

**TRANSPORTATION AND HOUSING AND URBAN
DEVELOPMENT, AND RELATED AGENCIES
APPROPRIATIONS FOR FISCAL YEAR 2011**

THURSDAY, MAY 6, 2010

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Patty Murray (chairman) presiding.
Present: Senators Murray and Bond.

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

STATEMENT OF HON. RAY LAHOOD, SECRETARY

OPENING STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Good morning. This subcommittee will come to order.

I want to welcome both of our witnesses today and thank you for coming here and being a part of this today.

Last year, the administration launched the Interagency Partnership for Sustainable Communities. This partnership, among the Departments of Transportation, Housing and Urban Development, and the Environmental Protection Agency, represents an effort to use Federal resources more effectively to help our communities create livable and sustainable communities.

This morning, we are pleased that DOT Secretary LaHood and HUD Secretary Donovan are here today to talk about their Departments' funding requests to support that partnership. This hearing provides us a very important opportunity for us to hear how these Departments are working together and how their budget proposals will help communities across the country.

All across the country, Americans are making decisions about where to live, where to work, where to raise their families. They are evaluating where they can get a job, where they can afford to live, how much time and money their commute will cost, and what schools and services a community can offer.

As the most significant expenses for most families, transportation and housing are central to those decisions. But the costs aren't limited just to dollars and cents. The tradeoffs impact quality of life and future opportunities.

In communities across our country, in small towns and large urban centers, local leaders understand the issues facing their communities, and they are seeking ways to address the challenges of congestion and affordable housing, pollution, and lack of jobs. Importantly, they recognize that the health of their communities depends on taking a comprehensive approach to those challenges.

The economic crisis has made the obstacles to affordable housing and economic competitiveness that much greater. We have seen millions of families become overwhelmed by unaffordable housing costs, entire communities devastated by the foreclosure crisis, and local economies struggle with the loss of entire industries.

But as we know, efforts to create sustainable communities can be part of the solution. Many of our communities are still growing and need to decide for themselves what they want to look like as they develop. This isn't always about whether or not we should build a road, but where and how to build those roads so they get people where they need to go and how to create transportation alternatives so people don't have to get in their car if a bus or a bike or a subway could work better.

Other communities aren't growing. Instead, they are trying to figure out the right way to reduce their size and create viable neighborhoods and a smaller footprint, ones that are connected to jobs in retail and essential services. Taking a comprehensive approach to housing and transportation is not about dreaming and idealism. It is about real decisions that our communities make each day.

There is a perfect example of this in my home State of Washington. For years, leaders of the city of Bellevue have worked with residents and local businesses on a coordinated approach to developing the Bellevue-Redmond Corridor, which serves as a major thoroughfare connecting Bellevue and the city of Redmond.

This Bell-Red Corridor plan is a perfect example of the type of comprehensive approach to sustainable, environmentally conscious development we are trying to encourage with the Sustainable Communities Initiative. It is a plan that melds housing, transportation, and investments to support economic growth and job creation.

By better aligning Federal programs, this partnership among HUD, DOT, and EPA can support the work that is already happening in Bellevue and other communities across the country, unfortunately, because many of our Federal programs are based on outdated rules and regulations and thinking, they do not reward innovation and collaboration.

Distinct programs and funding sources managed by different agencies and governed by different and often conflicting rules can make it difficult to coordinate funding streams. And sadly, the Federal Government provides little incentive for communities to think comprehensively about housing and transportation. That is why I worked last year to include the TIGER program in the Recovery Act and in the fiscal year 2010 appropriations act.

That program offers communities the opportunity to fund the best solution to their transportation needs without the Federal Government prescribing whether that solution should be a road or a transit service or railroad. But I believe that traditional pro-

grams should also help communities coordinate their housing and transportation plans.

On the Federal level, we need to do more to reward and promote innovation. These incentives should not change the fundamental principle that choices about housing and transportation and economic development are best made at the local level. At the same time, Federal policies do impact the choices that communities make, and we should be designing policies that promote economic competitiveness, affordable housing, and energy efficient and healthy communities.

HUD, DOT, and EPA have developed livability principles to serve as a foundation for their partnership. But the hard work will come in applying those principles. The President's budget includes several new proposals for sustainable communities, including \$527 million for programs at the Department of Transportation and \$150 million for programs at the Department of Housing and Urban Development. This is a significant investment, and the budget materials provide few details on how these resources would be used.

I want to understand the long-term benefits of those investments to our communities and our transportation system and our economy. This subcommittee must decide how to allocate resources to meet the various transportation and housing needs across the country, and because our resources are so limited, we need to closely examine all budget proposals. So I will have questions today on the specific criteria for each of these programs and the standards that we will be using to evaluate their success.

I will also have questions on the appropriate role for each of the Departments. The administration has laid out a framework by which HUD will be the lead on planning, DOT will provide capacity building, and EPA will deliver technical assistance. While I understand the importance of defining clear roles for each of the agencies, I am concerned that these roles may unintentionally reinforce existing silos.

Within HUD, the fiscal year 2011 budget requests an additional \$150 million for the Sustainable Communities Initiative, which Congress first funded in fiscal year 2010. This funding is intended to help communities on a regional and local level gain the tools and capacity to develop and implement comprehensive plans that integrate transportation and housing.

In order to develop its NOFA for the fiscal year 2010 funding, HUD has spent a great deal of time working with DOT and EPA to get feedback from communities and other stakeholders on how to most effectively design these programs. I support these efforts to make sure these policies are designed to meet the needs of communities. But at the same time, there needs to be clarity of purpose for this initiative and for these Federal resources.

So I will have questions on how to balance the need to provide communities with the flexibility to address their specific needs with the need to have some structure at the Federal level to make sure they are sound Federal investments.

The budget proposal from the Department of Transportation includes \$200 million for grants to provide transportation planners with the analytical tools to develop more reliable forecasts. The administration has proposed paying for these grants with funds taken

from the regular highway program, and I have very serious concerns about that.

DOT's proposal also includes \$307 million in existing transit funds that have been combined into a new livable communities account, but without any apparent change in the purpose. I look forward to hearing more rationale for this proposal, and I will also have questions about how these proposals for DOT fit into our larger debate over reauthorization.

Americans have long realized that quality transportation and housing are critical elements for vibrant communities that can foster private sector investment and create good jobs. I believe this interagency partnership has the potential to address many of the challenges that communities are facing and help them achieve those goals.

There is no one-size-fits-all approach to the many transportation and housing challenges our communities face. The Federal Government cannot prescribe the solutions, but it should be able to assist communities in developing them and provide the appropriate incentives to do so.

Changing practices and thinking in our Federal Departments and local communities will not be easy. People are always comfortable with what they know, and change is difficult. So I commend each of you for the leadership you have demonstrated in breaking down silos and pushing for leaders on the Federal and community level to think in a new way about the best way to make Federal investments.

With that, I will turn it over to my ranking member, Senator Kit Bond for his opening statement.

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you, Madam Chair.

And welcome, Secretary LaHood and Secretary Donovan. We appreciate both of them coming today, good friends who are working with us on things that are very, very important in our States and throughout the country.

And today's hearing is about coordinating Federal housing and transportation investment in our communities. If done properly, this cooperation between Government agencies could be a way to stretch responsibly taxpayer dollars and truly get the best bang for the buck.

However, as I indicated to you gentlemen prior to the hearing, I have a philosophical question about that because this seems to indicate that the Federal Government is the one that is going to decide what makes a community livable. And I am concerned that we are looking to the Federal Government to be involved in the decisionmaking.

Now we already know that the Federal Government helps fund the planning agency. We have got planning agencies at home, the MPOs, the RPCs. Their job is to work local officials and get local input and decide which way their communities should grow, what they need, and I want to support that effort.

The chair mentioned Bellevue, Washington, and I could go around the State of Missouri to tell you about Columbia, Missouri, which wants bike paths. Everybody else wants roads. They want

bike paths. We fought to get them bike paths. St. Charles needs a river dredged. We want to try to help St. Charles get the river dredged.

I am not as confident that entrusting Federal decisionmakers in Washington to lead the process and tell communities how they should go is the right way to grow. I have fought for years to say that we have the plans at the local level, and we want to work with you to make sure that your agencies carry out their core responsibilities to provide our communities the roads, highways, and bridges they need and the affordable, low-cost housing and public housing that are needed.

And I want to make sure that these decisions are supported by the Federal Government. I do not see it as the responsibility of any Federal agency to tell our towns and cities what would make their communities more livable or sustainable or even to try to define the term of what they want their communities to be.

They want it livable. They want it sustainable. I am concerned about it, and I have, for example, I have mentioned previously when you asked people in Missouri, the part of Missouri I live in what makes—how DOT can help us make a livable community. Their answer is going to be to make the highways safer because, well, in rural areas people have to travel.

They work on farms. They live in dispersed cities. They have to travel. Their children have to go to school. Their elderly have to get healthcare. Our roads and bridges in Missouri are out of date. We kill over 1,000 people a year, almost 3 people a day, and at least one-third of those deaths are attributable to unsafe highway conditions.

And on the other side, there are housing shortages. There are rental housing shortages in some areas. There are things that we need to work on, and we appreciate the working cooperation with HUD to make sure we take care of those needs.

But I want to see these decisions made at the local level, but I want to thank HUD especially for the efforts that you have made. We have got some, what is it, 900 pages of comments on what they want at the local level.

Well, I—just to be frank, I don't have any question—I know planners, and I have worked with planners. And if you go out and tell a bunch of planners that we would like to get your plans to see how you could spend the money to plan to take care of our priorities, they would be more than happy to submit plans for how they are going to use more money to plan. And if it is only 900 pages, they are just not trying.

But I want to see those planning efforts focused on planning at the local level for what they need to do.

And again, I share the same concerns that the chair mentioned that we have a very tight budget, and I have complained about this before. We have got so many demands at the same time we have a record budget this year of \$1.6 trillion, 10.6 percent of our GDP. We are borrowing that from our children and grandchildren, and we have to keep our spending under control.

And I am concerned about committing scarce dollars, an \$827 million program that we can't even name, when we have really pressing needs in transportation and housing that we have already

identified. And I would like to see the money in highways spent on highways. We need a lot more of it there, and we have tremendous needs in the housing area.

And I am still looking, Mr. Secretary, for the rationale on which HUD awarded the \$2 billion in competitive neighborhood stabilization program grants. I would like to see some more transparency in that process. And I would like to see the criteria on which the TIGER grant applications were awarded and what were their ratings.

Basically, we want to see more transparency at the Federal level. But I am very interested in making sure that the dollars that we have available go to the core responsibilities that you have and that we don't take money away from programs which I believe are already pressed, and that is the housing program, the transportation program. We have got more needs than we can reasonably afford with what is likely to be people tell me a tight budget allocation.

