances (Metropolitan Transportation Commission 2024a). For example, the policy sets a minimum average density requirement of 100 net residential units per acre for Tier 1, 75 net units for Tier 2, 50 net units for Tier 3, and 25 net units for Tier 4 throughout the TOC area. The minimum zoning allowance for residential units per acre is slightly higher, also differing by tier.[22] All cities must also choose from a menu of options to serve antidisplacement objectives, including affordable housing production and commercial stabilization, and meet specific requirements for the percentage of affordable housing units provided.

The MTC determines compliance, but there is some flexibility in the extent to which cities can reasonably achieve the policy requirements. Those that comply will, beginning in 2026, qualify for right-of-way infrastructure funding. Predevelopment loans for potential affordable housing sites will also be weighted toward TOC areas. These sites are qualified through the MTC's Priority Sites program.[23] Predevelopment loans are provided by the Bay Area Housing Finance Authority, a self-sustaining program that draws on revenues from fees and investment, and that leverages an interest rate spread (Metropolitan Transportation Commission 2024b). By providing consistency on what constitutes a TOC, the MTC's goal is to streamline drafting and compliance with future policies, programs, and funding requirements—while investing funding where it is likely to have the most impact.

With cities throughout the Bay Area undertaking relevant changes, the MTC is providing technical assistance, meeting with jurisdictional decisionmakers, and using online tools to expedite processes. In addition, it provides a separate grant through the PDA program to support cities to implement TOCs.[24]

Local funding-match requirements have also been developed, driven primarily by restrictions in uses of federal funds (Miller 2017).

Results

The MTC's earlier TOD and PDA policies helped deliver the funds to make affordable housing developments in TOD areas feasible. The TOD policy is just one of several criteria by which a common pool of One Bay Area Grant funds is distributed. Approximately 77 million dollars are awarded annually to approximately 35 projects in the region.[25] There are 95 jurisdictions that receive these funds, and the new TOC policy encompasses 80 of those jurisdictions. We describe two examples of regional projects with strong TOD outcomes below; we selected these projects as examples of TOD-focused locations that benefited from regional funding in previous iterations of the policy.

The **Richmond Transit Village** is a multiphase project that was substantially completed in 2006. Multiple rounds of MTC grants, totaling approximately $5 million (Strategic Economics 2012), subsidized essential elements of transit access and other public infrastructure, making it possible for the developer to provide 200 units of ownership housing, half of which were restricted to moderate-income families.[26] The development proved to be catalytic: over the almost two decades that followed, 10 times as many additional units were built out in the surrounding area. A quarter of these serve low-income and senior populations.

A recent higher-intensity project benefiting from MTC funds is the **Gateway at Millbrae Station**. Millbrae is a major transfer point on the Bay Area transit system and is an MTC PDA. The Gateway project sits on land owned by Bay Area Rapid Transit (BART) consisting of 9.5 acres and nearly 900,000 square feet distributed among four buildings: an office, a hotel, an 80-unit affordable building, and a 320-unit market-rate residential building.[27] The affordability ratio was driven by BART policy that 20 percent of units produced through the lease or sale of BART land be affordable.[28] The market-rate parcels effectively subsidized the development's affordable components. Project completion also benefited from MTC grants for infrastructure improvements (Placeworks 2015).

Lessons

Local housing officials, developers, and transportation authority staff highlighted how essential rightsizing TOD requirements is to jurisdictions' capacities. The MTC's TOC program provides lessons on how to scale a program to local context. It does this primarily by keeping most program elements consistent but changing several requirements based on context. The following key themes emerged:

- **TOC areas are organized into tiers based on the intensity of transit.** While most policy requirements are the same for all TOC areas, variables such as density and parking requirements scale based on tier, balancing policy consistency with responsiveness to context. Washington could adapt a similar tier system, such as prioritizing nodes between multiple lines, determining a hierarchy of rail to bus-based transit, and including ferries.
- **TOC areas are classified by their respective jurisdictions' allocations of affordable housing need.** This needs allocation is similar to new elements of Washington's GMA, allocating municipal housing capacity targets to cities by affordability bands. This tier system modifies the menu of antidisplacement policies available to cities. This is in place because appropriate antidisplacement policies differ based on socioeconomic conditions, local housing stock, land-use context, and market strength. A similar program in Washington could leverage GMA requirements and data to make policy more sensitive to local context or weigh grant applications based on need.
- **The policy provides flexibility within TOC areas.** Although there are some parcel-specific requirements, most minimum-density and maximum-parking-ratio targets can be averaged across parcels. This allows for features like district parking. It also allows for land uses such as hospitals, institutions, and parks to be exempt from calculations. Similarly, in Washington, TODs serve different constituencies; some are employment based, others serve institutions, and others have circumstances that preclude their use for housing.

Twin Cities Metropolitan Council TOD

The Twin Cities Metropolitan Council (Met Council) is an MPO that coordinates land use and transportation planning across the seven-county region comprising the Minneapolis–St. Paul metropolitan area. Minnesota's 1995 Livable Communities Act (LCA) allows the Met Council to impose a levy to fund development, redevelopment, and site cleanup.[29] The Met Council awards LCA grants to municipalities and public development authorities to support a flexible array of affordable housing and living-wage-job projects, including site acquisition and infrastructure, such as projects involving stormwater management; renewable energy; utility connections, relocations, and upgrades; undergrounding of parking; pedestrianized streets, parks, and plazas; and public realm site prep and site investigation. Grants can also be applied to soft costs, including public engagement, engineering, and design.[30] Although grantees are public entities, they often work with private or nonprofit developers to pass awards through to a project. Technical assistance for cities to develop TOD-

supportive policies is also provided through a policy development grant. The TOD Grant (LCDA-TOD) program began in 2011, seven years after the region's first light rail line opened and seven years before the second commenced service. This program focused on enabling both higher-quality development along transit corridors and affordable housing development in areas with transit investments. Approximately $78 million in awards were made through the program between 2011 and 2024.

Grants are awarded based on the results of an outcomes-based competitive evaluation process that incorporates criteria related to housing, economic opportunity, walkability, livability, and process. Development grantees are typically awarded $1 to $2 million per project. Projects within TOD areas sometimes also qualify for other LCA programs, which can fund a similar array of project elements, although each project element can only be funded by one LCA grant.

The program has equity and antidisplacement goals built into its scoring system. Although the relative weight of those goals is low, a project must pass a threshold of equity points to qualify for the program. Equity is defined as furthering access to housing, access to economic opportunity, environmental sustainability, multimodal transportation, or open space provision. Cities receive credit for other programs that implement equitable development practices in TOD areas. Applicants are free to demonstrate how they will advance equity and avoid displacement.

Results

The program is funded at levels of approximately $4 to $8 million per year, with no more than $2 million spent in one city. In 2023, just over half of applicants were successful. Funds tend to be distributed broadly across categories. Most awarded projects are midrise multifamily buildings with community-supportive ground floor uses and open space. Competitive criteria prioritize affordable housing. Competitive criteria can result in creative approaches to stand out; winning projects have sought deeper affordability or more family-size units to earn points, or fulfilled other criteria, such as placemaking, employment, and TOD vitality.

One notable funded project that has had catalytic effects is the **ARTery**, in suburban Hopkins (Metropolitan Council n.d.a). The Met Council's grant partially funded a three-block street rebuild designed to connect a light rail station to the historically walkable downtown and an existing rail-to-trail network.[31] The funding enabled the city to emphasize pedestrian appeal when redesigning the street.[32] The grant was tied to the infrastructure to support a 241-unit apartment building adjacent to the station. All units were market rate, which is rare among grant recipients, but other sites in the TOD

area had already received LCA grants to fund affordable projects. The grant funded several components of the rebuild, including plazas, art installations, gardens, stormwater features, benches, signage, sidewalks, bike trails, and bike racks. The Met Council awarded additional grants for environmental cleanup for nearby sites along the rebuilt street, maximizing the investment's catalytic potential.

While in the ARTery's case, the TOD grant funded mostly visible elements, LCA grants are also used to fund underground utility upgrades. **Mill City Quarter**, a 250-unit affordable and senior-oriented apartment complex (Metropolitan Council n.d.b), received funds for utility relocation and extension necessary to unlock the development potential of the parcel, which was adjacent to a historic heavy rail spur. This utility extension was coordinated with construction of a pedestrian-oriented, curbless street that provides site access while managing stormwater and serving as a public gathering space.

Lessons

The success of the Met Council's program can be partially attributed to the flexibility with which its funds can be used. Similar programs are often limited to hard costs, certain types of infrastructure, or costs incurred at a specific development phase. This type of flexibility can help stretch limited funding further in the following two ways:

- **Initial funding can help overcome early hurdles.** By funding community engagement and site investigation, applicants to LCA programs can lower project risk before seeking construction financing, thus making financing more affordable. Predevelopment funding can also help projects qualify for other funding sources. Applicants reduce project risks before applying for a grant by providing a memorandum of understanding covering relevant project-implementing parties, such as the developer, the operator, the landowner, the city, and the financing provider. By lowering project risk and barriers to entry, predevelopment funding can also increase the pool of developers and help new developers enter the market.
- **Flexible sources of funding meet different needs depending on the situation.** Affordable housing projects, especially those in dense urban environments and with layered program requirements, often require complex financing structures in which government, nonprofit, and private entities must each seek and achieve financing through the options available to them individually. This can distort project responsibilities between the different parties in ways that strain feasibility. Having a flexible source of funding can make it easier to assemble the

funding and financing elements of a project in cases where other funding and financing sources are restricted. For example, if a project is eligible for a stormwater infrastructure grant, a flexible grant could leverage this by funding the design and construction of public open space with stormwater management. The Met Council's grant program requires localities to pass a resolution of support, which promotes coordination between developers and transportation and housing officials, while incentivizing applicants to convene implementing parties and identify the most valuable leverage before applying.

Policymakers in Washington could learn from the success of this program by integrating a similarly flexible approach toward funded project elements, which could help them adapt policy to unique TOD redevelopment contexts and challenges statewide. A Washington policy could place a strong emphasis on affordable housing while still considering market-rate projects that make a case for supporting housing equity, such as those that provide community-supportive secondary uses, have catalytic potential to make future affordable housing projects more feasible, and ease market-demand pressure on nearby naturally affordable housing.

Baltimore Inclusionary Zoning Tax Exemption

The City of Baltimore's mandatory IZ policy went into effect in 2007. The history of this policy is not specifically related to transit, but has relevance to Washington's MFTE. It established requirements for most new housing developments to include income-restricted affordable units, some funded by the city and associated with density bonuses. Year-by-year, the city often chose not to fund the program and density bonuses were insufficient to cover the cost of the required affordability. As a result, this program produced fewer than 40 affordable units over 15 years. In 2021, a city-commissioned study found that the policy was responsible for significantly dampening housing development, including that of affordable housing, because of the financial burden imposed on developers (Enterprise 2022).

Based on that study's findings, in 2024 the city transformed the program (referred to as inclusionary housing) such that it now fully funds the affordable housing component required in most new development projects through a tax credit instead of direct funding or a density bonus. The building owner compares the difference in actual rent paid for a building's market and affordable units and the city credits the building owner for that difference through a property tax credit in the following year. This process repeats yearly for the period of required affordability. Through this process, the city effectively subsidizes all required affordability in a project to the actual amount that affordability is provided on a yearly basis. Baltimore's relatively high property taxes allow for high

credit amounts, though the program is subject to some limitations. The program will reduce the city's property tax revenue, but increased development owing to the program improvements is expected to lead to more redevelopment and therefore higher property values, offsetting this lost revenue to some extent.

Standardized and simplified affordability requirements are another key feature of the 2024 update. The program features a blanket requirement that 5 percent of new project units be affordable for tenants whose incomes are at or below 50 percent of AMI and that an additional 5 percent of units be affordable for tenants at or below 60 percent of AMI (City of Baltimore 2024). (While 60 percent of AMI is the typical threshold used to restrict affordability for projects financed through the federal government's LIHTC program, 50 percent is the requirement for some Maryland state programs and for Housing Choice Vouchers.)

