

"Supporting Integrated Planning and Decision Making by Joining-Up Housing and Transportation"

Congressional Testimony of
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Good morning Chairman Olver, Ranking Member Latham 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 today is to discuss the connections between housing and transportation and the need for integrated planning as a way to drive decisions that lead to productive, sustainable, and inclusive growth. In so doing, I would also like to share some thoughts on how federal policy can strongly influence those decisions.

As you know, the world financial crisis, born out of turmoil in the housing industry, has triggered real concern about the future of American prosperity. The underpinnings of the U.S. financial system have been destabilized at the broadest scale, as the rash of foreclosure filings—over 3 million to date with millions more households at immediate risk—creates a palpable burden upon individuals, neighborhoods, and communities.¹

This economic crisis has been exacerbated by a rapid fluctuation in gas prices and transportation costs that likewise brought the urgency of energy and environmental sustainability challenges into clear focus. While gas prices have dropped along with the economy's performance, no serious analyst believes that they will not rebound to even higher levels; therefore, even after the fixes from the American Recovery and Reinvestment Act of 2009 take hold, much more action will be needed to address the twin threats of high transportation costs and destabilized housing markets.²

As Congress works to repair our financial markets, it will also have to jump start our economy. That quick start requires policymakers to focus on the basics and to further direct efforts on the

¹ RealtyTrac, "Foreclosure Activity Increases 81 Percent in 2008," Irvine, CA: 2009.

² The American Recovery and Reinvestment Act, P.L. 111-5, 2009.

metropolitan areas where those basics are concentrated. Yet as the federal government focuses, it has to change its approach to governance as well. As it turns out, the current moment of economic crisis is the right time to be talking about getting more efficiency out of the existing system by linking transportation, housing, and land use.

I. INTRODUCTION

Solid economic growth and significant gains in productivity in many American metropolitan areas have generated substantial wealth in recent years. Notwithstanding the current downturn, our major metros remain the driving force of America's economy and its core contributors to productive growth.

The 100 largest metropolitan areas contain just 12 percent of the nation's land area and 65 percent of its population but account by themselves for 75 percent of the nation's gross domestic product. They are also where 61 percent of our mortgageable housing units are located, and where 78 percent of all mortgages are that are now in the foreclosure process. On transportation, they are where 78 percent of our interstate highway miles are travelled; where 92 percent of transit miles are ridden, and where 93 percent of rail passengers board.³

And yet long-term prosperity also requires that metropolitan areas' growth is economically efficient, environmentally sensitive, and socially inclusive and answers to the need to reduce energy consumption.

Between now and 2030, it is anticipated that this nation will develop another 213 billion square feet of homes, retail facilities, office buildings and other structures.⁴ That's two-thirds the amount of built space in the United States today.

How and where we build in the future carries far-reaching implications for the health of our environment, our energy security, and our economic recovery and will continue to impact our metropolitan areas' success and our ability to compete globally.

Unfortunately, the U.S. track record here is not good.

Between 1980 and 2000, the growth of the largest 99 metro areas in the continental U.S. consumed 16 million acres of rural land, or about one acre for every new household.⁵ Indicative of this outward sprawl is the fact that more than 70 percent of the 100 largest metros' recent population growth over the same period of time occurred outside of principal cities—the largest and most established cities within each metro in terms of population and employment.⁶

³ Alan Berube, "MetroNation: How U.S. Metropolitan Areas Fuel American Prosperity," Washington: Brookings, 2007

⁴ Arthur C. Nelson, "Toward a New Metropolis: The Opportunity to Rebuild America" Washington: Brookings Institution, 2004.

⁵ Brookings analysis of housing density GIS data from David Theobald, Colorado State University.

⁶ Brookings analysis of population data compiled by the Department of Housing and Urban Development's State of the Cities Data Systems program.

Since 2002, none of the 50 largest metropolitan areas saw a share of residential building permits greater than 50 percent in their urban core communities.⁷ In fact, only five saw a share greater than 30 percent.

Employment is also decentralizing. In almost every major industry, jobs shifted away from the city center between 1998 and 2006: 95 out of 98 metro areas saw a decrease in the share of jobs located within three miles of downtown. The number of jobs in the outer-most parts of these metro areas saw employment increase by 17 percent, compared to a gain of less than one percent in the urban core.⁸

If we continue to grow in these conventional ways we will continue to rank first among major world economies in per-capita carbon dioxide emissions, roughly double the emissions rate of the United Kingdom and Germany.⁹ Transportation is a key ingredient: in 2005, it accounted for 33 percent of all U.S. CO₂ emissions—the single largest contributor to total emissions of all end-use sectors.¹⁰

Such decentralizing settlement patterns—in addition to potentially cutting against the productivity and inclusivity benefits of spatial agglomeration—have negative implications for access to housing that is affordable, local ecosystem health, the costs of providing public services and infrastructure, and the local quality of life.

