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# Expanding Opportunities for Transit-Oriented Development in Washington

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*Photo: Sound Transit.*

# Washington Has Made Progress in Advancing TOD

- Progress in Washington:
  - Multiple state laws encouraging dense, mixed-use, affordable, transit-friendly development through the elimination of parking requirements, creation of zoned density regulations, and provisions for affordable housing funded through multifamily property tax exemptions (MFTE).
  - Enforcement of the Growth Management Act.
  - Development of substantial rapid transit systems in the Puget Sound, Spokane, and Vancouver.
- But the housing market has slowed considerably, and construction is inadequate to meet the needs of the state's still-growing population.
- The legislature can take the next step forward by addressing remaining barriers to transit-oriented development (TOD).

# Study Goals and Summary

- We seek to assist the state in its effort to attract more development to transit areas—and ensure that development is affordable for all.
- Three related, but separate, research reports:
  - Evaluating the financial feasibility of TOD.
  - Comparing state approaches to mandating minimum density levels near transit.
  - Developing key performance indicators to track TOD throughout the state.



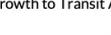
## The Financial Feasibility of Transit-Oriented Development

### Barriers and Opportunities for Construction

Yonah Freemark, Lydia Lo, and Yipeng Su

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Transit-oriented development (TOD) is the concentration of construction in neighborhoods situated adjacent to public transportation. States like Washington have encouraged TOD through legislation like 2025's house bill 1491, its, affordable housing requirements, and relief from taxes toward trending real estate market; housing permitting in substantially since 2022 (figure 1).



## Mandating Density Near Transit

### Practices by States and Provinces in the United States and Canada to Direct Housing Growth to Transit Areas

Yonah Freemark, Lydia Lo, and Yipeng Su

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Transit-oriented development (TOD) is creating dense, mixed-use, and walkable communities close to stations served by frequent and reliable public transportation (Calthorpe 1992; Reineke 1999). Residents and workers benefit from easy access to affordable, environmentally sustainable, and a variety of services within walking distance—while being able to avoid traffic to get to TOD can thus reduce transportation costs, pollution, and traffic congestion while accommodating growth (Narri and Zhang 2014; Renne et al. 2016). TOD's advantage of affordable housing is integrated into projects, because families with low and moderate cars and transit use are more likely to have higher mobility through transit access (E

TOD implementation requires accommodating regulations. In the United States, localities have historically shaped development through land-use policies; they can, for example, implement zoning rules that enable high densities and a mix of uses near transit. But they can also use exclusionary zoning to prevent dense construction, particularly of subsidized, affordable housing.<sup>1</sup> In

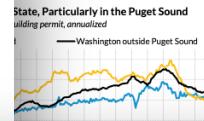
response, in recent years, some state legislatures have passed laws mandating for the first time that localities plan for additional housing. In 2025, TOD also requires an accommodating economic environment, meaning a state to make developing market-rate housing financially feasible, or public subsidies to n

In this brief, we examine laws adopted by US states and Canadian provinces to areas by mandating that localities adopt land-use regulations designed to enable compact, walkable, and transit-oriented development. We also examine the outcomes of the laws, such as impacts on construction. We do not analyze local TOD legislation, such as permitting streamlined or housing target setting, which mandates growth concordant with local demand and existing population (Stacy, Mehrotra, and

Based on this review, we recommend promising practices for states and provin

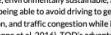
- Introduce minimum density requirements designed to encourage a diverse construction in areas near transit, while counteracting local efforts to evad
- Associate developer requirements, such as for on-site affordable housing, v
- Provide assistance to localities for TOD-supportive infrastructure, maxim
- Enable transit agencies to act as developers or more easily partner with d
- Fund tracking mechanisms to evaluate TOD policies' impact on constructi

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State, Particularly in the Puget Sound  
Building permit, annualized

— Washington outside Puget Sound  
— Washington inside Puget Sound



## Tracking Transit-Oriented Development

### Key Performance Indicators to Assess Progress in Focusing Mixed-Use, Mixed-Income Projects in Areas Near Transit

Yonah Freemark, Yipeng Su, and Lydia Lo

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Transit-oriented development, or TOD, is a built environment that is dense, diverse, and walkable, all while being served by effective public transportation options. It holds promise for creating vibrant, accessible, and equitable communities. As investment in TOD grows across the United States, measuring how communities compare in implementation can help establish trends and identify potential areas of concern. Yet few jurisdictions have established frameworks to evaluate whether these investments are achieving their intended goals—and fewer have systematically measured outcomes. Existing efforts to track TOD performance remain underdeveloped: most focus on individual projects, and few have been developed at the local, regional, or national level. Some focus on wide, metropolitan-wide, or statewide assessments. Planning tools abound to help estimate potential impacts of proposed developments, but ongoing evaluation frameworks that monitor actual outcomes over time are rare.

In this brief, we conduct a national review of existing efforts by cities, metropolitan areas, and transit agencies to assess progress of TOD investments. Then, based on the results of a dialogue with stakeholders engaged in this topic around the country and best practices in other contexts, we develop a set of indicators designed to aid policymakers in achieving several goals related to conditions and growth in communities near transit. These goals reflect the connected need to create vibrant neighborhoods near transit, while ensuring that those neighborhoods have access to other areas via the transit system. Stakeholders can use data to answer key questions about TOD, including:

- Adhering to planning standards: Are transit-rich localities meeting state requirements for accommodating growth, where those rules exist?
- Expanding housing availability and economic value: Is new development concentrating in transit areas?
- Producing and preserving affordable housing: Are homes near transit affordable for a diversity of people?
- Preventing unwanted demographic change: Are transit areas experiencing neighborhood change in the form of impoverishment, gentrification, and/or displacement?
- Guaranteeing high transportation quality: Is the non-automobile transportation network accessible, convenient, safe, and healthy?
- Encouraging non-car transportation use: Do people in transit areas get around without driving?
- Building access to employment: Are employment opportunities available within reasonable distance?
- Offering access to public resources: Do residents of transit areas have the ability to get to public services, including parks, libraries, and more, with little difficulty?
- Promoting mixed uses: Do transit areas include commercial spaces, childcare facilities, and cultural spaces?

For each goal, we identify indicators for which data can be collected to assess performance. Using a carefully selected set of indicators, stakeholders can develop new policies and target resources to create neighborhoods near transit that are good places to live, work, and visit for a broad set of people—while cumulatively building toward the creation of a city- and metropolitan-wide network of linked transit-served nodes of activity.