As an antidisplacement feature, the city or city-designated housing providers will have the right to master leases and to manage certain inclusionary units during the 30-year compliance period of the program. They will also have the right of first refusal to lease all inclusionary units at the end of the compliance period to maintain their affordability to tenants.

Results

While it is too early to determine the program's effectiveness, there is some evidence of increased developer interest and activity, particularly in areas where additional subsidies are available, such as through proceeds from tax increment financing districts.

One facet of the program that may play an outsized role in determining its success is the cost of compliance.[33] Administrative costs borne by developers include the costs of developing an inclusionary housing plan, documenting annual compliance, deferring lost revenue recovery for one year, and getting housing commission and board approval. Although the deferral of lost revenue recovery is a necessary component of the program, the housing plan, compliance documentation, and approval process could prove burdensome, limiting affordable unit production. Though the city offers grants and loans that may help cover the cost of compliance, these funds are limited and may be reallocated to other programs.

Lessons

Baltimore's experience aligns with national evidence that unfunded IZ may impede housing development, except when affordability requirements are limited and programs are applied in strong housing submarkets.[34] When development does occur under unfunded IZ, mandates function as a tax on new housing, worsening affordability for market-rate renters, creating additional need for subsidized units, and having no overall effect on housing affordability. Unfunded inclusionary mandates can also have the negative effect of reducing the production of market-rate units that would otherwise be built, increasing housing scarcity, driving up prices, and reducing affordability (Phillips 2024).

Baltimore's IZ model is designed to enable developers to recoup the revenue lost as a result of providing below-market units, without creating unfunded mandates or requiring the creation of new up-front city subsidies. In this sense, it is similar to Washington state's MFTE program. Unlike the MFTE program, however, the tax incentive is not set through policy, but rather derived from market data and dynamically adjusted.

A developer's decision to participate in Washington's MFTE hinges on how site-specific factors—the market at a particular location—line up with the incentive. The program's benefits are not intrinsically tied to affordability requirements. The program is subject to calibration by municipal policymakers working within state guidelines. Even in cases where the program is successfully implemented, factors such as projected future median incomes relative to future market rents could affect participation. The Baltimore policy, by contrast, adapts to context to ensure developers are incentivized to participate to the same extent, and removes future risk by reassessing the tax incentive yearly. Approaching the MFTE from this perspective could increase certainty and consistency in the provision of affordable housing, especially where it is critical to do so, such as in TOD areas.

The strength of the Baltimore approach is that the subsidy is matched to market demand, and thus, beyond goal setting, does not need to be economically calibrated to succeed. The weakness of this approach, however, is that lost tax revenue can change unpredictably because of the changing relationship between market rents and incomes. There is also a possibility that the property tax subsidy exerts upward pressure on market rents. This could be a particular concern in other communities in which the IZ standard is set higher than 10 percent but would likely be offset if an IZ program were only applied in limited geographic areas, such as station zones.

Oregon Metro TOD Program

The three-county Portland Metro region benefits from the close interaction between two TOD programs working in tandem. Metro, the region's MPO, coordinates land use and transportation planning and allocates a wide variety of regional, federal, and state funding. TriMet, the agency that operates and delivers the public transportation system, holds as its primary asset site control of land immediately accessible to its system. In unison, these TOD programs leverage each organization's expertise to offer a compelling resource to advance housing in areas near transit. For at least 20 years, Metro has worked with TriMet through an intergovernmental agreement that allows the transit agency to trade its $3 million in federal funds for farebox revenues, which have no restrictions on their use.

In 1998, Metro created what may be the nation's first TOD program. At first, the program focused on facilitating market-rate development to generate TriMet ridership and local tax revenue in support of economic development goals.[35] Uniquely, Metro TOD grants helped enable the delivery of TOD projects denser than what the real estate market would otherwise bear by funding the gap between a project's "base case," such as a financially feasible three-story residential walk-up, and the extra investment that would be required for a taller multifamily building. Grant funds could be used to contribute to the costs of vertical circulation, more advanced structures, or even infrastructure. This gap funding helped meet Metro's policy objective: that the region's most transit-supported locations were built as compact, complete communities that could be accessed by as many people as possible. In partnership with TriMet, Metro designed the TOD grants to capture the future value attributed to a project's residents, who would become its new transit riders. Metro's team aligned each TOD project's grant funding to the estimated monetized increase in its resulting ridership over a 30-year period.

In 2017, Metro began to retool its TOD program in coordination with other agencies in response to the housing crisis and a state directive to more quickly deliver development. In 2020, TriMet adopted TOD guidelines that aligned its vision with Metro's 2040 Growth Concept, the regional plan for housing and transportation. These guidelines identify and clarify TOD-related objectives for the agency's owned or controlled property as well as for third-party-owned property within a half mile of stations. In 2023, TriMet and Metro drafted a strategic plan to address housing affordability and displacement across all station locations (Oregon Metro 2023a).

The current practices within the Portland Metro region focus on the following:

- **Catalyzing affordable housing**. Metro recognizes that its funding acts as an early vote of confidence for affordable housing projects, enabling developers to assemble subsequent

funding. Metro TOD grants are allocated on a rolling basis and can be issued when most needed. Metro and TriMet TOD programs are designed to align closely with other housing programs, including a $650 million regional affordable housing bond that can be paired with state tax credits, and S.B. 8, a law that enables housing to be built on any government-owned property. In those instances where TriMet has site control, Metro works closely with the agency to set in place leasing and financing strategies that reduce project development costs.

- **Achieving a mix of incomes**. Enabling flexible requirements helps developers respond thoughtfully to geographic differences in the real estate market and has helped TriMet and Metro achieve more balanced communities around transit. The Metro TOD program requires that developers provide either 50 percent of units affordable to families at 80 percent of AMI or 25 percent of units affordable to families at or below 60 percent of AMI for at least 30 years.
- **Reducing displacement**. In partnership with TriMet, Metro is conducting targeted land acquisition in areas at risk of displacement owing to transit investment (Oregon Metro 2023b). Metro coordinates its "investment areas" with its TOD program. This may lessen displacement thanks to public investment in site acquisition and entitlement, or reduced land costs (Oregon Metro n.d.). Metro grants also actively encourage TOD projects to include ground-floor programming that meets community needs; this has resulted in space for early childhood education, community programming, workforce training, and office space for nonprofit organizations. Integrating uses that serve the current community, Metro staff believe, helps mitigate displacement risk. Metro's TOD project prioritization and program administration is also conducted in in close collaboration with Oregon Housing and Community Services.
- **Reinforcing the link between public investment and increased transit ridership**. Both TriMet and Metro work to fund project types better targeted to the demographics and special needs of transit-dependent populations, including people with lower incomes, people without cars, students, and seniors. Metro conducts a five-year survey of occupants of Metro's TOD-funded buildings. Survey data are used to establish metrics on how TOD impacts mode choice and transit behavior and further prioritize the selection and designs of future TOD projects.

Results

The flexibility in Metro's requirements allows developers to seek alternate streams of financing and adjust subsidies based on alignment with potential financial incentives. It also incentivizes developers to construct more affordable units. A market developer undertaking the 4-story, 46-unit **Lombard**

Apartments in Portland, for example, identified how to align LIHTC funds and the TOD program, and decided to change the project's program from market rate to all affordable housing late in the design process. Other components of the project include a partnership with a local workforce development organization to fill ground-floor retail spaces, and a parking provision of only seven stalls, made possible by the local Climate-Friendly and Equitable Communities ordinance that eliminated parking minimums in TOD areas (Oregon Department of Land Conservation and Development 2023).

Lessons

Portland's coordinated TOD programs have evolved to reflect the community's priority of addressing displacement and housing affordability across transit-served locations, and to align the work of multiple government organizations. Key lessons learned from these programs include the following:

- **TOD grants aligned with other funding sources can be creatively used to defray affordable housing costs for developers**. These efforts can combine federal funds, regional efforts, and local programs. By encouraging public sector agencies to collaborate, greater impact can be realized and risks defrayed. This can also support relationship building between developers, transit agencies, and local governments.
- **Grant scoring can incentivize desired development features**. Examples include sustainability and workforce development goals. Evaluation criteria can be organized using a menu approach that attempts to clarify goals and objectives while allowing flexibility in means to achieve them.
- **Flexibility in applications can allow developers to overcome unique site barriers**. Examples include infrastructure costs and the expenditures needed to achieve deeper affordability.

California TOD Housing Program

In 2019, the California Department of Housing and Community Development (HCD) began a competitive program to use state pollution tax revenues to subsidize infrastructure and provide gap financing for affordable housing near transit. Cities can apply for grants while developers can apply for low-interest loans. This investment comprises a portion of the larger Affordable Housing and Sustainable Communities (AHSC) program, which had traditionally used these funds to subsidize housing for families with low incomes that have children and for special needs populations.

The TOD policy applies to areas within a quarter mile of all transit stations and up to a half mile from stations if "walkable routes" are available. This incentivizes cities to broaden station access. Cities applying must demonstrate that projects incorporate walkable features and transit-supportive land uses to be competitive. Developer-driven projects must provide 100 percent of units affordable for families at 60 percent of AMI. Units must be income restricted for at least 55 years, and the developer must already have site control. Grants are capped at $5 million and loans at $10 million.[36] The program was developed and implemented with substantial technical input from local and state nonprofit organizations that helped determine the award criteria.

Results

The HCD provides an example of how to target climate funds toward the environmentally sustainable purpose of connecting housing with transit. Since the program's inception in 2019, the HCD has contributed to the funding of more than 15,000 homes. The program disperses approximately $150 million yearly, most distributed in the form of low-interest loans to nonprofit developers for affordable-unit gap financing. The remaining 10 to 20 percent of awards are dispersed to cities in the form of grants to fund infrastructure improvements, averaging $1 to $5 million per project. There is an even ratio of applicants between cities and developers, and about half of the grant applicants from each category are successful (California Department of Housing and Community Development 2021).

AHSC **TOD funds played a critical role in the 2023 Balboa Park Station Plaza project in San Francisco**. This complicated site includes a transit plaza, a park, and 131 units of affordable housing over a child care and family resource center.[37] The MTC's TOD policy directed Association of Bay Area Governments funds to fund the transit plaza, a separate state program funded the park, and the city housing authority funded $22 million of the $119 million housing component. AHSC grant dollars funded an additional $13.5 million for housing, $5 million for the station plaza, and $1.1 million for bicycle infrastructure.[38] The project resulted from a station area plan completed in 2000, garnering support from the mayor and a state senator.[39]

Oakland's **Fruitvale Transit Village Phase IIb project**, also known as Casa Sueños, received both a $5 million infrastructure grant and a $10 million affordable housing loan from AHSC. The project consists of 181 units on 2.16 acres with a courtyard built over an underground parking garage. It has a low rate of parking: approximately 0.5 spaces per unit.[40] The ground floor is partially occupied by 6,000 square feet to be occupied by a nonprofit health clinic. Units are affordable to households making 20 to 80 percent of AMI. The project was also an LIHTC recipient; the stakeholders that received the credits partnered with the City of Oakland to lease land from the transit agency.[41]

The success of this project owed largely to its ability to leverage financing from many sources, including the two streams available through the California HCD TOD program. Receiving the full $15 million HCD grant required close cooperation between the developers and the City of Oakland. In contrast to the Twin Cities Metro program, which requires an memorandum of understanding between cities and developers, the California HCD TOD provides a financial incentive by distributing funding among multiple stakeholders. These two approaches are different ways to serve the same purpose, which is to encourage applicants to self-organize project teams and build broad coalitions of local support and commitment before applying for funding.

Lessons

California's TOD program resembles the Washington State Department of Commerce's CHIP Program. However, beyond infrastructure funding, the California program offers gap financing, and the typical amount awarded per project is 10 times as large, which corresponds to deeper affordability requirements. These larger amounts reflect different required subsidy levels; whereas CHIP requires only 25 percent of units to be affordable for families with incomes at or below 80 percent of AMI, the HCD's grant requires 100 percent of units to be affordable for families at 60 percent of AMI. Nevertheless, the HCD's program is more accommodating in supporting projects, filling more of a gap than CHIP does currently.