As employment has dispersed through metro areas, lower income workers are finding themselves increasingly isolated and therefore need to spend higher proportions of their income to reach their jobs. Car ownership among lower income households surged—from 67 percent in 1993 to 73 percent just ten years later. This increase far outpaced the rate of car purchases among higher-income households.¹¹ Often faced with limited transit options, many low income families are driven to purchase cars out of necessity. But such a need is an expensive one as a percentage of household income for these families. The working poor spend 6.1 percent of their income on commuting costs alone compared to 3.8 percent for other workers. Those that use their own car spend the most at 8.4 percent.¹²

But the problem of transportation costs is not just a problem for low income families. Household spending on transportation has risen across the board. It is now the second largest expense for most

⁷ John V. Thomas, "Residential Construction Trends in America's Metropolitan Regions," U.S. Environmental Protection Agency, Development, Community, and Environment Division, 2009.

⁸ Elizabeth Kneebone, "Job Sprawl Revisited: The Changing Geography of Metropolitan Employment, 1998 to 2006," Washington: Brookings, *forthcoming*.

⁹ See e.g., Ralph Buehler, John Pucher, and Uwe Kunert, "Making Transportation Sustainable: What the United States Can Learn from Germany," Washington: Brookings, *forthcoming*.

¹⁰ Intergovernmental Panel on Climate Change, "Climate Change 2007: The Physical Science Basis."

¹¹ Matt Fellowes, "From Poverty, Opportunity: Putting the Market to Work for Lower Income Families," Washington: Brookings, 2006.

¹² Elizabeth Roberto, "Commuting to Opportunity: The Working Poor and Commuting in the United States," Washington: Brookings, 2008.

American households – eating up 19 cents out of every dollar. In other words, we spend about as much on transportation in a year as we do on food and health care combined.¹³

These are serious challenges that affect the ability of metropolitan areas to compete and perform and for our nation to recover from the current economic crisis. Addressing these national concerns will require the federal government to reach across sectoral and bureaucratic silos.

II. POLICY PROBLEMS

Unfortunately, at the precise time when the nation desperately needs to prioritize its limited investments and resources, given the economic downturn, federal policy is only slowly coming into focus. There are several problems:

First, the federal government is absent where it should be present on such critical matters as stimulating metropolitan problem solving or integrated decision making.

One of the fundamental issues frustrating efforts to address the global problems of the 21st century is that the scale of our issues—housing, transportation, global warming, economic vitality, environmental quality—is a mismatch with our political boundaries and institutions. And while there was at one time a federally-funded regional planning network, the funding, authority, and vigor of that institutional framework has waned. Little federal funding is dependent on approaches for achieving regional outcomes and where it is dependent the outcomes and their deadlines do not typically require many changes from current practice to achieve them.

With the exception of the strengthening of metropolitan planning organizations (MPOs), the federal government has mostly withdrawn from its past efforts in the 1960s and 1970s to actively promote regional planning.¹⁴ Few conditions on the award of transportation, housing, environmental, or other categorical or block grants provide incentives for the development of more effective regional planning and governance. And little effort has gone into linking city and suburban leaders into a national learning network or catalyzing local testing of improved regional governance models.

Unfortunately, most metropolitan area leaders do not have the ability to master change and determine outcomes by themselves. Metropolitan leaders simply lack the jurisdictional reach to master the vastness of the economic, social, and environmental currents enveloping them, whether they be the cross-boundary nature of housing networks or the drift of transportation problems across city, state, and even national lines.

The weak standing of metropolitan actors combined with the fragmentation of most U.S. metro areas makes imperative the development of such cross-jurisdictional governance. Moreover, the

¹³ Center for Housing Policy, "A Heavy Load: The Combined Housing and Transportation Burdens of Working Families," Washington, 2006.

¹⁴ Jim Wolf, Robert Puentes, Thomas W. Sanchez, and Tara Bryan, "Metropolitan Transportation Planning in the Post-ISTEA Era: What Happened and What Do We Do Now?" Washington: Eno Foundation, 2007.

nation's strong interest in well-functioning regions combined with the large number of metropolitan areas that cross state lines has long begged for a national role in helping regions develop more ways of working more cohesively and decisively across intra-metro jurisdictional lines. Fifteen of the 50 largest metropolitan areas cross state lines.

Next, federal policies addressing housing and transportation are compartmentalized and ultimately fail to make the necessary connections with land use

In the real world, families know that issues like transportation and housing and education are inextricably linked. It is in the specialized, stove-piped universe of federal bureaucracy where these issues are broken apart and kept separate. And efforts to link up these disparate areas run into countless roadblocks, such as headache-inducing differences in grant requirements and restrictions, and so we fail to seize opportunities to improve outcomes through integrated problem-solving.

Other countries have emphasized "joined up" programs yet Washington has largely failed to recognize the interconnectedness of these issues.¹⁵ This is also a very different approach from how localities function and is out-of-step with metropolitan innovations to connect transportation investments with other policies such as housing, environment, and growth and development.