And I would close by just saying that we hope that you will go back to the process that we have specified in law before and will again that Congress be notified 3 days prior to announcement with backup materials and information on how awards were made, where they are discretionary awards made by HUD, where those monies are going, and we would like to know—and how they were selected. We would like to know the same thing from the Department of Transportation.

But I thank you very much for the work that you have done on it. I am still confused about what we are trying to do. If you all can't agree whether it is livability or sustainability and the fact that you will know it when you see it, if that is going to be the criterion, I think that is a criterion that the local leadership can choose and can apply better than we in Washington can.

Thank you, Madam Chair.

Senator MURRAY. Thank you very much, Senator Bond.

With that, again we welcome both of our witnesses today, and Secretary LaHood, we are going to begin with your testimony.

STATEMENT OF HON. RAY LAHOOD

Secretary LAHOOD. Madam Chair and Ranking Member Bond, thank you for your leadership on so many of these issues that we deal with on a daily basis. We are grateful to you for all that you do to enable us to carry out the mandates of Congress, and we also thank you for the opportunity to discuss the Department of Transportation's efforts to promote livable communities through our current programs and to highlight our related budget request for fiscal year 2011.

Over the last 16 months, I have traveled to 80 cities in 38 States, and everywhere I go, Americans are asking for more public transportation, more walkable neighborhoods, less congestion, and less sprawl. Livable communities are in great demand because they make financial and economic sense.

Transportation and housing are the two largest household expenses for the average American family. In order to reduce those costs and strengthen our communities, we must rethink our plan-

ning, our priorities, and our investments in the Nation's transportation infrastructure.

We need a new approach that will improve the quality of life in cities and towns across this country while helping us to save billions in infrastructure and energy costs through the application of livable and smart growth principles we have developed with our friends at HUD and EPA. We are already making substantial progress by creatively leveraging our existing programs, and we have clearly demonstrated that the American people believe we are headed in the right direction.

We recently funded a project in Dubuque, Iowa, to design streets that are attractive, convenient, and safe for a broad range of transportation users. Dubuque's efforts helped to attract an IBM employment center of more than 1,500 people to the city.

In Seattle's Mercer Corridor, a hub for biotechnology companies, we are investing in better roads with bicycle lanes, improved access to transit, and upgrading local water, sewer, and electrical infrastructure. These improvements will help attract and retain a well-qualified workforce to Seattle's biotech community.

And one other noteworthy project, which I have mentioned before when I have been here, Kansas City, Missouri, where they are taking a 150-block distressed urban community called Green Impact Zone to significantly expand transit and pedestrian facilities for the first time in the community's history. This offers residents brand-new access to clean, reliable transportation to get to jobs, schools, hospitals, and connect with the rest of downtown.

This project in particular is a national model demonstration of integrating place-based investments—how place-based investments can apply the principles of sustainability to help transform a community. In addition, our decision earlier this year to include a range of livable criteria evaluating transit capital projects through FTA's New Starts program also elicited a huge outpouring of support.

Meanwhile, we are helping to educate and empower local communities on how to make livable projects a reality by providing information and training in new ways. This includes guidance on transit-oriented development we have prepared with HUD. Elected officials, planners, and developers should find this information very valuable.

We released a notice of finding for a pilot program administered by the FTA that will enable urban and rural communities to put more buses, trolleys, and other local transit on the street. And along with our friends at EPA, we are sharing our expertise in support of HUD's efforts to award planning and challenge grants to help communities become laboratories for sustainability.

Looking ahead to 2011, the President's budget includes \$520 million for a livable community program that will accomplish several key objectives. It will establish an Office of Livability to ensure we lead and coordinate our livable-related programs and grants DOT wide and create appropriate performance measures.

Too often local governments and planners do not have access to the best, most comprehensive information that is essential to making better, more informed transportation investments that generate

the desired outcomes. We must remedy that in partnership with our friends at HUD and EPA.

PREPARED STATEMENT

We will fund transit and capacity-building initiatives that give State and local governments the tools, resources, and assistance they need to better coordinate transportation, housing, land use planning, and water infrastructure. Our livable proposal is a starting point for a bold new approach to revitalize the Nation's transportation infrastructure. The President's budget and the administration's future surface transportation proposals reflect these and many other innovative ideas.

We look forward to your questions following Secretary Donovan's testimony.

Senator MURRAY. Thank you very much, Mr. Secretary.
[The statement follows:]

PREPARED STATEMENT OF HON. RAY LAHOOD

Thank you for inviting me to appear before you today to discuss the Department of Transportation's (DOT) current efforts to promote livable communities through our existing programs and our budget request for fiscal year 2011.

INTERAGENCY PARTNERSHIP FOR SUSTAINABLE COMMUNITIES

As a Nation, we pride ourselves on the livability of our communities, one in which every American has access to affordable housing, good transportation choices and access to jobs. Making America's communities more livable is a key part of the President's agenda, and the administration is already making important advancements in this area. Last June, DOT joined forces with the Department of Housing and Urban Development (HUD) and the Environmental Protection Agency (EPA) to stimulate comprehensive regional and community planning efforts that integrate transportation, housing, energy and other critical investments. Together, we will help State and local governments make smarter investments in their transportation infrastructure, in order to better leverage that investment, and to advance sustainable development.

The Department's budget allocates over \$500 million toward this effort. It's an investment that is already receiving national attention. As I have traveled around the country soliciting input on our Surface Transportation Reauthorization, I heard resounding support for our livability initiative. The feedback has been clear: it's time to rethink how we are investing in our Nation's communities.

Toward this effort, DOT, HUD, and EPA have developed the following principles to guide our shared efforts to promote livability:

- Provide More Transportation Choices.*—Develop safe, reliable and economical transportation choices to decrease household transportation costs, reduce our Nation's dependence on foreign oil, improve air quality, reduce greenhouse gas emissions and promote public health.
- Promote Equitable, Affordable Housing.*—Expand location- and energy-efficient housing choices for people of all ages, incomes, races and ethnicities to increase mobility and lower the combined cost of housing and transportation.
- Enhance Economic Competitiveness.*—Improve economic competitiveness through reliable and timely access to employment centers, educational opportunities, services and other basic needs by workers as well as expanded business access to markets.
- Support Existing Communities.*—Target Federal funding toward existing communities—through such strategies as transit oriented, mixed-use development and land recycling—to increase community revitalization, improve the efficiency of public works investments, and safeguard rural landscapes.
- Coordinate and Leverage Federal Policies and Investment.*—Align Federal policies and funding to remove barriers to collaboration, leverage funding and increase the accountability and effectiveness of all levels of government to plan for future growth, including making smart energy choices such as locally generated renewable energy.

—*Value Communities and Neighborhoods.*—Enhance the unique characteristics of all communities by investing in healthy, safe and walkable neighborhoods—rural, urban or suburban.

CURRENT DOT AND PARTNERSHIP EFFORTS

DOT has already begun using these principles in its programs.

For example, the recent change in the criteria for FTA's New Starts grants will ensure that the Department considers livability in its funding recommendations of transit capital investments. Previously, cost-effectiveness was the primary factor used in making a recommendation for construction funding, a criterion that uses travel time savings to quantify a project's benefits as a comparison to project cost. FTA will now equally consider cost-effectiveness, and economic, environmental, and livability factors to determine the best use of funds.

We are also making tools available to transportation professionals and the public to build their capacity to implement livability projects at the community level. For example, DOT and HUD produced an action guide last November to help planners implement mixed-income transit oriented development and regional transit corridor planning. This guide, now available online, takes planners step-by-step through the data gathering and planning process. DOT is also working to develop an online database for transit-oriented development, which includes over 4,000 existing and planned rail/transit stations. This database will provide a central resource of transit planning information for developers, and will be available to the public by the end of the summer.

To foster the preservation and enhancement of urban and rural communities by providing better access to jobs, healthcare and education, DOT released a Notice of Funding Availability (NOFA) in December for two new pilot programs that would provide funding for livability projects from existing funds: up to \$150 million is available for bus livability projects and \$130 million for urban circulator grants.

DOT and EPA are also supporting the development of HUD's NOFA for sustainable community grants authorized in the fiscal year 2010 budget. DOT and HUD collaborated in the grant selection process and are providing staff to assist communities that received EPA's smart growth technical assistance grants. Through these discretionary grant and technical assistance dollars, DOT, HUD, and EPA are providing States and communities with opportunities to build the livable communities that are so important to their economic growth and quality of life.

LIVABLE COMMUNITIES PROMOTE QUALITY OF LIFE

Citizens are changing their preferences toward livable communities, and State and local governments are responding to constituent demands. In fact, EPA has found through consumer surveys that at least one-third of the consumer real estate market prefers a mixed use, transit-oriented community. The needs and desires of the U.S. home buyer also are changing: many consumers in the early 1990s had a preference for golf courses and other recreational amenities. Today, surveys indicate that many consumers prefer walkable communities—communities characterized by pedestrian access and a sense of connection, community, and diversity.

Livable communities are in high demand because they make financial and economic sense. Transportation and housing are the two largest expenses for the average American household. Reducing the need for private motor vehicle trips by providing access to other transportation choices can lower the average household expenditure on transportation, freeing up money for housing, education, and savings. Realtors, developers, and investors recognize that an increase in walkability translates into a higher home value.

The application of livability strategies can also save billions in infrastructure investment. For example, Envision Utah brought together residents, elected officials, developers, conservationists, business leaders, and other interested parties to participate in the development of a growth plan for Salt Lake City and the surrounding area. The process, which included outreach and comprehensive planning efforts, will help preserve critical lands, promote water conservation and clean air, promote public health, improve the region-wide transportation systems, and provide housing options for all kinds of residents. By coordinating investments, the plan saved \$4.5 billion in infrastructure costs over the last decade. This example shows that as we make our communities more livable, we can also decrease the strain on natural resources, decrease greenhouse gases, improve air quality, and promote public health by supplying more efficient options for transportation and housing—all while decreasing infrastructure costs and the burden on the American taxpayer.

LIVABLE COMMUNITIES' INVESTMENTS SUPPORT BOTH RURAL AND URBAN COMMUNITIES

Livability also can play a substantial role in small towns and rural communities. The concept of livability comes from rural towns with a town center that is walkable and accessible to all ages and income groups. Rural communities, however, face special challenges that threaten traditional community design. Past transportation policies have resulted in many rural Main Streets being bypassed by the interstate highway system, which contributed to the decline of once-vibrant business centers. Many rural communities located close to cities have lost farm land and open space as urban areas subsume them. Transportation costs are often significantly higher for residents of rural communities, especially those with longer commutes to employment centers. Better coordination of housing and transportation will lead to policies and programs that protect and safeguard open space and agricultural land in rural areas, preserve the historical culture of rural city centers, and provide rural residents with transportation options that decrease their household costs.