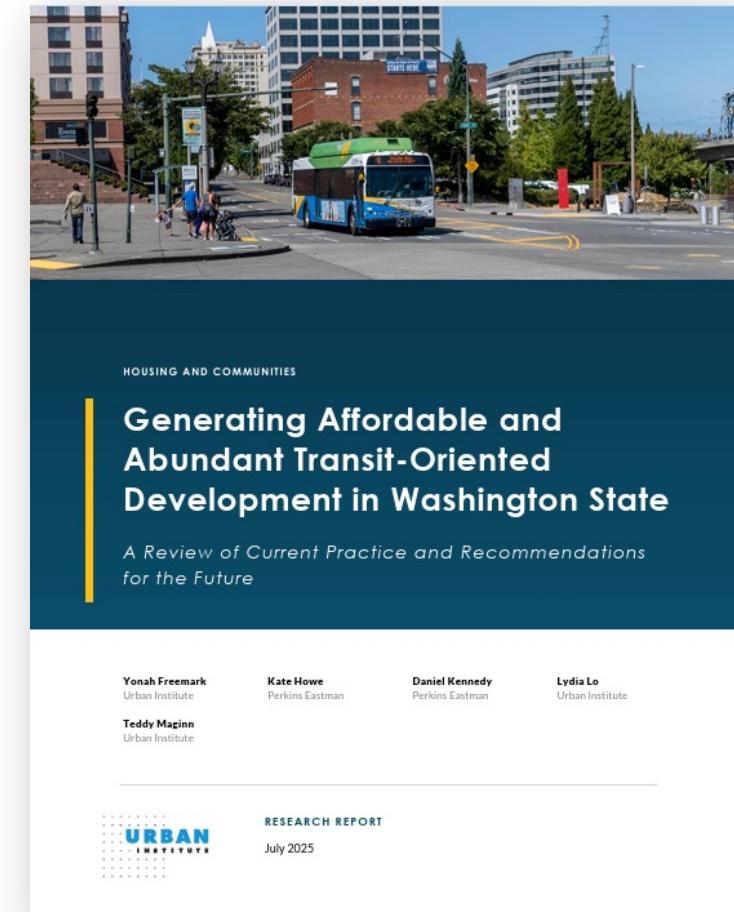
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# How We Did This Work

- We developed a real estate pro-forma model designed to assess the potential for development across more than 40 transit zones in Washington state.
- We examined how states and provinces across the United States and Canada are planning for and funding TOD.
- We identified best practices that cities, metropolitan planning organizations, and states are using for tracking the performance of TOD.
- We interviewed stakeholders involved in these topics and received multiple rounds of feedback on our draft reports.

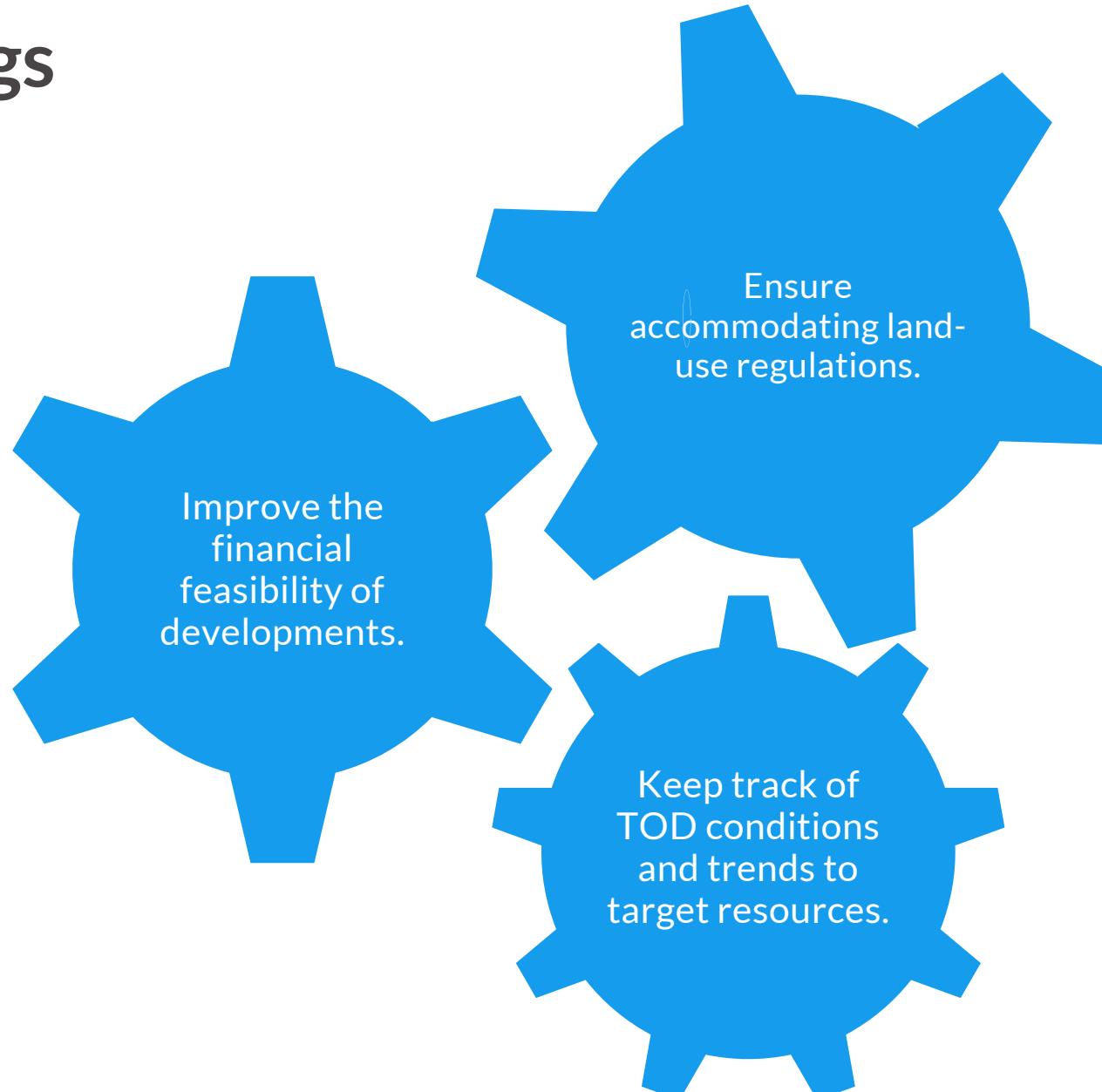
# Building on Our Research from Earlier this Year

- In [the research we completed in July](#), we found that:
  - Washington is becoming increasingly unaffordable, especially in high-cost cities and near transit.
  - Advancing affordable TOD requires surmounting financing, cost, and regulatory barriers.
- We recommended that the state:
  - Fund neighborhood infrastructure grants, provide funding for affordable housing, and buy land, all in station areas.
  - Provide flexibility in zoning and MFTE policy to respond to local differences.



