

"Creating Livable Communities: Housing and Transit Policy in the 21st Century"

Congressional Testimony of
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Good morning Chairman Dodd, Ranking Member Shelby and members of the Committee. I am pleased to appear before you this morning and very much appreciate the invitation.

The purpose of my testimony is to discuss the connection between housing and transportation policy. Specifically, I will share my thoughts on preserving affordable housing in location-efficient areas (such as those around transit stations) and recommendations on the federal government's role in incentivizing policy coordination to develop livable communities.

This symposium comes at a critical time. As you know, despite the economic downturn, America is still expected to grow by leaps and bounds in sharp contrast to peer countries in Western Europe and parts of Asia. The U.S. surpassed 300 million in population in October 2006 and is projected to gain another 120 million people by 2050—mostly in the 100 largest metropolitan areas.

How, where, and in what form that growth will be accommodated has far reaching implications for a range of economic, environmental, and energy concerns.

The top 100 metropolitan areas alone claim only 12 percent of our land mass but harbor more than 65 percent of our population, 74 percent of our most educated citizens, 77 percent of our knowledge economy jobs, and 84 percent of our most recent immigrants. They also generate 75 percent of the nation's gross domestic product, reinforcing their critical role as engines of the U.S. and global economy.¹ Our national recovery will require metropolitan recovery.

At the root of these agglomerations is the evolution of the American economy into a series of clusters—networks of firms that engage in the production of similar and related products services. And firms within these clusters crave proximity—to pools of qualified workers, to specialized services, to other firms, and to transportation infrastructure that enables the mobility of people and goods.

In other words, density matters tremendously to urban and metropolitan places and is critical to the economic health of our country. However, many places are finding themselves unequipped to deal with the nation's projected growth and to accommodate truly well-designed density.

Part of the problem is that there is too little integrated decisionmaking that crosses disciplines and joins-up solutions. Too often, policies and rules are narrowly defined, poorly coordinated, and work at cross-purposes. On the federal level, programs dealing with housing, transportation, and energy issues, for example, remain largely divorced from each other, precluding the smartest sort of integrated problem-solving.²

¹ Alan Berube, "MetroNation: How U.S. Metropolitan Areas Fuel American Prosperity," Brookings, 2007.

² Robert Puentes, "Supporting Integrated Planning and Decision Making by Joining-Up Housing and Transportation," Testimony before the Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, U.S. House of Representatives, March 19, 2009.

The federal government also pays too little attention to systematic measurement, benchmarking, evaluation, and learning what works and what doesn't at every level of government. The nation's taxpayers need instead a federal government that will maximize its own performance and that of other levels of government in a transparent and accountable fashion.

The combination of economic distress, a new administration, and a new Congress demands—and makes possible—significant federal reforms. Mr. Chairman, I believe we need to think about reform ideas to confront the immediate economic crisis as well as to provide a solid foundation for national prosperity in the long term.

Reward and direct greater coordination between housing and transportation

One idea is for the federal government to direct the coordination of long-range housing and transportation plans. As a condition to receive Community Development Block Grants (CDGB) and other housing formula grants, the U.S. Department of Housing and Urban Development (HUD) requires states, cities, and counties to prepare a five-year Consolidated Plan, as well as an annual Action Plan specifying the expenditure of funds in support of their long range plans. At the same time, the U.S. Department of Transportation (DOT) requires states and metropolitan areas to develop a 20-year long range transportation plan and a four-year Transportation Improvement Program (TIP).

Better coordination between these activities could result in more effective use of housing and transportation funds, and improved planning to address regional housing and transportation needs. The primary obstacle to better coordination is the fact that the TIP is a metropolitan area-wide document, while the Consolidated Plan is undertaken by individual jurisdictions within metropolitan areas.

At a minimum, Consolidated Plans should be required to report on the relationship of HUD investments to transit and TIPs should be required to report on how proposed transportation investments support the need for affordable communities; these plans can also include an analysis of the benefits of alternative growth patterns.