Livability will certainly take a different form in rural areas than in urban city centers, but a small town with a walkable, main street lined with spaces for retail, employment and housing is something we can all picture. Franklin, Tennessee is a small city 25 miles southwest of Nashville that has adopted land-use plans and has adjusted their zoning ordinances to promote higher density mixed-use development. Bath is a small town in southwest Maine whose historic downtown area is a model of a livable community. The town provides two trolley loops to transport residents and tourists through downtown, reducing the need for on-street parking. Bath's street design encourages citizens to get out of their cars, which in turn supports local merchants through increased foot traffic.

My favorite example is Dubuque, Iowa, which I had the pleasure of visiting last year. In its Historic Millwork District, Dubuque is redeveloping old factories and mills—dormant since the early part of the 20th century—to create new mixed income housing, workplaces and entertainment. Sustainable transportation options are important to this plan. The city's trolley bus now connects the Millwork District to downtown. We also funded a project to design streets in this district that are attractive, convenient and safe for a broad range of users, including drivers, public transit, pedestrians, bicyclists, people without access to automobiles, children and people with disabilities. Dubuque's efforts, in part, attracted IBM to move its employment center to the area, where it will provide over a thousand new jobs for the city. With its "Smart City" partnership with IBM, Dubuque has become a model for other cities seeking new livable uses for its established infrastructure.

We are seeing this emphasis on livability not only in rural communities, but in urban and suburban communities as well.

In September, Secretary Donovan, Administrator Jackson, and I visited Denver's La Alma/Lincoln Park neighborhood, which is a predominantly Latino neighborhood and also one of Denver's oldest. The 10th and Osage station, which adjoins an industrial area, a diverse existing housing stock, and the Sante Fe Arts District, is serving as a catalyst for Lincoln Park's redevelopment. The South Lincoln Park Homes redevelopment, planned around the 10th and Osage station, calls for developing mixed-use, mixed-income housing within walking distance of the station, to create a more dense and walkable community. It also focuses on improving transportation connections within the La Alma/Lincoln Park neighborhood for its residents to improve job access.

Portland is planning for the growth and development of its city center and transit systems, strengthening policies to form a denser bike network, and investing in streetcar and light rail. Our TIGER grant program has helped them with this by funding over \$23 million toward the reconstruction of a complete street on their waterfront—including three traffic lanes, dual streetcar tracks and pedestrian and bicycle facilities—allowing increased access to the central business district.

In Seattle, we are helping to invest in turning a major roadway into a multi-modal boulevard. They have instituted smart growth policies and transportation investments that encourage urban living and reduce dependence on cars, as well as encourage strong sustainable building standards.

When I was in Minneapolis in January, I got a chance to tour a 9.8 mile light rail transit line between the downtowns of the twin cities, Minneapolis and St. Paul. By balancing our cost-effectiveness criteria with equity considerations in our transit program, we will be able to help fund three additional stops on this line to serve underserved and lower income communities that otherwise would not have had access to this mode of transportation.

Kansas City, Missouri, is another great example. DOT recently awarded a \$50 million TIGER grant to Kansas City for their Green Impact Zone project, which will provide better access to regional opportunities through expanded transit and pedes-

trian facilities. This project will improve infrastructure in a 150-block area in the urban core of Kansas City, Missouri that has been impacted over the years by high rates of poverty, unemployment, crime, and high concentrations of vacant and abandoned properties. Partners in the Green Impact Zone are creating a national model that demonstrates how integrated, place-based investments, centered on principles of sustainability, can transform a community.

FISCAL YEAR 2011 BUDGET REQUEST

The President's Budget includes \$527 million for livable community efforts in DOT. This funding will support three areas: a Livable Communities Program within the Office of the Secretary (OST); transit funding to support livable communities in the Federal Transit Administration (FTA); and a capacity-building grant program in the Federal Highway Administration (FHWA). The purpose of these programs is to provide transportation practitioners with the tools, resources, and capacity they need to develop a transportation system that provides transportation choices, saves people money, protects the environment, and efficiently moves goods.

This budget request was developed in coordination with the requests for HUD and EPA. As you will hear from Secretary Donovan, HUD's program focuses on improving regional planning to integrate housing and transportation decisions. EPA's role is designed to administer technical assistance to communities to pursue infrastructure improvements in ways that protect public health and the environment.

DOT's program supports two vital needs: capacity building in transportation planning and financial assistance to initiate innovative infrastructure investments. This benefits State and local governments, which currently use outdated planning and regional models and poor data to make their transportation investment decisions. Because of competition for scarce resources, sometimes innovative solutions can take a back seat to the more pressing needs of maintenance and repair. By targeting some investment funding, DOT hopes to demonstrate that smart investment up front can save communities tax money over time by strengthening communities and lowering infrastructure costs.

The President's budget includes \$20 million to establish a new Livable Communities Program, including a new Office of Livability within OST. This Office will lead and coordinate livability programs across the Department's modal administrations and provide grants and technical assistance for improving local public outreach. It will serve as the focal point for interagency efforts such as the Partnership for Sustainable Communities and spearhead efforts such as developing metrics and performance measures for livability.

Three hundred and seven million dollars is requested to refocus existing FTA programs to expand transit access for low-income families, provide effective transportation alternatives and increase the planning and project development capabilities of local communities. Consolidating the Job Access and Reverse Commute formula grants, Alternatives Analysis grants, and formula grants for State and metropolitan planning will allow DOT to better coordinate efforts with HUD and EPA to develop strategies that link quality public transportation with investments in smart development.

The President's budget requests \$200 million to fund a competitive livability program within FHWA. This discretionary grant program aims to improve modeling and data collection, provide training, and support organizational changes to better carry out integrated planning. This assistance would be available to States, local governments, and tribal partners.

LOOKING FORWARD

What I have described so far is just the starting point for what we hope to be a robust livability initiative, both within DOT and among our partnering agencies. The President's budget marks a bold new way of thinking about investments in our transportation infrastructure and will become a key component of the administration's future surface transportation proposal. The programs requested in the President's budget have been designed to further the goals of the Partnership for Sustainable Communities and to assist regions and communities in need of Federal assistance to pursue their own planning and development needs. By providing capacity building, planning funds, and technical assistance, DOT, HUD, and EPA can help communities meet the demands that they face for developing these types of neighborhoods.

Looking forward, reauthorization of our surface transportation programs will provide an important opportunity to focus on livable community investments that foster transit-oriented, pedestrian and bike-friendly development, provide more transportation choices, and offer better access to jobs and housing.

Thank you for the opportunity to appear before you today to discuss the efforts of our Partnership for Sustainable Communities and the Department's fiscal year 2011 budget request to support this effort. We look forward to working with Congress and our stakeholders to make this a reality.

I will be happy to answer any questions you may have.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF THE SECRETARY

STATEMENT OF HON. SHAUN DONOVAN, SECRETARY

Senator MURRAY. Secretary Donovan.

Secretary DONOVAN. Thank you, Chairwoman Murray, Ranking Member Bond. I want to thank you for this opportunity to provide an update on HUD's efforts to help urban and rural areas across the country create more sustainable homes and communities.

I also want to take a moment to thank Ray and his entire team, as well as Lisa Jackson, for their just tremendous partnership on this effort.

I have submitted more complete testimony for the record, but today I would like to use my time to report on the progress we have made, thanks to this subcommittee's support through the Recovery Act and the \$200 million Office of Sustainable Housing and Communities appropriation for our fiscal year 2010, and to share with you our plans in the coming months.

OFFICE OF SUSTAINABLE HOUSING AND COMMUNITIES

In February, HUD launched this office to help coordinate our investments with the Departments of Transportation, EPA, and Energy, and other agencies at the Federal level, as well as allowing us to work directly with communities to support innovation at the local level.

With a combination of housing and transportation costs now averaging more than 50 percent of income for American families, we formed a sustainability partnership with DOT and EPA because when it comes to housing, environmental, and transportation policy, it is time the Federal Government spoke with one voice. And the partnership is working.

In addition to the examples that Ray cited, in cities like Detroit, you can see that we are not only talking to one another, we are making funding decisions together that improve outcomes for local communities. In the first round of DOT's TIGER grant program under the Recovery Act, DOT awarded \$25 million for the Woodward Avenue Streetcar Project in Detroit. All three agencies reviewed the city's application.

HUD brought to DOT's attention community development activities already planned or underway in the Woodward Avenue Corridor, which made the site a more attractive investment for DOT. The EPA was able to highlight brownfield remediation efforts in the vicinity of the project, which will allow abandoned properties along the streetcar line to be recycled for economic development and affordable housing.

As a result, we believe this transportation investment has the potential to fundamentally transform one of the most historic neighborhoods of the city and is an example of the more effective award process in communities throughout the country.

A similar process will unfold with the selection of HUD's regional planning and local challenge grants this year. With this subcommittee's support, we are preparing to launch a \$100 million sustainability planning grant program to encourage metropolitan and rural regions to plan for integration of economic development, land use, and transportation investments.

We issued an advance notice and request for comment for the program, inviting feedback through a new online Wiki accessible via HUD's Web site and through an extensive listening tour around the country. We wanted communities to tell us what works, what isn't working, and how we can better help them build sustainably.

Just as important, we hope to send a very important signal that we in the Obama administration are serious about being the kind of partner that listens and learns. And the response has exceeded even our expectations. We received over 900 written comments, met with over 1,000 stakeholders in 7 listening sessions, and staged Webcasts that touched thousands more.

And the feedback we received was overwhelmingly positive as well, from mayors and other officials of both small and large communities to business leaders in growing regions to Governors of States that have been hit hard economically. One example of how this feedback changed our thinking is with respect to small towns and rural areas. The White House convened a special focus group to discuss the needs of such communities, and in this session and the many letters we received, we heard concerns that larger communities in central cities might receive preference for these funds despite the great need in rural America.

Indeed, Madam Chairwoman, while rural communities generally have less access to public transportation, higher poverty rates, and inadequate housing, at HUD we recognize that residents of these communities also face unique challenges when it comes to accessing healthcare, grocery stores, adult education opportunities, and many other services. This is something it is with communities like St. Peter, Minnesota, which Deputy Secretary Sims visited last month with the Department of Agriculture, and how they have responded to these challenges that we will ensure that small towns and rural regions have a better shot at competing in this NOFA through a special category of funding.

ENERGY INNOVATION FUND

While these funds are targeted at the regional level, another \$40 million will support local efforts through a Community Challenge Planning Grant. With these funds, HUD has chosen to issue a joint NOFA with DOT for its TIGER II planning grant program. At the same time, with our \$50 million Energy Innovation Fund as part of the 2010 budget, we are developing new and innovative low-cost financing for single and multifamily programs, including taking an energy-efficient mortgage product to scale.