# Our New Findings

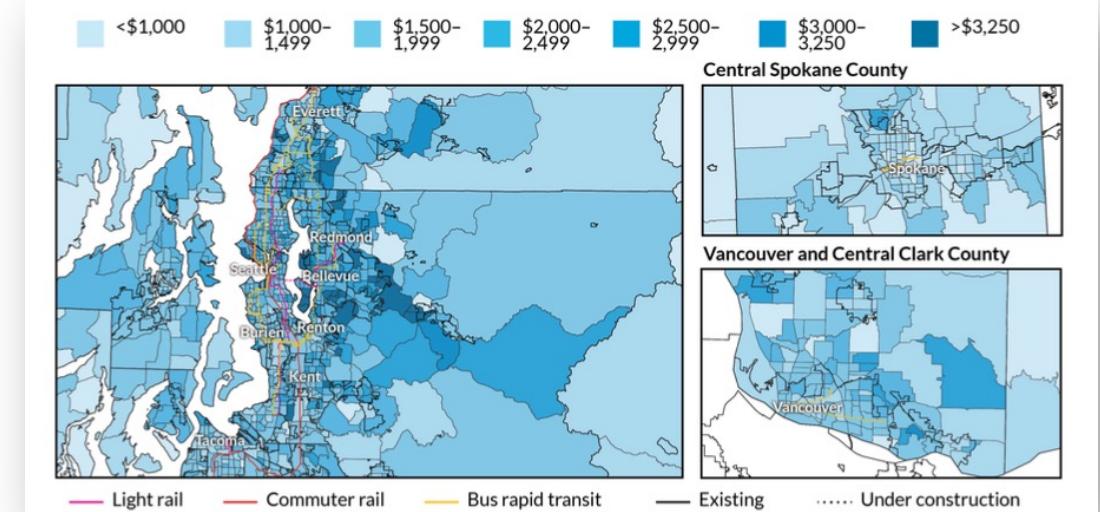
To maximize Washington's chance to expand the number of TOD projects, the state should:



# Topline Recommendations: Making TOD Feasible

- State impact fee policy may result in localities losing up to \$10 million annually. **State TOD infrastructure grants must fill the gap.**
- Affordable housing requirements may discourage investment in transit areas. **MFTE policies must be right-sized and adjusted for local market conditions and the economy.**
- TOD policy does not address the housing needs of very low-income families. **State funds are needed for affordable housing subsidies and land banking in station areas.**

Median rents vary dramatically across the state, impacting project feasibility

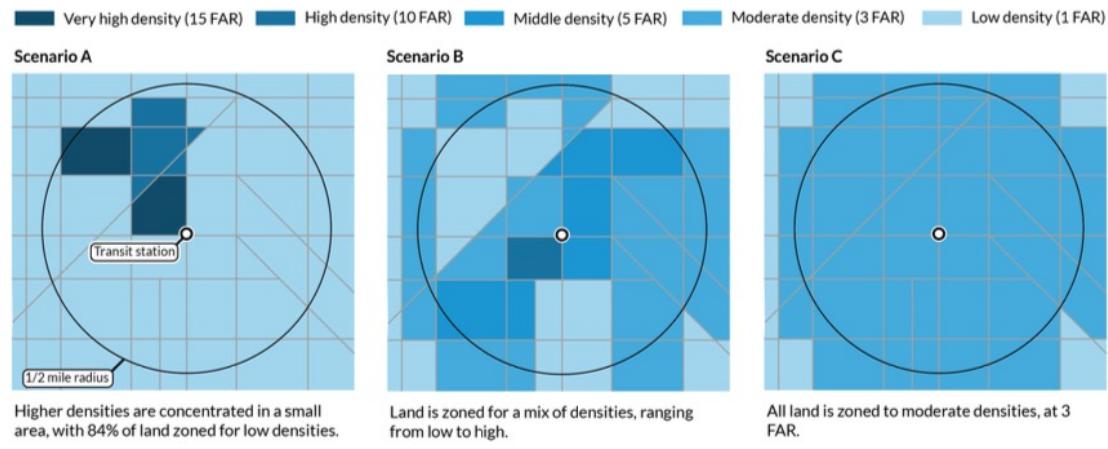


Areas with higher local rents are more likely to be able to attract new development. TOD may be infeasible altogether in neighborhoods where rents are too low.

# Topline Recommendations: Approaches to TOD Planning

- Average density requirements enable some localities to undermine TOD projects. **The state should add minimum density requirements instead.**
- Higher densities in areas very close to transit are feasible and realistic. **State requirements for very high densities within a few hundred feet of stations can help respond to demand.**
- **State action to acquire public land and lead development can encourage TOD.**

## Theoretical approaches to zone a transit neighborhood for an average density of 3 FAR

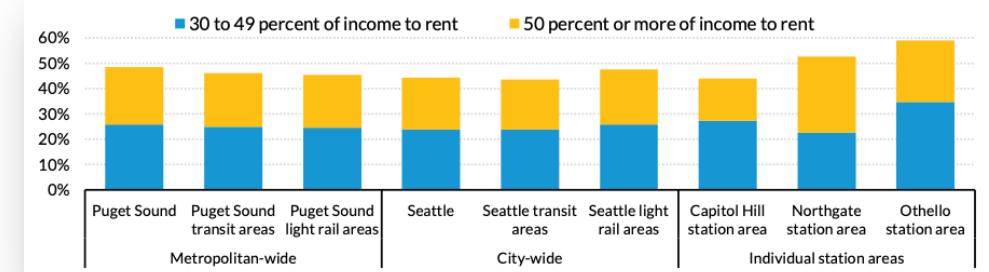


Regulations that provide for only an average density level leave plenty of room for localities to stand in the way of actually allowing TOD on many parcels located near transit.

# Topline Recommendations: Tracking TOD Performance

- Focusing investment in TOD areas requires concrete strategies to track what's working.
- The state should designate and fund an entity to develop a set of TOD indicators addressing:
  - Development trends
  - Housing availability and affordability
  - Demographic change
  - Transportation access and quality
- They should be tracked over time and place.