These two programs illustrate the tradeoff between the required subsidy per unit and the depth of affordability provided. If the CHIP program is expanded, decisions must be made whether to expand its "breadth," meaning providing greater quantities of workforce housing, or its "depth," meaning providing deeper affordability (or other special features, such as family-sized units) to fewer units.

California's TOD program demonstrates the benefit of encouraging evolving project structures. Encouraging applicants to form governing bodies for projects can be accomplished through program design by requiring that a team structure be in place to receive funding or by setting structural financial limits or matching incentives for different stakeholders. All interested parties, including those involved in financing, design, construction, and operation, should be represented on such a governing body.

British Columbia TOD Initiatives

Over the past few years, the Province of British Columbia (BC) has begun a series of major efforts to expand the provision of housing affordable for people with low, moderate, and middle incomes. These efforts, which have been implemented by provincial legislative action and direct engagement by the Vancouver-region transit agency, TransLink, are not just related to TOD sites, but they focus on transit-served areas. Among the many changes related to this multifaceted approach are the following:

- **The transit agency serving as a developer**. TransLink is serving as a developer for projects on land it owns in the neighborhoods around its stations through a newly established real estate development program (TransLink 2023). This development role means the agency supervises project financing, design, and construction, in association with a private developer, all to build projects around its stations on land it owns. These projects are expected to provide an additional, long-term funding source for the transit agency through increasing passenger fares and project revenues, such as from rents.
- **The BC Builds program**. The province initiated a public development organization in 2024 that can serve as a land bank that provides construction financing at lower than market rates (Chai 2024a). The province allocated $2 billion for loans and an additional $950 million to provide nonprofit organizations and First Nations grants for deeper affordability. The agency is designed to speed up the predevelopment process from up to five years to less than a year and a half. It is conducting its work by matching landowners—primarily local governments and tribal nations—with developers to rapidly build up to 10,000 middle-income housing units in its first five years. The province hopes to focus investments on underused, publicly owned sites, such as surface parking lots (Pawson 2024). The low-cost loans are paid back to the government with interest; these funds can then be reallocated to future projects.
- **Enabling integrated development through the Ministry of Transportation and Transit and the Transportation Financing Authority**. The province has invested directly in land and property adjacent to transit stations; 2022 legislation enabled the provincial financing authority to acquire land for TOD (previously, the ministry could only acquire land for transportation projects).[42] The province dedicated $262 million to acquire land for TOD along the Surrey Langley SkyTrain extension, in association with land purchasing for the transit line. The ministry also coordinates with other public sector providers to integrate a variety of uses into TOD projects, which are undertaken by a private developer, which takes on a 99-year lease on land.

- **A series of zoning changes imposed on municipal governments**. The provincial government now requires that land within 800 meters (2,600 feet) of rapid transit stations (including along rail and bus rapid transit lines) or 400 meters of major bus exchanges have no minimum parking requirements. The law also sets out minimum allowed densities from SkyTrain stations in the Vancouver region of 20 stories and FARs of 5 within 200 meters (650 feet) of stations; 12 stories and FARs of 4 between 200 and 400 meters; and 8 stories and FARs of 3 up to 800 meters (roughly half a mile). These changes accompany allowances for four-unit buildings province-wide and reductions in time-consuming review processes for developments that meet plan standards (British Columbia 2024a; Oleksiuk 2024).

These efforts are complementary. The provincial government empowered the transit agency to act as a developer. The province is providing low-cost loans to private developers to build middle-class housing. And its requirement that local governments rezone around stations will enable the sorts of high-density projects that can best leverage the benefits of transit access.

Results

The Transit agency as a developer

TransLink's development work is under way. In summer 2024, the agency made an agreement with a private developer to construct a 30-story tower with 260 housing units, of which 20 percent will be affordable to moderate-income households (PCI Developments 2024). The project will also include child care facilities and a public plaza. TransLink will co-own the project on land owned by the agency.

TransLink has also begun planning for a project with 400 rental units in a variety of buildings, including two towers, in Moodyville, in North Vancouver (TransLink 2024). This project will be located on a set of TransLink-owned properties along one of the agency's new BRT lines and near one of its major ferry stops. Of the units, 10 percent are expected to be affordable to moderate-income families. The revenues from TransLink's projects will be used to support the agency's costs.

The BC Builds program and provincial development plans

BC Builds has initiated predevelopment on more than a dozen sites (BC Builds 2024). The province has served as an intermediary to many local governments already to connect them with private developers interested in their sites (Chai 2024b). In the Vancouver region, most of these are located in areas adjacent to major transit services. The agency is working in the townships of Burnaby and Langley to

invest in more than 1,200 housing units, many of which will be in walking distance of SkyTrain stations (British Columbia 2024b). The rents are designed to be affordable for families with moderate incomes.

The province's Ministry of Transportation and Transit has established a strategy of early land acquisition, in association with transit line construction, to reduce land costs. The ministry has worked with local schools, child care facilities, libraries, and other entities to prelease space in mixed-use projects and to generate additional capital for projects. It has also worked with local governments to identify potentially developable local land and leverage it for housing projects, including affordable housing. One example is in Surrey, south of Vancouver, where the province purchased 14 properties and is leading a development that will eventually include 700 homes, retail space, and public activities.[43]

Provincial zoning changes

The province's requirement that municipalities implement TOD zoning changes was accompanied by action to provide localities information about how to implement the reforms. BC produced a policy manual to enable localities to understand how to comply. This manual includes step-by-step guidance for municipalities to identify impacted parcels and then for them to rezone (British Columbia 2024c).

These changes have already been adopted by relevant cities, within a year and a half of policy introduction. The City of Vancouver completed a zoning reform in 2024 that expands on provincial requirements to enable FARs of up to 5.5 in areas closest to SkyTrain stations (City of Vancouver 2024a). Provisions allow the city to purchase 20 percent of units in new buildings as "turnkey" social housing, which will ensure their long-term affordability at below-market rents. This change was paired with the city council's decision to eliminate minimum parking requirements, which goes beyond the provincial requirement (City of Vancouver 2024b). Even so, the provincial zoning changes have not been taken up with equanimity by all of the province's cities. Suburban Burnaby, for instance, first resisted changes to its zoning policies (Goodman and Brackett 2024). But, facing provincial pressure after elections in 2024, it adopted the reform to areas around its transit stations (Vanderdeen 2024).

Lessons

BC has sought to encourage more development near transit, particularly of homes affordable to families with low, moderate, and middle incomes. This encouragement has taken the form of new initiatives by the province's largest transit agency, new sources of low-cost loans, and new requirements for high-density zoning around major transit stations. What has made BC's strategy

particularly effective is its combination of multiple approaches that are implemented simultaneously. This combination is designed to address inadequate housing production on multiple fronts.

Washington could consider implementing reforms that follow BC's example on several fronts:

- **Enabling the state's transit operators, such as Sound Transit, or state government agencies, such as the state department of transportation, to serve as developers or at least facilitate development**. This would allow the agencies to purchase land for real estate development. They could then create development plans cooperatively with developers. This would expand availability of housing near transit while providing the agencies a new source of revenue.
- **Providing a new state source of low-interest loans for middle-income housing development**. The high interest rates in the current real estate market make it difficult to finance projects. A new state source of low-interest loans could ease this process, particularly if it is associated with a state effort to leverage local-government-owned land for new projects.
- **Expanding requirements for high-density development near transit**. BC's regulations ensure that large-scale projects can be implemented near stations.

If implemented together, these reforms could be particularly effective. The requirement that municipalities implement high-density housing around transit stations is something that Washington has already begun to undertake with the passage of 2025's H.B. 1491, but Washington's requirements are still lower than those in British Columbia. Higher densities could make it more financially feasible for transit agencies to invest in large-scale mixed-use developments in the surrounding areas.

Recommendations for Abundant, Affordable Mixed-Use TOD in Washington State

Washington state has made considerable progress in advancing TOD over the past few decades. The major transit investments in the Puget Sound, Spokane, and Vancouver regions will improve accessibility for millions of residents in the state's urban areas. And new state policies—capped off by 2025's H.B. 1491 to promote transit-oriented housing development—will encourage localities to make room for more construction, including construction of affordable dwellings.

The legislature's work continues, however, as the state's affordable housing needs are substantial and will require further action in the coming years. Washington, like the rest of the United States, faces major political and economic challenges that could inhibit the widescale provision of affordable housing near transit, including the following:

- The financing environment for new housing construction is difficult, owing to high debt interest rates, rising materials costs, and overall uncertainty about the condition of the US economy.
- Tax revenues for the state and municipalities could decline and the state could face a tenuous budgetary situation owing to a recession in the coming years. This may inhibit the ability to fund grants and loans for affordable housing. A recession could also reduce households' buying power, which would increase poverty rates.
- Federal support for affordable housing is likely to decrease because of cuts in funding and staffing of the US Department of Housing and Urban Development. This would limit housing assistance funding for households with low incomes.

In this section, we make several key recommendations for state policymakers to build on their previous work and respond to the difficult environment the state faces in 2025. We hope that legislators and other stakeholders in Washington interested in advancing affordable TOD can leverage these recommendations to help achieve the goal of better quality of life for all. We believe that many municipalities throughout the state are ready and able to accommodate additional housing, particularly near transit and in neighborhoods that feature a vibrant mix of land uses. Our municipal interviewees emphasized that they want to be productive partners with the state in this process.

A Summary of Our Recommendations

Our major recommendations include the following:

- Ensure communities can implement TOD by **funding neighborhood infrastructure** through an expansion in grants to municipalities for projects in station areas. These funds are needed to help account for the trade-off localities face because of the use of the MFTE to fund affordable housing and limitations on impact fees, which may reduce local revenues to pay for infrastructure designed to enable mixed-use investment and create a walkable public realm.
- Make room for affordable housing by **increasing investments in the housing trust fund** that supports predevelopment financing and provides other flexible funding; **better leveraging publicly owned land** for affordable housing; enabling public agencies, including transit agencies, to **acquire land for TOD and facilitate development**; and **empowering affordable housing developers to preempt local zoning** in communities with small shares of subsidized housing.
- Expand options for housing development by **encouraging higher densities near light rail stations**, beyond the requirements of recent state legislation, with an emphasis on taller buildings within a quarter mile of stations.
- Address the limitations of the MFTE and inclusionary zoning policy by **creating incentives for development in cities with lower demand**, such by adjusting the affordable housing requirement so that it does not serve as an inhibitor to construction in low-housing-cost communities and ensuring that high-housing-cost communities do not use excessively high affordability requirements to block construction altogether.
- Create more opportunities for a mix of uses by **encouraging small businesses and civic uses**, including by designing zoning policies that encourage small-scale retail formats, crafting a state master lessor for retail space in TOD buildings, and implementing state and local policies that encourage customer-facing public services to locate near transit.
- **Reduce other burdens associated with the development process**, including the complication of design review, costly construction permits, high impact fees, and an energy code that discourages multifamily housing construction.

To be implemented successfully, these recommendations will require careful attention to policy design. Policymakers should focus on three key principles—enabling people with low and moderate

incomes to live near transit, avoiding one-size-fits-all approaches, and implementing changes sooner rather than later—that we describe below.

Enabling People with Low and Moderate Incomes to Live Near Transit

Transit offers people an affordable, convenient, and environmentally friendly way to get around. Investment in rail and BRT lines across Washington will help make such options more broadly available. But there are reasons to be concerned about people's ability to live near transit. In many cities, including Seattle, median rents are increasing faster near transit than elsewhere. Transit areas in high-housing-cost cities are increasingly inhabited by wealthier, more educated residents, as the number of low-rent units declines. This process resembles gentrification, though we do not yet have adequate information to determine whether displacement is occurring. And in low-housing-cost cities, rents are increasing more quickly than incomes, increasing average housing burdens. Together, these trends make the promise of affordable transportation for all difficult to come by.

