

GAO

Report to the Chairman, Subcommittee
on Transportation, Housing and Urban
Development, and Related Agencies,
Committee on Appropriations, U.S.
House of Representatives

September 2009

AFFORDABLE HOUSING IN TRANSIT-ORIENTED DEVELOPMENT

Key Practices Could Enhance Recent Collaboration Efforts between DOT-FTA and HUD



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Highlights of [GAO-09-871](#), a report to the Chairman, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, Committee on Appropriations, U.S. House of Representatives.

Why GAO Did This Study

The federal government has increasingly focused on linking affordable housing to transit-oriented developments—compact, walkable, mixed-use neighborhoods located near transit—through the Department of Housing and Urban Development’s (HUD) housing programs and the Department of Transportation’s (DOT) Federal Transit Administration’s (FTA) transit programs. GAO was asked to review (1) what is known about how transit-oriented developments affect the availability of affordable housing; (2) how local, state, and federal agencies have worked to ensure that affordable housing is available in transit-oriented developments; and (3) the extent to which HUD and FTA have worked together to ensure that transportation and affordable housing objectives are integrated in transit-oriented developments. To address these issues, GAO reviewed relevant literature, conducted site visits, and interviewed agency officials.

What GAO Recommends

GAO is recommending that DOT and HUD develop a plan for implementing interagency efforts to promote affordable housing in transit-oriented developments, ensure they collect sufficient data to assess the results of these efforts, and formalize key collaboration practices. DOT and HUD agreed to consider the report’s recommendations.

View [GAO-09-871](#) or [key components](#). For more information, contact Dave Wise, (202) 512-2834 or wised@gao.gov, or Mathew J. Scire at (202) 512-8678 or sciremj@gao.gov.

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What GAO Found

Characteristics of transit-oriented developments can increase nearby land and housing values, however determining transit-oriented development’s effects on the availability of affordable housing in these developments are complicated by a lack of direct research and data. Specifically, the presence of transit stations, retail, and other desirable amenities such as schools and parks generally increases land and housing values nearby. However, the extent to which land and housing values increase—or in the rare case, decrease—near a transit station depends on a number of characteristics, some of which are commonly found in transit-oriented developments. According to transit and housing stakeholders GAO spoke with, higher land and housing values have the potential to limit the availability of affordable housing near transit, but other factors—such as transit routing decisions and local commitment to affordable housing—can also affect availability.

Few local, state, and federal programs are targeted to assisting local housing and transit providers develop affordable housing in transit-oriented developments. The few targeted programs that exist primarily focus on financial incentives that state and local agencies provide to developers if affordable housing is included in residential developments in transit-oriented developments. However, GAO found that housing developers who develop affordable housing in transit-oriented developments generally rely on local and state programs and policies that have incentives for developing affordable housing in any location. HUD and FTA programs allow local and state agencies to promote affordable housing near transit, but rarely provide direct incentives to target affordable housing in transit-oriented developments.

Since 2005, HUD and FTA, and more recently DOT, have collaborated on three interagency efforts to promote affordable housing in transit-oriented developments including (1) an interagency agreement, (2) a HUD-FTA action plan, and (3) a new DOT-HUD partnership. While these interagency efforts have produced numerous strategies, local housing and transit officials told GAO that these strategies had little impact, in part, because they have yet to be implemented. However, the agencies have not yet developed a comprehensive, integrated plan to implement all efforts, and without such a plan, the agencies risk losing momentum. GAO has previously identified key practices that could enhance and sustain collaboration among federal agencies; when compared to these practices, GAO found that HUD, FTA, and DOT have taken some actions consistent with some of these practices—such as defining a common outcome. However, weaknesses in agency housing data and analytical transportation planning methods will limit these agencies’ ability to effectively monitor, evaluate, and report results—another key collaboration practice. GAO found that other collaboration practices, such as establishing compatible policies and procedures, could be taken to strengthen collaboration. Finally, without a more formalized approach to collaboration, including establishment of memorandum of agreements, these agencies may not effectively leverage their unique strengths.

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Abbreviations

AMI	area median income
CDBG	Community Development Block Grant
CTOD	Center for Transit-Oriented Development
DOT	Department of Transportation
EPA	Environmental Protection Agency
FTA	Federal Transit Administration
GPRA	Government Performance and Results Act
HUD	Department of Housing and Urban Development
LIHTC	Low Income Housing Tax Credit
PHA	public housing authority
QAP	Qualified Allocation Plan
SAFETEA-LU	Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users

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United States Government Accountability Office
Washington, DC 20548

September 9, 2009

The Honorable John Olver
Chairman
Subcommittee on Transportation, Housing
and Urban Development, and Related Agencies
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

Households seeking relief from high housing costs may move to areas with less costly housing but then find themselves further away from their place of employment and public transportation. Consequently, they can face significant increases in transportation costs and commute times. Such costs can particularly affect lower-income households, since these households are more transit dependent and have fewer transportation choices available. In addition, state and local governments, which build, operate, and maintain each region's transportation system, may need to accommodate more people driving longer distances to work, and with an increase in traffic congestion, will likely need to spend more money on roads.

To combat increasing costs for both individual households and local governments, numerous local communities believe there is a need to expand housing opportunities and other amenities located near transit by promoting transit-oriented developments. Transit-oriented developments are commonly seen as compact, mixed-use (commercial and residential),¹ walkable neighborhoods located near transit facilities—such as fixed-guideway stations.² The perceived benefits of transit-oriented developments include reducing individual households' transportation costs by providing residents with walkable access to transit service and shopping, and reducing the investment needed for local governments to

¹Mixed-use development mixes residential, commercial, cultural, or institutional uses on the same site which can allow for greater housing density; encourage more compact development; and promote pedestrian-friendly environments.

²Fixed-guideway systems are permanent transit facilities that may use and occupy a separate right-of-way for the exclusive use of public transportation services. These fixed-guideway systems include rail (light, heavy, commuter, and streetcar) and may include busways (such as bus rapid transit).

build and maintain roads. Officials in cities such as Denver and Seattle believe that promoting transit-oriented development will realize these benefits and can spur economic development.

Some policy makers and housing experts, however, have raised concerns that lower-income households might not benefit from these developments. Specifically, they are concerned that the high demand for housing at transit-oriented developments will encourage developers, who typically seek to maximize the return on their housing investments, to primarily build market rate housing that may limit affordable housing opportunities for lower-income households.³ Also, housing stakeholders have expressed concern that existing affordable housing—whether subsidized or not—presently located near transit may no longer be financially feasible once a transit-oriented development is built, thereby increasing the demand for affordable housing.⁴

The federal government has acknowledged the link between housing and transportation.⁵ For example, the Department of Housing and Urban Development (HUD) and the Federal Transit Administration (FTA) started collaborating in 2005 by funding research on expanding housing near transit. More recently, in separate testimonies presented in March 2009, the Secretaries of HUD and the Department of Transportation (DOT)

³For purposes of this report, affordable housing refers to housing, either for purchase or for rent, which is affordable to people with low to moderate incomes. HUD and others define affordability in terms of the proportion of a household's income that goes toward housing. HUD defines low and moderate income as a certain percentage of the area's median income.

⁴We are defining subsidized housing as housing in which financial assistance is provided to property owners or to tenants so as to make housing affordable for people with low to moderate incomes. The financial assistance may be provided by entities such as a federal or state agency.

⁵Other organizations have worked to establish the link between housing and transportation by developing new measures of affordability. For example, an affordability index was developed by the Center for Transit-Oriented Development (which is funded by FTA), the Center for Neighborhood Technology, and the Brookings Institution's Urban Market Initiatives program. The affordability index calculates the true affordability of a home based on its market value and the transportation costs incurred by its location.

discussed the relationship between housing and transportation.⁶ In addition, there has been an increased focus on combining the cost of housing and transportation as the “true” cost of housing affordability. However, under the current structure, the federal government provides significant funding to state and local governments to support both local affordable housing and surface transportation programs through separate housing and transportation departments. For example, HUD provides rental housing assistance through three major programs—housing choice vouchers, public housing, and project-based rental assistance; in fiscal year 2008, these programs provided rental assistance to about 4.75 million households and, according to HUD officials, paid about \$31.25 billion in rental subsidies. DOT, through a variety of FTA programs to include the New Starts program,⁷ has provided more than \$33 billion over the last decade to help design, construct, rehabilitate, and modernize fixed-guideway transit projects throughout the country.⁸ Congress, among others, has raised questions about how these departments could better work together. In 2008, the Appropriations Committees directed HUD and FTA to jointly address new and better ways for promoting affordable housing near transit service.⁹

⁶*Livable Communities, Transit-Oriented Development, and Incorporating Green Building Practices into Federal Housing and Transportation Policy: Hearing before the Subcomm. on Transportation, Housing and Urban Development, and Related Agencies, House of Representatives Comm. on Appropriations, 111th Congress (Mar. 18, 2009)* (statements of Shaun Donovan, Secretary, Department of Housing and Urban Development and Ray LaHood, Secretary, Department of Transportation).

⁷For purposes of this report, we refer to New Starts as new fixed-guideway and fixed-guideway extensions, fixed guideway modernization, and certain bus-related programs in accordance with 49 U.S.C. § 5309(b).

⁸FTA formula programs, such as the Transit Capital Assistance program, are also eligible to fund rehabilitation and modernization of fixed-guideway systems.

⁹Specifically, in an explanatory statement accompanying the 2008 Consolidated Appropriations Act published by the Chairman of the Committee on Appropriations of the House of Representatives, the Appropriations Committees directed FTA and HUD to develop a best practices manual to help communities establish mixed-income transit-oriented developments. Further, the statement indicated that FTA and HUD should jointly report to the Committees on Appropriations of the House of Representatives and the Senate on new and better ways they could coordinate transportation and housing programs to promote affordable housing near transit. 153 Cong. Rec. H15741, H16497, and H16562 (Dec. 17, 2007).

You asked us to provide information on several key questions related to the impact of transit-oriented development on affordable housing and how HUD and FTA might better work together. More specifically, this report addresses the following questions:

1. What is known about how transit-oriented developments affect the availability of affordable housing?
2. How have local, state, and federal agencies worked to ensure that affordable housing, including housing subsidized through HUD programs, is available in transit-oriented developments?
3. To what extent do FTA and HUD work together to ensure that transportation and affordable housing objectives are integrated in transit-oriented developments, and what opportunities exist to enhance collaboration?

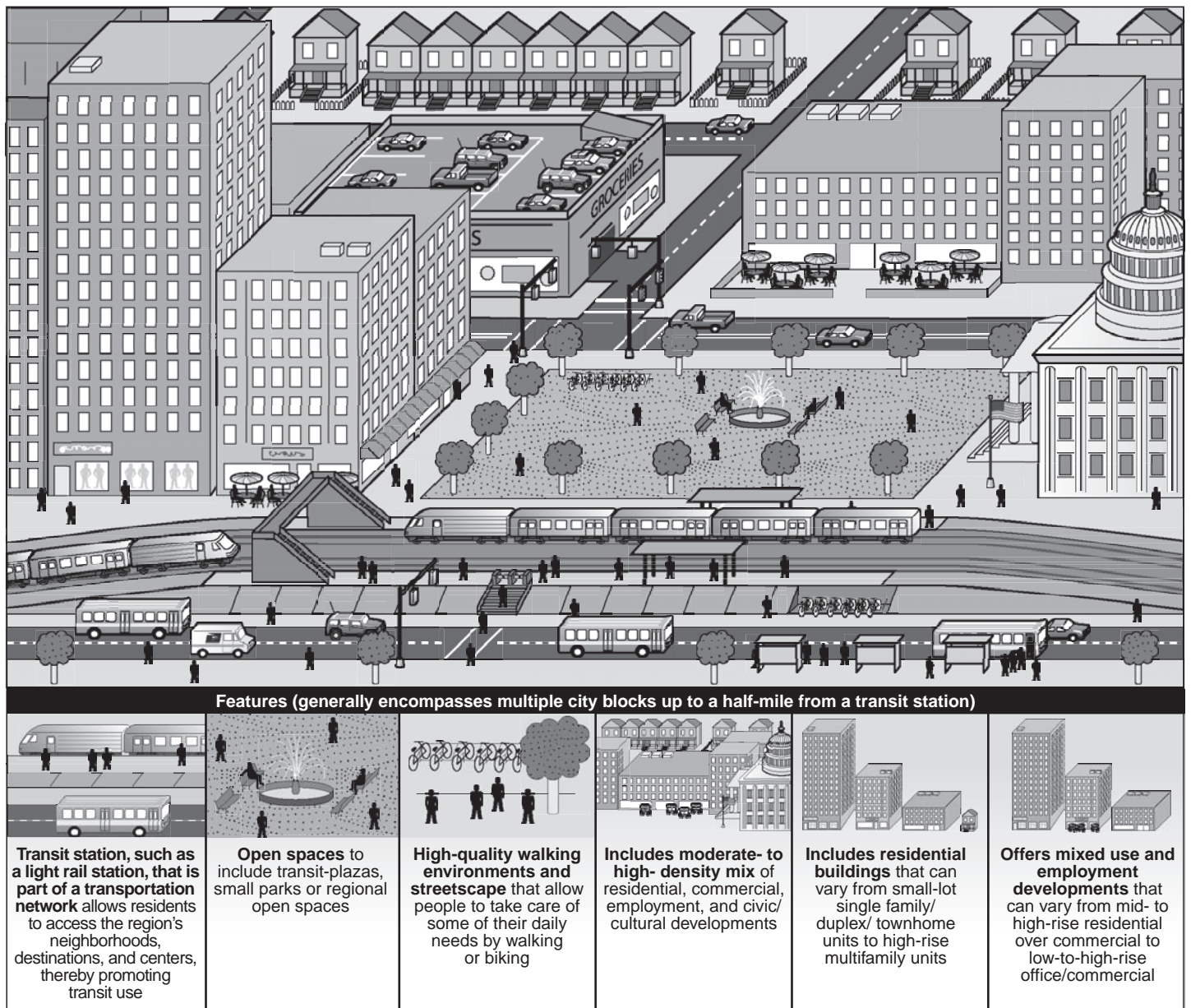
To address these questions, we conducted a review of relevant literature, reports, studies, and our prior research. We also conducted 11 site visits in Mesa, Phoenix, and Tempe, Arizona; Sacramento, California; Chicago, Illinois; Cleveland, Ohio; Jersey City and Hoboken, New Jersey; Portland, Oregon; Washington, D.C.; and Arlington, Virginia. During these site visits, we interviewed federal, state, and local housing and transportation officials; nonprofit housing organizations; and housing developers, and toured transit-oriented developments. We selected this nongeneralizable sample of metropolitan areas based on whether the metropolitan areas reported having transit-oriented developments, if the area had received New Starts federal funding for construction of a local fixed-guideway transit system, and geographical diversity. We also interviewed transportation, housing, and community development officials; housing developers; and representatives from various transportation and housing associations with experience in developing, implementing, or analyzing these issues. In addition, we reviewed studies and documentation on how government agencies and other housing and transportation stakeholder groups in these and other metropolitan areas and states have promoted transit-oriented developments. We conducted this performance audit from August 2008 to September 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. See appendix I for more information about our scope and methodology.