It could provide key incentives to both buyers and sellers who want to make much-needed energy improvements in their homes.

But this office isn't limited to the successful implementation of these funds alone. The Office of Sustainable Housing and Communities is also active in other partnerships as well.

Over this past year, HUD has been working with the Department of Energy to eliminate duplicative rules that sharply limited the \$5 billion in Federal weatherization funds from being available to retrofit multifamily properties. By simply cutting through red tape, we have helped pave the way for Rhode Island to allocate \$7 million, one-third of its weatherization funding, to multifamily housing, and Colorado to weatherize an expected 1,000 multifamily units by June of this year and another 1,600 in the next fiscal year.

As a result, thousands of low-income families living in multifamily housing across the country stand to see their utility bills reduced. The President has set a goal of weatherizing 1 million homes per year. As part of the HUD-DOE partnership, we have made income eligible more than 1.5 million units of HUD-qualified homes that could potentially use weatherization funding.

Indeed, we at HUD have set a goal of retrofitting or building 159,000 energy-efficient homes over the next 2 years, including 85,000 funded through the Recovery Act. Obviously, this is only a sample of the work we are doing. My written testimony offers a more complete picture of the scope of our sustainability work to date.

As you know, we are requesting \$150 million for the second year of the Sustainable Communities Initiative in our fiscal year 2011 budget, including a second round of regional planning grants administered by HUD in collaboration with DOT and EPA and additional investment in challenge grants to help localities implement these plans.

Senator Dodd has also introduced legislation that would make some of our initiatives permanent and look forward to working with him and your counterparts on authorizing committees toward that end.

But Madam Chairwoman and Ranking Member Bond, I hope you can see that this funding is producing real results at the same time it is helping to fundamentally transform the way the Federal Government does business. It is helping us prove that the Federal role isn't about dictating what localities can or can't do and how to do it, but rather offering them the resources and tools to help them realize their own visions for achieving the outcomes that we all want, outcomes like less time commuting and more time with family, neighborhoods where kids can play outside and breathe clean air, and communities with opportunities for people of all ages, incomes, races, and ethnicities.

PREPARED STATEMENT

That is the goal of these efforts, and it is why I am so proud to work with my partners in the administration and this subcommittee.

Thank you for this opportunity.
[The statement follows:]

PREPARED STATEMENT OF HON. SHAUN DONOVAN

Chairman Murray, Ranking Member Bond and distinguished members of the subcommittee, thank you for this opportunity to provide an update on HUD's expanding efforts to help urban and rural areas across the country create more sustainable homes and communities. Thanks to this subcommittee's support, both through the American Recovery and Reinvestment Act and through this year's appropriation to support new sustainable housing and communities grant programs, we have been able to make substantial progress on an ambitious agenda in our first year. I am pleased to share with you today our early results and plans for the future.

My testimony has three main sections. The first highlights the results to date of HUD's Recovery Act investments in sustainable housing and communities, which has laid the foundation for much of our continuing commitment. The second summarizes the groundbreaking sustainability partnerships HUD has formed with other Federal agencies, building the framework for unprecedented collaboration and impact on the ground. The third describes the major activities HUD has underway, led by the new Office of Sustainable Housing and Communities, which will focus our efforts to ensure this agenda remains an enduring priority for the Department. First, however, I want to provide context for HUD's commitment in this area.

THE NEED FOR FEDERAL LEADERSHIP TO ADVANCE SUSTAINABLE HOMES AND COMMUNITIES

While the consequences of climate change are complex and far reaching, we know that the increasing emissions of greenhouse gases, the primary cause of global warming, are largely a result of energy use in our "built environment."

As a Federal cabinet agency focused on the built environment, strengthening communities, and expanding opportunity for all Americans, HUD recognizes the urgent need for aggressive action to combat climate change. The positive news, and the powerful opportunity, is that we can cut greenhouse gas emissions, while creating jobs and expanding opportunity for all Americans through proven strategies for creating more sustainable homes and communities.

Residential housing and the built environment are major contributors to energy consumption and global warming. Residential buildings alone account for 20 percent of U.S. carbon emissions, with the vast majority coming from detached single-family houses. It may be surprising to many, but all types of buildings combined actually account for more emissions than the entire transportation sector. The transportation sector accounts for about another one-third of carbon emissions, among many factors because sprawling development patterns separate jobs and houses that, without adequate public transportation systems, necessitate long commutes and increased dependence on car travel.

This is no coincidence. During the housing boom, many real estate agents suggested to families that couldn't afford to live near job centers that they could find a more affordable home by living farther away. Lenders bought into the "Drive to Qualify" myth as well—giving easy credit to home buyers without accounting for how much it might cost families to live in these areas or the risk they could pose to the market. While some home buyers were aware of the risk they were taking on, others were not. And all of these families found themselves vulnerable to gasoline price fluctuations, as they drove dozens of miles to work, to school, to the movies, to the grocery store, spending hours in traffic and spending nearly as much to fill their gas tank as they were to pay their mortgage. And some places more—like Atlanta, where housing and transportation costs total 61 percent of family income or East Palo Alto, California where they consume over 70 percent of family budgets.

The social equity implications of current growth patterns have also become more apparent. As metropolitan areas continue to sprawl outward and jobs become increasingly dispersed, fewer low-wage earners and renters are able to find housing near their work. Nationally, 45 percent of all renters and two-thirds of low-income renters live in central cities. Low-income families, many of them minorities, live in neighborhoods that limit access to quality jobs, good schools and opportunities to create wealth. Indeed, some studies have found that zip code predicts poor educational, employment, and even health outcomes. The unbalanced nature of metropolitan housing development has strained urban, suburban and rural household budgets, as commutes lengthen: the combination of housing and transportation costs now average a combined 60 percent of income for working families in metropolitan areas.

With few exceptions, the Federal Government has historically not been up to the task of addressing these critical trends. Federal programs dealing with housing, transportation and energy issues remain largely separate from each other, precluding smart, integrated problem solving. Federal policies and rules are narrowly

defined, poorly coordinated and often work at cross purposes. The silo driven nature of Federal policies and programs extends to planning, data collection, performance measurement and research and evaluation. To address these and other issues, the administration has launched the first comprehensive review of “place based” Federal policies since the Carter administration, with sustainability as a central focus—asking each agency to determine whether Federal policies enable and encourage locally-driven, integrated, and place-conscious solutions, or obstruct them.

Place of course is already at the center of every decision HUD makes. Today, HUD’s programs reach nearly every neighborhood in America; 58,000 out of the approximately 66,000 census tracts in the United States have one or more unit of HUD assisted housing. Now we have seized this opportunity to renew our focus on place, to better nurture sustainable, inclusive communities across America’s urban, suburban, and rural landscape.

A major component of HUD’s place-based approach involves making communities sustainable for the long-term. For HUD, “sustainability” includes improving building level energy efficiency, cutting greenhouse gas emissions through transit-oriented development, and taking advantage of other locational efficiencies. Critically, we believe sustainability also means creating “geographies of opportunity,” places that effectively connect people to jobs, quality public schools, and other amenities.

But it’s not just about what we think at HUD or in the Federal Government. Sustainability means different things to different kinds of communities. If you asked John Hickenlooper, the Mayor of Denver, where they are building more than 100 miles of new light rail, commuter rail, and bus rapid transit lanes, linking the 32 communities surrounding Denver proper, he’d tell you sustainability is about building inclusive neighborhoods of opportunity—binding communities to work together as a region so that they not only share problems, but solutions as well. If you asked Dan Kildee, who was Genesee County Treasurer for many years, he’d tell you sustainability is about the very economic survival of a city like Flint, Michigan—where years of population loss and economic decline have left a surplus of housing and more vacant land than can be absorbed by redevelopment. For Flint, sustainability is about being smaller but stronger and smarter.

And so, the Federal role within each of these efforts is clear: not to dictate what localities can and can’t do or how to do it, but rather offering them the resources and tools to help them realize their own visions for achieving the outcomes we all want: less time commuting and more time with family, neighborhoods where kids can play outside and breath clean air, and communities with opportunities for people of all ages, incomes, races and ethnicities.

Partnering with communities so they can make choices that work for them—for their needs, and their marketplaces—is an example of what I would call a “New Federalism” that President Obama is proposing—and it’s something we are committed to practicing at HUD.

LAYING THE FOUNDATION—RECOVERY ACT INVESTMENTS IN SUSTAINABLE HOMES AND COMMUNITIES

HUD has played a key role in implementing the Recovery Act, which, according to the Council of Economic Advisors, is already responsible for putting about 2.5 million Americans back to work, putting the Nation on track to create or save 3.5 million jobs by the end of the year.

HUD has now obligated 98 percent of the \$13.6 billion in Recovery Act funds stewarded by the Department—and disbursed over \$3.9 billion. Nearly all of HUD’s Recovery Act funding is fully paid out, or expended, only once construction or other work is complete—just as when individual homeowners pay after they have work done on their homes. Therefore, HUD’s obligated but not yet expended funds are already generating jobs in the hard hit sectors of housing renovation and construction.

While our top priority with Recovery Act funds is creating jobs and economic activity, we are also seizing the opportunity to lay a foundation for HUD’s new direction in our Recovery Act investments. When President Obama signed the Recovery Act into law last year, it was designed to do three things: create jobs, help those harmed by the economic crisis, and lay a new foundation to make America competitive in the 21st century. By putting people back to work greening homes in cities like Philadelphia and building high-speed rail in places like Milwaukee and Madison, this administration is using our response to the economic crisis as a catalyst to build good neighborhoods, more resilient communities, and the strong, interconnected regional backbones our economy needs to create and sustain these jobs.

Nearly one-third of HUD’s Recovery Act funds can be used for “greening” America’s public and assisted housing stock, making homes healthier and more energy

efficient. At the same time, this investment will prepare a new generation of professionals, from mechanics and plumbers, to architects, energy auditors, and factory workers building solar panels and wind turbines, all of whom are needed to design, install, and maintain the first wave of green technologies.

These investments include:

- \$600 million for energy retrofits of 226 public housing developments and 35 more green newly constructed and substantially rehabilitated public housing developments.
- \$500 million for housing on Native American lands, which HUD is encouraging and supporting tribal housing groups to provide in an environmentally sustainable manner.
- \$250 million for green retrofits of 16,600 units of privately owned HUD-assisted housing. (HUD received applications for more than \$700 million.)
- \$100 million to eradicate lead paint and create healthy homes.

Importantly, energy efficiency and other environmental criteria—and results—are also present in larger HUD programs funded by the Recovery Act, such as \$3 billion in formula funding for public housing and \$2 billion through the Neighborhood Stabilization Program.