Washington has taken some steps to address these issues, such as by concentrating a larger share of federally subsidized affordable housing units near transit than elsewhere. Passed during the 2025 legislative session, H.B. 1217 will limit annual rent increases for existing tenants to 7 percent plus inflation, or 10 percent, whichever is lower. This may reduce the possibility that people will be displaced from existing homes. Nonetheless, policymakers should continue to carefully evaluate the fairness of access to affordable housing near transit stations. In the recommendations that follow, we specifically emphasize approaches designed to prioritize access for households with low and moderate incomes as part of the broader housing supply equation.

Avoiding One-Size-Fits-All Approaches

State legislators, fairly, want to develop policies that meet needs of the residents of communities throughout Washington. Even so, we caution that policies designed to encourage TOD are unlikely to be effective if implemented the same way in every part of the state. A parcel of land adjacent to one transit line may not be as easily accessible as another adjacent to another transit line. And just as importantly, two communities within easy distance of a single transit line may face dramatically different economic conditions. In all cases, state legislators should consider altering statewide policies to acknowledge differences between communities. We discuss three general such differences below.

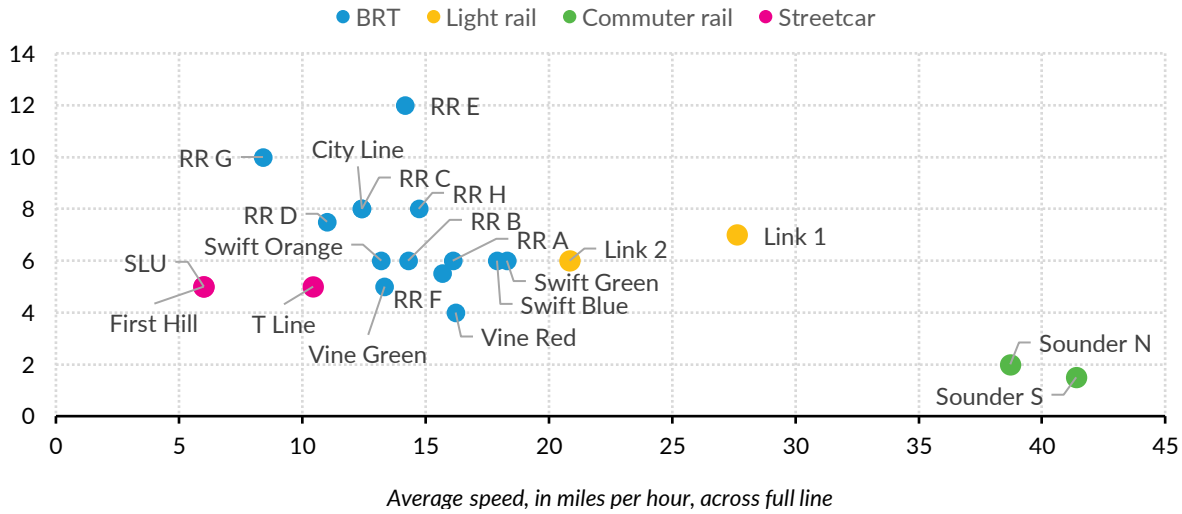
First, there are substantial disparities in transit quality even among the relatively few fixed-guideway transit lines that already exist in Washington. Moreover, those differences in quality vary

depending on the indicator evaluated (figure 27). For example, while the Sounder commuter rail lines offer the fastest average speeds of all the state's fixed-guideway transit options, they also offer the least frequent service (they have no service during off-peak periods). In contrast, many of the state's BRT routes, such as the RapidRide E Line, offer much more frequent service, but they are less speedy. The state's streetcar lines, in general, run more slowly than all other fixed-guideway lines, and have some of the least frequent services.

FIGURE 27

Washington's Fixed-Guideway Transit Systems Differ in Terms of Service Quality

Average services per hour, weekday peak periods (7:00 a.m. to 9:00 a.m.)



Source: The authors, based on an examination of 2025 schedule data from Sound Transit (Link, Sounder, and T Lines), King County Metro (RapidRide, SLU, and First Hill Lines), Community Transit (Swift Lines), C-Tran (Vine Lines), and Spokane Transit Authority (City Line).

Notes: BRT = bus rapid transit; RR = RapidRide; SLU = South Lake Union. Average speed is based on trains or buses leaving the terminal at 8:00 a.m. on a weekday. Vehicle speed varies along each line's route and can vary based on traffic. For the Sounder S Line, service frequencies are between Tacoma Dome and King Street.

Second, as we have documented throughout this report, municipalities' economic environments differ tremendously. Some communities struggle to attract private investment since new market-rate projects are unlikely to be able to fill their housing and retail units based on the incomes of people who live in the communities. Other communities have limited availability of publicly subsidized affordable housing units and land costs that are so high as to make constructing affordable developments difficult.

Third, the neighborhoods adjacent to transit stations differ in terms of their environmental quality—that is, their appropriateness for new construction. TOD projects adjacent to a BRT station

located along a highway or near a heavy industrial zone, for example, may be exposed to high levels of air and noise pollution, potentially exposing residents to health risks. It may thus be unreasonable to expect similar types of housing development in all areas near transit. But it is worth emphasizing that transit plans, especially in the Puget Sound, have disproportionately focused transit investments near highways. Of the rail stations now under construction in the region, 54 percent are adjacent to a highway, as are most of the BRT stations planned on Sound Transit's Stride network.[44] This means that many of the most prominent TOD sites in the state are directly along high-pollution roadways.

To some degree, state lawmakers have addressed these discrepancies, for example by designing larger density boosts in areas near light rail lines than in areas near BRT. But state regulations do not account for other types of differences in service quality, providing for high densities with little regard to how frequently buses or trains run. Moreover, the state is encouraging high densities around stations that may be located near highways without providing the funds to address pollution, such as by planting trees along roadways and building noise walls (Samuels and Freemark 2022), or encouraging transit agencies to redesign their planned routes away from major roads.

In our recommendations below, we suggest how state policymakers could adjust their approaches based on the characteristics of transit services, municipalities, and neighborhoods. Realistically, however, legislating different policy solutions may be difficult or impossible given the goal of developing legislation that can apply statewide. We recommend, then, that the legislature instruct the Washington State Department of Commerce to assist communities as they develop their comprehensive plans. The department can follow these goals in terms of orienting TOD growth:

- Invest in neighborhoods near the most effective, high-quality transit, defined in terms of its speed, frequency, and reliability.
- Invest in areas with less exposure to air, noise, and other sources of pollution to add more residents in healthy communities. One option is to implement specific development requirements around highways, as Renton has done.[45] Another is to invest in improvements that limit the negative impact of that pollution on neighbors.
- Create more equitable regions by expanding the availability of affordable housing in communities that have historically had deficits in housing affordability, and by directing more investment toward communities that have historically struggled to attract development.

Implementing Change Sooner Rather than Later

H.B. 1491 builds on previous state land-use legislation designed to encourage additional housing by requiring minimum density standards, among other changes. But, by law, those requirements will not be incorporated into the comprehensive plans of many cities, particularly in the Puget Sound, until 2029 (this results from the timelines for comprehensive plan updates inscribed in the GMA).[46] It will take longer for those plan changes to be integrated into zoning policies. This delay appropriately builds in time to enable municipalities to respond to the challenges of adapting to yet another state requirement. Even so, this delay could cost the state many precious years of housing production because of inadequate provisions for TOD around many stations.

While speeding up comprehensive plan updates may be difficult for some cities because of the need to conduct public review processes and additional studies, legislators could consider developing incentives for municipalities affected by the law to update their comprehensive plans more quickly than the law mandates. One incentive, for example, could be instructing the Department of Commerce to prioritize cities that have updated their comprehensive plans ahead of time as it distributes funds from its grant programs for local infrastructure (see below for more details). Another could be instructing the Housing Finance Commission to prioritize proposals for LIHTC projects in such municipalities. And a final option could be developing a "builder's remedy" for projects that meet a minimum set of state requirements for construction in TOD areas—such as meeting the rules of the state model TOD ordinance the Department of Commerce is to create by June 2027, under H.B. 1491—even before cities have updated their own requirements.

Ensure Communities Can Implement TOD by Funding Neighborhood Infrastructure

Municipal stakeholders we interviewed emphasized that they welcomed TOD in their communities. But many, especially from localities with lower local tax bases, cautioned that they have only limited ability to invest in the areas around transit stations, such as through improvements for the public realm, parks, roadways, new water lines, and community amenities. The result is that they feel their municipalities have limited ability to attract TOD, since private investors are reliant on this preliminary infrastructure to get projects going. Interviewees emphasized that walkable, well-landscaped, well-designed neighborhoods are necessary to attract builders, especially those creating vibrant, mixed-use structures—but that many of their transit-adjacent neighborhoods are currently hostile to pedestrians

because they are adjacent to large arterials, because of preexisting patterns of superblocks rather than a fine grain of streets, or because of other design issues.

These problems may be worsened by the expansion in the use of the MFTE. H.B. 1491's MFTE allowances are designed to fund affordable housing; they are, in essence, prioritizing the use of local property tax revenue for that need rather than other possible local needs, such as infrastructure. This may be a reasonable choice on the part of the legislature, but it produces a trade-off; it may limit increased property tax revenues for the cities that attract development near transit, at least over the one to two decades after those projects open. (This is not true for commercial or office spaces, since they are not subject to the MFTE, but many cities struggle to attract those uses and may find it challenging to entice considerable retail to TOD areas, for example.) The widespread use of the MFTE will also make the use of tax increment financing districts challenging in areas near transit, with the exception of areas focused on commercial or industrial uses. These districts have historically been used by some cities to finance local infrastructure. All in all, the net effect of current policy may be limiting the ability of municipalities statewide to invest in infrastructure in areas near transit stations.

To partly address these issues, **the state should expand its grants to fund station area planning and local infrastructure in station areas**. These grants are essential to help spur TOD and their costs may be recouped through increased economic activity in the communities where they are used. A few approaches could accomplish this goal:

- Expand the state's existing CHIP grants,[47] which are contingent on legislative action and fund municipalities to support infrastructure.
- Fund the new TOD infrastructure program authorized by H.B. 1491 (Section 4), which has so far gone unfunded but is also designed to support cities.
- Create a low-cost revolving infrastructure loan fund for municipalities or developers, designed to be repaid through increased local tax revenues or profits from real estate in TOD areas.
- Direct the Department of Transportation to use a portion of its capital funds to support local infrastructure improvements.

In any case, the state could learn from the Minnesota Met Council's Livable Communities Grant that we profiled in the case study on Minnesota above; that program emphasized the importance of funding predevelopment needs as core to creating effective TOD.

We recommend that the state target these infrastructure grants to lower-local-tax-base municipalities along transit routes. Cities with lower-income populations and less taxable property are

less able to raise funds to cover the costs of infrastructure, creating a chicken-and-egg cycle of underinvestment relative to economically vibrant areas. The state can play a useful role in ensuring that those communities can prepare for TOD as much as their better-resourced peers.

Moreover, the state should foster more environmentally friendly, pedestrian-focused TOD by **targeting grants to TOD areas that are adjacent to high-quality transit services and to neighborhoods that are far from highways, and by targeting investments to reduce the pollution exposure of highway-adjacent transit areas**. This can help ensure TOD is designed to create livable communities.

Invest in, and Make Room For, Affordable Housing to Meet the State's Affordability Gap

The Department of Commerce estimates that, over the coming decades, the state must add hundreds of thousands of additional units affordable for households with very low and extremely low incomes at a rate much higher than historically has been possible. In the Puget Sound alone, the number of such units needed between 2020 and 2044 is estimated to be more than 200,000 higher than the total number of units affordable to such households that were built between 1996 and 2020 (Freemark, Garcia, et al. 2023). This is a major challenge that the state must address. Ensuring that additional affordable housing is located in areas adjacent to the transit system can help ensure that more residents with low and moderate incomes are also able to benefit from affordable mobility.