## Calculating indicators at multiple geographies: Share of renters that are cost-burdened



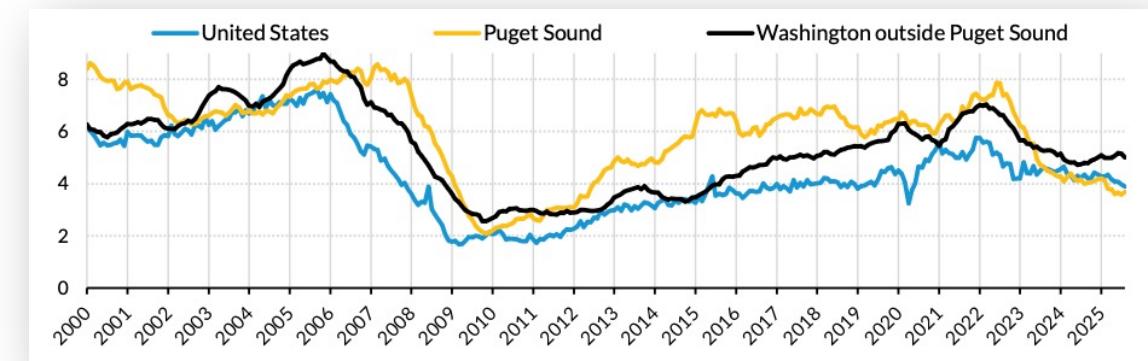
Frequently updated indicators can help stakeholders understand what's working—and isn't—with TOD, as well as see where intervention might be most desirable.

# Making TOD Financially Feasible

# Current Conditions: Declining Development

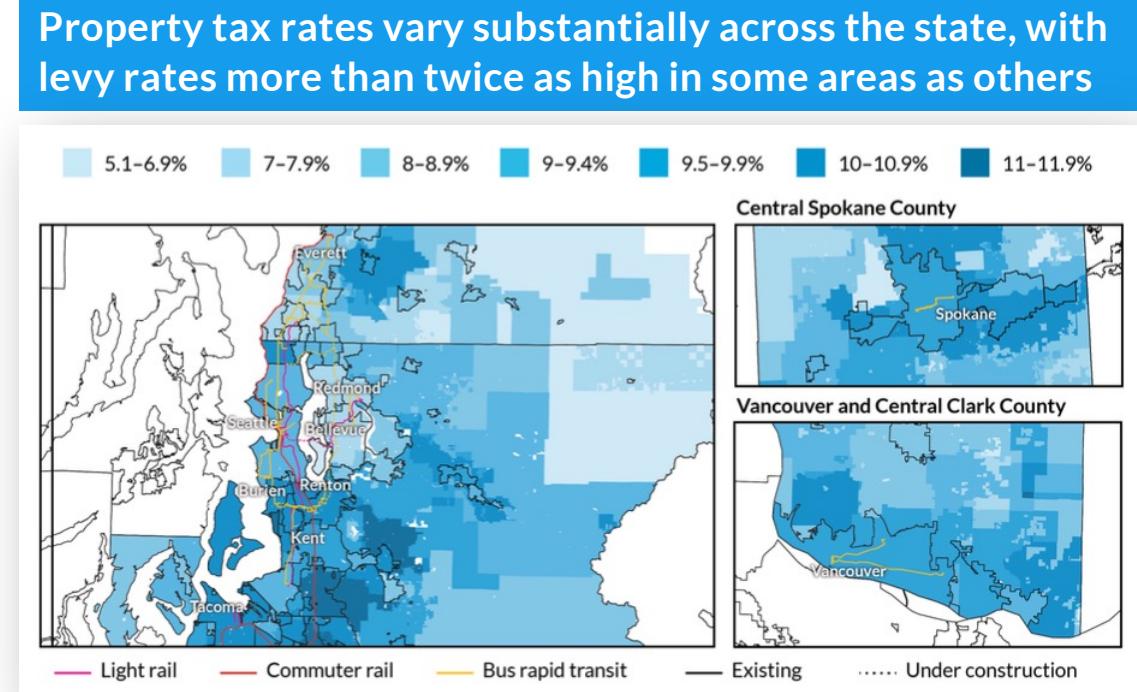
- High interest rates, high inflation, tariffs, and US immigration policy are contributing to a dramatic slowdown in housing permitting, which is now at half its 2022 levels in the Puget Sound.
- These circumstances imperil the state's efforts to respond to the housing affordability crisis by encouraging more development, such as through TOD.
- But it is worth emphasizing that conditions could change in the coming years!

Housing permitting per capita is declining across the United States, and particularly in the Puget Sound



# Contributors to Project Costs

- Development is only feasible when expected rents (plus public subsidies when available and needed) minus construction and operating costs provide a competitive return to investors.
- Rents vary between cities: **Higher rents, all else equal, mean higher feasibility.**
- Construction costs are affected by impact fees, land costs, financing costs, and more.
- Operating costs are affected by property tax rates, utilities, marketing, and more.



Levy rates are generally higher in areas where property values are lower.

# Higher Density Levels Mean Higher Construction Costs

- Building code regulations, plus engineering realities, mean shorter buildings can be constructed using “stick-built” methods, while high rises require structural steel or reinforced concrete.
- This means that it is *sometimes* more economically viable to build less dense structures—even if the zoning enables higher densities.
- But in high land value areas, taller buildings “pencil out.”

Construction costs per square feet increase as projects increase in height

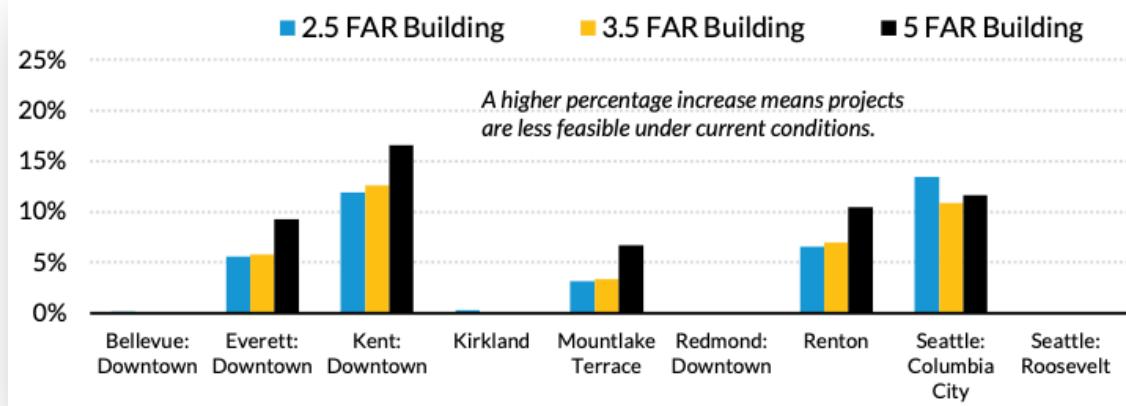


We present a range of construction costs per square foot because different contractors are able to complete such buildings at somewhat different costs.