The Recovery Act investments we are making to help families and communities save energy and live in healthier homes are teaching us what works and how we can be a more effective partner to builders, owners and residents who want the opportunity to live in greener communities. These lessons and feedback from our partners are informing and improving our continuing efforts to increase environmental benefits, lower costs, and measure the benefits in affordable housing.

BUILDING THE FRAMEWORK—HUD'S SUSTAINABILITY PARTNERSHIPS WITH OTHER AGENCIES

Creating more sustainable housing and communities at scale—making sustainability the “default option” for our partners and the people we serve—requires an interdisciplinary approach and intense collaboration across the traditional silos of Federal policy. That is why we are so pleased to be working closely with a number of Federal agencies to leverage the skills, resources and partnerships that each can bring to truly transforming our built environment.

As you know, HUD, the Department of Transportation (DOT) and the Environmental Protection Agency (EPA) have formed the Interagency Partnership for Sustainable Communities to help improve access to affordable housing, expand transportation options and lower transportation costs while protecting the environment in communities nationwide. Through a set of guiding Livability Principles and a partnership agreement that frames our collective efforts, the partnership is coordinating Federal housing, transportation, and other infrastructure investments to an unprecedented extent to protect the environment, promote equitable development, and help to address the challenges of climate change. When it comes to housing, environmental, and transportation policy, it is time the Federal Government spoke with one voice. (The Livability Principles are attached as Appendix A.)

Having served in, and worked with, various levels of government for many years, I can say that the extent of collaboration and cooperation among our agencies has been nothing short of remarkable—starting at the senior leadership level where Secretary LaHood, Administrator Jackson and I have developed an excellent working relationship, and extending to the staff in each agency. Every day, we are getting better at aligning where it makes most sense and assigning specific responsibilities to the appropriate agency based on resources and expertise. One example was DOT's inclusion of HUD and EPA in the review of competitive applications for DOT's \$1.5 billion TIGER Grant program funded under the Recovery Act. We would by no means suggest that we have perfected the collaborative approach. Decades of statutes, regulations and habits, in some cases, create real challenges to the partnership results all three of our agencies aspire to achieve. But the good news is we are making consistent progress, moving forward despite the barriers, and we always welcome ideas and assistance from interested parties, including this subcommittee.

Another exciting example is the partnership between HUD and the Department of Energy that is working to increase energy efficiency in affordable homes and apartments. One joint project is to develop a streamlined, low-cost, consumer friendly tool to provide homeowners with better information about their home's energy use, options for saving energy, and the cost savings that would result. We are also exploring options for providing financing for consumers to pay for the cost of energy saving home improvements, described more below.

HUD's partnership with DOE is delivering results in multi-family low-income housing as well. Our agencies have worked together to eliminate duplicative and un-

necessary rules that impeded the use of Federal Weatherization Assistance Program funds to retrofit multi-family properties. Thousands of low-income families are now in better position to benefit from the \$5 billion in weatherization funds provided under the Recovery Act as a result.

For instance, Rhode Island's Office of Energy Resources, has allocated \$7 million to weatherize multi-family housing—this set aside was in response to the HUD/DOE MOU published in May of last year. Rhode Island anticipates a large number of applications for this program.

Colorado is allocating \$80 million for its weatherization program. GAO and IG reports have identified Colorado as a high performing State. Currently, about \$30 million of the ARRA funding has been expended to weatherize multi-family homes throughout the State.

In addition, I have appointed Deputy Secretary Ron Sims to represent HUD on the Steering Committee for the White House Council on Environmental Quality, the Office of Science and Technology Policy, and the National Oceanic and Atmospheric Administration interagency process to produce a set of recommendations for Federal actions that will help society adapt to climate change. This group is developing recommendations on how Federal agencies can effectively create and implement climate change adaptation policies and strategies.

Other similar partnerships are in formation or early development. We are especially optimistic about potential collaboration with the Department of Agriculture to ensure we are as effective in helping deliver sustainability solutions in rural areas and small towns as we are in larger and more urban communities.

ENSURING HUD'S LONG TERM LEADERSHIP ON SUSTAINABLE HOMES AND COMMUNITIES

Thanks to this subcommittee's support, we have created a new office that will ensure that the foundation laid by our Recovery Act investments, and the framework we are building in partnership with other agencies, is buttressed and built upon by institutionalized capacity within HUD. The Office of Sustainable Housing and Communities, under the direct supervision of Deputy Secretary Sims, will help provide and expand that capacity among HUD staff and stakeholders.

Shelley Poticha, nationally recognized for her leadership to create more location efficient communities, is in place as Director of the office and we have begun to assemble a talented team that brings the technical skill sets and deep commitment our sustainability initiatives demand. Just as important, we are creating teams of staff in HUD's regional and field offices to serve as partners and points of contact with stakeholders in our sustainability agenda, listening to local ideas and delivering HUD's solutions in real time. Staff playing these roles will be current HUD employees who are trained in additional skills and work with their colleagues from DOT, EPA and other agencies in our communities.

The office has already made significant progress advancing several new initiatives totaling \$200 million. This subcommittee's early support for these initiatives will be key to their ultimate success. First is the Sustainable Communities Regional Planning Grant Program, which will provide a total of \$100 million to a wide variety of multi-jurisdictional and multi-sector partnerships and consortia at the regional level, from Metropolitan Planning Organizations and State governments, to non-profit and philanthropic organizations and another \$40 million to foster reform and reduce barriers, at the local level, to achieve affordable, economically vital and sustainable communities. These grants will be designed to encourage regions and local jurisdictions to build their capacity to plan for integration of economic development, land use, transportation, and water infrastructure investments, and to combine workforce development with transit-oriented development. Second is the \$50 million Energy Innovation Initiative to enable the Federal Housing Administration (FHA) and the Office of Sustainable Housing and Communities to catalyze innovations in the residential energy sector that can be replicated and help create a standardized home energy efficient retrofit market. Finally, another \$10 million is set aside for research on a transportation/housing affordability index. I will discuss these initiatives in greater detail below.

Sustainable Communities Regional Planning Grants

For the first time ever, we will provide Federal money to support planning grants that will be selected not only by HUD, but also by DOT and EPA—because when it comes to housing, environmental and transportation policy, it's time the Federal Government spoke with one voice.

As indicated above, the first \$100 million in funding is for regional integrated planning initiatives through a Sustainable Communities Planning Grant Program. The goal of the program is to support multi-jurisdictional regional planning efforts that integrate housing, economic development, and transportation decisionmaking in

a manner that empowers communities to consider the interdependent challenges of economic growth, social equity and environmental impact simultaneously. We are committed to encouraging these regions to engage residents and other local stakeholders to build long-lasting alliances.

HUD recognizes that while the core principles of the program are not new, the Federal Government has never attempted to directly support local leaders in articulating and realizing them. In recognizing that we can learn from our leaders on the ground, we issued an Advanced Notice and Request for Comment for the program. We invited feedback through a new online “Wiki” accessible via HUD’s Web site (www.hud.gov/sustainability) and through an extensive listening tour around the country. We want communities to tell us what works, what doesn’t work, and how we can build sustainably. Just as importantly, we hope to send a very important signal that we in the Obama administration are serious about being the kind of partner that listens and learns.

We received over 900 written comments, met with over 1,000 stakeholders in 7 listening sessions, and staged web casts that touched thousands more. The feedback we received was overwhelmingly positive—from the mayors and other elected officials of both small and large communities, to business leaders in growing regions, to Governors of States that have been hit hard economically.

One example of how this feedback changed our thinking is with respect to small towns and rural areas. The White House convened a special focus group to discuss the needs of such communities. In those sessions, we heard concerns that larger communities and central cities would receive preference for these funds despite the great need in rural America.

Indeed, Madam Chairwoman, while rural communities generally do not have access to public transportation, at HUD we recognize that these residents still face unique challenges when it comes to accessing healthcare, grocery stores, adult education opportunities, among other things. We are very much aware that there are high rates of poverty and inadequate housing in rural areas.

That is why we are looking at creating a separate, special funding category for small towns and rural places as we prepare the Notice of Funding Availability (NOFA) for the fiscal year 2010 Sustainable Communities Regional Planning Grant funds—and, indeed, are incorporating many of the ideas submitted to us.

HUD formed an interagency team to draft the NOFA. This team included deep engagement from staff within the Federal Transit Administration and Federal Highway Administration within DOT; EPA’s Brownfields, Water, and Smart Growth offices; all of HUD’s key program offices; the Office of Management and Budget; and the Domestic Policy Council within the White House.

We also consulted with the Department of Agriculture, the Federal Emergency Management Agency, the Department of Education, and the National Endowment for the Arts. Our fiscal year 2010 NOFA is now in clearance. Applicants will be given at least 60 days to submit proposals. With DOT and EPA, we aim to announce approximately 40 winners—from small and rural areas, mid-sized regions, and large metropolitan areas.

The \$100 million investment from this fund could potentially be game-changing and will leverage additional public and private dollars. We will also be working hard and listening closely to ensure it is truly useful for rural and smaller communities, as well as larger ones. The program is designed to address the needs of places that are just starting to think about more sustainable growth and development, as well as those that are more advanced. Congress has directed us to share our plans for the entire Sustainable Communities Initiative and we will submit a formal report on our plans to the subcommittee.

Finally, as briefly noted above, with \$10 million of the Office of Sustainable Housing and Communities’ budget, we are working with the Department of Transportation and the Environmental Protection Agency to develop an Affordability Index to educate consumers who want to buy homes in more sustainable places by accounting for that housing’s proximity to jobs and schools. Congressman Blumenauer is preparing legislation on this subject and we look forward to continuing to discuss this proposal with him going forward.

Community Planning Challenge Grant Program

HUD’s fiscal year 2010 budget provided \$40 million to support the detailed planning and code reform efforts that cities and counties must undertake to realize their sustainability goals. Consistent with the administration’s intent to be more transparent and “user-friendly,” HUD has chosen to issue a joint NOFA with DOT for its “TIGER II” planning grant program (up to \$35 million.) This NOFA will be published at the same time that DOT publishes its TIGER II Capital Grants NOFA. The key difference between the DOT planning grant program and HUD’s Commu-

nity Planning Challenge Grant program is in the types of activities that could be funded. DOT's program funds planning activities that relate directly to a future transportation capital investment, while HUD's program funds land-use related planning activities that would be linked to a future transportation investment. HUD and DOT will jointly develop selection criteria that will apply to all proposals submitted in response to the joint NOFA and will jointly review the proposals.

DOT and HUD believe there is great value in aligning the two planning programs in order to create synergies between transportation and land use planning and to set the stage for future linkages between the three Partnership agencies' various programs. Furthermore, we believe this proposal has the potential to encourage and reward more holistic planning efforts and result in better quality projects being built with Federal dollars.