The provisions of the MFTE, including those expanded by H.B. 1491, likely will help address the state's affordability problems through the use of IZ. But this approach will only be able to accomplish so much. In 2024, Washington state permitted a total of about 37,000 housing units. If it permitted (and completed) a similar number of housing units every year over the next 20 years, and all of them included a 10 percent affordability share, the state would have added fewer than 80,000 affordable units—in other words, far fewer than the documented need. These MFTE units, in addition, would be targeted at households with incomes at 60 percent of median county income, not the 30 or 50 percent of AMI that the Department of Commerce has identified as being most needed.

The state's housing trust fund will help fill the gap, but its funds are limited, and while the federal government's housing programs have historically played an essential role in providing for housing affordability, federal cutbacks may worsen the situation. These programs were already far too limited to meet the need in the first place. The fact that land costs are typically higher in areas near transit compounds the problem.

Addressing these issues will require an all-out effort by state policymakers to raise new funds and be creative about the use of publicly owned land. **The state must identify new resources to expand its housing trust fund and associated grants to local housing authorities, social housing developers, and nonprofit housing providers to fund affordable housing**. Recent research suggests that a $1 billion annual contribution to the trust fund could be enough to fund almost 70,000 additional housing units affordable to households at 60 percent of AMI (Freemark, Garcia, et al. 2023). While even this large number of new units would be inadequate to meet the state's affordable housing goals, it would be a major step forward and, if complemented with large-scale market-rate housing construction, it could take a big bite out of the problem.

The state should also act quickly with municipalities, counties, and public authorities to leverage publicly owned land for affordable housing production, including through the purchase of new land for public use. Using publicly owned land can enable more development by reducing land costs. H.B. 1491 includes a provision to have the state government pilot TOD programs on existing park-and-ride lots near BRT stations in King County. This provision should be expanded. The state should create an inventory of publicly owned land near transit and work to develop on parking lots and vacant areas, while reinvesting in older schools, fire stations, police departments, libraries, community centers, and other public uses by planning to build new affordable housing above renovated or new public facilities.

The state should also develop a program to support direct land acquisition by governmental actors. Direct land acquisition, which could allow municipalities, transit agencies, or community land trusts to acquire private land, could be undertaken in advance of transit project construction or completion, potentially funded through a housing benefit district model.[48] One approach could be expanding the Washington State Housing Finance Commission's Land Acquisition Program, which currently offers low-cost, flexible loans to nonprofit developers (including local housing authorities), so that it focuses on transit areas and can be used for mixed-income projects, including those developed by private entities.[49] This early land acquisition could further reduce the costs associated with development, especially in the context of upzoning that may be associated with increased property values, making affordable housing investment more difficult (Freemark 2023).

At the same time, the state should learn from British Columbia's example to **expand the capacity of public entities, including transit agencies, to facilitate housing development**. Currently, state law limits the ability of organizations such as Sound Transit and the Spokane Transit Authority to acquire land for housing and to lead development projects on it. This makes it more difficult for those organizations to coordinate their investments in new transit lines with housing development on large, adjacent sites. To help resolve this problem, the state should expand the statutory authority of transit

agencies such that they have voluntary acquisition authority for land within reasonable distance of stations. They should also be encouraged to purchase full parcels, rather than portions of parcels, when constructing transit lines so they and private landowners are not left with difficult-to-use residual sites after construction. In all cases, transit agencies can lead development teams, in association with private and nonprofit housing developers, to build on this land.

The state could also **create a statewide public developer**, again using the British Columbia example as a precedent. This developer could act directly on the real estate market to advance new affordable housing projects near transit. This could be undertaken in partnership with library systems, fire and police departments, school systems, and other local public agencies that have land available and which may be willing to engage in coordinated redevelopment schemes.

Lastly, to further incentivize affordable housing production, **state policymakers should allow developers of fully or mostly affordable housing projects to preempt local zoning and development standards in cities with limited availability of subsidized affordable housing and high local demand**. In states like Massachusetts, developers in cities with limited affordable housing availability can build at higher densities than allowed by local zoning (Sportiche et al. 2025). Washington could consider enabling affordable housing developers to build at a much higher FAR by-right, such as 8, within transit zones; this would expand on H.B. 1491's requirement that fully affordable projects receive a 1.5 FAR boost and help make more affordable housing projects feasible while encouraging units in areas near high-quality transit. This increase in allowed FAR should be associated with either exemptions to or increased allowances for other zoning restrictions, such as in terms of building height, setbacks, open space requirements, and more.

In most cases related to affordable housing investment, **the state should expand the targeting of its investments to transit-accessible, high-opportunity areas**, which is to say cities and neighborhoods in which residents are able to access well-resourced public schools and employment. These are also typically the communities with high incomes that have historically had few affordable housing units. Such an approach would also ensure that additional affordable housing investment does not result in further concentration of people in poverty. Targeting can be undertaken both through grant programs, such as those sponsored by the housing trust fund, and through LIHTC allocations.

Expand Options for Housing Development by Encouraging Higher Densities Near Light Rail

Washington's new TOD policies will enable higher densities around transit in some circumstances. H.B. 1491's zoning requirements generally mandate an *average* FAR of at least 2.5 within a quarter mile of BRT and streetcar stations, and an average FAR of 3.5 within a half mile of light rail and commuter rail stations. This requirement includes a provision mandating that cities allow multifamily housing construction and prevents municipalities from limiting housing development based on other mechanisms, such as housing units per acre. As such, in some municipalities, this could represent a substantial increase in allowed densities and enable increased construction.

Even so, the law has some limitations. First, our review of comprehensive plans presented above indicates that this state mandate is unlikely to result in a substantial increase in allowed densities in some key areas, particularly those in the central sections of the Puget Sound. Second, even a FAR of 3.5 may be inadequate to enable midrise buildings, which are the most common form of new housing density built in TOD areas and which routinely require much higher FARs to be financially feasible. Lastly, the law is ambiguous about how its average FAR requirement is to be enforced: Is this average to be calculated among all station areas within a city, combined, or among individual station areas?[50] Could municipalities exploit the average by allowing massively high densities on just a few parcels while limiting densities elsewhere?

We recommend that state legislators amend H.B. 1491 to transform the average FAR requirement into a minimum FAR requirement. This would help ensure that cities accommodate dense housing around all high-capacity transit. **The state should also further expand allowed housing construction for the neighborhoods closest to light rail stations**. Light rail service in Washington state, including the Link services offered by Sound Transit and the future Tri-Met services proposed for Vancouver, offers the best combination of high frequencies and high speeds and thus is appropriate for higher levels of surrounding density. This expansion in allowed density should be combined with an allowance for taller structures so as to encourage structures designed for high quality of life.

British Columbia's requirements related to minimum allowed densities near the SkyTrain network in the Vancouver region may serve as a useful example for Washington.[51] Those requirements prescribe that municipalities must zone for *minimums* of 5 FAR and 20 stories within 200 meters (0.12 miles) of SkyTrain stations; 4 FAR and 12 stories between 200 and 400 meters (0.12 to 0.25 miles) of SkyTrain stations; and 3 FAR and 8 stories between 400 and 800 meters (0.25 and 0.5 miles) of SkyTrain stations. These minimum requirements are much higher than the *average* requirements under

Washington state's new FAR regulations for areas within a quarter mile of stations. These close-in areas are most promising for high-density construction as they are within easiest walking distance of train lines.

In addition, Washington's state regulations could be improved if they integrated allowances for increased height. Allowances for higher FAR in the context of a restrained height limit may result in relatively squat buildings with deep floor plates, meaning longer distances between windows and major parts of housing units. This, in turn, could lower quality of life for some residents (though shorter buildings are admittedly less expensive to build). Developers allowed to build taller structures may be able to create smaller floor plates distributed onto more floors, which makes it possible to design housing units with more light and air.

As noted, further upzoning may result in higher land costs, though the marginal increase in land value is likely to be lower than the marginal increase in allowed construction (Freemark 2023). Though higher prices indicate interest in future development, municipalities and the Department of Commerce should closely monitor land prices and increase public land acquisition as necessary (as noted above). If possible, cities can also consider implementing a tax on land vacancy or low land utilization.

Address the Limitations of MFTE Policy by Incentivizing Development in Low-Demand Cities

The state's MFTE and associated IZ policies are designed to encourage additional housing development in TOD areas. H.B. 1491 requires that housing projects completed in station areas include 10 percent of units that are affordable to households at 60 percent of county median income or 20 percent affordable to households at 80 percent of county median income; this requirement is not to be enforced in cities that already have IZ programs, which is common, as we have shown.[52] These policies will not directly assist households with the lowest incomes, which are the households the Department of Commerce estimates are most in need of housing. Moreover, the state's rules may in some cases discourage development from areas near transit, rather than encouraging it. Consider the MFTE mechanism, which, among cities that have enabled it, rewards developers with a break on property taxes for improvement value (not land value or the value of space dedicated to nonhousing uses). These guidelines can be implemented and adjusted by individual cities (though H.B. 1491 requires the 20-year MFTE to be implemented in station areas among cities that have not implemented their own MFTE guidelines).

The exchange at the heart of the MFTE relies on the increased construction opportunity and reduction in taxes to be roughly equivalent to or greater than the cost required to make affordable units financeable without additional subsidy. But several challenges get in the way of that always being an effective spur for more housing production:

- Localities throughout Washington set their own property tax rates, and land is valued at different amounts around the state. As a result, the theoretical tax burden that would be imposed on a new housing project differs by location. If the tax burden reduced through the MFTE is inadequate to make up the cost of providing affordable units, developers may choose not to develop at all. And if affordable housing units are required near transit, but not elsewhere, developers may choose to invest in areas *farther* from it, if the benefits of MFTE savings are inadequate to make up for the costs of affordable housing provision.
- Though H.B. 1491 requires an average density near transit in most urban areas (FARs of 2.5 or 3.5), that average density may not be substantially higher than current zoning, as described above—it may actually be quite a bit lower. H.B. 1491's MFTE requirements do not apply where allowed densities were higher as of 2024.
- Certain cities enforce different MFTE regulations that state regulations allow as alternatives. These regulations are sometimes considerably more challenging to meet for developers (e.g., they require a larger share of units to be affordable and/or require the level of affordability achieved to be higher to serve households with lower incomes). In some cases, cities may be enforcing high affordability requirements to disincentivize development altogether.

We recommend that Washington state further study the potential impacts and use of the refined MFTE program, with the goal of encouraging additional affordable housing production in high-opportunity cities and additional market-rate construction in cities with relatively low demand. This may mean that the state should ensure that the savings from the MFTE in high-housing-cost cities are proportional to the cost of providing affordable housing on site, once accounting for density increases. Developers with whom we spoke argued that a one-to-one ratio of rent foregone to tax incentives is inadequate to make projects feasible, because of compliance costs associated with affordable housing. The Department of Commerce should study the interplay of these variables. Depending on findings, the state legislature should consider implementing a partial MFTE in some cities where the MFTE benefit is substantially larger than the cost of affordable housing.

The state should also consider limiting the ability of individual cities to use excessive MFTE requirements to subvert the intention of state law. Localities should not be able to implement IZ

regulations that are so difficult to meet that developers cease (or do not commence) constructing virtually all housing. This could occur in high-housing-cost cities that are seeking to exclude the building of affordable housing. The Department of Commerce should be enabled to track the IZ requirements enforced by individual municipalities and compare them against what kinds of construction are financially feasible given the current market environment. The department should then have the ability to substitute the state's MFTE and IZ requirements for a city's regulations to ensure construction continues when local regulations, in effect, prevent new housing construction.

To encourage market-rate construction in cities that have relatively low demand and have already concentrated the preponderance of affordable units, we recommend that the 20-year MFTE's affordability requirement be scaled for local needs. The state government could task the Department of Commerce to create a sliding scale that reduces the IZ requirement for new developments in line with local demand and affordable housing needs; cities with lower housing prices, little housing construction, and larger shares of existing affordable housing units, for example, could be allowed to leverage the 20-year MFTE with a lower housing affordability rate than cities with high housing prices and smaller shares of existing affordable housing units.

