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Fitch: Transit Oriented Development Projects Can Achieve Investment Grade Ratings

Fitch Ratings-New York/San Francisco-11 March 2025: Affordable and/or essential residential Transit Oriented Development (TOD) projects, including those involving new construction, can be rated investment grade under Fitch Ratings' criteria. Affordable and essential housing projects (the latter also known as middle-income or workforce housing) typically have low construction complexity and are therefore likely to have low completion risk.

Our evaluation of affordable and essential housing TOD projects follows our U.S. Affordable Housing Ratings Criteria, which applies to essential housing projects aimed at middle-income residents (usually those earning between 80% and 120% of the area median income [AMI]) and affordable housing projects (targeted to residents earning less than 80% of AMI). If the project entails construction, we also apply our Completion Risk Rating Criteria.

Insufficient housing supply and low affordability, driven by high mortgage rates and home prices, remain formidable challenges to homeownership. These factors, along with insufficient funds for down payments, have priced many rental households out of the homeownership market, further driving up rental demand and rents. After years of under-construction following the Great Recession, new housing construction started to pick up steam following the onset of the pandemic, peaking in January 2022, but has since stagnated around 2019 levels.

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