Energy Innovation Grants

Another area where the Office of Sustainable Housing and Communities is focused is scaling up energy efficiency in affordable housing. Our fiscal year 2010 appropriation includes \$50 million for an Energy Innovation Fund. Pursuant to Congress' direction, we are developing new and innovative low-cost financing for single- and multi-family programs, including taking an Energy Efficient Mortgage product to scale that would allow homeowners to wrap energy improvements into property tax assessments where the up-front cost can be amortized.

In both cases, our aim is to use these Federal funds to pilot approaches that FHA and the private sector financial institutions will take to greater scale in the market.

Under the leadership of the Office of Sustainable Homes and Communities, HUD has also launched a transformative program to develop uniform investment policies, performance goals, and reporting and tracking systems to support national objectives for energy efficiency. HUD is working together with DOE to support the achievement of the President's goal of weatherizing 1 million homes per year by enabling the cost effective energy retrofits of a total of 1.2 million homes in fiscal year 2010 and fiscal year 2011. As part of this initiative HUD intends to complete cost effective energy retrofits of an estimated 126,000 HUD-assisted and public housing units during this time.

As we are developing new approaches to the Energy Efficient Mortgage, we are also exploring the potential for Location Efficient Mortgages (LEM's). LEM's take into account the lower costs of transportation in transit rich, walkable communities. This is part of a larger effort that HUD is considering housing affordability through the lens of the combined costs of housing (including utility costs) and transportation, rather than looking at them separately. This work, while early in the research and development stage, holds significant promise. These efforts are motivated by a belief that markets work best when there is reliable and useful information for consumers and communities alike—and that by making information on utility and transportation costs widely available, we can drive a much broader scale of change than Government ever could alone, ensuring that we never again foster a culture of "Drive to Qualify."

As you know, we are requesting \$150 million for the second year of the Sustainable Communities Initiative. Additionally, Senator Dodd and Rep. Perlmutter have introduced legislation that would make some of our initiatives permanent, and we will work in consultation with the two authorizing committees as the legislative process moves forward. Working closely with this subcommittee and the authorizing committee, we would use these funds for the following:

- A second round of Sustainable Communities Planning Grants administered by HUD in collaboration with DOT and EPA. As described above, these grants will catalyze the next generation of integrated metropolitan transportation, housing, land use and energy planning using the most sophisticated data, analytics and geographic information systems. Better coordination of transportation, infrastructure and housing investments will result in more sustainable development patterns, more affordable communities, reduced greenhouse gas emissions, and more transit-accessible housing choices for residents and firms.
- Additional investment in Sustainable Communities Challenge Grants, also as described above, to help localities implement Sustainable Communities Plans they will develop. These investments would provide a local complement to the regional planning initiative, enabling local and multi-jurisdictional partnerships to put in place the policies, codes, tools and critical capital investments needed to achieve sustainable development patterns.
- The creation and implementation of a capacity-building program and tools clearinghouse, complementing DOT and EPA activities, designed to support both Sustainable Communities grantees and other communities interested in becoming more sustainable. HUD's focus will be on buttressing the capacity of land

use and housing stakeholders, while DOT will focus on building capacity and providing tools for transportation professionals. EPA will bring their decade-long expertise in technical assistance and research to the Partnership.

- A joint HUD–DOT–EPA research effort designed to advance transportation and housing linkages at every level where our agencies work together.
- All three agencies will collaborate on providing guidance to fiscal year 2011 Sustainable Communities grantees to assist them to implement their projects and programs.

I also would like to say a word about the various roles of the three agencies within the interagency partnership. Each agency has clear and defined roles: HUD will take the lead in funding, evaluating, and supporting integrated regional planning for sustainable development, and will invest in sustainable housing and community development efforts. DOT will focus on building the capacity of transportation agencies to integrate their planning and investments into broader plans and actions that promote sustainable development, and investing in transportation infrastructure that directly supports sustainable development and livable communities. EPA will provide technical assistance to communities and States to help them implement sustainable community strategies, and develop environmental sustainability metrics and practices. The three agencies have made a commitment to coordinate activities, integrate funding requirements, and adopt a common set of performance metrics for use by grantees.

Allow me to explain to the subcommittee how our interagency collaboration—and your support—is already producing results. In the first round of DOT’s TIGER grant program under the Recovery Act, DOT awarded \$25 million for the Woodward Avenue streetcar project in Detroit. Both HUD and EPA brought critical information and perspectives to the table when the three agencies reviewed Detroit’s application. HUD was able to bring to DOT’s attention community development activities already planned or underway in the Woodward Avenue corridor. EPA was able to highlight Brownfield remediation efforts in the vicinity of the project which will allow abandoned properties along the streetcar line to be “recycled” for economic development and affordable housing. In the past, DOT would not have had access to this information and a project with so much promise might not have been selected.

This is a prime example of how I believe, Secretary LaHood believes, and President Obama believes, Federal agencies must begin to partner with one another to make the biggest possible impact on the ground.

Finally, I want to say that with our Choice Neighborhoods demonstration, which will be soon underway, HUD will be aiming to prove that neighborhoods can be a platform for a new kind of sustainability—bringing to bear private capital and mixed-use, mixed income tools to transform all housing in a neighborhood.

But creating true neighborhoods of choice—where lower-income families can find opportunity and higher income families would choose to live, for their location, their uniqueness, and their amenities—requires we bring HUD’s fair housing policies, which have remained largely unchanged since the Fair Housing Act was passed in 1968, into the 21st century. With consultation from Ron Sims, HUD’s Assistant Secretary of Fair Housing and Equal Opportunity, John Trasvina, is adopting a broader definition of fair housing that includes not only the racial makeup of housing, but also its orientation to opportunity—to public transportation and job centers.

Armed with this broader set of criteria with which we can better understand segregated development patterns, HUD can not only help communities identify long-standing demographic and development challenges with new technologies such as geospatial data analysis—more importantly, we can help them with new development strategies and targeted technical assistance. This is not just enforcement—but what the law calls “Affirmatively Furthering Fair Housing.”

Building on this direction, Deputy Secretary Sims and I have instructed Shelley to collaborate with Assistant Secretary of Community Planning and Development Marquez toward that end as we develop HUD’s new Consolidated Plan.

With housing-specific resources like vouchers, counseling and Choice Neighborhoods, to new financing tools for transit-oriented development, to incentives that encourage the repurposing of polluted land for affordable housing development, we can help communities coordinate the use of all available resources to turn segregated neighborhoods of concentrated poverty into integrated, healthy, sustainable communities.

That is why I believe this office reinforces President Obama’s commitment to ensuring all Americans have the opportunity to participate in real community change.

CONCLUSION

My testimony today has focused largely on the work and agenda of HUD's Office of Sustainable Housing and Communities. We recognize that \$150 million alone is not sufficient to meet the demand for sustainable communities. That is why I believe the real size of my sustainable budget is really \$44 billion. That is the size of HUD's fiscal year 2010 budget—and we intend to begin using every dollar of it to put more power in the hands of communities and more choices in the hands of consumers.

These efforts are motivated by a belief that when you choose a home, you don't just choose a home. You also choose transportation to work and to school. You choose public safety for your children. You choose a community—and the choices available in that community. And I believe that our children's futures should never be determined—or their choices limited—by their zip code.

We want to again express our deep appreciation for the subcommittee's support for this bold, and necessary, new initiative. As I say frequently, our ultimate goal is to harness the entire HUD budget as a force for creating greener homes and communities everywhere in America. We look forward to working with the subcommittee to advance that goal and I look forward to our continued progress through the proposals outlined in the fiscal year 2011 budget.

APPENDIX A

*HUD-DOT-EPA Interagency Partnership for Sustainable Communities**Livability Principles—June 16, 2009*

Provide More Transportation Choices.—Develop safe, reliable, and economical transportation choices to decrease household transportation costs, reduce our Nation's dependence on foreign oil, improve air quality, reduce greenhouse gas emissions, and promote public health.

Promote Equitable, Affordable Housing.—Expand location- and energy-efficient housing choices for people of all ages, incomes, races, and ethnicities to increase mobility and lower the combined cost of housing and transportation.

Enhance Economic Competitiveness.—Improve economic competitiveness through reliable and timely access to employment centers, educational opportunities, services and other basic needs by workers, as well as expanded business access to markets.

Support Existing Communities.—Target Federal funding toward existing communities—through strategies like transit oriented, mixed-use development, and land recycling—to increase community revitalization and the efficiency of public works investments and safeguard rural landscapes.

Coordinate and Leverage Federal Policies and Investment.—Align Federal policies and funding to remove barriers to collaboration, leverage funding, and increase the accountability and effectiveness of all levels of government to plan for future growth, including making smart energy choices such as locally generated renewable energy.

Value Communities and Neighborhoods.—Enhance the unique characteristics of all communities by investing in healthy, safe, and walkable neighborhoods—rural, urban, or suburban.

REGIONAL PLANNING GRANTS

Senator MURRAY. Thank you very much to both of you for your testimony today.

We will begin a round of questions, just so everybody knows, this is the Senate. We are going to have a vote here in a few minutes, apparently. So I will begin by asking my questions, and when the vote is called, I will turn it over to Senator Bond, and I will go and come back. So, hopefully, we can keep this moving.

As we engage our stakeholders in discussions about the partnership for sustainable communities, it is really apparent that the terms “sustainability” and “livability” aren't easily defined. And the reality is, there isn't one type of sustainable or livable community.

The administration has been clear that plans for sustainable communities will be locally driven, but at the same time as the subcommittee considers the administration's funding request, it is

important to understand what types of projects will fit into these principles of livability developed as part of the interagency partnership.

So, Secretary Donovan, let me start with you. What specific criteria is HUD going to be using to determine if regional and community plans meet the goals of sustainability?

Secretary DONOVAN. I think there are a number of key things that we are looking for up front in the applications for these grants. And then I want to be clear, and I think you said this well in your opening statement, we need to make sure that this is about local efforts because one size doesn't fit all, but we also have to set clear standards for accountability and showing results.

Those results will be dependent on the specifics of the local plan, but will include a range of outcomes like lower cost of living for households, including the combined costs of housing and transportation, lower infrastructure costs for communities as well. And what we will see as a result of that is more disposable income and more resources available at the State and local level available, as Secretary LaHood said, because we will be able to lower costs for infrastructure investment and other forms of investment.

In terms of the criteria, we are looking for very clear regional partnerships in our regional planning grants. There must be evidence of collaboration among the various local jurisdictions that will be competing. We are looking for capacity to use and leverage funds effectively, and we are looking for real evidence of the capacity to do planning efforts, whether it is through direct capacity at the local or regional government level or whether it is with non-profit or other types of partners like regional planning organizations or councils of government that often play the lead function in these kind of planning efforts.