In addition to being separated, some related federal policies actually seem to work at cross-purposes.

For example, although our nation's federal housing program has bold goals to increase homeownership opportunities, promote affordable housing, and strengthen communities, our federal transportation policies do not directly support those goals and arguably undermine them. While transportation policy continues to disproportionately invest outside of the core areas of metropolitan America, housing policy continues to favor the concentration of affordable housing in central cities. Similarly, the U.S. Environmental Protection Agency's strategic goals to clean the air and address the problem of global climate change, promote clean and safe water, promote land preservation and restoration, and foster healthy communities and ecosystems is not necessarily supported by our transportation policies.

In this manner, Washington has at once failed to lead on national efforts to think and plan in an integrated fashion, and failed to promote metropolitan cohesion. Such rigidity not only undermines metropolitan areas but it hampers our economic, environmental, and social equity goals more broadly.

¹⁵ France recently merged their Ministry of Transport with the Ministry of Ecology, Energy, and Sustainable Development. Australia has an overarching Department of Infrastructure. Japan links infrastructure, land development, and tourism in one agency. Germany has a Federal Ministry of Transport, Building and Urban Affairs.

III. RECOMMENDATIONS

Mr. Chairman, this subcommittee should continue to play a critical role in the push for better, and more integrated decision making and reward problem-solving that crosses disciplines and joins-up solutions. So my final point is that we need a three-pronged strategy for reform:

First, the federal government should lead by embracing a new, unified vision for transportation and housing policy.

As directed by this committee in 2007 the Federal Transit Administration and the Department of Housing and Urban Development established an **FTA/DOT working group** to coordinate activities between the two agencies.¹⁶ The recent Action Plan developed and agreed to by the group committed to: identify opportunities for joint outreach to housing and transit providers, enhance capacity building, improve coordination, address affordable housing and mixed-income housing needs in new legislative initiatives, and start using performance measures for assessing the effectiveness of the results of joint actions taken by the two agencies.

The recommendations from this federal working group should be prioritized. Many interagency task forces have a poor track record of success. It is incumbent upon this committee and the new administration to commit to this continuing effort. However, given the myriad additional needs to coordinate between HUD and other Department of Transportation (DOT) agencies, especially the federal highway administration, the FTA/HUD working group should be elevated to a DOT/HUD working group. This would be particularly helpful to implement "complete streets," which support safer and more attractive walking and biking connections to transit stops.

The federal government should also lead by directing the coordination of long-range housing and transportation plans. As a condition to receive Community Development Block Grants and other housing formula grants, 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 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

¹⁶ U.S. Department of Transportation and U.S. Department of Housing and Urban Development, "Better Coordination of Transportation and Housing Programs to Promote Affordable Housing Near Transit," A Report to Congress from the U.S. Department of Transportation Federal Transit Administration and the U.S. Department of Housing and Urban Development, 2008.

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 be affordable.

Second, the federal government needs to empower states and metropolitan areas by challenging them to develop truly integrated transportation, land use, and economic development plans in order to envision how, in what form, and what kind of infrastructure will be necessary to serve the projected growth over the next several decades.

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 a \$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.

The third strategy is for the federal government to maximize—not just its own workings—but that of its partners to optimize metropolitan prosperity.

In order to commit to a paradigm of integrated decision making, a **major overhaul is needed in how the federal government collects, assembles, and provides data and information**. It is difficult to ascertain how much different spending decisions could be if policymakers had 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.¹⁷

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

¹⁷ 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.

Index.¹⁸ 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.

Lastly, 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 New Starts funding for rail projects. It needs to move well beyond the overly simplistic calculation of the ratio of capital and operating costs divided by time saved. The ability for the right kind of investments to stimulate efficient high-density transit-oriented development and the environmental and agglomeration benefits that accrue should be sufficiently weighted. Beyond transportation, the federal government should remove the prohibition for dense concentrations of affordable units if they are within close proximity to transit stations. Indeed, such location-efficient clustering of affordable units should be encouraged.

IV. CONCLUSION

With the nation's housing and transportation challenges escalating at the same time that growth and development, global climate change, and energy security issues are on the rise, many are calling on the federal government to chart a new path forward.

Rewarding greater coordination between housing and transportation would require improved leveraging of housing and transportation funds, and result in more effective strategies for addressing metropolitan area housing and transportation needs.

Critical federal policies and dollar flows are treated as separate and distinct without much effort to connect them or foster their synergistic connection in ways that make the whole greater than the sum of the parts. As a result the opportunities for creative metropolitan actors to "put it all together" in service of multi-dimensional and integrated solutions remain limited.

Mr. Chairman, I believe great potential exists to build on the previous reform efforts of this committee and to help improve the economic vitality and environmental quality of metropolitan areas. Yet this potential will only be realized if congressional leaders confront the metropolitan realities of the twenty-first century and understand that yesterday's solutions cannot address tomorrow's challenges.

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.

¹⁸ 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.