Background

There is no single definition of transit-oriented development; however, research generally describes such a development as a compact, mixed-use, walkable neighborhood located near transit facilities. Research has highlighted that most transit-oriented developments are typically near a fixed-guideway rail station, generally encompass multiple city blocks up to a half-mile from a transit station, have pedestrian-friendly environments and streetscapes, and include high-density and mixed-use developments. In addition, these developments may have fewer parking spaces compared to more traditional developments because residents have easy access to transit, and thus less need for an automobile. Transit-oriented developments can range in both size and scope, with some being in suburban neighborhoods with streetcars or bus rapid transit systems and community-related services while others are located in major urban locations with light, heavy, or commuter rail.¹⁰ Transportation experts believe that transit-oriented developments can increase accessibility to employment, educational, cultural, and other opportunities by promoting transportation options to households, thereby increasing transit ridership and reducing road congestion. Figure 1 provides a graphic representation of a transit-oriented development, and appendix II provides a description of various types of such developments.

¹⁰Light rail transit is defined as a metropolitan-electric railway system characterized by its ability to operate in a variety of environments such as streets, subways, or elevated structures. Light rail systems typically use an overhead source for electrical power, can operate on streets with other traffic, and boarding takes place from the street or platforms. Heavy rail transit systems operate on a totally separated right-of-way, use a third rail on the ground to power the trains, require platform boarding, and typically have longer distances between stations and have greater capacity than light rail systems.

Figure 1: Representation of a Transit-Oriented Development and Key Components



Source: GAO.

Planning and development of a transit-oriented development and affordable housing are driven largely by state and local governments, transit agencies, and private developers. For example, state and local

government agencies provide many of the necessary infrastructures of transit-oriented developments, including transit stations, connections to other transportation modes, sidewalks, utilities, and other public amenities. Local governments also create the zoning environment, which may, for example, allow developers to build a mix of uses at higher densities. Some of the key agencies involved and their principal roles are summarized below.

- **State and local departments of transportation and metropolitan planning organizations**¹¹ develop transportation plans and improvement programs; and build, maintain, and operate transportation infrastructure and services.¹²
- **Local transit agencies**, such as transit authorities or transit operators, are responsible for building, maintaining, and operating transit systems. These transit systems can include fixed-guideway transit systems—such as light or heavy rail, and bus rapid transit—ferry systems, paratransit services, and local bus service.
- **Local county and city governments, and regional councils**, through agencies such as county or city planning departments, have control over land use planning, which includes zoning policies and growth management policies. Regional councils develop land use plans used by metropolitan planning organizations for transportation planning.

¹¹Metropolitan planning organizations are federally mandated regional organizations responsible for comprehensive transportation planning and programming in urbanized areas with a population of 50,000 or more and are required by federal law to develop regional transportation plans.

¹²The current framework for federal participation in surface transportation is set forth in authorizing legislation, most recently amended by the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU). These pieces of legislation have established an overall approach for surface transportation planning and decision making that generally gives local and state governments significant responsibilities for these activities in their own regions. For example, 23 U.S.C. § 134 establishes specific planning task requirements that metropolitan planning organizations, in conjunction with states, public transportation operators, and other stakeholders, must perform, which include (1) developing long- and short-range transportation plans and transportation improvement programs, (2) specifying financing for the transportation plan, and (3) involving a wide range of stakeholders in the process that emphasizes consultation and coordination.

In addition, state housing agencies, local governments, and private and nonprofit housing developers are the main stakeholders in building affordable housing. Some of the key agencies involved include:

- **State housing development and financing agencies** provide funding for affordable housing through the Low Income Housing Tax Credit (LIHTC) program—an indirect federal subsidy used to finance the development of affordable rental housing for low-income households—and other state programs for affordable housing.¹³
- **City and county housing departments** are responsible for planning, developing, and funding affordable housing. In addition, local housing departments or agencies are required by federal law to develop local area housing plans.¹⁴
- **Local public housing authorities (PHA)**, normally created by state law, typically manage a local region's public housing units and federally sponsored housing voucher programs.
- **Private for-profit housing developers and nonprofit housing developers**, such as community development corporations, build and manage housing units.

FTA provides financial and technical assistance to local and state public transit agencies to build, maintain, and operate public transit systems. FTA's New Starts program, its major capital investment program for new and extensions to existing fixed-guideway transit systems—a key element of transit-oriented developments—awards funds to individual projects

¹³LIHTC is administered by the Internal Revenue Service based on section 42 of the Internal Revenue Code, which was enacted by Congress in 1986 to provide the private market with an incentive to invest in affordable rental housing.

¹⁴HUD generally requires states, cities, and counties to prepare a 5-year Consolidated Plan and a 1-year Action Plan that together identify long-range housing needs, as well as short-term funding priorities for HUD's formula grant programs. 24 C.F.R. pt. 91

through a competitive selection process.¹⁵ Only a few systems are recommended by FTA for funding in each fiscal year. FTA also provides transit funding to state and local governments through formula grants, which are funded entirely from the Highway Trust Fund's Mass Transit Account.¹⁶ These grants provide capital and operating assistance to local transit agencies and states through a combination of five relatively large and five relatively smaller grant programs, which FTA distributes via formula grants. In addition, two programs administered by the Federal Highway Administration, the Surface Transportation Program and the Congestion Mitigation and Air Quality Improvement Program—also referred to here as flexible funding programs—routinely provide state and local transportation agencies flexibility in using funding for transit projects by permitting a portion of the program funding to be transferred for these purposes. A portion of flexible funding is allocated to localities and metropolitan planning organizations rather than states, allowing local authorities, acting through the metropolitan planning organization, to select projects reflecting their jurisdictions' priorities. Table 1 provides additional information on these programs.

¹⁵Under the New Starts program, the Secretary has the authority to provide funding for new and extensions to existing fixed guideway systems—done through a competitive process—as well as fixed guideway modernization and bus-related projects. In addition to New Starts, SAFETEA-LU established the Small Starts program for lower-cost fixed-guideway capital projects, which may include a corridor-based bus capital project. Small Starts projects are defined as those projects that request less than \$75 million in New Starts funding and have a total estimated net capital cost of less than \$250 million. FTA also subsequently introduced a subset of the Small Starts program called the Very Small Starts program for projects that have a total capital cost of less than \$50 million.

¹⁶The Highway Trust Fund is divided into two major accounts: the Highway Account and the Mass Transit Account. A portion of federal fuel taxes (2.86 cents of the 18.4 cents federal gas tax) is deposited into the Mass Transit Account.

Table 1: Examples of Federal Programs that Fund Transit Projects

New Starts and Small Starts (FTA)	Selects new fixed-guideway and fixed-guideway extensions, fixed guideway modernization, and certain bus-related projects for funding in accordance with 49 U.S.C. § 5309. Projects can include heavy, light, and commuter rail, and certain bus rapid transit projects. To be eligible for funding under New Starts, projects must, among other things, be justified based on a comprehensive review of mobility improvements, environmental benefits, economic development effects land use, cost effectiveness, and operating efficiencies, and supported by an acceptable degree of local financial commitment. Small Starts are evaluated against a subset of these measures including cost effectiveness, land use, other factors (including economic development impacts), and local financial commitment.
Transit Capital Assistance (FTA)	Provides grants to local transit agencies through a formula for projects that can include capital projects and associated capital maintenance items, planning, transit enhancements, and operating costs of equipment and facilities. Funding is apportioned to urbanized and nonurbanized areas on the basis of legislative formulas, which include such items as population and population density, bus revenue vehicle miles, bus passenger miles, fixed guideway revenue vehicle miles, and fixed guideway route miles.
Congestion Mitigation and Air Quality Improvement Program (joint Federal Highway Administration and FTA)	Partially funds transportation projects and programs in order to reduce transportation-related emissions in areas with poor air quality. To be eligible for funding, projects must be transportation related, in nonattainment or maintenance areas, ^a and reduce transportation-related emissions.
Surface Transportation Program (joint Federal Highway Administration and FTA)	Provides funding to states and localities for projects on any federal-aid highway—including transit capital projects and local and intercity bus terminals and facilities.

Source: GAO analysis of DOT information.

^aFederal air quality standards, established by the Environmental Protection Agency, exist for certain air pollutants (known as criteria pollutants). Geographic areas that have levels of a criteria pollutant above those allowed by the standards are called nonattainment areas. Areas that were previously nonattainment areas but now meet the standards (i.e., have reached attainment) are known as maintenance areas.

HUD generally provides rental housing assistance through three major affordable housing programs—housing choice vouchers, public housing, and project-based rental assistance. These three programs generally serve low-income households—that is, households with incomes less than or equal to 80 percent of area median income (AMI).¹⁷ Some of these programs include targets for households with extremely low incomes—30 percent or less of AMI. HUD-assisted households generally pay 30 percent

¹⁷Area median income—sometimes also referred to as median family income—limits are published annually by HUD and are used to determine eligibility of applicants in federal and local affordable housing programs.

of their monthly income, after certain adjustments, toward their unit's rent.¹⁸

- The Housing Choice Voucher program, which supports over 2 million housing units and is administered by local PHAs, provides vouchers that eligible families can use to rent houses or apartments in the private housing market. Voucher holders are responsible for finding suitable housing that meets HUD's housing quality standards. The subsidies in the voucher program are provided to the household (that is, tenant-based), so tenants can use the vouchers in new residences if they move. The housing subsidy is paid to the property owner directly on behalf of the participating households. The household then pays the difference between the actual rent charged by the owner and the amount subsidized by the program. PHAs have some flexibility to determine the maximum amount of rental subsidy they can pay for assisted households within limits set by HUD. For example, HUD establishes "fair market rents" for each metropolitan area, based on actual market rents for standard-quality rental units, but PHAs may choose a "payment standard" that is up to 10 percent lower or higher than the fair market rent.
- The public housing program, also managed by PHAs through operating and capital grants, subsidizes the development, operation, and modernization of government-owned properties and provides units for eligible tenants in these properties. In contrast to the voucher program, the subsidies in the public housing program are connected to specific rental units, so tenants receive assistance only when they live in these units. HUD pays an operating subsidy, which helps to cover the difference between the PHA's operating costs and the rents the PHA collects from tenants.
- Through a variety of project-based programs including project-based Section 8, HUD provides rent subsidies in the form of multiyear housing assistance payments to private property owners and managers on behalf of eligible tenants. Tenants may apply for admission to these properties with project-based rental assistance contracts. HUD pays the difference between the household's contribution and the unit's rent.

HUD also administers formula grant programs, such as the Community Development Block Grant (CDBG) program and the HOME program,

¹⁸A tenant's rent is based on a household's anticipated gross annual income—that is, income from all sources received by the family head, spouse, and each additional family member who is 18 years of age or older, less applicable exclusions and deductions.

which help low-income households obtain access to affordable housing. These programs divide billions of dollars across local jurisdictions and numerous activities on an annual basis using funding formulas pursuant to statutory guidance. Activities funded by the CDBG program can include housing, economic development, neighborhood revitalization, and community development. The HOME program provides federal assistance to participating jurisdictions for housing rehabilitation, rental assistance, homebuyer assistance, and new housing construction. Recipients of CDBG and HOME funding have a great deal of flexibility in how they use these grants, and must fulfill HUD's planning requirements to receive funding.

Transit-Oriented Developments Can Affect the Availability of Affordable Housing but Conclusions Are Complicated by Limited Research and Data

Characteristics of Transit-Oriented Developments Can Increase Nearby Land and Housing Values

According to most of the literature we reviewed, plans for the existence of transit stations and amenities commonly found in transit-oriented developments generally increase nearby land and housing values, but the magnitude of the increase varies greatly depending upon several other characteristics.¹⁹ The studies generally conclude that increases occur because residents place a premium on land and housing the closer each is

¹⁹Our literature review included eight studies, four of which included extensive reviews of previously published literature. These eight studies are representative of the general research findings that the value of property is positively correlated with the presence of a transit station. These studies, conducted between 1978 and 2008, examined primarily residential property using sales data on single-family homes, condominiums, or apartment rents in varying areas and, as a result, estimates of land or housing values with respect to transit development vary. A 2008 report from the Center for Transit-Oriented Development said that increased asking prices for property along planned light rail corridors have been observed in several areas, including the Twin Cities, Houston, Denver, and Charlotte. See Reconnecting America's Center for Transit-Oriented Development, *Capturing the Value of Transit*, November 2008.

to a transit station. Although the presence of transit generally affects land and housing values, increases in some cases are modest, and results can vary throughout an entire transit system depending on several characteristics which are summarized below.

- **Retail development** is common to the type of mixed-use development found in transit-oriented developments because it allows residents to avoid car trips for everyday shopping. A few studies we looked at found that retail presence near transit stations affected land and housing values near transit positively. One particular study found that the stations with the highest increases in nearby housing values had a retail presence.
- **Neighborhood characteristics** surrounding a transit station is another factor the studies we reviewed have shown to be valued by transit users and nontransit users resulting in increased land and housing values. The studies we reviewed showed a number of neighborhood characteristics such as higher relative incomes, and proximity to parks, schools, or other neighborhood amenities. One of the goals often cited in research of transit-oriented development is to create quality, desirable neighborhoods that include many of these amenities.
- **Other factors** that have been found to increase land and housing values include proximity to job centers, pedestrian amenities, and quality or frequency of transit service. For example, a study of California transit systems found that increases in property values are more likely along reliable, frequent, and fast transit systems in the San Francisco-Oakland Area and San Diego than near more limited light rail service in Sacramento and San Jose.²⁰

Conversely, some characteristics of areas near transit can limit increases, or even cause a transit station to be a negative influence on land or housing values. These characteristics include:

- **Non-transit-oriented land uses and prevalence of crime:** In the San Francisco-Oakland Area, studies found that a transit station generally has a positive influence on land and housing values, except near certain

²⁰Landis, John, Robert Cervero, Subhrajit Guhathukurta, David Loutzenheiser, and Ming Zhang. *Rail Transit Investments, Real Estate Values, and Land Use Change: A Comparative Analysis of Five California Rail Transit Systems*. Monograph 48, Institute of Urban and Regional Studies, University of California at Berkeley (1995).

stations in a largely industrial area in Oakland.²¹ In addition, the study of the Atlanta rail system found that the presence of crime limited increases and sometimes even decreased land and housing values, particularly near rail stations with an adjacent surface parking lot.²²

- **Poor economic environments:** A study of Buffalo transit stations found a premium value for real estate near stations in high-income areas, but a negative effect on land and housing values near stations in low-income areas.²³ The authors conclude that these negative effects may be the result of a lengthy economic decline and population loss in Buffalo, delayed development, and a lack of job centers on the transit system rather than the presence of the transit station.