The federal government could also condition large pots of federal funds, especially transportation, on achieving new performance goals that would require localities to coordinate, innovate, and make land use changes. For instance: meeting a specific jobs/housing balance by increasing accessibility indices; eliminating or converting 50 percent of vehicle trips less than 3 miles to other modes; providing a "fair share" of affordable housing; requiring 30 percent of housing at transit sites to be affordable.

Aggressively preserve and locate affordable housing near transit

Stronger, healthier, more walkable communities can be built by locating housing close to affordable and convenient transportation, providing easy access to shopping and services, and promoting safety and equity. Yet creating neighborhoods with housing and transportation affordability requires multiple, targeted strategies as well as coordination within HUD and across government agencies and the private sector.

Special efforts by HUD and local authorities could be undertaken in order to identify the number of HUD-funded units near transit and seek to protect those units with expiring affordability clauses. Work by the National Housing Trust and Reconnecting America shows that, in just eight cities, 65,000 of

these are due to expire by 2013.³ Since the costs for rehabbing and preserving existing affordable units may be 40 percent less than the cost of building new units (while acquiring land for more rental housing near transit would be even more costly) HUD is encouraged to consider providing technical assistance and guidance to local communities before these units are lost to this market.⁴

CDBG funds are an important source of providing new affordable housing units and should recognize the affordability merits of providing housing near transit facilities. HUD should conduct a feasibility study to determine the potential for directing existing programs such as CDBG, and other housing credit and bond programs toward developing new affordable units in new and existing fixed-guideway transit corridors. HUD could also determine the extent to which new federal funding sources are necessary to address the unique conditions present in TOD, such as higher land costs and rents.

For new housing, the federal government should require that all building financed by HUD be transit accessible or have a location efficient priority to the funding so that it contributes to reduced automobile dependency.

In order to take full advantage of development opportunities around transit stops the federal government must overhaul the cost-effectiveness index that determines which metropolitan projects receive federal funding for rail projects. The New Starts and Small Starts programs need to move well beyond the overly simplistic calculation of the ratio of capital and operating costs divided by time saved and fully consider the potential these investments have to transform the built environment and change future travel behavior. Their ability to stimulate efficient high-density transit-oriented

³ National Housing Trust and Reconnecting America, "Preserving Opportunities: Saving Affordable Homes Near Transit," 2008.

⁴ Debra Schwartz, "Banking on Preservation: New Opportunities for Banks to Preserve and Improve the Existing Stock of Affordable Rental Homes," U.S. Department of the Treasury, *Community Developments*, Spring 2008.

development (TOD) and the environmental and agglomeration benefits that accrue should be sufficiently weighted.

The Federal Transit Administration's new joint development policy provides unprecedented flexibility to the transit agencies to lease, or even sell, their property to facilitate joint development. Such properties could form the basis for significant new transit-oriented development that meets both the transit agency's goals for increased ridership and the local community's goals for affordable, mixed-income housing. In addition, real TOD extends well beyond station boundaries. Regulatory guidance that promotes enhancements in neighborhood areas surrounding stations beyond the right-of-way would be helpful.

Issue a metropolitan sustainability challenge to unleash innovations

Beyond these federal initiatives, states and metropolitan areas should be empowered to develop truly integrated transportation, land use, and economic development plans. In this regard, Sustainability Challenge Contracts should be awarded to assist states and metropolitan areas in one of their hardest tasks: transcending the stovepiping of disparate programs that remains a serious cause of undesirable development outcomes. Metropolitan areas need to work over a sustained period with the goal of massively transforming the design and workings of the built environment.

