Current and Future Federal Funding Opportunities

Equitable Transit-Oriented Development in Philadelphia and the Region

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RECONNECTING AMERICA

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Introduction

Transit-Oriented Development (TOD) is a particularly powerful way of thinking about transportation and land use that is already widely understood by practitioners from a range of disciplines. TOD is a tool for creating communities where people with a wide range of incomes can live and work in places with interconnected transportation networks that offer more transportation options, allowing them to take care of some of their daily trips using transit, walking and biking, rather than driving. As a result, they are able to reduce the amount of money spent on travel, the number of vehicle miles traveled by car, and perhaps the number of cars they own – with positive economic, environmental, and societal effects.

TOD is a new model, based on old principles that provide solutions for building and strengthening our communities, addressing climate change, reducing our dependence on oil and providing more equitable access to economic opportunity for all Americans. The public appears to be ready for change[1] and practitioners across the country are ready to move from experiments to full scale implementation of the types of strategies that can simultaneously address local community and national needs.

The Philadelphia region has an extensive multimodal transit network that includes subway, commuter rail, and both urban and regional bus service connecting three states. Land use and demographic patterns have shifted over time, however, and the transit network does not serve all regional destinations. There is an especially strong disconnect between Philadelphia's existing transit network and the newer job centers located outside of the city center. As a consequence, residents of inner city neighborhoods such as communities surround the Temple Regional Rail station and the 46th and Market SEPTA station---miss out on job opportunities because of accessibility challenges.

At present there exists no federal program expressly for planning and implementing TOD. Until the Obama Administration's creation in 2009 of the Interagency Partnership for Sustainable Communities, there was no systematic way to coordinate federal investments in housing, transportation, and the environment. While the President's Fiscal Year 2011 budget (discussed in further detail in Section II) includes funding proposals that could be used to support TOD, the current landscape of federal funding opportunities is scattered and can be difficult to navigate even for the most seasoned practitioner.

Because of this, and despite TOD's inherent benefits – including reducing greenhouse gas emissions[2], decreasing the risk of obesity[3], and helping to ease household transportation expenses[4] -- there are enormous challenges to overcome in implementing both a region-wide TOD strategy and individual projects. Equitable or mixed-income TOD in particular can offer enormous benefit to communities and to the region as a whole. The Center for Transit-Oriented Development has found that mixed-income TOD can provide the following specific benefits of interest to the Philadelphia region above and beyond market-rate TOD or conventional affordable housing development:

- *Provide truly affordable housing* by minimizing transportation costs in relation to household income. Nationally, transportation is the second largest household expenditure after housing.

[1] National Association of Realtors. 2004 American Community Survey: National Survey on

Communities. Smart Growth America: Washington, DC, October 2004.

[2] Davis, Todd and Hale, Monica, *Public Transportation's Contribution to Greenhouse Gas Reduction*, Washington DC 2007. Produced for the American Public Transit Association.

[3] Frank, Lawrence, Martin Anderson and Todd Schmid. *Driving, Walking, and Where You Live: Links to Obesity*. Report summarizing the research findings of Dr. Lawrence Frank.

[4] CTOD, Center for Neighborhood Technology and the National Housing Conference, 2008.

- *Increase ridership* by providing easy access for those individuals who use transit the most. Low-income households in Denver are four times as likely as higher-income households to use transit.
- *Broaden access to opportunity* by connecting lower-income households to opportunities both in their own neighborhoods and others in the region that can be easily reached on the transit system.
- *Alleviate gentrification pressures near transit stations* by making conscious decisions to preserve opportunities for affordable housing near transit stops, thereby enabling low-income households to benefit from the transit investment in their neighborhoods.
- *Increase employers' access to metro workforce* by enabling lower wage workers—who make up a large percentage of the metro area workforce—to live in areas with good transit access[5].

TOD generally is more complex to plan and construct than a traditional development project, and mixed-income or affordable TOD generally requires funding sources beyond the private sector. Development along Boston's Fairmount-Indigo Line, for example, used eleven different funding sources to create mixed-income housing in the corridor, with sources ranging from state bond programs and smart growth technical assistance facilitated by a TOD Planning Manager, to local incentive zoning tools to transportation programs designed to assist communities in making bicycle infrastructure investments[6].

In Minneapolis, the Wellstone – a 49-unit mixed-income building with community space – required seven different funding sources. The federal Low-income Housing Tax Credit program accounted for about half of the total budget[7], but the remainder of the funding came from private equity and four different state and local sources – the Metropolitan Planning Organization (MPO), the State of Minnesota, Hennepin County, and the City of Minneapolis. This coordination of funding and purpose was spearheaded by a local nonprofit organization, and the stakeholders included governmental entities, community groups, the private sector (banks and other financial institutions), and green building advocates. In this case, the federal piece – the Low-income Housing Tax Credit – is a program funded on the federal level but implemented by the state government.

This complexity highlights the need to think broadly about funding sources for TOD, and to identify the benefits of a project or projects for the constituencies served by individual funding sources – for example, a project may help achieve increased transit ridership for the transit agency or MPO, the stock of affordable housing for the City, and create job or community development opportunities that match the organizational goals of community development groups. Figure 1, TOD Stakeholders, shows the breadth of groups that are interested in TOD and potentially have available funding. Most federal programs require that their funds be matched by state or local funds, and most competitive grant programs place value on a financing plan that leverages federal dollars with private investment.

