

WRITTEN STATEMENT OF SECRETARY SHAUN DONOVAN

U.S. Department of Housing and Urban Development

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Development, and Related Agencies

Committee on Appropriations

United States House of Representatives



“Livable Communities, Transit Oriented Development, and Incorporating
Green Building Practices into Federal Housing and Transportation Policy”

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Good morning. I am pleased to be here today to testify before the Committee on the importance of an integrated approach to housing and transportation, and it is especially gratifying to be here with my colleague Ray LaHood from the Department of Transportation. Our presence here is a tribute to your awareness, Chairman Olver, of the need for our departments to work together to address the many intersections of federal housing and transportation policies and programs. You rightly have been pressing for greater cooperation between the two departments. I am excited by the potential for this partnership to improve housing and transportation choices for all Americans, and look forward to outlining for you some of the plans we have already developed to collaborate on critical issues.

HUD's central mission – ensuring that every American has access to decent, affordable housing – can be achieved only in context of the housing, transportation, and energy costs and choices that American families experience each day. During my confirmation hearings, I indicated that with the economic fallout across the country, the first step to fulfilling that mission was to address the foreclosure crisis. That's why we worked swiftly, with partners throughout the Obama Administration, to establish the President's Housing Affordability and Stability Plan – a plan that not only helps responsible homeowners at risk of losing their homes, but prevents neighborhoods and communities from decay, as defaults and foreclosures fuel falling home values, local business collapses, further job loss, and overall economic decline.

As we act in response to the crisis, we must also turn our attention to the factors that have stressed many families' ability to make ends meet. Over the last few years, many homeowners and renters have traded relatively high housing costs for high transportation costs in their search of affordable housing. "Affordable housing" was only affordable when gas prices were low and the broader economy was strong. With gas prices spiking over \$4 per gallon last summer, and the economic crisis following in these past few months, combined housing and transportation costs were no longer sustainable – and won't be sustainable in future cycles of gas price spikes.

The average American household now spends 34 percent of their annual budget on housing and 18 percent on transportation – the combined total of 52 percent of their budgets wrapped up in these two largest expenses. For low-income working families, the impact is more serious – with transportation representing almost a third of their costs. The extremes can be eye-opening – the average Houston-area household spends over \$11,000 per year on transportation. For these families, the expense of transportation poses a particular burden, inhibiting wealth creation, hindering home ownership and pushing family budgets closer to the brink. In some metropolitan areas, working families are spending more on transportation than on housing. The recent housing downturn has shown that auto-dependent houses are more vulnerable to price devaluation, as homes in distant neighborhoods declined in value more than regional averages, while some centrally-located homes held or increased their value. For lower-income households who hold much of their savings in their home equity, these declines can seriously undermine or eliminate their tenuous financial security. While housing costs in distant suburban locations may be lower, transportation costs are higher, and the combination of housing and transportation costs now averages 57 percent of income for working families in metropolitan areas.

The destructive effects of this mismatch between good housing choices and good transportation choices extend to metropolitan regions – the engines of America's growth. America's new economic geography and spatial landscape have clearly made HUD's mission more challenging. A recent Brookings Institution report shows that the top 100 metropolitan areas alone house two-thirds of the U.S. population and generate three-fourths of our gross domestic product. These metropolitan regions look markedly different from the ones that existed in the mid-1960's, when HUD was created. The populations of

these areas and employment opportunities available in them are now widely dispersed, with only 22 percent of the jobs in the top metropolitan areas located within 3 miles of the central business district. Also, a higher number of lower-income tenants now live in the suburbs than in city centers, indicating a wholesale shift in demographic patterns.

As decentralization and accompanying sprawl have increased, the spatial mismatch between the location of affordable housing and employment and educational opportunities in metropolitan areas has worsened, hurting metropolitan economies. Fewer low-wage families can find housing near their work, as affordable housing remains disproportionately located in urban and older suburban areas. And businesses located in those areas must find workers who can commute – incurring higher transportation and energy costs.

In response to these challenges, state, local, and regional-level actors have pursued innovative solutions. Some of those solutions have revolved around the need to reinvest in existing neighborhoods, as demonstrated by the success of EPA's Brownfields and Smart Growth programs and that of HUD's own Neighborhood Stabilization Program. Both recognize the need to build on the inherent value of our nation's existing infrastructure, by investing to repair and upgrade roads, utilities, and transit systems to help absorb the projected future growth facing the US. These local projects point to the need to coordinate federal action across agencies. HUD and DOT must work together to support housing and transportation innovations already occurring across the country. We must facilitate the expansion of these first steps forward.

As I mentioned earlier, metropolitan regions are the engines of America's growth. Our local counterparts in Chicago have already recognized this, and undertaken an ambitious integrated land use and transportation plan, the *GO TO 2040* plan, to help northeastern Illinois accommodate an anticipated increase of 2.8 million new residents in the next three decades. The plan includes strategies to address projected growth in population and employment and their implications for transportation, housing, economic development, open space, the environment, and natural resources.

Cities and suburbs across the country have been increasing their focus on transit-oriented development. Denver is in the midst of a plan that facilitates transit-oriented development with special attention to the land use that is appropriate for each area of development – recognizing that a civic-center downtown will support very different development than an older urban neighborhood. And in establishing a \$15 million fund to purchase real estate near mass transit, Denver will preserve and expand affordable housing within a half-mile of existing and new rail service and a quarter-mile of frequent bus routes.