Availability of Affordable Housing in Transit-Oriented Developments Varies Depending on Land and Housing Values, Local Decision Making, and Other Factors

Higher land and housing values generally tend to limit housing units affordable for lower-income households but many other factors can also affect the availability of affordable housing near transit and in transit-oriented developments.²⁴ According to local officials and transit and housing stakeholders we spoke with, higher land and housing values have the potential to limit the affordable housing units that are market rate, government subsidized, or incentivized. Increased land and housing values can raise the market price of sale and rental housing beyond an affordable percentage for households at or below an area's median household income, thus reducing the availability of market rate affordable housing. Subsidized or incentivized affordable housing units can also be affected by higher land and housing values. For example, if rents for units near transit stations increase above fair market rents, tenant-based rental vouchers—provided through HUD's housing choice voucher program—may be insufficient to cover the increased rents.

²¹Pollution can also potentially negatively affect land and housing values. See for example, Kenneth Chay and Michael Greenstone. "Does Air Quality Matter? Evidence from the Housing Market," *Journal of Political Economy*, vol. 113, no. 2 (2005).

²²Bowes, D. R. and K.R. Ihlanfeldt. "Identifying the Impacts of Rail Transit Stations on Residential Property Values," *Journal of Urban Economics*, vol. 50 (2001): pp. 1-25.

²³Daniel Baldwin Hess and Tangerine Maria Almeida. "Impact of Proximity to Light Rail Rapid Transit on Station-area Property Values in Buffalo, New York," *Urban Studies*, vol. 44 (2007): p. 1041.

²⁴Affordability is often defined as housing cost as a percentage of household income, therefore higher land values can affect affordability if income remains constant.

Moreover, a recent study conducted by Reconnecting America and the National Housing Trust highlighted that HUD project-based Section 8 contracts for many properties near transit stations will expire in coming years.²⁵ Nearly two-thirds of those buildings near transit in the eight cities the study examined have contracts expiring by 2012. As the study indicates, if contract holders believe that the increasing land values could allow them to charge higher rents than the subsidy they receive from HUD for participating in the Section 8 contract, the property owners may decide not to renew the Section 8 contracts.²⁶

Increased values and land speculation can also potentially stifle development of affordable or mixed-income housing projects. In several places we visited, local officials and developers told us that higher land costs can make it difficult for projects to meet profit expectations, resulting in a preference for developers to market projects in transit-oriented developments to higher income households.

In addition to land and housing values, local officials told us that several other conditions and local decisions can affect the availability of affordable housing near transit. For example:

- **Local economic conditions** can suppress land and housing values proportionately more than the local median household income, resulting in an increased supply of affordable housing units at market rate. For example, officials in Cleveland told us that the weak local economic conditions have led to an abundant supply of market rate units that are affordable to people with low incomes. Therefore they are less focused on increasing the stock of affordable housing units near the recently completed Euclid Corridor Bus Rapid Transit, and more focused on stimulating economic development and revitalizing the general housing market.
- **Local transit station location decisions** can also affect the availability of affordable housing near transit. For instance, although housing advocates and local officials raised concerns that as land values increase,

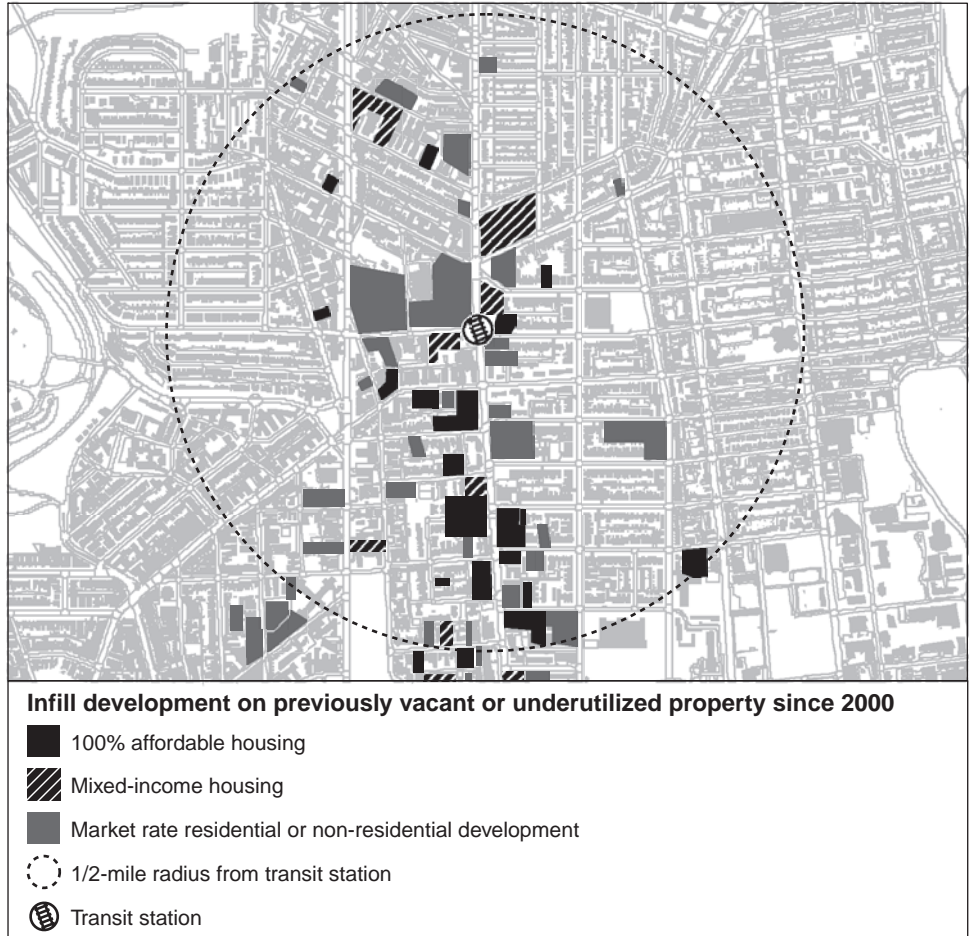
²⁵Reconnecting America and the National Housing Trust, *Preserving Opportunities: Saving Affordable Homes Near Transit*, 2007.

²⁶HUD's project-based Section 8 program subsidizes the rent of low-income individuals through contracts between HUD and multifamily property owners. The subsidies keep rents in Section 8 properties affordable to households earning at or below 80 percent of AMI.

low-income households may be displaced, several local officials we spoke with told us that new transit station locations were planned in corridors with limited housing prior to the construction of the transit line. These station locations were specifically placed in blighted or industrial areas or railyards with relatively inexpensive land and plentiful space available for infill developments.²⁷ For localities committed to providing affordable housing, new development near these transit stations provides opportunities for new affordable housing near transit. For example, officials in Washington, D.C., told us that some stations of the rail transit system were aligned to support housing and economic development on vacant or underutilized properties (see fig. 2).

²⁷Infill refers to redevelopment of vacant or underutilized property in urbanized areas.

Figure 2: Infill Development, Including Some Affordable Housing Units, Has Replaced Vacant or Underutilized Land near the Columbia Heights Station in Washington, D.C.



Source: GAO analysis of District of Columbia planning data.

Other transit lines can be aligned to serve populated, low-income neighborhoods. Local officials told us that one of the goals of the Hudson-Bergen Light Rail was to provide better transit access to low-income residents of Jersey City and Hoboken, New Jersey. The introduction of light rail in the past decade, paired with longer-term, focused investment of HUD affordable housing and revitalization dollars, has helped improve the availability of quality, affordable housing near transit. While transit lines can provide better transit access to low-income residents in the short term—a key role of transit—housing advocates have raised concerns that

rents will increase in the long term, placing pressure on existing low-income residents.

- **State and local commitment to preserving or developing affordable housing** near transit can help ensure the availability of affordable housing despite potential increases in land value. Local officials told us that some tools—which we will discuss in greater detail in the next section—are available to subsidize affordable units or to encourage developers to provide affordable units to help counter higher rents and property values near transit. In addition, coordinated state and regional planning also can influence local governments’ support of affordable housing in transit-oriented developments, according to recommendations from recent reports. For example, to overcome issues associated with increasing land values and speculation, nonprofit organizations and regional and local governments can invest in land along transit alignments with the intent to develop the land in the future with an affordable housing component.

Limited Research and Data Complicate Conclusions about the Effect of Transit-Oriented Developments on the Availability of Affordable Housing

A lack of direct research, incomplete data, and factors unique to each transit station limit the conclusions that can be made about how transit-oriented developments affect the availability of affordable housing. To date, there has been little research that specifically links transit-oriented developments to affordable housing, hindering the ability of policy makers and private investors to make informed decisions or evaluate results. For example, most of the studies we reviewed focused on land or housing values near transit but did not distinguish between stand-alone transit stations and transit stations in transit-oriented developments. In addition, most studies did not directly measure the number of affordable housing units, or otherwise quantify the availability of affordable housing, whether it was market rate or subsidized. Moreover, the research that does exist on land and housing values is typically focused on specific geographic areas and does not distinguish among the effects of state and local commitment to affordable housing and other factors that affect the availability of affordable housing. Finally, many communities with relatively new fixed-guideway transit systems have limited experience with transit-oriented developments, and often development—and any potential long-term effects on the availability of affordable housing—has yet to fully take hold.²⁸

²⁸ According to some research, transit-oriented developments often take years, if not decades, to fully develop. The effect land and housing values might have on affordable housing may not be fully realized until years after the transit station opens.

The scarcity of reliable housing data and limitations in analytical transportation planning methods also limit thorough study and evaluation of the direct effect that transit-oriented developments have on the availability of affordable housing.²⁹ For example, HUD-subsidized housing data—the only nationwide data available for subsidized housing—do not provide a full and accurate picture of the availability of subsidized housing for research purposes. According to HUD, funding recipients self-report data for the locations of subsidized housing programs to local PHAs, limiting HUD’s ability to ensure completeness and accuracy. In addition, the data that are collected are primarily intended for administrative purposes and HUD officials told us they think the data are sufficiently reliable for administrative purposes. However, our analysis of the data revealed that several quality concerns—including inconsistencies in data over time—limit using the data for research purposes which involve reliable long-term data analysis. HUD officials told us that a variety of potential explanations existed for these inconsistencies including transitions between reporting requirements having potentially caused missing records as well as some records with missing geographic data.³⁰ For example, 32 PHAs were not required to submit data for Housing Choice vouchers or public housing units from 2000 to 2006 due to participation in the Moving to Work program.³¹ Figure 3 shows examples of three geographic areas in which the number of HUD-subsidized housing unit records changes significantly over time and in some cases from one year to the next. While HUD’s Performance and Accountability reports indicate there has been some variation in the overall number of HUD-subsidized units over time, the extent of change in figure 3 is not explained by this variation. The lack of reliable and complete data would limit analysis on the impacts of HUD investments for affordable housing near transit. Furthermore, state and local governments—which provide significant amounts of housing subsidies—vary in the extent to which data

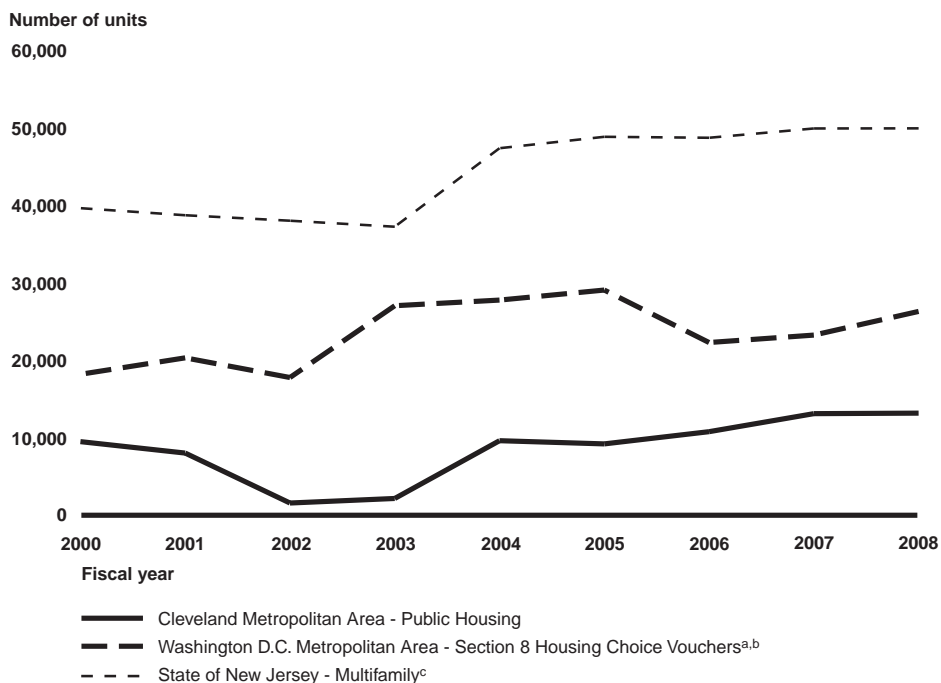
²⁹Local travel models are used to forecast travel demand for transit projects, which is then used in calculating transportation system user benefits for New Starts projects.

³⁰HUD officials told us that this is in part because changes were made to the reporting form for the Moving to Work program and there was initial confusion among PHAs about the requirement. In addition, HUD officials told us that missing geographic data were not random throughout the database, and that the reasons for the differences varied. Moreover, HUD told us that the accuracy of the geographic data is of significantly less quality prior to 2000.