This report emphasizes the need for regions to work together on developing strategic TOD policies and projects. Now is the time for Philadelphia and the surrounding counties to coordinate their efforts and forge regional partnerships. Adopting a regional strategy that incorporates equitable TOD and is developed with all stakeholders will prioritize this region to secure new federal funding and will leverage substantial investments to improve the quality of life for residents in communities throughout Philadelphia and the region.

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[5] Prepared for Enterprise Communtiy Partners by the Center for Transit-Oriented Development, *The Case for Mixed-income TOD in the Denver Region*, 2007.
[6] Prepared for FTA and HUD by The Center for Transit-Oriented Development, *Realizing the Potential: Expanding Housing Opportunities Near Transit*, 2007.
[7] Case study from Enterprise Community Partners, http://www.greencommunitiesonline.org

FIGURE 1: TOD STAKEHOLDERS

Stakeholder	Role in TOD
Local Agencies	Local planning, economic development, housing, and transportation staff are all stakeholders in TOD planning and implementation. Local agency staff and elected officials are critical in creating and adopting transit supportive, plans, policies and regulations.
State Agencies	Although the role of state departments of transportation in TOD planning and implementation varies from state to state, the expenditure of state highway funds should be coordinated with transit planning and construction. State housing agencies can provide funds to support affordable housing projects at stations.
Regional Agencies	MPOs and regional agencies provide technical and planning support, and allocate funding for transit supportive programs and infrastructure. Regional agencies also play an important role in convening elected officials on issues of regional significance.
Federal Agencies	FTA and FHWA oversee the planning and funding of corridors through the metropolitan planning and NEPA processes. DOT also provides grants, other funding and support for transit projects that can enable TOD.
Transit Agencies	Transit agencies lead the planning, funding, construction, operation and maintenance of the transit system. They must coordinate with many stakeholders throughout the planning and construction process to ensure the realization of high quality TOD. Transit agencies adopt TOD supportive policies and own land around transit stations that is well positioned for joint development.
Private Developers	A large responsibility for implementing transit-oriented development projects rests on market developers of housing, office, retail, and other uses. These real estate professionals have an important role not just in new construction, but also in the reinvestment in existing neighborhoods and structures.
Nonprofit Developers and Community-based organizations	Because transit-oriented development is a tool for neighborhood revitalization and investment, community-based organizations and not-for-profit development corporations have a critical stake in both planning and implementing TOD. Community Development Corporations (CDCs) are also often the sole non-governmental eligible recipients for relevant HUD program funding.
General Public	The general public—residents, workers, employers—all have a stake in seeing transit and TOD investments made wisely. If done right, all of the benefits and outcomes detailed above will accrue to this most basic group of stakeholders.

Part I: The Federal Funding Framework

This report provides a summary of ten current federal programs that *could* be used to plan for or implement TOD. Reconnecting America's experience working with communities around the country reveals a number of key issues surrounding existing federal funding for TOD. A more detailed look at the available funding sources follows this compendium.

Given the extent of potential funding sources ranging from CDBG funds to loan guarantees to brownfields remediation and transportation dollars it can be tempting to think that there are adequate resources for TOD. As noted earlier, none of these existing programs includes specific TOD eligibility, however, or a preference for location-efficient projects or infill sites. Significant demand already exists for each of these funding programs. Reconnecting America has found that successfully using federal funds for equitable TOD typically requires a conscious regional strategy that leverages federal funds with other public and private dollars, and a clear articulation of desired project outcomes to prioritize TOD elements in the distribution of infrastructure and housing resources within the region or state.

Think About a Regional Strategy for Federal Dollars that Prioritizes TOD

Federal programs – whether administered through the Department of Housing and Urban Development (HUD), the Department of Transportation (DOT) , the Environmental Protection Agency (EPA), or the US Treasury – always take into account geography in their distribution formulas or grant-making criteria. Other factors such as population size, transit usage, road network size, etc. are also factored into existing formulas. Most federal formula funds including transportation and housing dollars are allocated to the state for distribution. It is unlikely that multiple competitive grant applications from the same region will be funded by federal agencies or through Congressional earmarks, and, often, most funds distributed by formula are historically earmarked for certain activities.

The coming years are likely to see administrative changes to these existing programs within DOT-HUD-and EPA to better reflect the Administration's commitment to coordinating federal investment in housing, transportation, and the environment. Developing regional coordination ahead of these changes could put Philadelphia ahead of the game, and be important to providing input to the federal agencies as they consider new programs and funding priorities rather than merely reacting to them.

Given the multitude of existing resources and growing national demand for any discretionary federal funds, the Philadelphia region could benefit from a more strategic approach. The adoption of a regional strategy that incorporates equitable TOD and engages all stakeholders can be useful to prioritize federal funding applications and formula funds to leverage and coordinate federal investments in infrastructure and housing within the region. This is a strategy that the Portland, Oregon metropolitan region has utilized for numerous years with relative success.