# TOD Feasibility Varies by Area

- Despite the economy, TOD remains feasible in parts of Bellevue, Redmond, Seattle, and more.
- But many communities with transit access have rents that are too low to make new development feasible under current economic conditions. Rents would need to increase or subsidies are needed.
- In areas with low land values, higher density structures may actually be *less* feasible because of high building costs.

How much higher rents would need to be to make projects “pencil out,” compared to local market rents

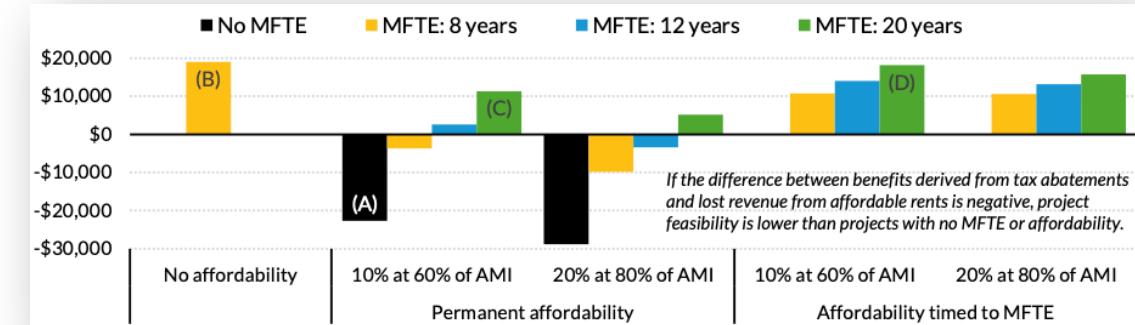


FAR = floor area ratio, a measure of density. Higher FAR means higher density.

# MFTE Helps Cover the Costs of Affordability

- The MFTE program compensates developers for revenue lost when providing affordable housing. This program is essential to make up the gap.
- Providing permanent affordability rather than affordability tied to the MFTE years reduces the benefit developers receive.
- Developers argue that the MFTE is sometimes inadequate to cover costs of affordability. This could encourage them to build elsewhere.

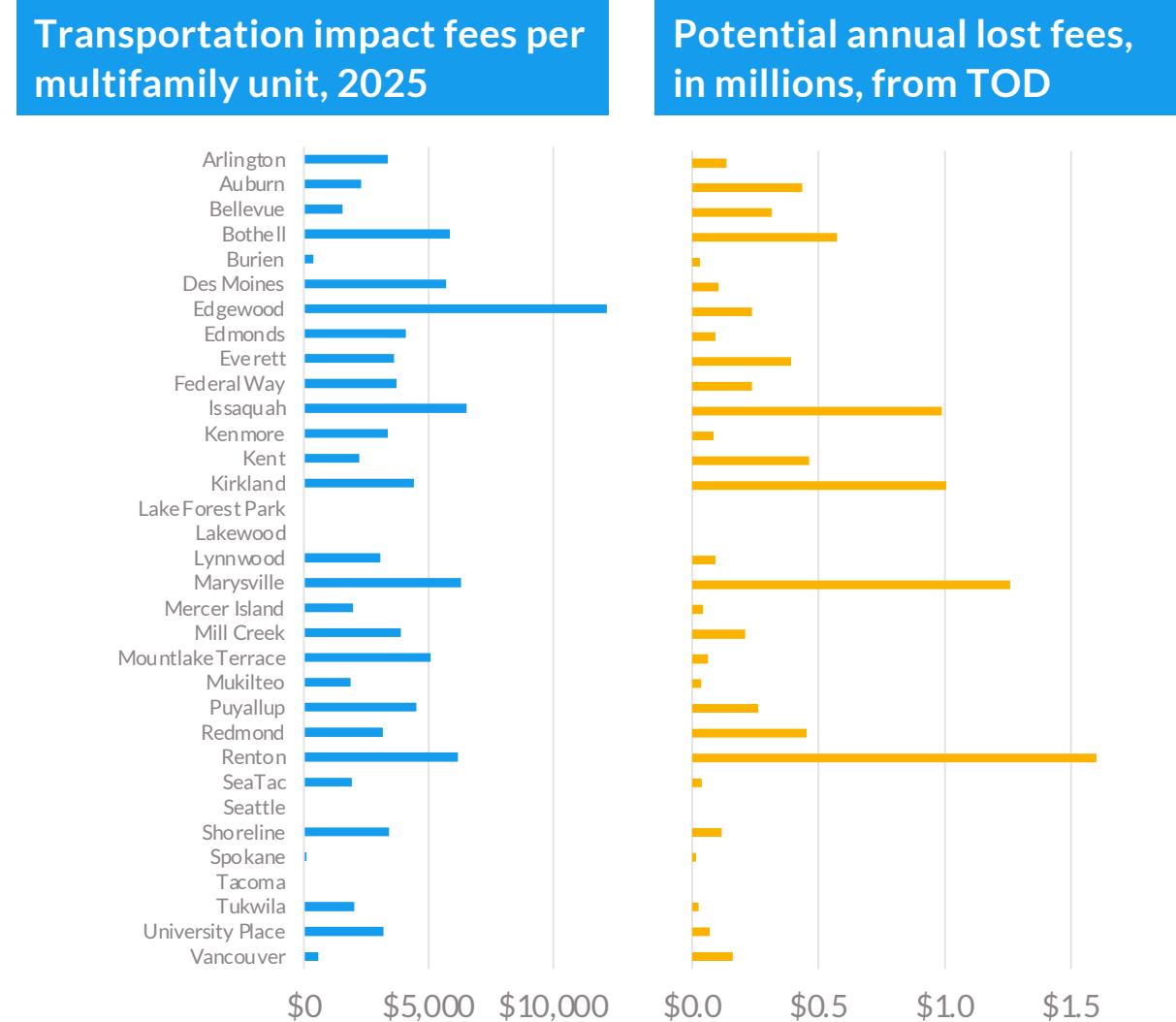
Difference between value of tax abatements and value of lost revenue due to affordability requirements, per unit



Outcomes for a prototypical project in downtown Bellevue, using Urban Institute's real estate pro-forma model.

# Transportation Impact Fee Reductions May Hurt Cities

- House bill 1491 includes a provision requiring a 50 percent reduction in transportation impact fees for TOD.
- This provision may reduce revenues, limiting cities' ability to fund local improvements designed to make transit areas better for transit users.
- In total, we estimate these losses could sum to \$9 million, but this may be a high estimate given current discounts.



# Recommendations: Making TOD Financially Feasible

Impact fee reductions limit the ability of localities to fund TOD-supportive infrastructure.