³¹Moving to Work is a HUD demonstration program that allows PHAs to design and test ways to promote self-sufficiency among assisted families, achieve programmatic efficiency and reduce costs, and increase housing choice for low-income households.

are collected, available, and reliable. The affordability of market rate housing can also be affected by increases in land value in transit-oriented developments; however the market rate housing datasets that do exist, such as the American Housing Survey, do not record housing costs with the detail, scale, or frequency needed to capture trends that may result from transit-oriented developments. Our past work has also cited the difficulties of accurately predicting changes in traveler behavior and land use resulting from a transit project, as well as concerns about the quality of data inputs into local travel models.³²

Figure 3: Examples of Inconsistencies in Number of HUD-Subsidized Housing Unit Records, 2000–2008



Source: GAO analysis of HUD Data.

Note: The graphic demonstrates several examples of significant and unexpected changes in the number of subsidies in each of these designated areas over time.

³²GAO, *Highway and Transit Investments: Options for Improving Information on Projects' Benefits and Costs and Increasing Accountability for Results*, GAO-05-172 (Washington, D.C.: July 25, 2008).

^aWashington, D.C., includes subsidies within the Metropolitan Washington Area. New Jersey includes subsidies located in the State of New Jersey. Cleveland includes subsidies located in Metropolitan Statistical Area 1680.

^bThe District of Columbia Housing Authority is a participant in the HUD Moving to Work Program.

^cMultifamily programs include Section 8 Project Based / Section 202 - Project rental assistance contracts / Section 811 - Project rental assistance contracts / Section 236 / Section 221(d3) / Rental Assistance Program / Rent Supplement.

Local, State, and Federal Affordable Housing Programs and Policies Support, but Generally Do Not Require, Affordable Housing in Transit-Oriented Developments

Few Local and State Programs Are Specifically Targeted to Affordable Housing in Transit-Oriented Developments, and Most Are Incentive Based

Few local and state programs are targeted to assist local housing and transit providers develop affordable housing in transit-oriented developments; the few targeted programs that do exist mainly provide financial incentives to developers if they include affordable housing in new residential developments in transit-oriented developments. In our site visits, we found examples in which local housing providers used these targeted programs to either build new or preserve existing affordable housing in transit-oriented developments. For example, California allocated \$285 million over a period of 3 years to the Transit-Oriented Development Housing Program, which uses loans and grants to encourage the development of housing development projects within one-quarter mile of transit stations.³³ The loans and grants are made available on a competitive basis to affordable housing developers and local government

³³In 2006, voters in the State of California passed the Housing and Emergency Shelter Trust Fund Act of 2006 which allocated \$2.85 billion for housing and development programs, including affordable housing in transit-oriented developments. Cal. Health & Safety Code §§ 53560 *et seq.* (2009).

housing agencies that commit to build at least 15 percent of the units they develop as affordable housing units.³⁴ According to California officials, in 2008, \$145 million was committed or awarded to 16 applicants, and over 1,800 affordable housing units will be created as a result of these awards. In Portland, Oregon, the Transit-Oriented Development Property Tax Abatement supports affordable housing on vacant or underutilized sites in transit-oriented developments by reducing operating costs for affordable housing property owners and developers through a 10-year maximum property tax exemption.³⁵ For 2007-2008, Portland reported that the tax abatement program assisted 971 housing units resulting in over \$1.3 million in foregone tax revenues for the city and county. Of these units, 279 have rents restricted for residents with incomes between 30 percent to 80 percent median family income. Finally, in Denver, Colorado, the city is developing a transit-oriented development fund that will provide funding to local affordable housing developers to preserve and create at least 1,200 affordable units for sale and rental along Denver mass transit corridors over a 10-year period.

Many states use federal tax credits as a financial incentive to encourage development of affordable housing near transit as well as specifically in transit-oriented developments. States administer federal LIHTCs and provide them to developers in accordance with state Qualified Allocation Plans (QAP)—plans that states are required to develop which outline the competitive process used to award these funds. In QAPs, most states use a competitive points system to award LIHTCs. There is no statutory requirement that a state incorporate proximity to transit into its QAP. States that have either required or provided incentive points for proximity to transit have done so independent of federal requirements. In these states, incentive points can be earned if developments are within a certain radius of public transit or in transit-oriented developments as designated by a state or local authority.³⁶ For example, New Jersey's QAP awards an additional point for proposed developments that are one-half mile from

³⁴Affordable housing units must be affordable to persons of very low and low income for a period of at least 55 years.

³⁵See Or. Rev. Stat. § 307.600 (2009).

³⁶The total points which applicants can earn vary across QAPs. For example, applicants can earn up to 63 points in New Jersey and up to 146 points in California. We did not examine the extent to which applicants or state housing finance agencies believed a certain number of points for proximity to transit would make a difference in applicants' prospects for success in receiving LIHTCs.

public transportation, as well as up to 10 points for proposed developments in Transit Villages, a designation given by New Jersey's Department of Transportation to transit-oriented developments.³⁷ New Jersey officials commented that since tax credits are awarded only to a fraction of those that apply for them, developers consider these points a strong incentive to propose projects that will earn the additional points for proximity to transit. Appendix III provides examples of LIHTC programs that contain proximity to transit incentives. Additionally, states can award additional tax credits in HUD-designated high-cost areas.³⁸ While HUD designates high-cost areas, which could include transit-oriented developments, states have the authority to designate buildings as being located in areas which they determine as high cost, independent of the areas designated by HUD. Oregon has used this authority to designate affordable housing buildings in transit-oriented developments as high-cost areas which require additional funding to be financially feasible. Therefore, Oregon provides additional tax credits to projects located in transit-oriented developments.

State and local governments we visited generally did not use incentives in their local land use regulations or building codes to promote affordable housing in transit-oriented developments. Rather, incentives and requirements provide broad support for state and local governments to promote affordable housing without regard to location. These can help support the economic feasibility of affordable housing development by using nonfinancial incentives—such as land use regulations and building codes—and financial incentives—such as direct funding or financing options. In addition to incentives, we found that a few state and local governments have implemented certain requirements to include affordable

³⁷The New Jersey Transit Village Initiative is a coordinated effort by the state's various agencies including housing and transit to establish transit-oriented developments throughout the state.

³⁸If the development is located in a HUD-designated high cost area (HCA), the state allocating agency may award up to 30 percent additional LIHTCs. These areas include both Qualified Census Tracts (QCT) and Difficult Development Areas (DDA). In a QCT, 50 percent or more of the households have incomes of less than 60 percent of AMI. DDAs are designated according to a HUD comparison of housing costs with incomes for each area. Section 3003(a) of the Housing and Economic Recovery Act of 2008 amended section 42(d)(5) of the Internal Revenue Code and allowed certain state-designated buildings to be treated as being located in a DDA and qualify for additional LIHTCs. 26 U.S.C. § 42(d)(5)(B)(v). To qualify for this special treatment, the building must be designated by the state as requiring the enhanced credit in order to be financially feasible as part of the low-income housing project.

housing in new developments, but like most state and local incentives, these requirements are not specifically targeted at affordable housing in transit-oriented developments. Determining if these nontargeted incentives and requirements have ensured the availability of affordable housing in and near transit-oriented developments is difficult due to a number of reasons described earlier.

Selected examples of state and local affordable housing incentives and requirements that have been used in transit-oriented developments but are not specifically designed for use in transit-oriented developments include the following:

Incentives

- **Density bonus permits** allow developers to build more than the maximum number of allowable units permitted by local code if they agree to designate a certain number of units as affordable housing.
- **Parking reductions** allow local governments to reduce minimum parking requirements set forth in local building codes for developers that build near transit. This incentive allows developers to build fewer parking spaces and use the money saved from the reduced parking construction costs to support additional affordable units.
- **Tax increment financing** is used by local governments to encourage economic development by issuing municipal bonds to subsidize development, which are repaid using the incremental future tax revenues. Some localities dedicate a portion of tax increment financing for affordable housing.
- **Affordable housing trust funds** are distinct funds set aside by cities, counties, and states that dedicate sources of revenue to support affordable housing development.

Requirements

- **Inclusionary zoning:** Some states or localities may require that all new housing developments, regardless of location, include a portion of units as affordable housing. Some inclusionary zoning ordinances allow developers to pay the local government for each affordable unit they choose not to build.
- **Affordability requirements on publicly financed residential development:** Some state and local governments include affordable housing requirements when they sell land to housing developers or when any government financing is involved in the project.

We found examples from our site visits and other research where each type of nontargeted incentive and requirement discussed above was being used to support affordable housing in transit-oriented developments (see table 2). Because developers (both for profit and nonprofit) are not required to do so, developers may or may not take advantage of the various state and local government incentives to build or preserve affordable housing in transit-oriented developments.

Table 2: Examples of State and Local Affordable Housing Incentives and Requirements that Have Been Used in Transit-Oriented Developments but Are Not Specifically Designed for Use in Transit-Oriented Developments

Category	Type	Location	Example	Result
Nonfinancial incentives	Density bonus	Arlington County, Virginia	Arlington County permits a 25% density bonus to developers who provide affordable units. The density bonus allows both market rate and affordable units, with the income from the market-rate units designed to offset the cost of the affordable units.	Quincy Plaza, a residential development in the transit-oriented development around the Ballston Metro station, used the full 25% bonus to add 25 affordable units.
Financial incentives	Tax increment financing	Sacramento, California	All local redevelopment agencies in California are required to set aside 20% of tax increment financing resources for a separate affordable housing fund.	Sacramento's redevelopment agency supported 114 low-income senior apartments in a transit-oriented development through \$6 million in tax increment financing.
Financial incentives	Affordable housing trust funds	Los Angeles, California	The City of Los Angeles's Affordable Housing Trust Fund provides funding to create affordable housing, as well as revitalize neighborhoods and remove blight.	In 2008, 225 affordable housing units in three developments located in transit-oriented developments in Los Angeles received over \$21 million from the Affordable Housing Trust Fund.
Requirements	Inclusionary zoning	Montgomery County, Maryland	Montgomery County's Moderately Priced Dwelling Unit program requires that at least 12.5 percent of the units in new subdivisions of 20 or more units be set aside as affordable units.	King Farm, a mixed-use transit-oriented development adjacent to the Shady Grove Metro Station in Rockville, Montgomery County, includes 3,200 units, of which 353 units are affordable as part of the County's inclusionary policy.
Requirements	Affordability requirements on publicly financed residential development	New Jersey	Statutory requirement that any new housing development for which the land was purchased from a state or local government agency, or which received any kind of state funding, must set aside at least 20% of the residential units for low- and moderate-income individuals.	Legislation enacted in July 2008 and results are not yet available.

Source: GAO.

HUD and FTA Programs Allow Local and State Agencies to Promote Affordable Housing near Transit, but Rarely Provide Direct Incentives to Target Affordable Housing in Transit-Oriented Developments

Local housing providers have used HUD programs in a number of cases to support affordable housing in transit-oriented developments, however, these programs support affordable housing in any location. HUD programs, such as the CDBG and HOME programs, generally provide local and state agencies with flexibility to tailor their housing spending decisions to meet local needs. According to HUD officials, CDBG and HOME grant recipients have flexibility in applying funds to local initiatives, and in some locations we visited, local officials told us they used these funds, among others, to increase affordable housing near transit as part of a transit-oriented development plan.

- A community development corporation in Washington, D.C., used approximately \$7 million in CDBG funds to rehabilitate or develop approximately 800 units of affordable housing and generate economic development as part of its efforts to revitalize the neighborhood around a transit station.
- In Hoboken, New Jersey, a local housing agency official highlighted the flexibility in the CDBG program as an opportunity for the city to target funding to best meet the city's need to revitalize the existing housing stock around new transit stations.
- In Seattle, Washington, local housing agency officials allocated over \$4 million in HOME program funds to subsidize 200 new affordable units in four rental housing developments located in transit-oriented developments.

Similarly, numerous other HUD programs, including project-based Section 8 and the Housing Choice Voucher program, can be used to support affordable housing in transit-oriented developments, but according to HUD officials, these programs have not been targeted specifically for developing or preserving affordable housing in transit-oriented developments.³⁹ While project-based Section 8 assists more than 1.3 million low- and very-low-income families, during our site visits, local and federal housing agency officials told us they had not prioritized the renewal of project-based Section 8 contract housing in transit-oriented developments. As highlighted earlier, a study found that some project-based Section 8 housing is located near rail stations—defined as within

³⁹Other programs include mortgage insurance programs that provide federal loan guarantees to support the construction of new apartment projects and the refinancing of the rehabilitation of older ones.

one-half mile of existing or proposed rail stations—and that many of the contracts for the properties near rail stations are set to expire before the end of 2012. Housing experts have identified this as a potential problem since Section 8 contract holders may not renew these contracts if they believe the rents they could earn without the contract would be higher than the rental subsidy they receive from HUD, thereby, reducing the number of affordable units in these areas. The Housing Choice Voucher program is also a significant source of HUD-subsidized affordable housing that individuals can use for housing in transit-oriented developments. However, this requires that individuals find units where the owner accepts the voucher, which is set at the region’s fair market rent.⁴⁰ HUD allows for exceptions to be made to the fair market rent valuations in high-cost areas, but HUD officials did not know of any exceptions that had been made specifically based on rents in transit-oriented developments exceeding HUD’s fair market rent valuations.

It is unclear the extent to which increases in market rate rents that may occur in transit-oriented developments have affected subsidized housing, such as project-based Section 8 properties and rental vouchers. In transit-oriented developments, consideration of ways to ensure that project-based Section 8 contract units remain affordable and rental vouchers remain viable may be integral to ensuring the ongoing availability of affordable housing in transit-oriented developments. However, as described earlier, HUD’s data for its subsidized housing programs have limitations. These limitations do not permit a comprehensive analysis of the HUD-subsidized housing units located in transit-oriented developments. In addition, HUD has not assessed the effects of its policies and programs in supporting the availability of affordable housing in transit-oriented developments. Without such analysis grounded in reliable data, it will be difficult for HUD to assess how its programs might help to ensure the availability of affordable housing in transit-oriented developments.

While most HUD programs do not consider a connection between housing and transit in the program criteria, some HUD programs do provide incentives for building affordable housing near transit, but not specifically in transit-oriented developments. For example, the Neighborhood Stabilization Program, funded by the American Recovery and Reinvestment Act of 2009, provides competitive grants to states, local governments, and nonprofits to address the damaging economic effects of

⁴⁰Fair market rents are determined annually by HUD.

properties that have been foreclosed and abandoned.⁴¹ Of the funds to be awarded to successful applicants of this program, 25 percent must be used for the purchase and redevelopment of abandoned and foreclosed-upon homes and residential properties to house individuals and families whose incomes do not exceed 50 percent of AML. Under the program's competitive scoring criteria, applications for projects that are transit accessible will be awarded additional points.⁴² Also, Sections 202 and 811—multifamily programs for the elderly and people with disabilities, respectively—consider proximity to transit in their selection criteria. HUD officials from one region noted that the location of multifamily projects is determined by many other factors, such as land prices, which have a greater impact in the rating process than access to transit. HUD's HOPE VI program, which funds the redevelopment of obsolete public housing, also has a formal link between public housing and transit. If public housing locations that are selected as HOPE VI redevelopment sites lack sufficient transportation to services and employment, then project plans for revitalization must include increased access to transportation.