Articulate Project Outcomes to Identify Appropriate Federal Funding

To maximize the impact of mixed-income TOD around a transit station, the project must be substantial enough to have a catalytic effect on the surrounding neighborhood. This does not necessarily mean wholesale redevelopment of the station area, but rather a combination of activities that work to reinforce and revitalize the community. These activities range from small-scale infill redevelopment to preservation or renovation of existing affordable housing to site remediation to new mixed use and mixed-income construction to improving pedestrian access to the station itself.

If, theoretically, all of these activities were funded via federal sources, they would require funding from three different agencies (HUD, DOT, EPA, and possible the US Treasury) and a multitude of individual programs. It is also important to think about how the funding is distributed – a large scale effort to improve station access across Philadelphia could use federal funding that is distributed via the state, the MPO, or the transit agency. Typically there is little coordination or interaction between the state or regional housing, transportation, or environmental agencies. Each of these entities has particular processes for budgeting federal dollars, and individual goals for distributing them. Keeping this in mind while planning for TOD will help to ensure that no piece of the plan falls by the wayside and reinforces the need to create a regional framework that prioritizes equitable TOD projects and investments.

Part II: Current Federal Programs

HUD Programs

Community Development Block Grants (CDBG)	
Type of Funding	Formula Funding that can be used for financing or directly for implementation
Summary	CDBG formula funding is one of the HUD's longest-running programs. Because these block grants are distributed via formula each year, they provide more flexibility than other project-specific grant or financing programs. They are typically used for affordable housing, although there are a number of other eligible uses for these funds. Many of HUD's community and economic development programs are tied in some way to CDBG funds – for instance, loans issued with assistance from the Section 108 program must be secured using a community's CDBG funding. Other programs, like the newer Neighborhood Stabilization Program, are under the CDBG umbrella but have prescribed eligible uses. As an entitlement community that receives CDBG funds directly from the federal government, Philadelphia must develop a Consolidated Plan that sets housing and community development goals for CDBG, HOME funds, and other formula grant programs. About 94 percent of Philadelphia's entitlement money from the block grant goes toward housing, the remainder to economic development[8].
Eligible Uses	Generally, maximum priority must be given to activities that benefit low or moderate income residents, activities that prevent or eliminate slums or blight, and urgent community development needs. Specifically, acquisition of real property; relocation and demolition; rehabilitation of residential and non-residential structures; construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes; public services, within certain limits; activities relating to energy conservation and renewable energy resources; and provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.
Potential for TOD applications	CDBG monies have been used to help create mixed-income housing around transit in regions around the country, one of the most direct ways this funding can be used to further TOD. However, CDBG funds can be used for a wide array of activities that support TOD, including small-scale infrastructure investment, small business assistance, and affordable housing rehabilitation. Because the general priorities of the CDBG program put an emphasis on providing aid to existing low-income communities, the City of Philadelphia with its extensive inner-city transit system is well positioned to place a local priority on projects that increase access to housing, jobs, and services through transit.
Who is eligible in the Philadelphia Region?	The City of Philadelphia is a federally-designated recipient of this funding. Region-wide, Berks County, Bucks County, Chester County, Delaware County, and Montgomery County receive CDBG funds directly from the federal government. Counties distribute funding to the cities and towns within. The Commonwealth also receives CDBG funds.

Section 108 Loan Guarantee	
Type of Funding	Financing
Summary	The federal government provides loan guarantees to eligible entities – usually cities or counties – to finance economic development activities that require a financial commitment above and beyond what is available via regular Community Development Block Grant (CDBG) funding. Urban redevelopment authorities tend to be the city or county-designated recipients of the loan guarantees. Funds obtained via this program can be re-lent to for-profit or non-profit developers.
Eligible Uses	All economic development activities eligible under CDBG; acquisition of real property; rehabilitation of publicly-owned property; housing rehabilitation eligible under CDBG; construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements); related relocation, clearance, and site improvements; payment of interest on the guaranteed loan and issuance costs of public offerings; debt service reserve; and housing construction in limited circumstances as part of community economic development. Section 108 loan guarantees are required to access funds from certain other HUD programs, like the Brownfields Economic Development Initiative grant program.
Potential for TOD applications	Because this program generally excludes new construction as an eligible use, its benefits for TOD are primarily seen in site preparation for redevelopment—including acquisition of blighted properties and small-scale infrastructure investment, and rehabilitation of affordable housing and publically-owned property within transit zones.
Who is eligible in the Philadelphia Region?	Eligibility mirrors CDBG funding. Eligible entities can then designate another public entity in their purview as the recipient, usually a redevelopment authority.
Brownfields Economic Development Initiative (BEDI)	
Type of Funding	Competitive grant
Summary	The BEDI program must be used with the Section 108 Loan Guarantee to provide a funding boost to projects that seek to redevelop brownfield sites, i.e. -- underused or abandoned industrial and commercial facilities where reuse is hindered by *environmental issues*. The funding is often used for site preparation and remediation. BEDI projects must increase economic opportunity for low-and moderate-income people or stimulate and retain businesses and jobs that lead to economic revitalization. The proposed project or piece of project must go beyond site remediation, and have a plan for near-term redevelopment that will have a positive impact on the surrounding community.
Eligible Uses	Site preparation and remediation of brownfields
Potential for TOD applications	Any brownfields site located near transit could potentially be redeveloped with assistance from this competitive grant money. BEDI funds have been used in Philadelphia extensively, sometimes to redevelop near transit. Using a TOD lens to locally prioritize projects submitted to HUD for consideration could make this funding stream even more useful to the Philadelphia region, and contribute to efforts to think about regional employment clusters in terms of multimodal accessibility.
Who is eligible in the Philadelphia Region?	Because this program is tied to the Section 108 Guarantee program and CDBG, it has the same eligible applicants. As with that program, the grant award can be transferred to a private entity after receipt to implement the development plan.