Senator MURRAY. So I am hearing you say that you are more interested in the integrated planning process rather than the specific details?

Secretary DONOVAN. I was talking about the regional planning grants. Those will be the key criteria. That is right.

Senator MURRAY. Okay. And I am going to turn it over to Senator Bond because the vote has been called and let him do his questions, and I will come back and have a number of additional questions that I will ask.

NON-MOTORIZED TRANSPORTATION

Senator BOND [presiding]. Thank you, Madam Chair, and thank you for your statements gentlemen.

Secretary LaHood, I have a letter that I assume you have seen from the Transportation Construction Coalition dated—what was the date of this letter? We received it yesterday. Ah, Bella has kindly passed it up.

These are the associations engaged in road building and the unions that engage in it. And I thought they raise some good questions. They state that any definition of "livability" must recognize that non-motorized transportation is a viable solution in certain areas, and in our major cities, we appreciate the support for mass transit.

And I told you Columbia, Missouri, is the one city in the State that has really gone wild with bicycles. They love to bike, and they have theirs. But there are a lot of communities, good-sized communities that don't have public transportation, and it is too far to bike. And the conditions are not safe.

And they are concerned that—another concern they have is that transportation goals and transportation policy is usually set in multiyear reauthorization bills. They are concerned that the proposal that takes \$200 million out of the highway measure to put it in livability, as I think the chair mentioned, may reflect a view that we want to get rid of auto transportation.

I don't know if this quote is accurate, but I have an article stating that last year at a National Press Club event, a panel moderator said—and some of the highway supporter motorists groups have been concerned by your livability initiative. He said is this an effort to make driving more tortuous and to coerce people out of their cars?

And according to the article, you answered, "It is a way to coerce people out of their cars." Is that an accurate reflection of what you said?

Secretary LAHOOD. Well, first of all, I haven't seen the letter. I was in Houston yesterday.

Senator BOND. Oh, okay.

Secretary LAHOOD. And they didn't provide the courtesy to present the letter to me. So I don't have access to it.

Senator BOND. It was addressed to us, and I thought—

Secretary LAHOOD. Senator Bond, I have been all over the country. I have been to 80 cities. I have been to 35 States. I was in Houston yesterday, which probably has more highways maybe than any other place in the country. We had a meeting there around the authorization bill. It is our fourth meeting that we had.

We have had one in New Orleans. We had one in Minneapolis. We had one in Los Angeles, and we had one in Houston yesterday—and nobody has more highways than Texas does.

What I told those folks is what I have told people all over the country not only at these meetings, but everywhere I have gone. We have a state-of-the-art interstate system in America. We have very good roads, and at DOT, we have an obligation to maintain our roads to make sure they are fixed up. In places in the country where they need more capacity, we are for that. So the idea that we are giving up on our road program, or we don't care about it, or we don't care about our highways is nonsense.

But I can tell you this. Wherever I go, people are sick and tired of being stuck in cars and in congestion. People want other alternatives. When we hear that, we feel an obligation, as the U.S. Department of Transportation, to help create the kind of opportunities that people want.

In some communities, people want more transit. Now that can be light rail. It can be a bus. It can be a streetcar. Streetcars are coming back to America. In some communities, it can be a walking path or a biking path, and in some communities, it may be more capacity on an interstate, like they have done in Miami, where they put another lane right down the middle of the—

HIGHWAY TRUST FUND

Senator BOND. Mr. Secretary, I am beginning to run short of time, and I have worked on all those things, and I have made—I have asked for grants for things like that, and we talked about the place-based green city in Kansas City. That is something that came from the bottom up, from the leaders of the community with the leadership of my good friend Congressman—and we call him Reverend—Emanuel Cleaver has been very strong on that, and I have supported that. That comes from the bottom up.

Now a lot of these things, they all want money that most of it comes out of the Highway Trust Fund. And the Highway Trust Fund is strangled, and they want to know why we have got all of these non-motorized uses for highway—for the Highway Trust Funds when we have a lot of roads, a lot of areas that need better roads in Missouri.

But the basic question I asked was this is a quote from the American Spectator, I guess April 19 of this year, talking about last year. Did you say at the National Press Club it's a way to coerce people out of their cars?

Secretary LAHOOD. Yes sir.

[The information follows:]

I believe you are referring to a question that came up at a speech I gave at the Press Club in early 2009. The moderator asked if this was an effort to make driving more difficult and to “coerce people out of their cars”. I said that it was, and that people already dread getting stuck in their cars in traffic for hours. My point was that people want to get out of their cars and it's our role to create those opportunities for people who want to use streetcars, bicycles, or light rail.

Senator BOND. That is inaccurate? Well, I think a lot of people may see that and be very much concerned because——

Secretary LAHOOD. Well, I have been quoted a lot of places around the country, Senator. There have been a lot of quotes that people have used. But I wish—and that is the reason that I——

Senator BOND. Well, that is all right. I gave you the opportunity to answer it and say it wasn't—you didn't say that. So that is good.

Secretary LAHOOD. No, but look——

Senator BOND. You answered the question.

Secretary LAHOOD. I have been to 80 cities in 35 States, so I have been quoted a lot. I have given a lot of speeches, and what I just told you is the accurate point of view from the Secretary of Transportation about our priorities. We have a state-of-the-art interstate system. We are not giving up on it. If people need more capacity, they will tell us that.

Senator BOND. We are telling you that. We need it in Missouri——

Secretary LAHOOD. I know you are telling me that, but I am also telling you what other people are telling me about other kinds of things they want in their community.

HIGHWAY TRUST FUND

Senator BOND. Okay. Well, I will tell you something. Your basic responsibility is the core transportation needs, and we put money into the Highway Trust Fund, and taking it out for livability, sustainability, that is greeted with a minimum amount of high enthusiasm by the people who need the roads. So I think we all have the

same goal. We all have the same goal to make sure that the communities in States around this country and areas that are too dispersed even to be considered a community, where people necessarily live and farm are part of and thriving parts of every State in the Union.

And what I am concerned about is the focus that we—I know you like to bike, and I certainly want to respect bikers, but we need a lot of roads. And we are working on bridges, and we appreciate your coming to help get us another bridge across the Mississippi River. I had a battle on the floor with a good friend of mine who comes from a very dry State who didn't know why we were spending any highway dollars on a bridge.

I said in your State, you don't need bridges. But if you live in Missouri and want to get to Illinois, you better have a bridge or a car with water wings. Now you were there to help us meet one of the top priorities. That was a priority identified by the leaders in the community, the people in the community.

And that is what I'm saying. I'm saying these should come from the bottom up. And to the extent that we pay into the Highway Trust Fund, we need those dollars and we need more dollars in the Highway Trust Fund than we are able to put on the—lead on the target now.

But let me go on to another question. Can you explain the difference between livability and the FTA's definition of transit-oriented development?

Secretary LAHOOD. Well, Senator, let me, first of all, just say that this bottom-up idea, that is the reason I have been to 35 States and 80 cities. I agree with that. The reason we go out to these places is so we can listen to people and hear what they have to say.

In some places in the country, people do want more roads, and they want more capacity, and we feel at DOT that has to be part of our priority. I would say just as counter to—I know the Highway Trust Fund is set up out of the receipts that come from the gasoline tax. But I will tell you, sir, that when you all extended the program, twice now, and extended it through December, the \$35 billion, almost \$40 billion to pay for that came from the general fund—

Senator BOND. Right.

Secretary LAHOOD [continuing]. Which is taxes paid by all the taxpayers. So, the idea that we are trying to take Highway Trust Funds and use them for other things than highways—part of the money came from the general fund, which is paid for by all the taxpayers, who, in some instances, want something more than just roads. I just—I have to put that on the record.

Senator BOND. We know that, and we need to have your recommendations for funding the Highway Trust Fund and also funding all the transportation needs. And when we get to electric cars, we are having more and more electric cars. That is good for the environment. It saves gasoline. It reduces imports. How are we going to make sure that the electric cars that are on the roads—and I happen to live in a small community which is assembling electric cars, and we believe in them.

But how do you get the trust fund—how do you get the money into the basic high programs because these little supersized golf carts need to drive on highways, too? I hope you will have a recommendation for that.

TRANSIT-ORIENTED DEVELOPMENT

Secretary LAHOOD. Well, let me answer your question about FTA and the criteria. We changed the criteria because almost from the first day that I appeared before any of these committees on the Senate side, every Senator would ask how come it takes 10 or 12 years to get a New Starts program?

Because our criteria was very limited, and by expanding the criteria, we can shorten the period of time within which New Starts can begin and really give more communities more opportunities to really begin the kind of New Starts and transit that they want to do. That is the reason that we really wanted to change the criteria.

Senator BOND. Well, one of the things that was most important, we worked very hard on the SAFE-T, and I happened to be the head of the subcommittee in EPW that worked on it. We put some streamlining in there to make sure that all of the relevant questions were asked and answered, but one time only because the cost of starting has been delayed so much and there is so much additional cost by all of the regulations, overlapping regulations that are added without considering reducing existing limitations.

I hope that you will look at how you can streamline that to—they are telling me I have got one minute left on the vote. Oh, well. You win some. You lose some.

But I hope that you will do that, and I am sorry I haven't had a chance to discuss with you, Mr. Secretary, some of my concerns about this. We will submit those for the record. And I guess it would be appropriate to say that the subcommittee will stand in recess until the return of the chair.

And I thank you very much, gentlemen.

Secretary LAHOOD. Thank you.

Senator BOND. It is always enlightening. I am sorry, Secretary Donovan, we will have more of a chance to talk later.

Thanks.

Senator MURRAY [presiding]. I bet you are glad to see me back.

Secretary LAHOOD. We are very glad to see you, Madam Chair.

METROPOLITAN PLANNING ORGANIZATIONS

Senator MURRAY. I am glad to see you as well. Sorry for the pause and I appreciate both of you waiting for us. We are back in session again.

Let me go right back to my questioning, and I wanted to turn to you, Secretary LaHood. As part of the fiscal year 2011 budget, you have requested \$200 million to increase the capability of metropolitan planning organizations, MPOs. Under this proposal, will you select those MPOs based on their need to improve their planning capabilities or their interest in livability projects?

Secretary LAHOOD. Well, first of all, we think the MPOs play a very important role. In your absence, Senator Bond was talking about how these ideas need to bubble up from the communities. And we believe in that. And we believe that the MPOs are a very

good mechanism to do that. As I said to Senator Bond, I have been to 80 cities in 35 States. We have held four hearings around the country around the idea of transportation policy tied into with our friends at HUD and EPA.

What we are hearing from people is that we are always going to need roads, but there are lots of other things that communities want in terms of transportation. Some communities want light rail. Some want more buses. Some want to get into the streetcar business. Some want more walking and biking paths. So our decisions will be based on what bubbles up from the MPO.