Since FTA's core mission is to support locally planned and operated public transportation systems, we found that FTA policies that allow local transit agencies to support affordable housing in transit-oriented developments are limited and still have a statutory requirement to support transit use. Under FTA's Joint Development Guidance, local transit agencies can use land that was purchased with FTA funds to support transit-oriented developments through joint development partnerships.⁴³ With FTA approval, local transit agencies can improve this property through incorporation of private investment, including commercial or residential development (to include affordable housing), as long as the transit agency can demonstrate that the development supports transit. To receive FTA approval, the local transit agency must demonstrate that the joint development project provides an economic link, public transportation benefits, revenue for public transportation, and reasonable share of costs

⁴¹Notice of Funding Availability for fiscal year 2009 for the Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act, 2009, No. FR 5321-C-01, 28 (May 4, 2009) (the Notice); Pub. L. No. 111-5, 123 Stat. 115.

⁴²According to the Notice, transit accessible is defined as being in a census tract with convenient bus service (local bus service every 20 minutes during rush hour or an express commuter bus) or being or bordering a census tract with a passenger rail stop or station (including, for example, commuter rail, subway, light rail, and streetcars).

⁴³Local transit agencies can use all types of federal transit funds for the Joint Development Program including New Starts funding, formula grants, and flexible funding programs.

(if applicable). The current Joint Development Guidance seeks to allow the maximum flexibility to transit agencies under the law when undertaking joint development purposes.⁴⁴ Of four FTA regions we contacted regarding their approved joint development projects, FTA officials identified a total of 11 approved projects, of which four were used by a local transit agency to support the development of affordable housing as part of a transit-oriented development.⁴⁵ Portland, Oregon's transit agency had three of the approved projects, including a recent project which included the development of 54 affordable housing units. In Portland, the transit agency used land it had purchased for construction staging areas as part of a New Starts-funded transit development for a joint development project. When construction of the transit stop was completed, the agency sold the land to a developer with the condition that affordable housing be part of the development. In two of our site visit locations, we heard from local transit agency officials that the guidelines for the Joint Development Program policy are unclear and that further clarification would assist them in supporting transit-oriented development through joint development partnerships with the private sector. According to FTA officials, an FTA task force is clarifying the eligible activities that can be supported through the provisions and applications of this policy.

While FTA's New Starts Program considers mobility improvements for riders—which includes consideration of the lowest socioeconomic group of transit dependent residents—and economic development benefits of proposed New Starts projects, FTA currently does not weigh these criteria

⁴⁴In addition, according to FTA officials, transportation and transit planning studies that include transit-oriented development and joint development are eligible for funding under FTA formula programs. FTA's Metropolitan Planning Program (49 U.S.C. § 5305(d)) and the State Planning and Research Program (49 U.S.C. § 5305(e)).

⁴⁵According to FTA officials, FTA does not maintain a national database of approved joint development projects.

in its overall project rating.⁴⁶ In a number of our site visit locations, local transit agencies planned to implement components of transit-oriented development around one or more of the transit stations that were part of the transit project funded by New Starts. Some local government transit officials we interviewed and literature we reviewed described the benefits of transit-oriented development—which includes components such as higher-density and mixed-use projects of commercial and residential activity—as potentially including economic development.

However, many of the local transit agencies we met with commented that although they viewed the transit stations as anchors for economic development, they did not believe the New Starts project evaluation criteria fully assessed the project’s impact from economic development activities. In a previous report, we also found transit stakeholders who expressed concern about how economic development is considered in the New Starts project evaluations.⁴⁷ When we discussed this with FTA officials as part of our current review, they discussed the challenges of capturing economic development benefits and separating those benefits from the measures included under the transit supportive land use criterion. FTA officials acknowledged the limitations of its current approach, but noted that FTA has been working with the transit industry to develop a more robust methodology for measuring economic development effects. FTA officials explained that the transit industry has not yet reached consensus on the best way to measure economic development effects that would be useful in meaningfully distinguishing between projects and would not require extensive new data collection and

⁴⁶FTA has previously stated that the mobility improvements criterion is used as a tiebreaker. Additionally FTA has taken steps to address the consideration of economic development and the weight to be accorded to it and other statutory New Starts criteria. In a *Federal Register* notice published on January 26, 2009, FTA issued and sought comments on a discussion paper on new ways of evaluating economic development effects. *See* 74 Fed. Reg. 4502 (Jan. 26, 2009). FTA is now reviewing those comments. Also, in May 2009, FTA took steps to address concerns about the exclusion of some project justification criteria from the evaluation process. In a Notice of Availability for New Starts and Small Starts Policies and Procedures and Requests for Comments in the *Federal Register*, FTA proposed changing the weights assigned for the project justification criteria for New Starts projects. *See* 74 Fed. Reg. 23776 (May 20, 2009). According to FTA, these changes reflect statutory direction that project justification criteria should be given “comparable, but not necessarily equal, numerical weight” in calculating the overall project rating. *See* SAFETEA-LU Technical Corrections Act of 2008, Pub. L. No. 110-244, § 201(d), 122 Stat. 1610. FTA is currently soliciting public comments on these proposed changes.

⁴⁷GAO, *Public Transportation: Improvements Are Needed to More Fully Assess Predicted Impacts of New Starts Projects*, GAO-08-844 (Washington, D.C.: July 25, 2008).

reporting by project sponsors. The FTA officials also said a quantitative approach could require significant additional time and contractor resources for both project sponsors and FTA.

Some HUD and FTA regional officials noted they support having affordable housing in close proximity to transit but they emphasized that local governments have jurisdiction over land use planning and determine priorities for the development of affordable housing and transit. Recipients of either certain HUD or DOT program funding must fulfill planning requirements calling for them to focus on either community development and affordable housing issues for HUD funding or transportation issues for DOT funding.⁴⁸ The requirement for local and state agencies to integrate housing and transportation issues in these planning activities, however, is minimal. Guidelines for the Consolidated Plan required by HUD urge jurisdictions to coordinate with other local plans, which may include metropolitan-wide plans that address issues such as transportation. Some officials from HUD and local agencies receiving HUD funding noted that guidance on the Consolidated Plan was not significant in integrating affordable housing and access to transit. DOT requires states and metropolitan areas, through their metropolitan planning organizations, to develop long-range and short-term transportation plans, which includes planning for transit. These transportation plans are also limited in integrating housing into transportation planning. In some regions, HUD officials told us they attend local or regional planning meetings, but their role is limited to observing or providing guidance on HUD programs. Similarly, DOT officials said that FTA officials provide guidance to states, metropolitan planning organizations, and transit agencies regarding FTA program and planning requirements, but do not influence decision making related to transportation plans and programs. HUD and DOT have recently considered ways to strengthen integrated housing and transit planning, as described in more detail later in this report.

⁴⁸DOT program funding includes funding for transit activities administered by FTA.

Local Governments and Developers Encounter Challenges in Supporting Affordable Housing in Transit-Oriented Developments

According to transit and housing agency officials and stakeholders we interviewed, infrastructure and economic conditions can present challenges to supporting affordable housing in transit-oriented developments. Some local housing agency officials told us that in some areas where land values are higher (and irrespective of proximity to transit) the high cost of land acquisition made it economically unfeasible for a developer to build affordable housing units. As discussed earlier, several studies we reviewed show that the presence of a transit station, as well as factors associated with transit-oriented developments, generally increase the value of land near the transit station. Based on their experiences, some affordable housing providers we interviewed commented that the value of land near a transit station rose quickly with the announcement of the station's opening. Therefore, affordable housing providers told us they may require additional financial support from government agencies to support affordable housing units in close proximity to transit stations and in transit-oriented developments. Local affordable housing providers often referred to land banking as another tool to address the challenge of land acquisition in high-cost areas. Affordable housing developers land bank when they purchase land at a low cost in anticipation of future increases in land values, thereby lowering land acquisition costs and using the additional funds on affordable housing. Many officials told us, however, they had limited opportunities to practice land banking for affordable housing development due to limited resources and available land near transit.

According to local affordable housing providers and experts, the ongoing economic slowdown has contributed to a slowdown in the construction of new housing, including affordable housing. Specifically, they noted that the ongoing economic slowdown has caused LIHTCs to be less valuable, which may lead to less funding for affordable housing. Tax credits are allocated to affordable housing developers, who typically sell the credits to private investors, who then use the tax credits to offset taxes otherwise owed on their tax returns. Generally, the money private investors pay for the credits is paid into the projects as equity financing. This equity financing is used to fill the difference between the development costs for a project and the non-tax-credit financing sources available, such as mortgages that could be expected to be repaid from rental income. Financial institutions with limited resources have been buying fewer tax credits, and as a result prices for tax credits have dropped and funding available for affordable housing has declined.

Local housing officials we spoke to also described aspects of federal policy and programs that may limit the programs' use for supporting

affordable housing in transit-oriented developments. One source of financial support, the LIHTC program, has some specific provisions that limit its use in developing affordable housing in transit-oriented developments. Specifically, the amount of tax credits for which a development project is eligible is based in part on the amount of development costs for the project. But, the development costs used to calculate the amount of tax credits excludes the cost of acquiring land and higher land costs may be associated with transit-oriented development.⁴⁹ This can potentially make LIHTCs less valuable for developers building affordable housing in transit-oriented developments. Developers may receive financial assistance through the CDBG and HOME programs to acquire land as part of LIHTC projects. Also, as described earlier, states may designate transit-oriented developments as high-cost areas, allowing them to allocate additional tax credits to affordable housing developments in such areas. Another aspect of the LIHTC program which may limit its use in transit-oriented developments is that the maximum tax credit allowed for each project is based on the development costs allocated to only those units that are designated for low-income residents. Since tax credits are applied only to those units in the housing development that qualify as affordable, there is an incentive for developers to plan for as many affordable units as possible, making mixed-income developments relatively less competitive in this regard. However, some transit-oriented development studies have cited the benefits of mixed-income housing in transit-oriented developments. Some states appear to be addressing this by prioritizing mixed-income housing for tax credits in their QAPs.

In some cases local transit agencies we contacted described the challenge of selling surplus land—purchased using federal funds—for affordable housing development near transit. Transit officials said they had explored the possibility of selling the land at a low cost to affordable housing developers to increase the availability of affordable housing in transit-oriented developments. However, they cited the requirement to sell this land at fair market value as a potential barrier to selling the land at a low cost in order to make it more feasible for the development of affordable housing in high cost areas. According to FTA officials, transit agencies may dispose of real property through sale, using competitive sale procedures to the extent practical, which yield the highest possible value

⁴⁹The development costs which are included in determining the amount of eligible tax credits include “hard” costs, such as construction costs, and most “soft” costs, such as architectural and engineering costs, soil tests, and utility connection fees.

return.⁵⁰ In certain circumstances, transit agencies may transfer the property for purposes such as affordable housing joint development.⁵¹

**DOT, HUD, and FTA
Have Collaborated on
Interagency Efforts to
Promote Affordable
Housing in Transit-
Oriented
Developments,
However,
Implementation Has
Been Limited, and
Additional Steps to
Enhance
Collaboration Could
Be Taken**

**HUD and FTA, and More
Recently DOT, Have
Collaborated on
Interagency Efforts to
Promote Affordable
Housing in Transit-
Oriented Developments**

Starting in 2005, HUD and FTA, and more recently DOT, have collaborated to promote affordable housing in transit-oriented developments through three interagency efforts, which are summarized below.

- **Interagency agreement:** In 2005, HUD and FTA entered into an interagency agreement to assist communities in understanding the potential demand for housing in transit-oriented developments by conducting a research study. The agreement identified five major research objectives, including (1) increasing the understanding of the potential for incorporating housing—including affordable or mixed-income housing—and homeownership in transit-oriented developments; (2) enhancing data analyses and communities' geographic information system capacity for

⁵⁰See 49 C.F.R. § 18.31.

⁵¹49 U.S.C. § 5334(h).

developing and building affordable housing adjacent to transit-oriented developments; (3) identifying federal, state, and local policies and future research that can influence linking affordable housing and transit-oriented developments; (4) quantifying the factors that facilitate the development of affordable housing in transit-oriented developments; and (5) identifying regulatory barriers to building affordable housing in transit-oriented developments. To address these research objectives, HUD and FTA funded the Center for Transit-Oriented Development (CTOD) to conduct this research study and publish a final report. The final report, which was published in April 2007, recommended broad approaches to addressing some key challenges in supporting affordable housing in transit-oriented developments, including high land prices around transit stations, complex financing structures of mixed-income and mixed-use developments, and limited funding for building new affordable housing.⁵²

- **HUD-FTA action plan:** In December 2007, the Appropriations Committees indicated that HUD and FTA should jointly address new and better ways for promoting affordable housing near transit service and develop a best practice manual to assist communities that seek to establish mixed-income transit-oriented developments.⁵³ In response to this request, HUD and FTA jointly developed an action plan to better coordinate their respective programs to promote affordable housing in transit-oriented developments, expand mixed-income and affordable housing choices in the immediate proximity of new and existing transit stations, develop a more comprehensive approach to address housing and transportation expenditures, and preserve existing affordable housing near transit. The HUD-FTA action plan outlines 11 strategies—including the development of the best practices manual for local governments to successfully promote mixed-income housing and transit-oriented developments—that HUD and FTA say they will implement from fiscal year 2008 through fiscal year 2010.⁵⁴ Some strategies are focused on increasing education for housing and transit stakeholders and reviewing current housing and transit policies and regulations.

⁵²Reconnecting America's Center for Transit-Oriented Development, *Realizing the Potential: Expanding Housing Opportunities Near Transit*, April 2007.

⁵³153 Cong. Rec. H15741, H16497 and H16562 (Dec. 17, 2007).

⁵⁴FTA has taken the lead in developing a best practices guidebook on mixed-income housing and transit-oriented development and FTA has partnered with Center for Transit-Oriented Development to develop the guidebook, FTA providing the \$60,000 and the Center matching this funding amount.