US DOT Programs

Metropolitan and Statewide Planning	
Type of Funding	Formula Funding -- Planning
Summary	The Federal Transit Administration's (FTA) formula planning program is the primary way in which Metropolitan Planning Organizations (MPOs) fund their planning programs. MPOs submit a Unified Planning Work Program (UPWP) to maintain eligibility for these funds, which are first distributed to the state via formula. The Transportation Improvement Program (TIP) plan is mandatory, but the MPO has discretion in identifying other types of plans in the UPWP.
Eligible Uses	Planning activities that support economic vitality, increase transportation safety and security, increase accessibility and mobility, protect and enhance the environment, promote consistency between State and local planned growth, enhance connectivity of transportation system, promote efficient management, and emphasize preservation of existing transportation.
Potential for TOD applications	TOD planning is considered a type of transportation planning by the FTA. A regional TOD plan or corridor and station area planning efforts could be included in the MPOs UPWP. Regions may want to consider committing some this funding to more specific TOD plans in order to maximize the benefits of HUD's proposed Sustainable Community Grant program, discussed further in Part III.
Who is eligible in the Philadelphia Region?	Delaware Valley Regional Planning Commission

Urbanized Area Formula Grants	
Type of Funding	Formula grant funding, primarily for transit maintenance and capital projects
Summary	Provides capital grants directly to transit agencies and other eligible entities in urbanized areas with populations greater than 200,000.
Eligible Uses	Transit capital expenses, including new stock, fixed guideway route expansion, joint development and access upgrades.
Potential for TOD applications	In station areas with access issues, the transit agency could use this funding to upgrade infrastructure like pathways to and from the station, bicycle parking, and other investments. FTA's Joint Development policy allows transit agencies to participate in development activities that are related to transit or will demonstrably increase ridership in a given corridor. Joint Development projects must also contribute to enhanced economic development.
Who is eligible in the Philadelphia Region?	SEPTA.

Transportation Enhancements	
Type of Funding	Competitive grant distributed through PennDOT
Summary	Transportation Enhancements (TE) is a mandatory takedown of Surface Transportation Program (STP) funds that provides funding for smaller-scale transportation infrastructure investments. Federal share is the standard 80/20, but individual projects can be funded with up to 100 percent federal dollars so long as the average ratio across all projects funded with TE funds is 80/20. Applications for TE grants are administered by PennDOT, and projects are selected cooperatively with USDOT, and state MPOs and Rural Planning Organizations (RPOs).
Eligible Uses	TE funding can be used for any of 12 eligible uses, including pedestrian and bicycle facilities.
Potential for TOD applications	While this program cannot substantially fund TOD implementation, it can provide funding for placemaking infrastructure like pedestrian pathways, bike parking, and complete streets.
Who is eligible in the Philadelphia region?	Government entities and nonprofit organizations.

US Treasury Programs

Qualified Redevelopment Bonds	
Type of Funding	Financing --Tax-exempt bond authorized by the IRS
Summary	Qualified Redevelopment Bonds (QRB) are part of the Qualified Small Issue Bond class as defined by the IRS, and are tax-exempt. Each state determines the issuing capacity – in Pennsylvania, the state has set aside an amount equal to $166 million for QRBs, exempt facility bonds, and Enterprise Zone bonds. Applications must be made to the state, as this is a general pool not distributed on a county-by-county basis. Pennsylvania prioritizes applications by the number of jobs created by the proposed redevelopment, and requires the creation of one full-time job per $50,000 of bonding authority – putting an emphasis on job-generating projects rather than residential. The bonds can only be used in six designated areas of the city -- West Philadelphia, North Philadelphia, Germantown, Frankford, Point Breeze and South Central – and land purchased with bond proceeds must be sold at fair market value. QRBs can be used to prepare land for development, including initial acquisition, within these six neighborhoods, along with other, fairly narrow, uses related to redevelopment. While this bond could be used in conjunction with a tax increment finance (TIF) district, the differential in property tax revenues can only be used to service the debt of the QRB. The IRS regulations governing this type of bond also prohibit special fees or additional taxes being levied within the redevelopment area – this provision was designed to prevent an unfair tax burden on property owners, but does effectively prohibit the creation of Business Improvement Districts (BIDs) and other types of special taxing districts around the QRB-financed redevelopment.
Eligible Uses	Generally, maximum priority must be given to activities that benefit low or moderate income residents, activities that prevent or eliminate slums or blight, and urgent community

	development needs. Specifically, acquisition of real property; relocation and demolition; rehabilitation of residential and non-residential structures; construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes; public services, within certain limits; activities relating to energy conservation and renewable energy resources; and provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.
Potential for TOD applications	Land acquisition by government entity; preparation for redevelopment of land; the rehabilitation of real property; and residential relocation. QRVs cannot be used for new construction of any kind, unlike the more 'flexible' prohibition on new construction under CGBD-related programs.
Who is eligible in the Philadelphia Region?	Any unit of government, including the City of Philadelphia and surrounding counties.