Create a Mix of Uses by Encouraging Small Business and Public Providers Near Transit

The state's focus on new construction in neighborhoods near the transit system will add space both for housing units and commercial uses, often on the ground floor. This additional square footage will enable the creation of more vibrant, livable communities in which more people are able to walk to reach their basic needs. In turn, that will result in more environmentally sustainable outcomes and higher quality of life for residents. The construction of new ground-floor space could also help limit social or cultural displacement in transit areas by creating new room for preexisting local businesses or resources.

New buildings, however, will not necessarily result in the creation of space for a vibrant mix of uses. One problem is that lenders for new buildings typically desire signing expensive, long-term leases with lessors who they consider more reliable—such as major national chains. This makes it more difficult for small businesses or nonprofits to sign leases in those spaces. Even major chains do not necessarily produce adequate income, meaning that retail space sometimes needs to be cross-subsidized by income from residential uses, according to developers we interviewed. Another problem

is that the design of new buildings often intentionally prioritizes larger retail uses that cannot be filled by small retailers, often, again, small businesses. The result of this situation is that neighborhoods adjacent to transit stations may develop homogenously, reducing the cultural diversity of Washington state's communities.

We recommend that the Department of Commerce and the state's MPOs work with municipalities to develop zoning codes that encourage the creation of an appropriate amount of small-format retail spaces at the ground floor of new TOD buildings. These changes can help cities plan for an accommodating mix of uses near transit and help them ensure these neighborhoods are welcoming for small businesses. These requirements should focus on how to create retail spaces in key building locations, such as street corners, but not require an overabundance of unleasable retail.

At the same time, **we recommend that the state establish a small-business leasing entity designed to take on long-term leases in new buildings and then sublease to small businesses and other community-serving entities**, such as child care providers, health care entities, and grocery stores. Such a master lessor would be designed not to require state subsidy beyond a small start-up cost and staffing. It would be tasked with identifying new buildings near transit, signing long-term leases with developers, and then selecting community-priority entities to which to sublease the space at reasonable prices. This would help address developers' need for long-term stability in retail leases while also creating the conditions for small businesses to thrive. Master leasing has been relatively underused in the United States, though it is occasionally used by nonprofit developers for their retail spaces (Freemark 2018).[53]

Lastly, **state and local governments should develop policies that prioritize government leases for customer-serving uses, such as health care clinics and libraries, on the ground floor of TOD buildings**. This approach could help fill spaces and provide options for new facilities that are easy to access for people by public transportation.

Reduce Other Burdens Associated with the Development Process

Encouraging affordable TOD in Washington, lastly, requires that the state take additional actions in association with the development process itself. Recent legislation has sought to cut down on challenges in the development process, such as by limiting the review period timeline for new

construction or setting limits on what design review may entail. But our interviews with stakeholders in the state made clear that difficulties for building remain.

Complications of Design Review

We learned from several municipal stakeholders that developers sometimes submit incomplete permit packages for review so planning staff can flag problems, to ensure their proposals are complete before final submission; this enables them to take advantage of the state-imposed shot clock system. This tends to add work for staff and shifts the burden for ensuring consistency with requirements from the developer to the public sector. But developers argue that they have no choice but to follow this procedure because of the challenge of responding to changing requirements.

In addition, the taxes and fees associated with building projects in many of the state's cities may be making them more difficult to complete. These include, in some cases, sales taxes on new construction, costly construction permits, and high impact fees, as we documented in previous chapters. In some cases, cities reduce impact and permitting fees for affordable housing, but this is not a universal practice. We worry that the general imposition of the MFTE on new construction, combined with H.B. 1491's requirement that TOD projects receive a 50 percent discount on impact fees, may encourage municipalities to further increase the general cost of these funding mechanisms because of their need to generate additional revenue, which could offset some of the benefit offered by the MFTE program.

We recommend that the state limit the number of times that developers can submit projects for review by local staff before the shot clock system no longer applies. Developers should be required to work expeditiously to submit as complete a project development package as possible. If they cannot do so within three reviews, the developer should be required to pay for additional staff time or third-party review to cover additional costs, as necessary. At the same time, in order for this reform to be effective, cities need to be held to account. If the comments provided by city staff as part of review processes are extensive, developers may struggle to implement changes; municipalities should endeavor to maximize comments as part of the first phase of review. Relatedly, we recommend that the state investigate further reform of the design review system used by municipalities to ensure that it is not overly difficult for certain projects. The state could mandate that the use of discretionary design review processes be further limited in TOD areas to only circumstances in which projects depart substantially from development code regulations.

Costly Construction Permits and Fees

We also **recommend that the state work with municipalities to change the way they process construction permitting and impact fees**. Several developers emphasized that they were able to pay permit costs, but that it would be helpful to be able to pay half the cost upon permit issuance and the other half of the cost when the project receives its certificate of occupancy. This would help them finance their projects and reduce up-front costs at the most challenging time for project delivery. However, it may be appropriate to limit this policy to larger structures.

The state taking on more funding for local infrastructure costs (as we described above) could play an important role in reducing the need for local governments to use sales taxes and impact fees to cover their basic costs. Even so, **we recommend that the state study enabling MPOs to assess impact fees within their territories and potentially even collect and distribute them, replacing local impact fees**. MPOs should be tasked with identifying how needs for transportation, green space, schools, fire departments, and more differ across their territories, and specify how much a reasonable impact fee should be for projects in a transparent way. MPOs could ensure that these fees acknowledge different levels of demand for new development in different parts of their territories, while accounting for how much funding is needed for different needs in different areas, given other sources of local tax revenue.

An Energy Code That Discourages Multifamily Construction

Lastly, **the state should address the burdens of the state energy code that are hindering the construction of multifamily housing**. Washington should study externalities such as the social cost of carbon associated with its energy code that currently incentivizes single-family development over multifamily development, including by considering automobile-use frequency and average automobile trip length, two key issues that are related to overall energy use and are correlated to building type (Ashour et al. 2023).[54] The state should also evaluate the per-unit cost to construct and maintain infrastructure and utilities, the per-unit cost to provide public services, and other externalities associated with land-use patterns that exacerbate energy use and carbon emissions in ways that are not currently accounted for in its energy code policy. Based on these findings, the state could alter its energy code requirements for multifamily structures.

Appendix

TABLE A.1

Housing Growth Is Associated with Both Land-Use Construction Allowances and Housing Demand

Dependent variable: numerical growth in housing units, 2011 to 2021

Independent Variables (2011 data)	Model I	Model II	Model III
Estimated leftover capacity for new housing units	0.04 ***	−0.14 ***	−0.14 ***
Median housing costs	146.50 ***	−306.16	−185.79
Housing units	0.54 ***	0.52 ***	0.53 ***
Leftover capacity x housing costs		0.18 ***	0.18 ***
Share population non-Hispanic white			−431.79
Share population 65 plus			96.71
Share households owners			62.34
Constant	−226.00 ***	−439.58 ***	−361.68
N	408	408	408
Adjusted R^2	0.79	0.83	0.83

Source: The authors, based on an examination of zoning requirements for municipalities within a half mile of existing and planned rail and bus rapid transit stations (using data assembled from Freemark, Lo, et al. 2023); 2009–13 and 2019–23 American Community Survey five-year data at the block group level (referred to as 2011 and 2021, respectively).

Notes: *** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$. Table does not include data from Spokane or Vancouver, which are included in the rest of this report. Estimates for space for additional housing are based on average allowed residential densities in 2023; zoning policies in some cities may have changed since 2011.

TABLE A.2

Most Cities Have Stringent Parking Requirements, Even for Multifamily Units

Minimum number of parking spaces required for a three-bedroom apartment

City	Citywide	Near transit	City	Citywide	Near transit	City	Citywide	Near transit
Arlington	2.5	2.5	Kenmore	1.7	0.75	Puyallup	2	2
Auburn	2	2	Kent	2	2	Redmond	2	0
Bellevue	1.8	0.75	Kirkland	1.8	1.8	Renton	1.7	1.1
Bothell	2.2	2.2	Lake Forest Park	1.5	1.5	SeaTac	2	1
Burien	1.8	1.8	Lakewood	1.5	1.5	Seattle	1	0
Des Moines	2.1	2.1	Lynnwood	2	2	Shoreline	1.5	0.4
Edgewood	1.5	1.5	Marysville	1.8	1.8	Spokane	0	0
Edmonds	2	2	Mercer Island	2	2	Tacoma	1.5	1.5
Everett	2	2	Mill Creek	2.5	2.5	Tukwila	2	1
Federal Way	2	2	Mountlake Terrace	2	2	University Place	1.5	1
Issaquah	1.2	1.2	Mukilteo	2	1.5	Vancouver	1	1

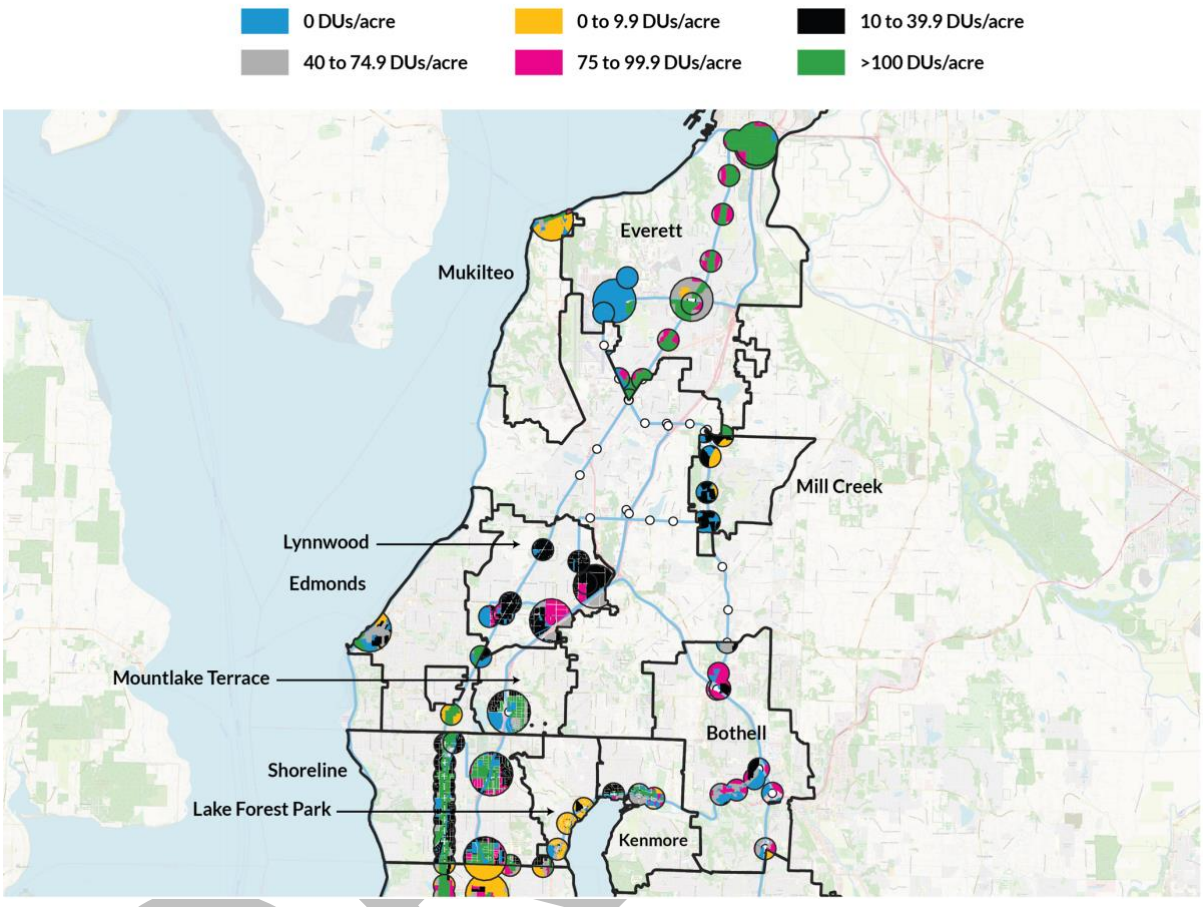
Source: The authors, based on an analysis of jurisdictions' municipal codes.