Careful data collection in the cities and suburbs has demonstrated that the cost savings associated with living near transit are significant. The results of a Center for Transit Oriented Development and Center for Neighborhood Technology study of four neighborhoods in Minneapolis-St Paul found that the combined costs of transportation and housing are most affordable in areas best-served by public transit. The study found that the average two-person household spent 40% of its income on housing and transportation, while a similar household in a centrally-located neighborhood with access to mass transit only spent 34% of their income on the same costs. This difference resulted in savings of \$3,000 annually.

To reinforce and support these local initiatives, HUD will work closely with the Department of Transportation in the coming months and years. Last year, your Committee directed HUD and FTA to

identify incentives and take other actions to support transit oriented development that includes mixed income housing and other affordable housing choices. Mr. Chairman, it is an honor to say here, in light of all your hard work over the years to join housing and transportation planning, that Secretary LaHood and I will build on the principles laid out by that HUD-FTA working group, and the relatively modest framework laid out in that group's report to you, and announce today a broader HUD-DOT partnership to address the critical issues our departments jointly face.

As the President noted in his initial budget submission, our detailed plan will include the establishment of a Sustainable Communities Initiative. As you know, I cannot go into great detail about this plan, but I'd like to speak generally about some elements I hope you will find compelling.

First, HUD and DOT will jointly administer a fund to encourage metropolitan regions, via competition, to develop integrated housing, land use, and transportation plans – and to use those integrated plans to drive the planning and decision-making of localities, which will help reduce traffic congestion and increase transportation mobility. The goal of this initiative is not just to develop plans – it is to set a vision for growth that is tailored to discrete metropolitan markets, and then apply federal housing, transportation, and other investments in an integrated manner that supports that broader vision. Funding to these metropolitan regions would generally be used to support the development of integrated, state-of-the-art regional development plans that use the latest data and most sophisticated analytic, modeling, and mapping tools available.

These efforts will benefit urban, suburban and rural communities. Given the decentralization of people and jobs, estimates from the 2007 American Housing Survey show that nearly 50 percent of people who live in rural places live within the boundaries of metropolitan statistical areas. This requires a level of integrated planning that spans jurisdictional boundaries in new and unprecedented ways.

As we work towards an integrated planning process, we will refine the definition of affordability in America. The costs of transportation now approach or exceed those of housing for many working families, yet federal definitions of housing affordability fail to recognize their interdependence. We will work to jointly develop, with the Department of Transportation, a housing and transportation affordability index. This index will serve to make transparent the costs of living in a given location, and inform consumers and businesses about their choices in real-time, so they can make intelligent decisions about how to combine transportation and housing choices to lower their cost burdens.

In the coming months, we will be conducting an intensive review of programs to ascertain how to support the marriage of housing and transportation, and to emphasize location efficiency in all that we do. In housing programs, for example, perhaps we can preference those projects that give participants choices for public transit, employment opportunities, and other important advantages. I pledge to you that we will subject all of our programs – including FHA – to a rigorous review that determines how we can orient the business of our department in support of this integrated planning.

Finally, we will also establish a jointly administered research and evaluation effort. This effort will: aggressively engage on joint data development, information platforms, analytic tools, and research to better track housing and transportation expenditures by location; establish standardized and effective performance measures; engage in rigorous analysis of the transit oriented development projects already in existence, to identify best practices; and evaluate location efficient mortgages and energy efficient mortgages. This data collection, research, and evaluation will not just serve federal programs, but will be shared to move information into the marketplace and inform private investment decisions.

I also want to talk today about the effect this new level of coordination will have on our nation's energy needs. The cost of energy – at home, and in transportation – is significant and growing more significant, particularly for those low-wage workers who pay a larger share of their income towards lighting, heating, and cooling their home, and for their vehicles. We are working with our partners in EPA and DOE to develop strategies to reduce consumption through weatherizing public and assisted housing, home weatherization efforts, Energy Star rating systems, and other cutting-edge programs. For the reasons I have discussed already, it is critical for the federal government to attend to both the location as well as the construction of housing in order to put an end to the energy crisis we face.

Transportation accounts for about one third of our country's carbon dioxide emissions. Providing affordable housing choices that shorten travel distances to work is cost-effective for working families and beneficial to long-term goals to reduce greenhouse gas emissions. Longer travel from home to work and lack of access to public transit increases congestion, which increases both costs and damage to the environment. The coordination of resources to plan sustainable communities that give Americans choices for affordable housing and choices for affordable transportation is a fundamentally green practice.

At HUD alone, there is significant opportunity to incorporate green building practices into our programs. We have a responsibility to work toward the President's energy independence goal. The residential sector accounts for 21 percent of US energy consumption and is responsible for 18 percent of carbon emissions. HUD currently spends an estimated \$6 billion a year on utilities in public and assisted housing. Last year, HUD reported \$33 million in energy savings, but we can do more. I have pledged for our agency to engage in more substantial practices in energy efficiency and renewable energy.

Efforts towards this goal are already underway with investments made in the American Recovery and Reinvestment Act. A significant share of this funding is eligible for energy efficiency and green building practices in public and assisted housing: \$4 billion for public housing modernization; \$510 million invested in Native American housing; and \$250 million for energy retrofits of assisted housing.

The steps we've already taken, and the partnership we've committed to today, will help us integrate the federal government's policies and investments in housing and transportation. Over the next several months, HUD will work with DOT to improve coordination between our agencies, and apply those principles I have discussed with you today to programs throughout our department.

Thank you, Mr. Chairman. I look forward to answering your questions.

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