New Markets Tax Credits	
Type of Funding	Financing – Saleable Tax Credit
Summary	By allowing financial institutions to receive a credit against federal income tax for investment in businesses and projects in low-income areas, the New Markets Tax Credit (NMTC) provides funding for specific projects via private investment that might not otherwise flow to these areas. It is administered through the Community Development Financial Institutions (CDFI) fund, which has $19.5 billion in NMTC authority. It is a competitive program that accepts applications from Community Development Entities (CDEs) that have been certified by the CDFI fund. CDEs must submit a business plan that shows the creation of tangible community benefits (i.e., affordable housing units or job creation). Upon a successful application, CDEs provide financing to qualified businesses or projects using the more favorable financial terms that NMTCs make possible.
Eligible Uses	The NMTC revenue stream must be used to finance Qualified Active Low-Income Community Businesses (QALICB). The field of eligible uses is wide, and includes mixed use development, retail businesses, and property acquisition where substantial improvements are planned.
Potential for TOD applications	NMTCs can be used in low-income areas near transit to finance a broad array of activities, including mixed use development, business assistance, rental or ownership affordable housing, and community facilities. Some states have a complimentary NMTC program that provides credits against state income taxes. If Pennsylvania were to institute such a program, the inclusion of strong location-based criteria could help to shape the way the federal program is used in Philadelphia.
Who is eligible in the Philadelphia Region?	To receive funds organizations must be certified as a Community Development Entity (CDE) by the CDFI Fund and to qualify they must: 1) be a corporation or partnership; 2) mission to serve or provide investment capital for low-income communities or persons; and 3) maintain accountability to low-income residents by serving on governing or advisory board to the entity. For information visit: www.cdfifund.gov/what_we_do/

Low-Income Housing Tax Credit	
Type of Funding	Salable Tax Credit
Summary	The Low-Income Housing Tax Credit program (LIHTC) is the greatest single source of funding for affordable housing at the state and regional levels. Like the New Markets Tax Credit, it allows investors a credit against federal income tax for investment – in this case, in affordable housing. In most cases, the affordable housing developer markets the credits to investors, who then take on an equity share in the development. The federal government distributes the tax credits on a formula basis to states, which are then able to develop their own eligibility criteria on top of the standard federal guidelines. Pennsylvania establishes guidelines each year, with Philadelphia slated to receive 18.73 percent of the state's allotted LIHTC credits. In FY 2010, there is a special emphasis on projects that maximize last year's American Recovery and Reinvestment Act (ARRA) funds, and projects that serve very low-income population segments.
Eligible Uses	Construction of low-income housing. Unlike other tax credits highlighted in this memo, the LIHTC does not have an overall community development emphasis.
Potential for TOD applications	LIHTCs can be used in station areas to create housing affordable to low and very low-income households, often the most difficult projects to finance. Because the Philadelphia region receives a finite number of credits, coordination between affordable housing developers around the application process could help the region focus investment around the transit network.
Who is eligible in the Philadelphia region?	Affordable housing developers.

Build America Bonds	
Type of Funding	Financing
Summary	Build America Bonds (BaB) is a program introduced within last year's ARRA legislation. BaB is designed to provide a boost to the struggling municipal bond market by making municipal bonds a more appealing investment to the private sector. The program subsidizes 35 percent of the issuer's interest payments. While this program was set to expire at the end of this year, it appears likely that it will be extended for at least three more years through efforts in Congress and in the President's Fiscal Year 2011 budget proposal. Any extension would have a slightly reduced subsidy of 28 percent.
Eligible Uses	Capital projects, including transportation infrastructure, affordable housing, schools, parks, and public utilities. Generally, these bonds have the same eligible uses as tax-exempt municipal bonds.
Potential for TOD applications	BaBs must be used to finance government-owned infrastructure, which fills a gap in current federal programs that could be used to implement TOD, which tend to be more housing-focused in nature. Bonds may be used to upgrade utility infrastructure or streets to make way for increased density around stations, place-making activities such as the creation of public parks, or upgrades to the transit itself.
Who is eligible in the Philadelphia region?	City of Philadelphia, other municipalities

Part III – Federal Programs on the Horizon

The Interagency Partnership on Sustainability

The Obama Administration has signaled that making the connection between transportation and land use is a priority for federal programs through the creation of the HUD-DOT-EPA Interagency Partnership for Sustainable Communities[9]. A number of new programs are proposed in the President's Budget for Fiscal Year 2011 including the Office of Sustainable Housing and Communities within HUD and a proposed Office of Livability within the USDOT. The FY11 Budget was developed with guidance from the Office of Management and Budget to federal agencies to include place-based priorities in their budget submissions.

The Interagency Partnership serves to "coordinate federal housing, transportation, and other infrastructure investments to protect the environment, promote equitable development, and help to address the challenges of climate change." In his first weeks in Office, President Obama also made a commitment to addressing urban policy issues in large, moderate, and small-sized communities through the creation of a White House Office of Urban Policy.