Notes: Data on parking requirements for other types of units can be provided by the authors. Minimum parking requirements will be altered substantially based on legislation passed by the state legislature in 2025.

FIGURE A.1

Cities Plan for a Wide Variety of Housing Densities in Neighborhoods Near Transit

FLUM housing density estimates, by dwelling units per acre, northern Puget Sound



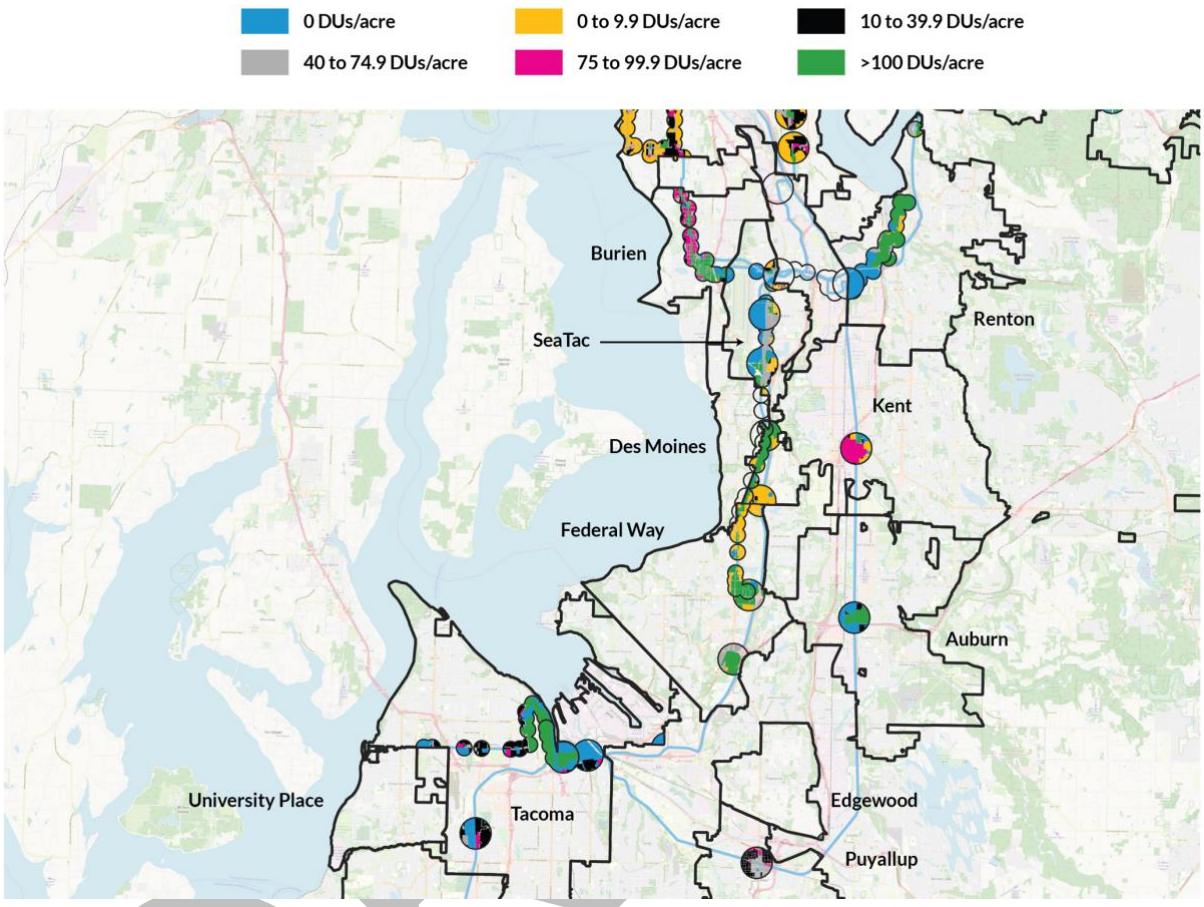
Source: Authors' review of comprehensive plans, future land use maps, and transit station location data. Mapped comprehensive plans may not represent final approved plans in each municipality.

Notes: DU = dwelling unit. FLUM = future land use map. We do not account for accessory dwelling units in this analysis, but we do assume that "cottage cluster" projects could be completed to the highest possible density. Land near transit is defined as land area located within a half mile of existing or planned light rail or commuter rail stations, or within a quarter mile of existing or planned bus rapid transit stations.

FIGURE A.2

Cities Plan for a Wide Variety of Housing Densities in Neighborhoods Near Transit

FLUM housing density estimates, by dwelling units per acre, southern Puget Sound



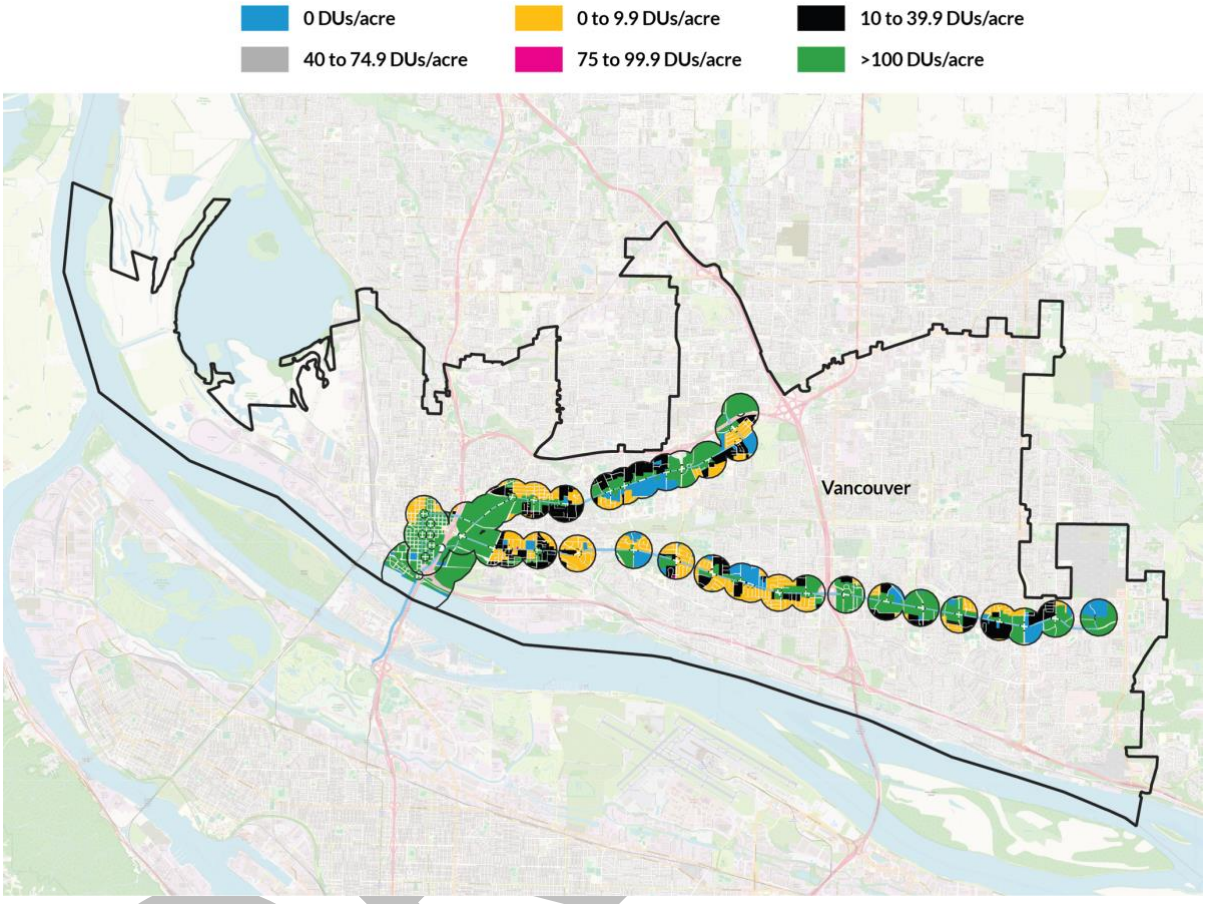
Source: Authors' review of comprehensive plans, future land use maps, and transit station location data. Mapped comprehensive plans may not represent final approved plans in each municipality.

Notes: DU = dwelling unit. FLUM = future land use map. We do not account for accessory dwelling units in this analysis, but we do assume that "cottage cluster" projects could be completed to the highest possible density. Land near transit is defined as land area located within a half mile of existing or planned light rail or commuter rail stations, or within a quarter mile of existing or planned bus rapid transit stations.

FIGURE A.3

Cities Plan for a Wide Variety of Housing Densities in Neighborhoods Near Transit

FLUM housing density estimates, by dwelling units per acre, Vancouver



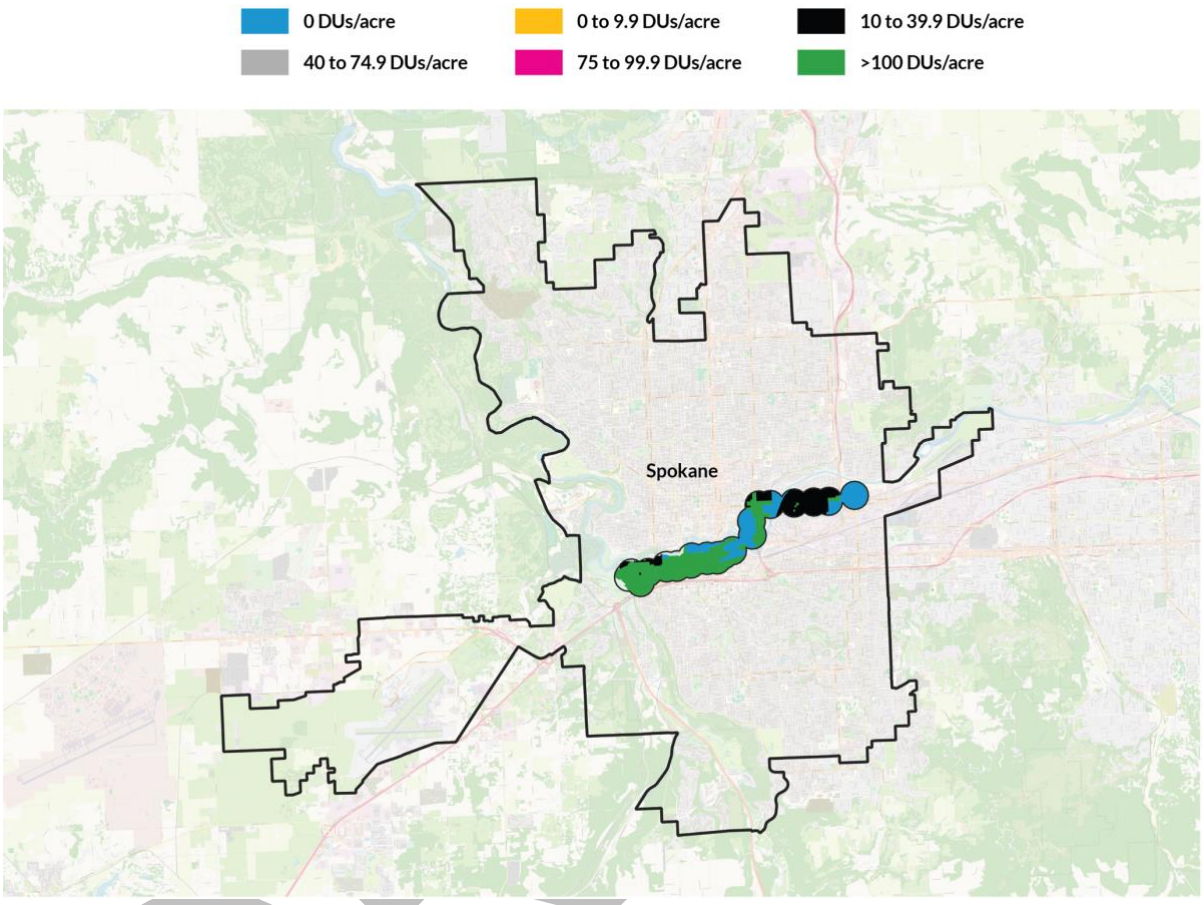
Source: Authors' review of comprehensive plans, future land use maps, and transit station location data. Mapped comprehensive plans may not represent final approved plans in each municipality.