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- **Partnership for Sustainable Communities:** In March 2009, DOT and HUD announced the Partnership for Sustainable Communities, which seeks to help American families gain better access to affordable housing, more transportation options, and lower transportation costs by coordinating federal programs. Since the partnership's original announcement, the Environmental Protection Agency (EPA) has joined the partnership.⁵⁵ As part of this partnership, the agencies have highlighted six livability principles that will serve as the partnership's foundation. While these six livability principles establish some broad goals, including increasing transportation options to address climate change and supporting existing communities, a major component of the partnership is promoting affordable housing.⁵⁶ To support this partnership, the Secretaries of DOT and HUD and the EPA Administrator have created a high-level interagency task force, led by DOT's Deputy Assistant Secretary for Transportation Policy, the Senior Advisor to the HUD Deputy Secretary, and the EPA Director for the Development, Community and Environment Division. For example, the high-level interagency task force is charged with collaborating in developing a federal funding program, called the Sustainable Communities Initiative, to encourage local governments to integrate their regional housing, transportation, and land use planning and investments by funding grants for local governments to reform their current zoning, building codes, and land use codes. This Sustainable Communities Initiative will be administered by HUD under the proposed Office of Sustainable Development and in consultation with DOT and EPA. The President's fiscal year 2010 budget request for HUD includes \$100 million in Regional Planning Grants, \$40 million for Community Challenge Grants, and \$10 million for joint DOT and HUD research efforts in its fiscal year 2010 budget. The partnership will also fund joint DOT, HUD, and EPA research and evaluation efforts and work to align the respective agency programs. In addition, a joint HUD-FTA working group, which was originally formed as part of the HUD-FTA action plan, will be one of several individual working groups that will support the DOT/HUD/EPA high-level interagency task force in implementing the partnership. According to HUD officials, the partnership is intended to supersede and incorporate the activities contemplated by the HUD-FTA action plan.

⁵⁵On June 16, 2009, it was announced that EPA joined DOT and HUD in the Partnership for Sustainable Communities.

⁵⁶Additional livability principles include valuing communities and neighborhoods, coordinating federal policies and leveraging federal investments, and enhancing economic competitiveness.

Based on our review, the three interagency efforts outlined a number of similar strategies and recommendations. For example, the CTOD report recommended that HUD explore regulatory and policy approaches that may increase the supply of affordable or mixed-income housing within transit corridors—a strategy outlined in the HUD-FTA action plan. In addition, all three interagency efforts have recommendations or strategies that encourage local jurisdictions to better integrate and coordinate their housing and transportation planning and to conduct research to better measure affordability. Table 3 provides a summary of recommendations and strategies made by the three interagency efforts.

Table 3: Summary of Strategies and Recommendations Made by the Three Interagency Efforts

Category	Center for Transit-Oriented Development Report (specific federal recommendations) April 2007	HUD-FTA action plan August 2008	Partnership for Sustainable Communities June 2009
Establishment of interagency working groups	Coordinate federal housing and transportation programs by establishing a HUD and FTA interagency working group	Implement Joint HUD-FTA Working Group	Establish a high level DOT/ HUD/EPA task force
Coordination of federal programs, policies, and requirements	Use transportation and housing policies and funding to encourage mixed-income housing near transit	Improve coordination of housing and transportation planning through HUD's Consolidated Plan, DOT's Transportation Planning requirements, and other mechanisms	Harmonize DOT, HUD, and EPA programs to identify opportunities to better coordinate their programs
		Identify regulatory barriers to affordable housing near transit	Coordinate federally mandated housing and transportation planning requirements
Opportunities for education and outreach		Identify opportunities for joint outreach to housing and transit providers and stakeholders Conduct briefings and workshops for HUD and FTA staff Enhance capacity-building program(s) by providing technical assistance to transit providers, public officials, and other stakeholders	
Changes in statutory requirements		Address affordable housing and mixed-income housing needs in new legislative initiatives	

Category	Center for Transit-Oriented Development Report (specific federal recommendations) April 2007	HUD-FTA action plan August 2008	Partnership for Sustainable Communities June 2009
Funding and financial incentives	Accelerate federal efforts to preserve existing affordable and market rate rental housing near transit Target HUD funding sources to build housing near transit facilities	Identify financial incentives for funding affordable housing near transit	Establish a competitive grant program for metropolitan areas to enhance integrated regional housing, transportation, and land use planning and investment
Performance measurement		Assess the effectiveness of the HUD-FTA action plan	Establish standards and performance measures
Research and development	Continue to study the causal relationships between housing markets and transit investments Consider implementing a federal affordability measurement that reports on the combined costs of housing and transportation	Identify opportunities for joint research and development policy analysis Develop a best practices manual for mixed-income housing near transit	Research, evaluate, and recommend measures that indicate the livability of communities, neighborhoods, and metropolitan areas Develop a federal housing affordability measure that includes housing and transportation costs

Source: GAO.

HUD and FTA Collaboration Has Not Yet Affected Federal Support to Local Housing and Transit Agencies

Although HUD and FTA's collaboration has produced numerous recommendations and strategies to promote affordable housing in transit-oriented developments, local officials told us these efforts have had little impact on local housing and transit agencies' planning and decision making. As we mentioned above, because housing and transportation planning and decision making is done by state and local jurisdictions, many of these recommendations and strategies could affect how local housing and transit agencies use federal programs to support their activities. However, since many of these strategies are relatively new and have yet to be implemented, it may be too soon to evaluate their effectiveness.

Furthermore, our review of the HUD-FTA action plan shows that while some of the strategies identify specific products or other deliverables—such as publishing a best practices manual in fiscal year 2010 or developing an outreach plan—many other strategies require additional research and analysis before any actual change to current federal policy or programs could be made. For example, both the CTOD report and the HUD-FTA action plan recommend identifying regulatory barriers to promote affordable housing in transit-oriented developments and identifying a range of incentives that could be adopted to support efforts

to include affordable housing in such developments. And while HUD has recently issued two competitive task order requests to implement some of the strategies, including identifying regulatory barriers identified in the HUD-FTA action plan, it will still take some time before these strategies can potentially benefit housing and transit agencies.⁵⁷ For example, under the terms of the first contract, three policy reports assessing—(1) state, federal, and local regulatory barriers to mixed-income housing in transit-oriented developments; (2) financing techniques available for mixed-income housing in transit-oriented developments; and (3) incentives through HUD and FTA programs—are due to be completed and published by July 1, 2010, almost 3 years after this assessment was first recommended by the CTOD report.⁵⁸ Once the agencies have identified the regulatory barriers, they need to take additional steps—some of which, such as public notice and comment periods, take time—to address those barriers. Furthermore, HUD and FTA must identify which areas may require congressional action to revise current statutory requirements. In addition, the second contract solicits the development of a model transportation and housing plan that can be utilized as a template by local jurisdictions; however, this plan is not expected to be completed until March 2011.

Because several strategies in both the HUD-FTA action plan and the Partnership for Sustainable Communities have no detailed implementation information available, it is unknown when and how these strategies could impact local housing and transit agencies. In our prior work examining a variety of federal programs, we have highlighted the importance of having implementation plans to build momentum and show progress from the

⁵⁷Both competitive task orders were issued on June 1, 2009, and must be awarded by September 30, 2009.

⁵⁸The first policy report is due to be delivered 3 months after the contract is awarded, the second policy report is due to be delivered 6 months after the contract is awarded, and the third policy report is due to be delivered 9 months after the contract is awarded.

outset.⁵⁹ For the Partnership for Sustainable Communities, the President's fiscal year 2010 budget request for HUD includes \$150 million for the Sustainable Communities Initiative. As part of this initiative, \$100 million is allocated for the proposed Regional Integrated Planning Grants program, which will award grants to local metropolitan areas or states that integrate their regional transportation, housing, and land use planning and investment. However, this budget has not been approved and therefore, no detailed information is available regarding the components of this program or how this program will be implemented. An example of the steps that HUD, in consultation with DOT and EPA, may need to take to implement this type of grant program can be seen with DOT's recent implementation of a similar type of grant program, the new Urban Partnership Agreement initiative. This initiative—a competitive grant program intended to demonstrate the feasibility and benefits of comprehensive, integrated, and innovative approaches to relieving congestion—illustrates the many steps required to implement a competitive grant program. DOT issued a *Federal Register* notice soliciting proposals for the Urban Partnership Agreement Initiative, set requirements for applications, created a multistep review process, and established terms and conditions of the agreement.⁶⁰ However, because there is no detailed information available on the proposed Regional Integrated Planning Grants program, it is unclear how grants will be awarded or when the program will be finalized. In addition, HUD and FTA officials stated they are still working to determine whether there will be any link between these competitive grants under the Sustainable Communities Initiative and the HUD-FTA development of a transportation and housing planning model.

Finally, local housing and transit agencies with whom we met were generally unaware of the collaboration between HUD and FTA. Many of

⁵⁹GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003); *Intercity Passenger Rail: Issues Associated with the Recent Settlement between Amtrak and the Consortium of Bombardier and Alstom*, [GAO-05-152](#) (Washington, D.C.: Dec. 1, 2004); *United States Coast Guard: Improvements Needed in Management and Oversight of Rescue System Acquisition*, [GAO-06-623](#) (Washington, D.C.: May 31, 2006); *Telecommunications: Full Adoption of Sound Transition Planning Practices by GSA and Selected Agencies Could Improve Planning Efforts*, [GAO-06-476](#) (Washington, D.C.: June 6, 2006); *2010 Census: Costs and Risks Must be Closely Monitored and Evaluated with Mitigation Plans in Place*, [GAO-06-822T](#) (Washington, D.C.: June 6, 2006); *FAA Airspace Redesign: An Analysis of the New York/New Jersey/Philadelphia Project*, [GAO-08-786](#) (Washington, D.C.: July 31, 2008).

⁶⁰71 Fed. Reg. 71231 (Dec. 8, 2006).

the local housing and transit agencies officials we interviewed stated they were not aware of the HUD-FTA action plan or that HUD and FTA had been working on this project. In addition, as part of our site visits, we interviewed officials from HUD regional and field offices and FTA regional offices. During these visits, we found that most of these regional officials had not received official copies of the HUD-FTA action plan, were unaware that the action plan was posted on the agencies' Web sites, and most were generally unaware of the plan's strategies. In addition, HUD and FTA headquarters officials noted that only headquarters staff were involved in the development of the action plan and did not receive any formal input from regional officials or local housing and transit agencies.⁶¹ We have highlighted in prior GAO reports that other federal agencies reach out to key stakeholders to collect input from stakeholders and gain support for the program both during the development of the program and during its implementation.⁶²

⁶¹On June 11, 2009, FTA Regional Administrators were briefed on the HUD-FTA action plan and notified that the HUD-FTA action plan was posted on FTA's Web site.

⁶²GAO, *Urban Partnership Agreements: Congestion Relief Initiative Holds Promise; Some Improvements Needed in Selection Process*, [GAO-09-154](#) (Washington D.C.: Mar. 25, 2009) and *Privacy and Security: Food and Drug Administration Faces Challenges in Establishing Protections for Its Postmarket Risk Analysis System*, [GAO-09-355](#) (Washington, D.C.: June 1, 2009).

DOT, HUD, and FTA Have Started Using Some Key Practices for Enhancing and Sustaining Collaboration, but a More Formal Approach and Other Practices Could Encourage Further Collaboration

Key practices for enhancing and sustaining collaboration could be used to help the agencies implement the HUD-FTA action plan and the recently announced Partnership for Sustainable Communities.⁶³ We have reported before that federal agencies often face a range of barriers when they attempt to collaborate with other agencies, including missions that are not mutually reinforcing, concerns about protecting jurisdictions over missions and controls over resources, and incompatible procedures, processes, data, and computer systems.⁶⁴ In our October 2005 report, we identified eight key practices federal agencies can undertake to overcome these barriers and enhance and sustain their collaborative efforts.⁶⁵ Table 4 summarizes the key practices and extent to which DOT, HUD, and FTA are using these key practices.⁶⁶ While these practices can facilitate greater collaboration among federal agencies, we recognize that other practices may also help to foster greater collaboration. In addition, while the specific ways in which agencies implement these practices may differ in light of the specific collaboration challenges each agency faces, we have previously recommended that federal agencies adopt a formal approach—to include practices such as a memorandum of agreement or formal incentives focused on collaboration signed by senior officials—to encourage further collaboration.⁶⁷

⁶³For the purpose of this report we use the term “collaboration” broadly to include interagency activities that others have variously defined as “cooperation,” “coordination,” “integration,” or “networking.” We have done so since there are no commonly accepted definitions for these terms and we are unable to make definitive distinctions between these different types of interagency activities.

⁶⁴GAO, *Managing for Results: Barriers to Interagency Coordination*, [GAO/GGD-00-106](#) (Washington, D.C.: Mar. 29, 2000).

⁶⁵See GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

⁶⁶Even though FTA is one of the four DOT surface transportation operating administrations, we have decided to separate DOT and FTA in our discussions of agency collaboration since FTA and HUD have initiated collaboration efforts individually prior to the Partnership for Sustainable Communities.

⁶⁷GAO, *Rural Economic Development: Collaboration between SBA and USDA Could Be Improved*, [GAO-08-1123](#) (Washington, D.C.: Sept. 18, 2009).

Table 4: Eight Key Practices Federal Agencies Can Undertake to Enhance and Sustain Collaborative Efforts and the Extent to which DOT's, HUD's, and FTA's Collaboration Efforts Are Consistent with These Key Practices

Key practice	The agencies have not taken any action consistent with the key practice	The agencies have identified and initiated one or more actions that are consistent with the key practice	The agencies have implemented actions consistent with the key practice by adopting a formal approach such as a memorandum of agreement or formal incentives
<i>Define and articulate a common outcome:</i> To overcome significant differences in agency cultures and established ways of doing business, collaborating agencies must have a clear and compelling rationale to work together.		√	
<i>Establish mutually reinforcing or joint strategies:</i> To achieve a common outcome, collaborating agencies need to establish strategies that work in concert with those of their partners or are joint in nature.		√	
<i>Identify and address needs by leveraging resources:</i> Collaborating agencies should identify the human, information technology, physical, and financial resources needed to initiate or sustain their collaborative effort. By assessing their relative strengths and limitations, agencies can look for opportunities to address resources needs by leveraging each other's resources.		√	
<i>Agree on agency roles and responsibilities:</i> Collaborating agencies should work together to define and agree on their respective roles and responsibilities, including how the collaborative effort will be led.		√	
<i>Establish compatible policies, procedures, and other means to operate across agency boundaries:</i> To facilitate collaboration, agencies need to address the compatibility of standards, policies, procedures, and data systems that will be used in the collaborative efforts.	√		
<i>Develop mechanisms to monitor, evaluate, and report on results:</i> Agencies involved in collaborative efforts need to create the means to monitor and evaluate their efforts to enable them to identify areas for improvement.	√		

Key practice	The agencies have not taken any action consistent with the key practice	The agencies have identified and initiated one or more actions that are consistent with the key practice	The agencies have implemented actions consistent with the key practice by adopting a formal approach such as a memorandum of agreement or formal incentives
<p><i>Reinforce agency accountability for collaborative efforts through agency plans and reports:</i> Collaborating agencies should ensure that goals are consistent and, as appropriate, program efforts are mutually reinforced through tools such as strategic and annual performance plans.</p>		√	
<p><i>Reinforce individual accountability for collaborative efforts through performance management systems:</i> Collaborating agencies should use their performance management systems to strengthen accountability for results, specifically by placing greater emphasis on fostering the necessary collaboration both within and across organizational boundaries to achieve results.</p>	√		

Source: GAO analysis.