State should make up the gap by funding infrastructure in transit areas, including streets, parks, sewer, and stormwater, with a focus on cities with limited tax bases.

The MFTE program does not adequately address the needs of families with very low incomes, who have the greatest needs.

State should expand allocations from to the Housing Trust Fund, with a focus on transit areas, to subsidize units affordable to households with low incomes, on top of those supported through the MFTE.

Affordability requirements and associated MFTE do not always match on-the-ground development realities.

State should vary affordability requirements based on local market conditions, lowering them during periods of limited construction and in cities where the market makes building challenging—then raising them when conditions improve.

Additional incentives are necessary to make projects "pencil out" in many parts of the state.

State should provide assistance to localities and others to land bank, while targeting the use of opportunity zones and other incentives in certain areas.

# Approaches to TOD Planning

# Higher-Level Governments Seek to Require TOD Planning

- A growing number of states and provinces, including Washington, are using preemption powers to require or encourage localities to accommodate TOD.
- This situation offers these higher-level governments an opportunity to learn from one another.

States and provinces across the United States and Canada are developing new strategies to promote TOD

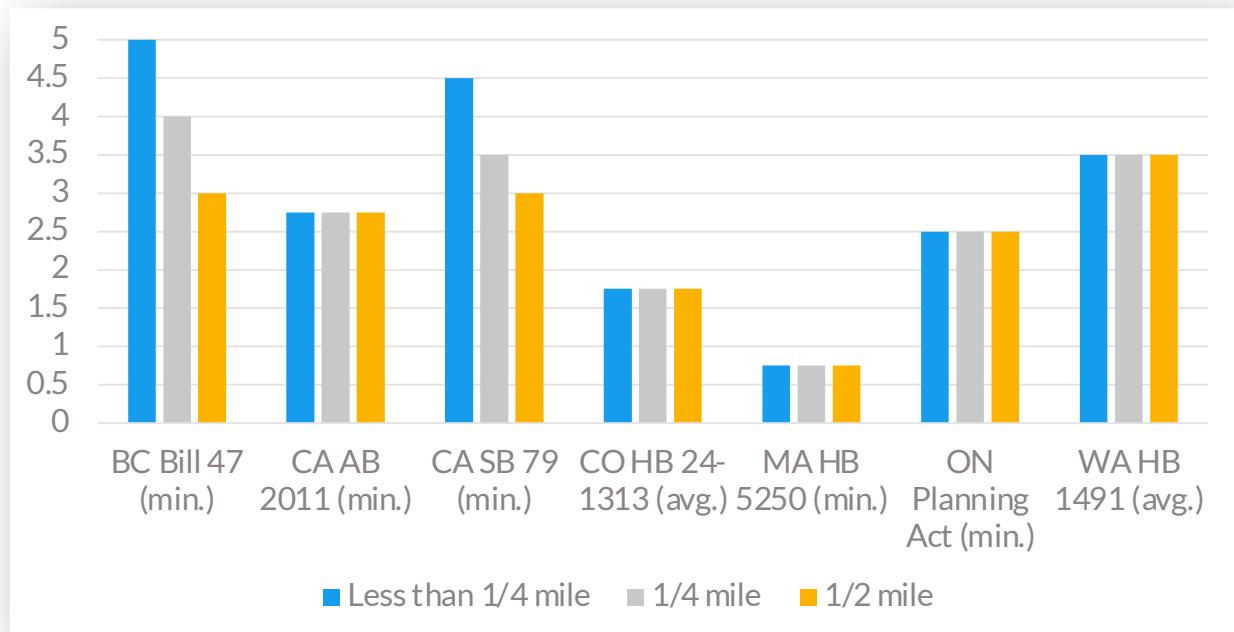


- ★ State or province has law requiring localities to plan for higher densities in transit areas.
- ★ State has identified other approaches, such as grant prioritization, focused on TOD.

# Regulations Differ in Terms of Density Requirements

- In British Columbia and California, law mandates that, in areas very close to rail stations, localities zone for higher densities (or allow developments at higher densities) than is the case in Washington.
- California also mandates higher zoning requirements for areas within a  $\frac{1}{4}$  mile of bus rapid transit stations.

State mandates for floor area ratios levels (FAR) in areas near rail transit, by distance from stations

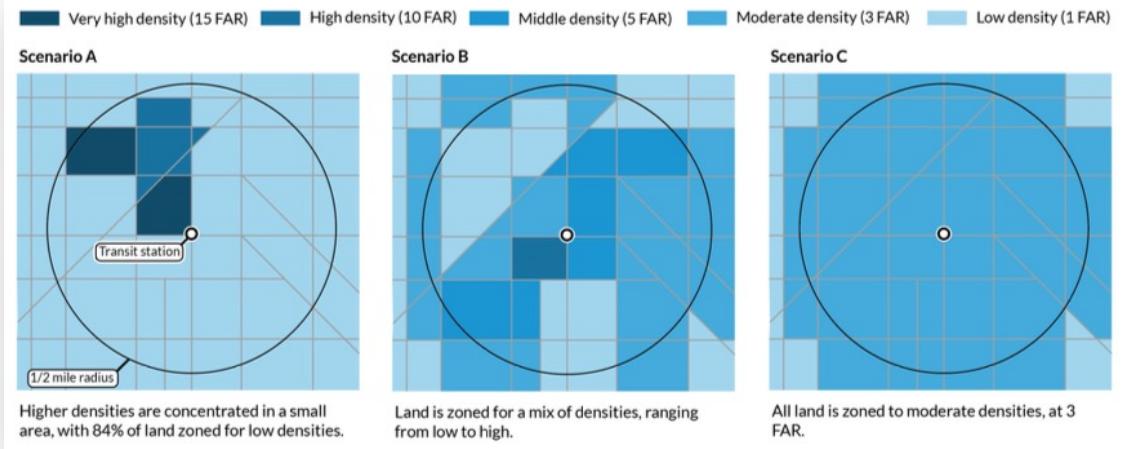


Requirements for CA AB 2011, CO HB 24-1313, MA HB 5250, and ON Planning Act are approximations (these laws regulate without FAR).

# A Key Question: Average vs. Minimum Density

- Washington, like Colorado, mandates that localities zone for an average TOD density.
  - This could have unintended consequences: It could allow localities, in particular, to concentrate density on just a few parcels.
- But British Columbia and California, among others, mandate a minimum density. This means that the *average* there might be much higher.

## Theoretical approaches to zone a transit neighborhood for an average density of 3 FAR



Regulations that provide for only an average density level leave plenty of room for localities to stand in the way of allowing TOD on many parcels located near transit.