Notes: DU = dwelling unit. FLUM = future land use map. We do not account for accessory dwelling units in this analysis, but we do assume that "cottage cluster" projects could be completed to the highest possible density. Land near transit is defined as land area located within a half mile of existing or planned light rail or commuter rail stations, or within a quarter mile of existing or planned bus rapid transit stations.

FIGURE A.4

Cities Plan for a Wide Variety of Housing Densities in Neighborhoods Near Transit

FLUM housing density estimates, by dwelling units per acre, Spokane



Source: Authors' review of comprehensive plans, future land use maps, and transit station location data. Mapped comprehensive plans may not represent final approved plans in each municipality.

Notes: DU = dwelling unit. FLUM = future land use map. We do not account for accessory dwelling units in this analysis, but we do assume that "cottage cluster" projects could be completed to the highest possible density. Land near transit is defined as land area located within a half mile of existing or planned light rail or commuter rail stations, or within a quarter mile of existing or planned bus rapid transit stations.

Notes

[1] Between 2018 and 2022, the Spokane metropolitan area permitted 7.6 housing units per capita, Seattle 6.6, San Diego 5.2, Los Angeles 3.4, San Francisco 3.3, and San Diego 3.0. See Housingdata.app, accessed March 7, 2025, https://housingdata.app/. Homelessness nationwide reached record levels in 2024, and Washington had the third-highest number of people experiencing homelessness among all states, more than much more populous Florida, Illinois, or Texas. See Elliott Davis Jr., Jaclyn Jeffrey-Wilensky, and Julia Haines, "States With the Largest Homeless Populations," *U.S. News & World Report*, January 13, 2025, https://www.usnews.com/news/best-states/articles/states-with-the-most-homeless-people.

[2] See, for example, 2021's H.B. 1220, which mandated that cities plan for households at all levels under the Growth Management Act. See 2023's H.B. 1110, which mandates that cities enable "middle" housing on most residential lots; the mandate is higher near major transit stops or if a project includes an affordable housing component. See 2023's S.B. 5290, which required cities to reduce the time they take to review development projects; the same year, H.B. 1293 and H.B. 5412 streamlined design review and environmental review, respectively. And see 2024's S.B. 6015, which made it easier for developers to comply with parking-minimum standards. The state has also passed several laws funding affordable housing, such as 2023's S.B. 5200 / H.B. 1147, which provided a $400 million boost to the state's housing trust fund; the same year's H.B. 1695 clarified that affordable housing is a "public benefit" and thus can be implemented on publicly owned land. Lisa Pool, "Six Housing and Planning Bills that Help Washington Communities Confront the Housing Crisis," MRSC, August 21, 2024, https://mrsc.org/stay-informed/mrsc-insight/august-2024/six-housing-and-planning-bills-that-help-washington-communities-confront-the-housing-crisis; Steve Butler, "Impending Deadline of January 1 to Address SB 5290's New Development Timelines," MRSC, August 7, 2024, https://mrsc.org/stay-informed/mrsc-insight/august-2024/sb-5290-development-timelines; "Missing Middle Housing," MRSC, accessed March 7, 2025, https://mrsc.org/explore-topics/housing-homelessness/housing/middle-housing; "City Progress on State Legislation Affecting Housing," City of Bellingham, accessed March 7, 2025, https://cob.org/services/planning/development/city-progress-on-state-legislation-affecting-housing.

[3] Yonah Freemark, "Exclusionary Zoning Limits Opportunity by Concentrating Subsidized Housing in a Small Part of the Puget Sound Region," *Urban Wire* (blog), Urban Institute, June 22, 2023, https://www.urban.org/urban-wire/exclusionary-zoning-limits-opportunity-concentrating-subsidized-housing-small-part-puget.

[4] This group of cities was determined based on the law funding this study, the 2024 Supplemental Transportation Budget, whose Section 204(13) states that the legislature's Joint Transportation Committee is to contract with a national expert "to complete a review of transit-oriented development conditions in cities in King, Pierce, Spokane, Clark, and Snohomish counties that (i) have populations of more than 12,500; and (ii) have at least one major transit stop, as defined in RCW 22 36.70A.030." The latter defines major transit stop as "(a) A stop on a high capacity transportation system funded or expanded under the provisions of chapter 81.104 RCW; (b) Commuter rail stops; (c) Stops on rail or fixed guideway systems; or (d) Stops on bus rapid transit routes, including those stops that are under construction." Chapter 81.104 RCW defines a high capacity transportation system as "a system of public transportation services within an urbanized region operating principally on exclusive rights-of-way, and the supporting services and facilities necessary to implement such a system, including interim express services and high occupancy vehicle lanes, which taken as a whole, provides a substantially higher level of passenger capacity, speed, and service frequency than traditional public transportation systems operating principally in general purpose roadways."

[5] "Swift Gold Line," Community Transit, accessed March 4, 2025, https://www.communitytransit.org/swift-gold.

[6] Transit Explorer, last updated May 2025, https://www.thetransportpolitic.com/transitexplorer.

[7] Ryan Packer, "The Builder's Remedy is Coming to Washington State," *The Urbanist*, May 14, 2025, https://www.theurbanist.org/2025/05/14/the-builders-remedy-is-coming-to-washington-state/.

[8] Several stations opened in 2025, such as those along Sound Transit's Downtown Redmond Link Extension. Because of the timing of this research, we counted these as "planned."

[9] "Board adopts policy promoting equitable development near transit stations and facilities," Sound Transit, April 26, 2018, https://www.soundtransit.org/get-to-know-us/news-events/news-releases/board-adopts-policy-promoting-equitable-development-near.

[10] "Displacement Risk Mapping," Puget Sound Regional Council, accessed May 16, 2025, https://www.psrc.org/our-work/displacement-risk-mapping.

[11] Interest rates can make the difference between a financially feasible development project and one that would be deeply unprofitable for developers. See Yonah Freemark, "Small Apartment Buildings Can Help Address Housing Shortages, but High Land Costs and Interest Rates Are Limiting Construction," *Urban Wire* (blog), Urban Institute, February 12, 2025, https://www.urban.org/urban-wire/small-apartment-buildings-can-help-address-housing-shortages-high-land-costs-and.

[12] Erika Giovanetti, "2025 Housing Forecast: When Will Mortgage Rates Go Down?," *US News*, last updated May 2, 2025, https://money.usnews.com/loans/mortgages/mortgage-rate-forecast.

[13] "Tax Increment Financing (TIF)," MRSC, last updated April 25, 2025, https://mrsc.org/explore-topics/finance/revenues/tax-increment-financing.

[14] This is not a problem unique to Washington. In Denver, for example, city zoning requires ground-floor retail in many new apartment buildings. But retail spaces are often left vacant due to inadequate demand to fill the spaces. See Alayna Alvarez, "Denver's ground-floor retail gamble isn't paying off — at least yet," AXIOS Denver, April 25, 2025, https://www.axios.com/local/denver/2025/04/25/denver-ground-floor-retail-vacancies.

[15] "Impact Fees," MRSC, last updated March 26, 2025, https://mrsc.org/explore-topics/planning/administration/impact-fees.

[16] Several interviewees noted that Seattle's requirements for MFTE compliance, which exclude units required under the city's Mandatory Housing Affordability program, are tough to meet.

[17] Most of the FLUMs we examined were the final versions approved by city councils, but some were the draft versions as of this writing. We collected shapefiles of FLUMs for all of the study cities except for Mill Creek, for which we manually re-created a shapefile based on a map provided by the city government.

[18] To implement this algorithm, we made a number of assumptions, including that a new dwelling unit would occupy an average of 1,000 square feet; that 50 percent of zoned land could be used for development (and the rest would be restricted to streets, parks, etc.; we adjusted this figure based on whether the FLUM map provided by each city zoned differently for those uses); and that minimum parcel sizes were 5,000 square feet. When multiple limitations were described in a comprehensive plan, we selected the limitation that was most limiting (e.g., if the FAR requirement was more constraining than the height limit requirement, we assumed the FAR requirement would limit what could be built).

[19] Ryan Packer, "Seattle Council Updates Living Building Incentives, Unsticking Belltown Tower Project," *The Urbanist*, December 11, 2024, https://www.theurbanist.org/2024/12/11/seattle-council-updates-living-building-incentives-unsticking-belltown-tower-project/.

[20] Metropolitan Transportation Commission One Bay Area Grant maps, accessed March 6, 2025, https://mtc.ca.gov/sites/default/files/OBAG_2_Mapbook_Reduced.pdf.

[21] "Transit-Oriented Communities (TOC) Policy," Metropolitan Transportation Commission, accessed March 6, 2025, https://mtc.ca.gov/planning/land-use/transit-oriented-communities-toc-policy.

[22] Jonathon Kass and Erika Pinto, "New Transit-Oriented Communities Policy Encourages Equitable and Sustainable Development," SPUR, May 9, 2023, https://www.spur.org/news/2023-05-09/new-transit-oriented-communities-policy-encourages-equitable-and-sustainable.

[23] "Priority Sites," Metropolitan Transportation Commission, accessed March 6, 2025, https://mtc.ca.gov/planning/land-use/priority-sites.

[24] "Priority Development Areas (PDAs)," Metropolitan Transportation Commission, accessed March 6, 2025, https://mtc.ca.gov/planning/land-use/priority-development-areas-pdas.

[25] Chirag Rabari, "MTC Approves $386 Million for 180 Projects Across the Region Through the OBAG 2 County Program," The Bay Link, January 11, 2018, https://blog.bayareametro.gov/posts/mtc-approves-386-million-180-projects-across-region-through-obag-2-county-program.

[26] "Case Study – Richmond Transit Village: Partnerships in building housing," Home for All San Mateo County, accessed March 6, 2025, https://homeforallsmc.org/richmond-transit-village-partnerships-in-building-housing/.

[27] "Transit-Oriented Mixed-Use Development," Blach Construction, accessed March 6, 2025, https://www.blach.com/portfolio/republic-urban/.

[28] "Transit-Oriented Development (TOD) – Millbrae," Bay Area Rapid Transit, accessed March 6, 2025, https://www.bart.gov/about/business/tod/millbrae.

[29] Minnesota Legislature, 2024 Minnesota Statutes: 473.25 Livable Communities Criteria and Guidelines, accessed March 6, 2025, https://www.revisor.mn.gov/statutes/cite/473.25.

[30] "Transit Oriented Development (TOD) Grants," Metropolitan Council, accessed March 6, 2025, https://metrocouncil.org/Communities/Services/Livable-Communities-Grants/LCA-Programs/Transit-Oriented-Development.aspx.

[31] City of Hopkins, The Artery, accessed March 6, 2025, https://www.hopkinsmn.com/990/The-Artery.

[32] Metropolitan Council Meetings on YouTube, The Artery, Hopkins, July 26, 2018, https://www.youtube.com/watch?v=stnRHKWDnwg.

[33] Emily Hofstaedter, "A new era for inclusionary housing begins in Baltimore City," WYPR, December 5, 2023, https://www.wypr.org/wypr-news/2023-12-05/a-new-era-for-inclusionary-housing-begins-in-baltimore-city.

[34] "Inclusionary Zoning (and Density Bonuses)," Alliance for Housing Affordability, 2025, https://housingallies.org/guide/expanding-affordability/inclusionary-zoning/.

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