In comparing the agencies' collaboration—through the interagency agreement, the HUD-FTA action plan and the Partnership for Sustainable Communities—to these key practices, we found that the agencies have taken some initial actions that are consistent with some of the key practices; however, these actions have not been fully formalized. Even though some of the interagency efforts are still in the early stages—such as the HUD-FTA action plan and the Partnership for Sustainable Communities—and implementation has only recently started, collaboration between the agencies started back in 2005 with their interagency agreement.

- The agencies have started *defining and articulating a common outcome*, through the three interagency efforts, to highlight a compelling rationale for why the agencies have to collaborate, by establishing some goals for their collaboration efforts. These goals include expanding mixed-income and affordable housing choices near transit, developing a more comprehensive approach on housing and transportation affordability, and preserving existing affordable housing. However, the development of a common outcome takes place over time and requires sustained resources and commitment by both agencies staff. The agencies have only recently begun allocating resources to implementing the strategies and

recommendations produced by the efforts and assigning staff to work on the various interagency working groups to implement these strategies and recommendations.

- The agencies have identified and taken steps to *establish mutually reinforcing or joint strategies* that were developed in both the HUD-FTA action plan and the Partnership for Sustainable Communities. For example, the HUD-FTA action plan calls for identifying opportunities for joint research and development, improving coordination of local housing and transportation planning through federal housing and transportation programs, and identifying financial incentives to local communities through both HUD and FTA funding programs. By establishing these reinforcing strategies, the agencies can align core processes and resources to accomplish the common outcome. However, while the agencies have started implementing some of these reinforcing strategies, such as awarding the contract to prepare an outreach plan, and have recently adopted a shared set of principles, a number of these efforts require additional research and analysis, and therefore, it is too soon to determine how the agencies will integrate these reinforcing strategies into current agency processes and resources.
- HUD and FTA have *identified and started leveraging resources* needed to initiate or sustain their collaboration efforts by allocating funding to start implementing a number of the HUD-FTA action plan strategies and proposing funds for the Partnership of Sustainable Communities, through the proposed Sustainable Communities Initiative in the fiscal year 2010 HUD budget. In addition, the agencies have assigned staff to work on the interagency task force and have established four interagency working groups to work on a number of items, such as developing performance measures and identifying barriers to coordinated housing and transportation investments. However, the most significant resource investment, \$150 million for the Sustainable Communities Initiative, has not yet been approved by Congress, and therefore, the initiative's final budget is unclear.
- The agencies have started to *define and agree on their respective roles and responsibilities*, and in doing so, are beginning to clarify who will do what, identify how to organize their joint and individual efforts, and facilitate their decision making. For example, under the Partnership for Sustainable Communities, DOT and HUD have formed an interagency task force to implement the specific programs and policies of the initiative and plans to have HUD administer the Regional Integrated Planning Grants program, in consultation with DOT, EPA, and other federal agencies. However, while the DOT-HUD high-level interagency task force has

conducted numerous meetings, and has scheduled future meetings, to discuss goals, objectives, implementation issues, and establish working groups, the agencies have yet to formally determine and document how specific roles and responsibilities will be divided.

- There have been actions taken to *reinforce agency accountability* through strategic and annual performance plans. For example, our review of both agencies' recent strategic and annual performance plans found that while only HUD had included the collaboration efforts with FTA in its 2008 annual performance review, officials in both agencies noted they would be updating their strategic plans and annual performance plans to include their collaboration efforts.

Based on interviews with HUD and FTA officials, there are several other key collaboration practices the agencies have not yet begun to implement. These key practices include establishing compatible policies, procedures, and other means to operate across agency boundaries; developing a mechanism to monitor, evaluate, and report results; and reinforcing individual accountability for collaborative efforts through performance management systems. Adopting each of these key practices could enhance the agencies' collaboration, and the effectiveness of both the HUD-FTA action plan and the Partnership for Sustainable Communities.

- For example, in each of the interagency efforts, strategies and recommendations call for increasing research and development between the agencies. In the HUD-FTA action plan, the agencies have identified eight specific topics for joint research to include development of tools, techniques, and methods for addressing housing and transportation expenditures, improving the use of geographical information systems, and monitoring and assessing the effectiveness of policies and tools that have been deployed to promote mixed-income housing in transit-oriented developments. To facilitate this collaboration, the agencies need to address the *compatibility of standards, policies, procedures, and data systems* that will be used. However, according to HUD and FTA officials, there has been no assessment on whether any compatibility exists or can be established.
- The HUD-FTA action plan calls for the joint HUD-FTA working group to develop performance measures and an associated management information system which, in part, would require that HUD and FTA determine if there are reliable data available for assessing the effectiveness of the results of joint actions taken by the two agencies. This is in line with a key practice to *develop a mechanism to monitor, evaluate, and report results*. In addition, we have previously reported that

the annual performance planning processes under the Government Performance and Results Act (GPRA) allow agencies to foster greater collaboration by ensuring that collaborating agencies' individual program goals are complementary and, as appropriate, common performance measures are used.⁶⁸ However, agency officials reported that there has been no effort to establish a monitoring system or to determine whether current data systems would be able to provide reliable data that would be needed to identify areas for improvement. In addition, as we stated above, the current scarcity of reliable housing data and limitations on transit modeling would need to be addressed to make sure the agencies develop an effective performance measurement system.

- Agencies can strengthen collaboration by *reinforcing individual accountability* through their performance management systems. HUD and DOT officials stated they have not implemented any changes to their performance management systems to reflect better coordination efforts between their respective agencies' staffs.

Inherent to each of these eight practices, factors such as leadership and trust are key to establishing collaborative working relationships. These factors can foster a collaborative culture and therefore help agencies overcome the barriers they face when they attempt to collaborate. In addition to these eight practices, there are other management tools available that can foster greater collaboration among federal agencies. For example, GPRA, with its focus on strategic planning, the development of long-term goals, and accountability for results, provides a framework that Congress, the Office of Management and Budget, and executive branch agencies can use to consider the appropriate mix of long-term strategic goals and strategies needed to identify and address federal goals that cut across agency boundaries.

Conclusions

One way to assist lower-income households, which are generally more transit dependent and thus more vulnerable to increased housing and transportation costs, is to increase the availability of affordable housing in transit-oriented developments. Since state and local governments are the main providers of affordable housing and transit services, they are on the front line of this issue. From our site visits and review of relevant studies, we found that some communities have programs and policies that

⁶⁸GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, [GAO-04-38](#) (Washington, D.C.: Mar. 10, 2004).

specifically promote affordable housing in transit-oriented developments, but most do not. Therefore, many communities that choose to build or preserve affordable housing near transit-oriented developments rely on broader affordable housing programs and other incentives that can be used wherever the development is located.

With HUD and FTA focusing on their individual core missions and, until recently, promoting affordable housing and transit separately, these agencies have not generally attempted to link federal housing and transportation programs. Furthermore, while there are federal requirements for both housing and transportation planning, traditionally these plans have not been integrated. In fact, some program requirements (such as the LIHTC) may limit the development of affordable housing in transit-oriented developments. Starting in 2005, HUD and FTA have collaborated to develop strategies for better coordination of their respective programs with the goal of helping to provide more affordable housing in transit-oriented developments. The strategies that HUD and FTA, and more recently DOT, have developed are in line with what housing and transit stakeholders have stated can assist local communities, and address some current weaknesses we found in the two agencies' independent programs and policies. While these strategies have the potential to assist local communities better link housing and transportation programs, only a few strategies—such as the best practices manual—have the potential to provide assistance in the near term. Many strategies, such as identifying regulatory barriers and financial incentives, still require additional research and analysis and others have only just been announced. In particular, any areas that may require congressional action to revise current statutory requirements may require the agencies to take additional steps. Without an implementation plan for each strategy, however, DOT and HUD run the risk of losing momentum. Given the number of steps and time it may take to implement the various strategies, including the proposed new regional planning grants, it will be important to establish an implementation plan that encompasses the various strategies in order for HUD and DOT to be better positioned to implement each of their strategies as their interagency efforts progress. The scarcity of reliable housing data and the limitations on transit modeling also limit the ability of DOT, HUD, and FTA to determine whether current and future efforts are ensuring the availability of affordable housing in transit-oriented developments. Therefore, without development of better data and data systems, which are key elements of any performance measurement system, the agencies will not have the information necessary to determine, among other things, whether they need to increase coordination or adjust existing strategies.

In addition, when comparing the agencies' collaboration to the key practices we have previously identified, we found that the agencies have taken actions that are consistent with some of the practices. However, the agencies had not taken actions on a number of practices—such as reinforcing individual accountability for collaborative efforts or developing mechanisms to monitor, evaluate, and report on results. Furthermore, without a formal approach to collaboration for all of the key practices, DOT, HUD, and FTA may miss opportunities to effectively leverage each other's unique strengths to promote affordable housing in transit-oriented developments.

Recommendations for Executive Action

To strengthen formal collaboration efforts, we recommend that the Secretary of Transportation should direct the Administrator of the Federal Transit Administration, and the Secretary of Housing and Urban Development should direct the appropriate program offices, to take the following three actions:

- Develop and publish an implementation plan for interagency efforts to promote affordable housing in transit-oriented developments, to include the HUD-FTA action plan and the Partnership for Sustainable Communities. This plan should include, but not be limited to, a project schedule, resource allocation, outreach measures, and a performance measurement strategy.
- Develop a plan to ensure that data collected on the various programs of the agencies related to affordable housing and transit are sufficient to measure the agencies' performance toward goals and outcomes established in the HUD-FTA action plan and the Partnership for Sustainable Communities.
- Adopt a formal approach to encourage further collaboration in promoting affordable housing in transit-oriented developments. Such an approach could include establishing and implementing a written agreement to include defining and articulating a common outcome; establishing mutually reinforcing or joint strategies; identifying and addressing needs by leveraging resources; agreeing on agency roles and responsibilities; establishing compatible policies, procedures, and other means to operate across agency boundaries; reinforcing agency accountability for collaborative efforts through agency plans and reports; and reinforcing individual accountability for collaborative efforts through performance management systems.

Agency Comments and Our Evaluation

We provided draft copies of this report to the Secretary of Transportation and the Secretary of Housing and Urban Development for their review and comment. DOT generally agreed to consider the recommendations in this report, and provided technical comments, which we incorporated, as appropriate. We also received technical comments from HUD that we have incorporated as appropriate. In written comments, HUD's Director of the Office of Departmental Operations and Coordination stated that HUD would consider the findings and recommendations of the report carefully as the agency continues its efforts to combine housing and transportation funds and resources near transit. The Director's letter is reprinted in appendix IV. Discussed below are the additional comments HUD had with certain aspects of the report and our response.

First, HUD stated that the definition of affordable housing used in the report is overly narrow in that we focused on subsidized housing and that affordable housing goes beyond subsidized housing for low- and moderate-income families. However, the definition of affordable housing used in the draft report is not limited to subsidized housing. Nor does the report suggest that subsidized housing is the only source of affordable housing; however, as we state in the report, national data on all affordable housing in transit-oriented developments are limited and there has been little research that specifically links transit-oriented developments to affordable housing. HUD also noted that we did not sufficiently look at the combined cost of housing and transportation, as a measure of affordability. We agree that the combined costs of housing and transportation are an important indicator of housing affordability and noted in our draft report that some organizations have worked to establish a link between housing and transportation costs by developing new measures of affordability. However, determining transit-oriented developments' effects on affordability—as defined by combined housing and transportation costs—is complicated due to a lack of national data including reliable data on subsidized housing.

Second, HUD commented that it has made significant progress on coordinating housing and transportation under the Partnership on Sustainable Communities. HUD cited some specific actions it has taken, including developing the six livability principles announced in June and creating four working groups to implement the partnership. While our draft report did mention these efforts and recognized other actions the agencies have taken consistent with some of the key practices for collaboration, we have added some additional discussion of the six livability principles and the four working groups. However, we believe that we correctly assessed the level of progress made by the agencies and

maintain that to sustain their initial efforts, it will be important for the agencies to meet the principles of interagency collaboration, which we discuss in the report.

Lastly, HUD noted that we overstated the issues associated with accuracy of HUD data on subsidized households. HUD stated in its comments that the data collected on subsidized housing are primarily intended for administrative purposes and may be sufficiently reliable for administrative purposes. We acknowledge in our report that HUD officials told us that the data are collected primarily for administrative purposes but we did not evaluate the reliability for those purposes. Rather, we discuss the data's limitations for monitoring, evaluating, and reporting results related to understanding the impact of transit-oriented development on the availability of certain affordable housing. In the report, we provide multiple reasons why we believe the data have gaps and inconsistencies beyond those associated with the Moving to Work program that make their use for geographic analysis limited. Reliable geographic information will be important for the department to measure the impact of its programs and make adjustments to those programs to ensure the availability of certain affordable housing in transit-oriented developments.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days after the date of this letter. At that time, we will send copies of this report to congressional committees with responsibilities for surface transportation and housing programs; DOT officials, including the Secretary of Transportation and the Administrator of FTA; and HUD officials, including the Secretary of Housing and Urban Development. This report will also be available on our home page at no charge at <http://www.gao.gov>.