# Comparative Approaches to Affordable Housing

- Like Washington, California requires a share of housing units to be affordable in TOD contexts.
- Washington's requirements are somewhat less stringent than California's, but the density bonuses TOD projects in Washington receives are also somewhat less strong.

Law	Affordable housing options for market-rate projects
WA HB 1491	(a) Market rate, but 10% of units at 60% of AMI; (b) Market rate, but 20% of units at 80% of AMI; (c) Market rate, but 10% of units at 80% of AMI if at least 10% of building units are 3+ bedroom
CA AB 2011	(a) Market rate, but 8% of units at 50% of AMI and 5% of units at 30% of AMI; (b) Market rate, but 15% of units at 60% of AMI
CA SB 79	(a) Market rate, but 7% of units at 30% of AMI; (b) Market rate, but 10% of units at 50% of AMI; (c) Market rate, but 13% of units at 60% of AMI
BC, MA, ON	No affordability requirement.

# Associated Approaches: Grants for Transit Areas

Washington's HB 1491 included a provision (Section 4) to fund local infrastructure grants, but these have yet to be funded. Other states have taken related initiatives.

## Directed state investment to infill areas

Both Maryland and New Jersey use smart growth legislation to direct state infrastructure funding to infill neighborhoods—including areas near transit.

## State infrastructure and planning grant funding

Colorado allocated \$35 million for grants designed for infrastructure in transit areas. Connecticut offers grants to localities to assist them with TOD planning.

## Affordable housing funds to transit areas

Hawaii created a state revolving fund for mixed-income housing, dedicating a majority of funds to areas with very high-density zoning. Colorado dedicated state affordable housing tax credits to transit neighborhoods.

# Associated Approaches: Public Land and Development

Washington's HB 1491 included the requirement that Sound Transit pilot development on several park and ride lots. Several other states and provinces have gone further.

## **Giving transit agencies the ability to plan for high densities**

California enabled its transit agencies to set TOD development standard at twice the density of TOD projects in general.

## **Encouraging transit agencies to lead projects**

Illinois recently passed a law giving transit agencies the ability to lead TOD projects, or partner with developers. Ontario similarly can delegate the power to lead TOD to the transit agency.

## **Using public land purchasing to promote TOD**

In British Columbia, the provincial government works with the transit agency to purchase land surrounding new transit lines and then hold it for future TOD projects.

## Recommendations: TOD Planning

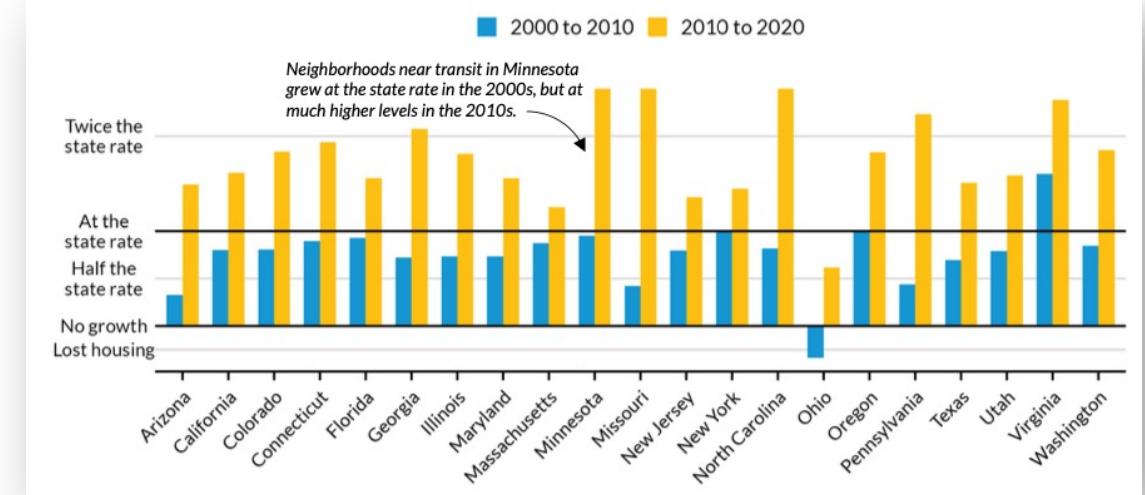
- The state should consider replacing its average TOD density requirements with **minimum requirements**. In addition, it could be beneficial to zone for higher levels of density in the areas very close to stations, such as on adjoining parcels.
- The state should encourage the use of **publicly led development**. This can be undertaken by expanding the capacity of transit agencies, such as by enabling them to buy additional land in association with transit projects.

# Tracking TOD Performance

# TOD is Popular, But There's Work to Do

- During the 2000s, housing growth in almost every state was slower in areas near rail stations than elsewhere. This reversed in the 2010s. In Washington, growth near rail transit was almost twice as fast as the statewide rate during that period.
- But more work is needed, and evidence shows that transit areas are often not affordable for all.

Percentage growth in housing units within a half-mile of rail transit stations, compared to statewide growth