The Interagency Partnership's underlying Livability Principles outline their goals for Sustainable Communities. These dovetail with the goals and benefits of TOD that have been articulated by Reconnecting America and others. Transit-oriented development is a specific strategy that the Partnership is supporting as an extension of earlier work by HUD and the Federal Transit Administration to look at the issues of affordable housing in transit corridors[10].

Livability Principle	TOD Goal
Provide more transportation choices. Develop safe, reliable, and economical transportation choices to decrease household transportation costs, reduce our nation's dependence on foreign oil, improve air quality, reduce greenhouse gas emissions, and promote public health.	TOD maximizes the public benefit of existing and proposed transit stations by creating walkable places and neighborhoods where people can connect to regional employment and activity centers without having to drive.
Promote equitable, affordable housing. Expand location- and energy-efficient housing choices for people of all ages, incomes, races, and ethnicities to increase mobility and lower the combined cost of housing and transportation.	TOD is a tool for creating urban and suburban neighborhoods with a variety of housing types affordable to all income levels where people can live, work, and play. The average U.S. household spends 34 percent of its annual budget on housing and 18 percent on transportation. With coordinated housing and transportation planning that provides travel options beyond driving for commuting and everyday errands, the share of transportation in the average American budget can be reduced to 9 percent[11].
Livability Principle	TOD Goal
Enhance economic competitiveness. Improve economic competitiveness through reliable and timely access to employment centers, educational opportunities, services and other basic needs by workers, as well as expanded business access to	Linking housing and job centers with transportation options beyond single-occupant automobile travel opens up regional job opportunities to a wider pool of workers. The creation of employment hubs within a network of places makes travel more efficient and consumes less land. Businesses could also be better positioned to retain

markets.	employees as access to walkable urban environments has been noted as a key attractor for knowledge-talent[12].
Support existing communities. Target federal funding toward existing communities—through strategies like transit oriented, mixed-use development, and land recycling—to increase community revitalization and the efficiency of public works investments and safeguard rural landscapes.	Infill development in existing communities on small and large scales can be an enormously successful and cost-effective strategies for economic and community development.
Coordinate and leverage federal policies and investment. Align federal policies and funding to remove barriers to collaboration, leverage funding, and increase the accountability and effectiveness of all levels of government to plan for future growth, including making smart energy choices such as locally generated renewable energy.	As a development concept that by necessity bridges transportation, housing, and environmental planning and investment, TOD needs programmatic cooperation from all three agencies. Until now, coordination has been accomplished in a piecemeal fashion, generally in a reactionary rather than proactive manner on the local or regional level. Direction, guidance, and support on the federal level would help to make sustainable, transit-oriented development and its positive outcomes the rule rather than the exception.
Value communities and neighborhoods. Enhance the unique characteristics of all communities by investing in healthy, safe, and walkable neighborhoods—rural, urban, or suburban.	TOD is a scale-able development concept, meaning that different station areas and different transit modes support a unique mix of density, intensity, and uses. Whether building sustainable development around a suburban commuter rail station, planning for more rural growth centered around a small town regional bus facility, or constructing an urban light rail stop, a targeted planning effort must consider the different contexts, needs, and strengths of each unique TOD.

The specific partnership agreement also gives insight into how these agencies will approach livability, sustainability, and by proxy, TOD, through establishing programmatic priorities and changing the way federal business is done to ensure coordination of investment:

- ***Enhance integrated planning and investment.*** *The Interagency Partnership will seek to integrate housing, transportation, water infrastructure, and land use planning and investment. HUD, EPA, and DOT propose to make planning grants available to metropolitan areas and create mechanisms to ensure those plans are carried through to localities.*
- ***Redefine housing affordability and make it transparent.*** *The Interagency Partnership will develop federal housing affordability measures that include housing and transportation costs and other expenses that are affected by location choices. Although transportation costs now approach or exceed housing costs for many working families, federal definitions of housing affordability do not recognize the strain of soaring transportation costs on homeowners and renters who live in areas isolated from work opportunities and transportation choices. The Interagency Partnership will redefine affordability to reflect those costs, improve the consideration of the cost of utilities, and provide consumers with enhanced information to help them make housing decisions.*
- ***Redevelop underutilized sites.*** *The Interagency Partnership will work to achieve critical environmental justice goals and other environmental goals by targeting development to locations that already have infrastructure and offer transportation choices. Environmental justice is a*

particular concern in areas where disinvestment and past industrial use caused pollution and a legacy of contaminated or abandoned sites. This Interagency Partnership will help return such sites to productive use.

- ***Develop livability measures and tools.*** *The Interagency Partnership will research, evaluate, and recommend measures that indicate the livability of communities, neighborhoods, and metropolitan areas. These measures could be adopted in subsequent integrated planning efforts to benchmark existing conditions, measure progress toward achieving community visions, and increase accountability. HUD, DOT, and EPA will help communities attain livability goals by developing and providing analytical tools to evaluate progress, as well as state and local technical assistance programs to remove barriers to coordinated housing, transportation, and environmental protection investments. The Interagency Partnership will develop incentives to encourage communities to implement, use, and publicize the measures.*
- ***Align HUD, DOT, and EPA programs.*** *HUD, DOT, and EPA will work to assure that their programs maximize the benefits of their combined investments in our communities for livability, affordability, environmental excellence, and the promotion of green jobs of the future. HUD and DOT will work together to identify opportunities to better coordinate their programs and encourage location efficiency in housing and transportation choices. HUD, DOT, and EPA will also share information and review processes to facilitate better-informed decisions and coordinate investments.*
- ***Undertake joint research, data collection, and outreach.*** *HUD, DOT, and EPA will engage in joint research, data collection, and outreach efforts with stakeholders to develop information platforms and analytic tools to track housing and transportation options and expenditures, establish standardized and efficient performance measures, and identify best practices.*