If you have any question about this report, please contact us by e-mail at wised@gao.gov or by telephone at (202) 512-2834 or by e-mail at sciremj@gao.gov or by telephone at (202) 512-8678. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

Sincerely yours,



David Wise
Director, Physical Infrastructure Issues



Mathew J. Scirè
Director, Financial Markets and
Community Investment Issues

Appendix I: Scope and Methodology

To identify how transit-oriented developments affect the availability of affordable housing, we reviewed reports and studies issued by federal, state, and local agencies; transportation research organizations; and academia, as well as our past work in surface transportation and affordable housing. A GAO economist reviewed relevant reports and studies, which were identified by searching economics, housing, and transportation literature, and found their methodology and economic reasoning to be sound and sufficiently reliable for our purposes.

To identify how local, state, and federal agencies have worked to ensure that affordable housing, including housing subsidized through Department of Housing and Urban Development (HUD) programs, is available in and near transit-oriented developments, we interviewed Department of Transportation (DOT), Federal Transit Administration (FTA) officials, and HUD officials. We also conducted 11 site visits or interviews with state and local transportation and housing officials in Mesa, Phoenix, and Tempe, Arizona; Sacramento, California; Chicago, Illinois; Cleveland, Ohio; Jersey City and Hoboken, New Jersey; Portland, Oregon; Washington, D.C.; and Arlington, Virginia. We selected this nongeneralizable sample of metropolitan areas based on experience with transit-oriented development and if the area had received New Starts federal funding for construction of a local fixed-guideway transit system, and geographical diversity. During these site visits, we interviewed federal, state, and local housing and transportation officials and toured transit-oriented developments. In addition, we reviewed studies and documentation on how these and other metropolitan areas and states have promoted transit-oriented developments.

To identify to what extent do HUD, DOT, and FTA work together to ensure that transportation and affordable housing objectives are integrated in transit-oriented development projects, we reviewed documentation describing the collaborative efforts. We examined the mechanisms (e.g. interagency agreements, task force agendas, etc.) the agencies used to collaborate. Additionally, we interviewed agency officials on their knowledge of any past or future collaborative effort.

To determine what opportunities exist to enhance collaboration between HUD, DOT, and FTA, we reviewed our prior work on key practices that can help enhance and sustain collaboration and address barriers to more effective collaboration. We also obtained the views of agency officials, local housing and transit providers, transportation organizations, and nonprofit housing organizations with experience in developing, implementing, or analyzing these issues. Finally, we compared the

agencies' collaboration efforts with key practices that can help federal agencies enhance and sustain their collaborative efforts.

We conducted this performance audit from August 2008 to September 2009, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Types of Locations that Could Have Transit-Oriented Developments

Type	Definition
Regional center	Regional centers are the primary centers of economic and cultural activity in any region. These are the regional downtowns, and are characterized by a dense mix of housing and employment types, retail, and entertainment that cater to the regional market. They are served by a rich mix of transit modes that support all this activity, including high-capacity regional rail and bus, and local-serving bus.
Urban center	Urban centers contain a mix of residential, employment, retail, and entertainment uses, usually at slightly lower densities and intensities than in regional centers. Destinations draw residents from surrounding neighborhoods. These centers serve as commuter hubs for the larger region and are served by multiple transit options, often including rail and high-frequency regional bus or bus rapid transit, as well as local-serving bus.
Suburban center	Suburban centers contain a mix of residential, employment, retail, and entertainment uses, usually at intensities similar to that found in urban centers but lower than that in regional centers. Suburban centers can serve as both origins and destinations for commuters. They are typically connected to the regional transit network and include a mix of transit types—regional rail and bus, bus rapid transit, and local bus—with high-frequency service.
Transit town center	Transit town centers function more as local-serving centers of economic and community activity than either urban or suburban centers, and they attract fewer residents from the rest of the region. A variety of transit modes serve transit town centers, and there is a mix of origin and destination trips—primarily commuter service to jobs in the region. There is less secondary transit service when compared to regional centers, urban centers, or suburban centers. Secondary transit lines feed primary lines, often at intervals timed to facilitate transfers at the primary transit stations.
Urban neighborhood	Urban neighborhoods are primarily residential areas that are well-connected to regional centers and urban centers. Densities are moderate to high, and housing is usually mixed with local-serving retail. Commercial uses are limited to small businesses or some industry. Development is usually oriented along a well-connected street grid that is served by a secondary transit network. Transit is often less a focal point for activity than in the “center” types of locations, and stations may be located at the edge of two distinct neighborhoods.
Transit neighborhood	Transit neighborhoods are primarily residential areas that are served by rail service or high frequency bus lines that connect at one location. Densities are low to moderate and economic activity is not concentrated around stations, which may be located at the edge of two distinct neighborhoods. Secondary transit service is less frequent and less well connected. There is often not enough residential density to support much local-serving retail, but there are often retail nodes.
Special use or employment district	Special-use or employment districts are often single use—either they are low to moderate density employment centers, or are focused around a major institution such as a university, or an entertainment venue such as a stadium. Transit stations are not a focus of economic activity. Secondary transit service is infrequent and focused on stations; development tends to be more recent and the street grid may be less connected than in older neighborhoods.
Mixed-use corridor	Mixed-used corridors are a focus of economic and community activity but have no distinct center. These corridors are typically characterized by a mix of moderate-density buildings that house services, retail, employment, and civic or cultural uses. Many were developed along streetcar lines or other transit service. Mixed-use corridors are especially suitable for streetcars, bus rapid transit or other high-quality bus service with closely spaced stops.

Source: GAO summary of information from Reconnecting America and the Center for Transit-Oriented Development report on transit-oriented development.

Appendix III: Examples of LIHTC Programs that Award Points for Proximity to Transit or Transit-Oriented Developments

Arizona	Awards 10 points for projects located within the Phoenix or Tucson Metropolitan Statistical Areas that demonstrate indicators of sustainable development or transit-oriented development, including locating the project within 1 mile or less from a mass transit route or light rail line.
California	Awards 7 points for projects part of a transit-oriented development strategy where there is a transit station, rail station, commuter rail station, or bus station, or bus stop within one-fourth mile from the site with service at least every 30 minutes during the hours of 7 to 9 a.m. and 4 to 6 p.m., and the project's density will exceed 25 units per acre.
Georgia	Awards 3 points for projects designated as a transit-oriented development by a rapid transit authority or projects located within one-fourth mile walking distance of a rapid rail transit station along paved roads, sidewalks, established pedestrian walkways, or bike trails.
Illinois	Awards 1 point for projects that are part of a transit-oriented development strategy (located within four blocks) of a regular bus route, or to a rapid transit system stop, etc.
Maryland	Awards 5 points for projects that are part of a transit-oriented development—which is defined as having a density that exceeds 25 units per acre, involves mixed-use or is part of a larger mixed-use undertaking, and involves good nonmotorized transport design (walkability)—and are located within one-half mile of a mass or public transit or rail station, or are located within one-fourth mile of a bus depot or bus stop with scheduled service at intervals at most 30 minutes between the hours of 6:30 a.m. and 7:00 p.m. Awards 6 points for projects in which the buildings and the project site, including the nearby surroundings, provide opportunities for recreation, education, convenient access to mass transit or rail systems, and community activities.
New Jersey	Awards 10 points for projects that are located within a transit village. "Transit village" refers to a designation given by the New Jersey Department of Transportation to communities with a bus, train, light rail, or ferry station that has developed a plan to achieve its goals of transit-oriented development. The transit village program is designed to spur economic development, urban revitalization, and private-sector investment around passenger rail stations. Awards 1 point for projects located within one-half mile of public transportation.
Nevada	Awards 1 point for projects within one-fourth mile of local transit route.
Texas	Awards 4 points to projects located within one-fourth mile of public transportation that is accessible to all residents including persons with disabilities and/or located within a community that has "on demand" transportation, special transit service, or specialized elderly transportation for qualified elderly developments.

Source: GAO analysis of selected state Qualified Allocation Plans.

Appendix IV: Comments from the Department of Housing and Urban Development



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410

August 28, 2009

Mr. Mathew Scire
Director, Financial Markets and Community Investment
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Scire:

Thank you for the opportunity to comment on the Government Accountability Office (GAO) draft report GAO-09-871, "*Affordable Housing in Transit Oriented Development: Key Practices Could Enhance Recent Collaborations among DOT, FTA and HUD.*"

The topic of this report, expanding the availability of affordable housing near transit, is a top priority for this administration. In March of this year, HUD initiated a significant new partnership with DOT, and requested \$150 million for a new Sustainable Communities Initiative in our FY 2010 budget. In a short amount of time since taking office we have made extraordinary progress through the work of our Partnership for Sustainable Communities on expanding coordination between HUD, DOT, and, more recently, the Environmental Protection Agency.

We are pleased with the response so far of the House and Senate Appropriations Committees to our FY 2010 budget request, as well as the significant progress we have made since the start of the new Administration on aligning HUD and DOT programs. We have established a high-level Interagency Task Force, which has created four working groups to address the issues raised in the GAO report, have agreed on core Livability Principles that will provide a framework for our work, and are in the process of finalizing a Work Plan to implement the partnership's programs. We expect to finalize the Work Plan within the next thirty days.

GAO Findings

GAO's findings were inconclusive on the issue of whether transit oriented development adds to the cost of housing near transit. GAO found that due to a lack of direct research and data, determining the effects of TOD on housing is "complicated" and that in some cases (e.g. low-income areas in Buffalo) housing values actually declined near transit.

GAO also found few federal, state and local programs that are specifically targeted to developing affordable housing near transit, and that while HUD and FTA programs allow affordable housing near transit, there are few direct incentives housing in transit rich locations.

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**Appendix IV: Comments from the Department
of Housing and Urban Development**

GAO also assessed the progress of three partnerships that have been established between HUD and DOT since 2005, most recently the Sustainable Communities Partnership that HUD established with DOT in March of this year (and expanded to include EPA in June, 2009). GAO acknowledges progress in 5 of 8 “key practices” to enhance and sustainable collaborative efforts, but recommends that these should be formalized in a variety of ways. GAO also was concerned that HUD’s data on subsidized housing were not sufficiently accurate to “provide a full and accurate picture of the availability of subsidized housing” near transit.

HUD Comments:

In addition to the technical comments submitted separately we have the following comments on areas of the report where GAO did not accurately address the issues:

- *GAO’s definition of affordable housing is overly narrow.* The issue of housing affordability near transit goes beyond subsidized housing for low and moderate income families. However, the only measure of affordability that GAO focused on was that of subsidized housing. GAO did not sufficiently look at the availability of market rate affordable housing to working families, and the extent to which its availability is impacted by transit or transit oriented development.

More importantly, GAO failed to look at the *combined* cost of housing and transportation, as a measure of affordability (beyond a footnote on p. 2). The combined cost of housing and transportation may provide a better indication of the “true” cost of housing, in that the cost of housing near transit may be higher locations without access to transit, but this must be balanced against the relatively lower costs of transportation. These broader market trends are an important indicator of housing affordability, not just for low-income households but for moderate or middle income households who may not be able to afford to live near transit if housing costs are too high. We believe that in order to fully understand affordability trends, it will be critical to look at the combination of housing and transportation expenses for all income groups.

- *Significant progress has been made on coordinating housing and transportation under the new Administration’s Partnership on Sustainable Communities.* As noted above, coordination of housing and transportation has been one of the highest HUD priorities since this Administration took office in January. We included this topic as a significant new element in our FY 2010 budget, and are pleased with Congress’ response so far to this request. HUD Secretary Donovan and DOT Secretary LaHood testified twice before Congress on this issue, on March 18 before the House Appropriations Subcommittee on Transportation and Housing and Urban Development, and again on June 16 before the Senate Banking Committee when they were joined by EPA Administrator Jackson.

GAO only briefly references the six livability principles announced in June, which provides a new template for HUD, DOT and EPA to jointly address environmental, transportation and housing issues – the first such effort for federal agencies to establish a shared framework for future action and collaboration. GAO also does not describe the four Working Groups that have been created to implement the partnership, the progress that has been made in identifying barriers to coordinated housing and transportation investments, and the work that has begun on

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of Housing and Urban Development**

developing detailed performance measures that will provide metrics for measuring the success of the initiative in local communities. In addition, a Work Plan has been drafted, and is close to being finalized.

GAO overstates the issues associated with accuracy of HUD data on subsidized households for this study. While additional improvements can be made in improving the geocoding of the data reported by public housing authorities to HUD – and we are committed to making these improvements - we believe that HUD generally has current and good information on the location of HUD-subsidized units for the administrative purpose for which the data is being collected. Data collected is primarily intended to be used for administrative purposes and several issues prevent reliable long-term data analysis. However, there were gaps that GAO encountered for certain communities for the period of this study: 32 PHAs were not required to submit data for housing choice vouchers or public housing units from 2000 to 2006 due to participation in the Moving to Work program. All housing authorities are currently required to report, so that those gaps no longer exist.

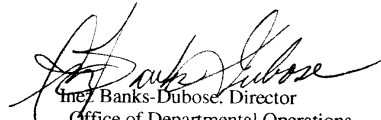
GAO Recommendations

GAO recommended three actions to “strengthen formal collaboration” between HUD and DOT: (1) publishing an implementation plan for both the HUD-FTA action plan and the Partnership for Sustainable Communities; (2) developing a plan to improve data quality to enhance performance measurement; and (3) adopting a “formal approach” to promoting affordable housing in transit oriented developments.

Please note that we are already in the process of implementing these recommendations, in that, as noted above, a detailed three-agency implementation plan is close to being finalized, and we are continuing to formalize the partnership with DOT and EPA through a variety of other means, using the two partnership agreements announced in March 18 and June 16 as the starting point. Table 4 in the report - which includes eight practices recommended by GAO for sustainable interagency collaboration - provides an excellent framework for formalizing these efforts. Our FY 2010 budget also includes a request for significant enhancements of HUD’s data systems.

Accordingly, we will consider your findings and recommendations carefully as we continue our efforts to combine housing and transportation funds and resources near transit, and more broadly to address the interest of Congress and the affordable housing industry in sustainable community development.

Sincerely,



Inez Banks-Dubose, Director
Office of Departmental Operations
and Coordination

Appendix V: GAO Contacts and Staff Acknowledgments

GAO Contacts

David Wise (202) 512-2834 or wised@gao.gov
Mathew Scirè (202) 512-8678 or sciremj@gao.gov

Staff Acknowledgments

In addition to the individuals named above, Raymond Sendejas, Assistant Director; Paul Schmidt, Assistant Director; Lauren Calhoun; Melinda Cordero; Delwen Jones; Anar Ladhani; Terence Lam; Matthew LaTour; Sara Ann Moessbauer; Josh Ormond; Andrew Pauline; Linda Rego; and Tim Schindler made key contributions to this report.

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