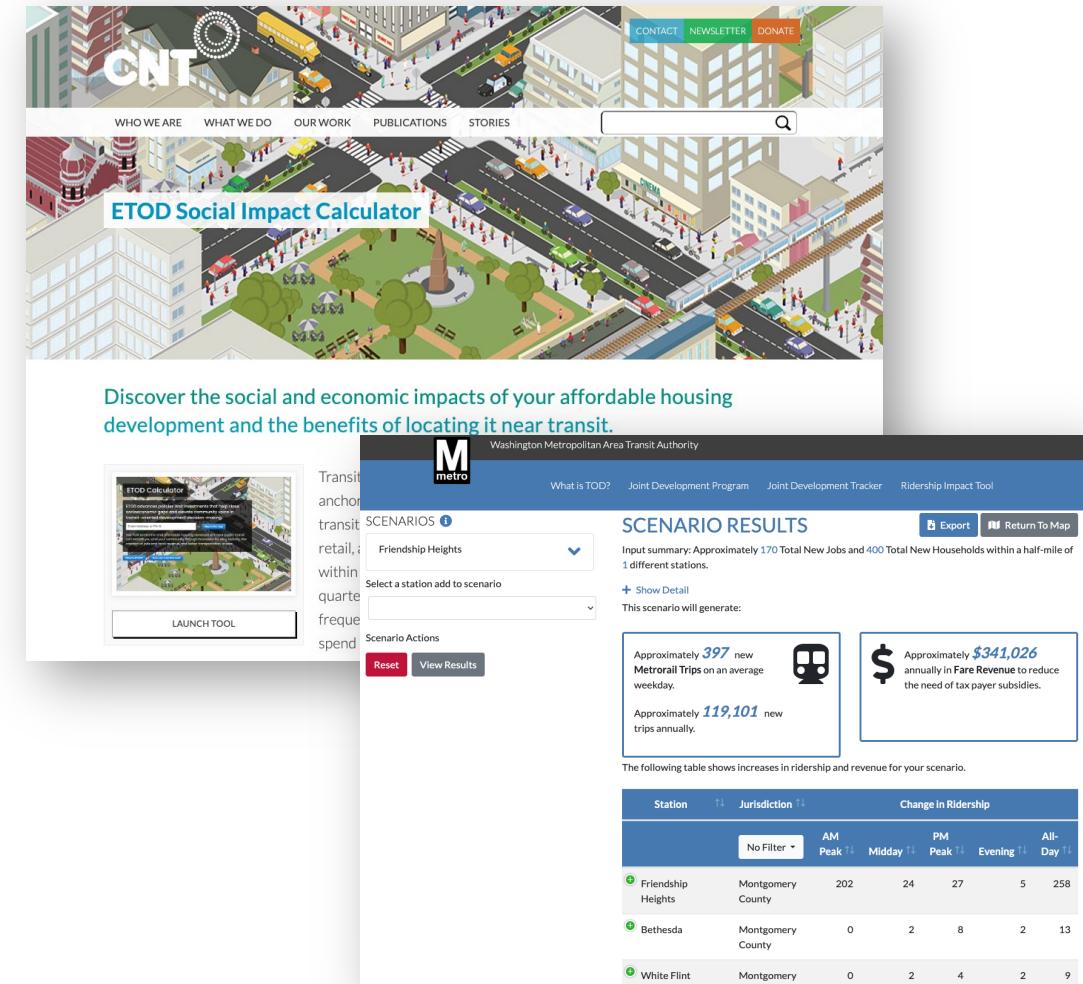
Includes data for metro, light rail, commuter rail, monorail, and streetcar stations.

# Tracking TOD Can Help Achieve Better Communities

*Indicators can help stakeholders develop new policies and target resources to create neighborhoods near transit that are good places to live, work, and visit for a broad set of people—while cumulatively building toward the creation of a city- and metropolitan-wide network of linked transit-served nodes of activity.*

# Tracking TOD is a Popular Goal

- Cities and metropolitan areas in the US have leveraged a variety of tools designed to keep track of how TOD is working.
- These tools typically use the following types of measurement approaches:
  - Planning tools
  - Prioritization frameworks
  - Progress tracking systems
  - Evaluation frameworks



# But Tracking TOD is Rarely Well Executed

There are several frequent challenges facing existing approaches to track TOD:

## Lack of follow-through

There is limited public-sector funding or resolve to track outcomes over time.

## Limited geographical context

There is disagreement about what scale of information is appropriate to evaluate TOD performance.

## Tenuous link between indicators and decisionmaking

Policymakers often do not use indicators to make choices.

# A Recommended Set of TOD Indicators

## Adhering to planning standards

- Meeting associated state requirements
- Ensuring transit-accessible land is not used for auto-centric uses

## Expanding housing availability and economic value

- Overall housing availability
- Housing development
- Value of new development

## Preventing unwanted demographic change

- Neighborhood impoverishment
- Gentrification
- Displacement

## Generating and preserving affordable housing

- Housing cost burdens
- Availability of low-cost homes
- Subsidized, project-based housing
- Subsidized, voucher-based housing

## Guaranteeing high transport quality

- Transit frequency
- Pedestrian-friendly streets
- Cycling-friendly streets
- Safe streets
- Low pollution streets

## Offering access to public resources

- Public service availability
- Parks and open space access

## Building access to employment

- Jobs within commuting distance
- Jobs in transit areas

## Encouraging non-car transportation use

- Transit ridership
- Car ownership
- Cycling rates

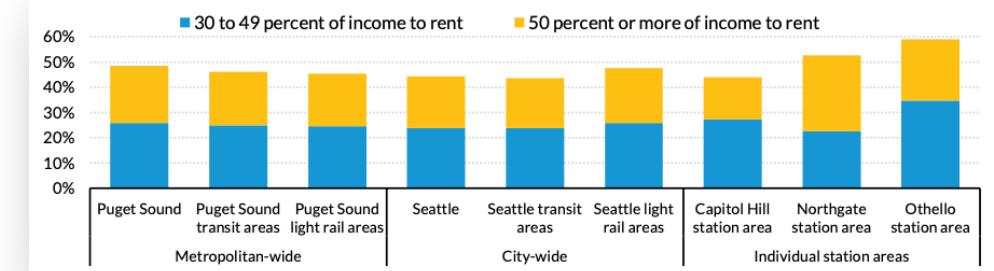
## Promoting mixed uses

- Groceries, retail, and restaurants
- Childcare access
- Cultural spaces

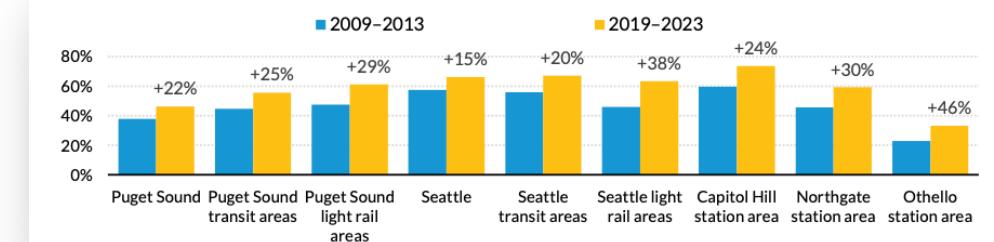
# Indicators Must be Tracked Over Place and Time

- Indicators must be leveraged across **multiple geographies**.
  - State- or metropolitan-wide information can provide useful insight into overall conditions, but local data help identify special areas of concern.
  - TOD areas should be compared to non-TOD areas.
- Indicators must address **temporal change**.
  - Trends can show where investment is occurring most rapidly, for example.

## Calculating indicators at multiple geographies: Share of renters that are cost-burdened



## Calculating indicators at multiple times: Share of adults with a bachelor's degree



Frequently updated indicators can help stakeholders understand what's working—and isn't—with TOD, as well as see where intervention might be most desirable.

# Recommendations: Tracking TOD Performance

- The state should **designate** an entity or entities—such as the Department of Commerce and/or metropolitan planning organizations—to develop a set of indicators to track TOD performance. These entities should be **funded** to maintain this tracking over time.
- Tracking data should be updated regularly on a **public-facing data dashboard**.
- The dashboard should provide information at **multiple geographical levels**, and **over time**.
- **Policymakers should leverage the indicators to target investment in the communities that need it most.**

# Thanks!

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