The President's Fiscal Year 2011 Budget

The Administration has signaled that making the connection between transportation and land use is a priority for federal programs through a number of proposed programs in the President's Fiscal Year 2011 Budget. These programs, if appropriated funding by Congress, will give "teeth" to the Interagency Partnership and provide the resources for regions to think broadly about sustainable, equitable development and to implement those ideas.

Before implementation, all of these programs will need to be funded by Congress. Until the FY11 appropriations cycle begins, we will not have a clear picture of the actual funding levels or Congressional support. These programs are designed to work together to promote planning and implementation of livable communities, and are the first step to achieving the Interagency Partnership's goal of promoting place-based federal investment.

$150 million for Sustainable Communities grants (HUD)

Funding was included in the FY10 budget for HUD's Sustainable Communities Initiative for two different grant programs: $100 million for Sustainable Communities Planning Grants to support planning efforts that link transportation and land use planning; and $40 million for the Community Planning Challenge (CPC) Grants Program that would provide funding to local communities to update zoning and building codes. Transit-oriented development is a specific activity that can be supported by both programs through planning, implementation, and zoning updates. Similar funding for both programs and for technical assistance is included in the Administration's proposed FY11 budget.

HUD has already issued an Advance Notice and Request for Comment[13] for this year's Sustainable Communities Planning Grant program, and is proposing funding under the following three categories:

(1) **Initial Planning** Funding to support the preparation of Regional Plans for Sustainable Development that address housing, economic development, transportation, and environmental quality in an integrated fashion where such plans do not currently exist;

(2) **Detailed Planning for Execution of Regional Plan** Funding to support the preparation of more detailed execution plans and programs to implement existing regional sustainable development plans (that address housing, economic development, transportation, and environmental quality in an integrated fashion); and

(3) **Implementation of Regional Sustainable Development Plans** Funding to support regions that have regional sustainable development plans and implementation strategies in place and need support for a catalytic project or program that demonstrates commitment to and implementation of the broader plan.

$150 million for Catalytic Competition Grants (HUD)

This is a new proposed program to provide "*economic development gap financing*" with a focus on distressed communities that have a demonstrable level of economic hardship and that have developed a focused and innovative plan to increase jobs and economic vitality in a specific area. Rule-making has not begun for this program as of this writing, but HUD has indicated that the definition for "distressed communities" will likely rely on large-scale property vacancy due to population or job loss.

Eligible uses could include:

(1) Projects designed to reclaim vacant property, for the purposes of creating green infrastructure and other environmentally and economically sustainable uses;

(2) Removal or amelioration of property-related obstacles to economic recovery;

(3) Facilitation of economic development and neighborhood viability in targeted neighborhoods and redevelopment into communities with attractive amenities and high quality infrastructure, including the provision of assistance and outreach to small and medium sized businesses;

(4) Economic activities related to transit-oriented development

Grants awarded from this program could be used to supplement other types of federal funding, including funds received from the Choice Neighborhoods Initiative.

$527 million for Sustainable Communities grants (DOT)

This program is broken down into three categories:

(1) **Enhancing the planning and project development capabilities of local communities**. The program would assist transit agencies in using the Job Access and Reverse Commute formula grants; Alternatives Analysis grants; and Formula grants for State and Metropolitan planning to support planning for and implementation of livable and place-based investments in transportation. ($307 million).

(2) **Competitive livability grant program** This funding will help states and regional/local government entities take on integrated planning efforts that look at transportation, land use, and the environment, including upgrading data collection and technical planning capacity ($200 million).

(3) **Creation of an Office of Livable Communities in the Office of the Secretary** to coordinate multimodal and interagency livability efforts and lead DOT's investment decisions that focus on livable communities. $12 million would be set aside for grants and technical assistance to improve state, regional, and local ability to plan and execute transportation investments in support of livability and sustainability goals.

$4 billion for National Infrastructure Innovation and Finance Fund

This newly proposed program would fund and invest in projects of regional or national significance. The Fund's board will assist entities in planning, feasibility and analysis work to identify high-value projects around the country, and then will choose from that pool using performance-based metrics. Eligible projects must be capital projects with a cost greater than $25 million that will have a major impact on the mobility or sustainability of a region or multiple regions. USDOT has not yet begun the rule-making process for this program, which is proposed to include

- $150 million for project design and planning
- $50 million for project cost-benefit analysis
- $70 million for the establishment and administration of the fund

Congressional Action

The Livable Communities Act

Senator Christopher Dodd (CT), Chairman of the Senate Banking Committee, has introduced legislation (S. 1619, The Livable Communities Act) formalizing the Interagency Partnership and the Office of Sustainability within HUD. The bill authorizes $4 billion in regional planning and implementation grants to foster livable communities. Rep. Ed Perlmutter (CO) introduced a version of this bill in the House of Representatives (H.R. 4690).