Significant grant money—as much as \$25 million or more for each challenge—could be awarded in a competitive process to those that devise the boldest, most interdisciplinary proposals to link up local planning objectives such as employment growth, development of low-income housing, and alternative transportation choices and accessibility, with national objectives of promoting energy independence

and environmental sustainability. The applications must demonstrate real partnerships between some combination of states, localities (city and county governments), regional business alliances (such as chambers of commerce), metropolitan planning organizations, academic institutions, and/or citizen advisory groups.

The government could pool and expand existing but disparate finance streams to generate funding for the grants. These streams could include urban infill, brownfields redevelopment, the Transportation and Community and System Preservation program, and others which are either entirely earmarked or do not currently have enough funding to spur innovative, coordinated, or transformational strategies. Selected proposals would be provided additional resources (on top of regular block grant allocations) as well as new powers and flexibility to align disparate federal programs in support of their vision.

Eligible projects and activities may include:

- *Planning-related activities*: blueprint-style metropolitan planning and technical assistance to complete plans.
- *Strategic implementation*: congestion pricing schemes, energy efficiency retrofit projects, regional workforce housing initiatives, or taking local initiatives (such as inclusionary zoning) and making it metropolitan, or other region-scale ideas.
- *Capital investments*: transit infrastructure and facilities, bicycle and pedestrian improvements, brownfield reclamation, mixed use development, and affordable housing development that are part of a regionally-integrated plan.

In exchange for some formal endorsement—by state legislatures, governor, and/or the local metropolitan planning organization—of their commitment to adopt innovative solutions the federal

government will fund 80 percent of the development of the strategies. It would also support its partners with a mix of financial resources, regulatory flexibility, and dedicated expertise and personnel where possible and as appropriate.

A bold new Sustainability Challenge holds real promise for stimulating a powerful wave of creative, place-based problem-solving in metropolitan America. In this fashion, Washington would incite innovation and program integration at once.

Overhaul how the federal government collects, assembles, and provides data and information

Lastly, in order to commit to a paradigm of integrated decision making policymakers need better information on which to base funding priorities. The current lack of information reduces the ability of policymakers, employers, workers, and citizens in general to influence the metropolitan housing and transportation networks that so strongly shape our development trends, environmental sustainability, and the nation's quality of life. More urgently, rational responses to the foreclosure crisis are stymied because policymakers at all levels lack accurate and complete data on what is happening and where.

The federal government should act to ensure that housing consumers and suppliers are made aware of the full direct costs of housing. The definition of "affordable" housing should be redefined to take into account not only the cost of the housing, but also the cost of transportation and energy associated with that housing, without disadvantaging rural housing.⁵

⁵ Carrie Makarewicz, Peter M. Haas, Albert Benedict, and Scott Bernstein, "Estimating Transportation Costs for Households by Characteristics of the Neighborhood and Household," *Transportation Research Record*, 2008.

Only the federal government can assure the multi-agency coordination necessary to keep the data bases that such disclosure is dependent on, of high quality and up-to-date. One potential index that could be tested to determine its applicability is the Housing and Transportation Affordability Index.⁶ A pilot program that uses the Affordability Index to evaluate planned investments and their impact on enhancing a region and neighborhood's overall affordability could help determine the effectiveness of such a tool. Ideally, the development of a new index should coincide with the release of Census 2010.

Mr. Chairman, I believe that federal transportation and housing policy—in design and execution—needs to be substantially overhauled to respond to the new demographic, economic, environmental and spatial realities in our country. Our nation has changed in dramatic ways in a very short period of time and it will continue to change.

Transportation and housing policy will play important roles in shaping the physical landscape and economic and environmental destiny of this nation. Yet it also needs to change if we are going to build a prosperous, sustainable and inclusive future.

The views expressed in this testimony are those of the author alone and do not necessarily represent those of the staff, officers, or trustees of The Brookings Institution.

⁶ Center for Neighborhood Technology and Center for Transit-Oriented Development, "The Affordability Index: A New Tool for Measuring the True Affordability of a Housing Choice," Washington: Brookings, 2006.