Both pieces of legislation would authorize funding for the following activities and programs:

- **An Office of Sustainable Housing and Communities in HUD.** This office would coordinate federal policies that foster sustainable development and administer HUD's sustainability initiatives; recommend and conduct research on sustainability; implement and oversee Livable Communities grant programs in coordination with the Interagency Council; and provide guidance, best practices and technical assistance to communities seeking to plan for a more sustainable future.
- **Comprehensive Planning Grant Program.** This program would offer assistance to communities to develop comprehensive regional plans that incorporate transportation, housing, community and

economic development, and environmental needs. Grantees must have a commitment to integrated planning and sustainable development. The Act authorizes $400 million in competitive grant money over four years.

- **Challenge Grant Program.** These grants will provide funding for communities to implement projects identified in their comprehensive regional plans. With $3.75 billion authorized for competitive grants over three years, these projects will help communities create and preserve affordable housing; support TOD; improve public transportation; create pedestrian and bicycle thoroughfares; redevelop brownfields; and foster economic development.
- **Technical Assistance.** While not a specific program, the legislation directs the agencies to provide technical assistance and best practices in sustainability and livability to communities and regions.

All of these programs are authorized in a slightly different form in the President's Fiscal Year 2011, and are discussed in more detail in the following section. However, a mandate for authorization from Congress in the form of adopted legislation would increase the likelihood that these programs are fully funded in the Congressional appropriations process later this year and continue beyond the current Administration.

Other Emerging Federal Legislation

Transportation Authorization

Transportation and Infrastructure Chairman James Oberstar has introduced legislation in the House of Representatives to authorize the federal surface transportation program which expired in September 2009. His proposal, the Surface Transportation Authorization Act, includes modifications to long-range transportation planning to better support environmental and livability goals, while also providing increased funding for programs to support these goals. This includes a new Metropolitan Mobility Program that seeks to reduce congestion and a performance-based system for MPO regional planning that includes reductions in vehicle trips per capita and greenhouse gas emissions target. The bill also proposes the creation of an Office of Livability within Federal Highways, charged with coordinating that agency's participation in the Interagency Partnership. The bill does not currently include specific funding or program language on transit-oriented development.

The Senate has not yet begun to draft their version of the transportation bill. Congress recently passed an extension through December 2010 to SAFETEA-LU, the previous federal transportation bill. While timing on the bill is unclear, particularly given challenging funding issues, most feel Congress is unlikely to take up the new bill until late 2010, at the earliest.

Part IV – Conclusions

It is an exciting time for those involved in implementing TOD in their regions and communities. There are new funding opportunities on the horizon for both planning and implementation of TOD strategies, and top policymakers are beginning to recognize the important connection between transportation, land use, the environment, and prosperity for regions, cities, communities, and individual households. While there is an enormous difference between existing federal programs and those that are proposed or beginning to be implemented, there are some similarities in the strategies that should be used to maximize the benefits of any federal funding stream for supporting equitable TOD.

There is no Silver Bullet for Funding TOD

Equitable TOD takes different forms in different places. Some station areas may require community services and pedestrian infrastructure upgrades, some may have a shortage of quality public spaces and available affordable and market rate housing, some may require a major transit investment, and even more are in need of a combination of all of these things. Federal programs can provide invaluable funding and technical assistance that will be a catalyst for activity in the private sector, but they cannot do it all.

Strategies for making the most of federal funding should always involve state, local, and private funding sources – and not only because most federal programs require a local match or place value on leveraging federal dollars with private investment. Local funding mechanisms such as tax increment financing (TIF) districts, state or local tax credits for real estate development near transit, or Pennsylvania's Transit Revitalization Investment District (TRID) program, along with TOD incentives such as density bonuses, will remain an important piece of the TOD funding puzzle no matter how sophisticated the federal programs become over the coming years.

Regional Coordination is Key

In the series of programs proposed in HUD and USDOT's FY11 budgets, there is an emphasis on integrated regional planning to encourage coordination on-the-ground among regional and local agencies that plan for and implement housing and transportation investments. Regions that already have a framework for coordination in place will likely have an advantage in the competitive grant process when these programs are implemented as proposed. Much of the implementation funding is likely to be directed at projects identified through a cooperative regional planning process that takes into account input from divergent stakeholders such as transit agencies, housing authorities, MPOs, community advocates, environmental agencies, and citizens.

This process is also useful for maximizing the use of existing programs, either independently or in conjunction with the proposed set of coordinated livability programs. It is also possible that both HUD and DOT will tweak their evaluation criteria for existing programs to reflect the Interagency Partnership's sustainable "place-based" mission so that they better integrate with the dedicated livability programs. A region that is able to come to a collective consensus about prioritizing TOD will be better able to target federal dollars such as CDBG and Transportation Enhancements towards places with transportation options that are designated for revitalization, growth, or redevelopment.

Regions that have been the most successful in planning and implementing TOD strategies, like the San Francisco Bay Area, Denver, and Portland, Oregon have approached these concepts from the regional scale, before assisting individual communities in designing and promoting neighborhood development around transit. TOD is most successful when development and public transportation investments are planned as part of a regional transit or TOD strategy. This improves the efficiency and the cost-effectiveness of transportation investments and yields more value to more people.