I think people recognize that we have a pretty good system of highways and roads around the country, and I think what the MPOs are going to be hearing about is other opportunities for transportation that can be tied into affordable housing. So, I think some of it will be based on what the MPOs have to say, but I think everybody knows now that livability and sustainability include not only roads, but they include a lot of other things, too.

Senator MURRAY. But when you look at those proposals and you are evaluating them, are you looking at whether they have put in place good planning and are capable of doing that? Or are you looking more at whether it actually is livability?

Secretary LAHOOD. I think we are probably going to look at it in terms of what their capacity has been to do the planning and to do it on a regional basis and incorporate a lot of different forms of transportation. In some instances, I think we will try to enhance their ability to do that.

For example, in Houston yesterday, I talked to the mayor, and she is very concerned about how far a reach her MPO goes and who should be included and those kind of things. In some instances, MPOs do need some enhancement, and some more staff capability to try to incorporate livability not only in an urban area, but also there are great concerns about rural transportation and rural areas, and how do you incorporate their priorities?

So I think we are going to be looking at the capability of MPOs, what their thinking is, and how we can really enhance their ability to carry out the agenda that the community wants.

SMALL AND RURAL COMMUNITIES

Senator MURRAY. Okay. The idea of a sustainable or livable community sometimes doesn't resonate in some of our smaller or rural communities. The terms that are associated with concepts like "increased density" and "congestion pricing" and "transit-oriented development" just don't resonate in small communities. But small and rural communities do need improved planning and need to address land-use issues, which is really actually why this subcommittee included a set-aside within the regional planning grants to support planning efforts in regions with populations of less than 500,000.

Secretary Donovan, can you explain how HUD will make sure that smaller regions benefit from these grants and maybe give us some examples?

Secretary DONOVAN. Sure. First of all, I think the set-aside is very important. In fact, one of the things that we heard in the feedback that we got and the sessions we have done around the plan-

ning grants is that, in fact, 500,000 may be too large in some cases. And so, one of the things that we are looking at is finding ways to ensure we get even to smaller regions and communities beyond the 500,000.

So I think that was a clear piece of feedback that we heard and one of the ways that we are looking at right now. I guess another thing I would say is I think you make a very important point about not painting livability with too broad a brush because it does vary so much by community. Secretary LaHood was just talking about how we need to listen to those local communities.

One of the things we consistently hear around smaller towns and rural areas is for seniors in those communities, the difficulty of linking up housing with transportation options. And obviously, you are not going to put in a streetcar line or you are not going to have the same kinds of solutions, but there are very important transportation solutions like vans or other kinds of transit options that can be flexible in rural areas that are available particularly for seniors, and we have been looking at ways to link up housing to those kinds of efforts as well.

So there are very specific things like that, examples like that that we have heard out of these sessions and that we are incorporating into the criteria that we will have for those smaller places, as well as implementing the set-aside and looking at ways to even to get to smaller places. So those are a few examples.

DATA COLLECTION FOR SMALL COMMUNITIES

Senator MURRAY. Okay. Secretary LaHood, your proposal seeks to increase the capacity of MPOs by improving data collection and computer modeling capabilities. Oftentimes, those things work better for large communities with really complex transportation challenges. How will those grants benefit smaller MPOs and communities, or communities that don't have an MPO?

Secretary LAHOOD. Well, we think there needs to be some reform to MPOs to make sure that in past instances where the rural communities have not been at the table, that they can be at the table, that their transportation, housing and other needs are really being addressed. There are a couple of programs that Secretary Donovan mentioned in which transit districts have established contracts with smaller communities where they do provide transportation services so people can make a doctor's appointment or go to the grocery store or go to some other opportunity that they want in a larger city.

We are going to work with MPOs on the idea that there has to be the kind of outreach that incorporates transportation and other needs that people have in rural communities. We know that many people want to retire in the communities where they have raised their children, where they farmed, or where they have lived all their lives, and still have access to the larger metropolitan areas.

So, we have funded in the past some transportation opportunities for some communities, but we really need to make sure the MPOs are taking these kinds of considerations into account when they are putting together their plans.

FUNDING FOR INFRASTRUCTURE

Senator MURRAY. Okay. Well, most of the transportation planning is done by the MPOs. Elected officials sit on the boards of MPOs, but they are still different organizations than the State or local governments who actually fund transportation projects.

Secretary LaHood, your planning grants mainly go to those MPOs, but State and local governments tell us they have huge backlogs of infrastructure needs, and the Federal Government needs to find a way to fund more of the transportation projects. And I think we all agree there is a tremendous need to invest in our Nation's infrastructure.

So how do you address the concerns that are given to us by State and local governments who are trying to find a way to fund their infrastructure needs?

Secretary LAHOOD. We hope that you all in Congress will consider the kind of opportunities that were presented to communities for direct funding through the TIGER program. We had \$1.5 billion. We had \$60 billion worth of requests. That \$1.5 billion went directly to communities, directly to transit districts, bypassed other bureaucracies.

When you get \$60 billion worth of requests, which we did, you get a lot of creative ideas and a lot of good ideas. The reason there is such a pent-up demand is for the reason that you just said—because they have been overlooked by either a State government or a larger metropolitan area. We think this program worked very well, the way it was intended, to go directly to very creative ideas in communities that have been bypassed.

So the MPOs also should incorporate elected officials. If there is a small town mayor, they ought to have a seat at the table and be a part of the planning process. I think there will be some debate about whether they have an equal voice or not, but the point is they ought to be at the table.

The TIGER program worked well because it went directly to very creative ideas that have been bypassed for years.

CHALLENGE GRANTS

Senator MURRAY. All right. Well, as I mentioned in my opening statement, cities across the country like Bellevue in my home State have already developed projects like the Bel-Red Road that really exemplify both of your efforts to build livable communities. Bellevue has already done its planning and permitting. So I want to hear from both of you on what you would tell Bellevue or other cities like that where they would now look for Federal funding for the next phase of Bel-Red Road or similar projects that have finished their planning and permitting processes.

And Secretary Donovan, let me start with you.

Secretary DONOVAN. And let me just build on the prior question as well. It is one of the reason we felt that having the challenge grants that would go directly to local governments were an important complement. We realized that, I think as Ray said, the regional component of this, making sure that the regional organizations, whether it is an MPO. In rural areas, there are many places

where you have regional organizations that aren't MPOs, but there are other types of organizations that cut across.

Those are important, but also we have to go directly to local governments for the kind of planning and implementation that is important as well. So I think we have a balanced approach that recognizes you have to work with both kinds of organizations.

In this case that you are talking about, I think it is the Bel-Red project that is there, there are a couple of things I would say on the HUD side, and Secretary LaHood could talk about the DOT side. Specifically, what we often see with these kinds of projects is that they create the opportunity for significant new housing development.

They create demand around the stops on a line like that. And the challenge grants, as well as the DOT TIGER II planning grants that we are looking at putting together in one application or one NOFA process, those could be used, for example, to do zoning studies and really build out all of the specifics around the development that would take place around those transit stops. That is one example of how specifically it could be used there.

A second would be our CDBG funding, which could be used for street improvements or a range of supporting investments to the actual transit line. This is exactly the kind of synergy I was talking about with the Detroit investment that the TIGER grant was made there. So those are a couple of examples of the way what we can do through this sustainability partnership would support the kind of investment and planning that they have already done.

Senator MURRAY. Okay. Secretary LaHood?

Secretary LAHOOD. We think that the collaboration that we are doing will enable people to have affordable housing and affordable transportation, in some communities, it could be a streetcar line, in other communities, it could be light rail, in other communities, it will be transit through bus services.

The collaboration enables not only other forms of transportation besides an automobile, but affordable housing along the way. We have been around the country and seen where this has worked very, very well. Where there is good planning, you can make it happen, and you can actually talk about livable neighborhoods. Then, really building on the whole livable community's idea, you create not only affordable housing and the amenities that go in neighborhoods, but also good transportation that goes along with it.

TRANSPORTATION INVESTMENTS

Senator MURRAY. Okay. As both of you know, each State and local government has a different relationship with their MPO. In some cases, the plans are a valued part of the process. But in others, they are largely ignored. How can you be sure that investments in better planning will actually lead to better investments in transportation projects?

Secretary LAHOOD. These MPOs have to be very inclusive. They have to include the rural areas.

SMALL TOWNS AND MPOs

Senator MURRAY. So you will be looking at that?

Secretary LAHOOD. Absolutely, small towns and the connectivity that can be created around the metropolitan areas. In the city of Denver, the mayor brought all of the suburban Denver area in, and collaborated with them on plans. Now they have one of the really unique transit plans in the country, which runs six transit lines into their Union Station, where there will be an Amtrak capability.

So, you create the kind of capacity for people from the suburban areas, and you take their ideas about the mobility that they want around the urban area. It has to be very inclusive, and it has to include rural and suburban in the case of a city like Denver or even Chicago, which Mayor Daley has done the same thing and been very inclusive with the suburban area.

So, you have a couple different systems: you have the metro system that delivers people from the suburban area into the city of Chicago, you have the Chicago Transit Authority, where people can get around there, and you have trains that go to the airport, and it is connected. This is the kind of thing that really needs to be done if you are really going to provide the kind of alternatives that people want.

Senator MURRAY. Okay.

MEASUREMENT CRITERIA

Secretary DONOVAN. I would just add to that I think in addition to the important work we will obviously do in evaluating these applications, are the plans credible? Is there real evidence of collaboration, as Secretary LaHood is talking about, across jurisdictional lines?

I also think it is critical that we set up specific measurement criteria as a result of the process. Again, we are not going to impose a single set of criteria up front. That has to come from the ground up. But it is clear that having impacts like reducing costs of combined housing and transportation, reduction in—

Senator MURRAY. So you will set that out up front, this is what we expect to see?

Secretary DONOVAN. Exactly. To say, out of these applications, we are going to agree to a set of criteria. We want to see the criteria that you are proposing. We will work with you on those, and then we will agree to a set of metrics that will have to be met from the plan.

And that way, everybody knows what success looks like up front. We are not going to dictate that, but we have to at least know that there is something to be accountable to.

LIVABILITY

Senator MURRAY. Well, following on that, what changes would you expect to see from a community after it has developed this integrated plan? Do you see the community using Federal housing programs like CDBG or section 8 in a different way?

Secretary DONOVAN. I certainly think that we will see lower costs, and that is in a range of different areas. I would hope that we would see lower commuting costs, which would also be able to bring down emissions as well. We would see families with more income available. And certainly, I would expect to see lower costs on the HUD side for the taxpayer as well.

What we see with the investments we have made from the Recovery Act in greening our housing stock, typically we see those investments pay for themselves in 3 to 5 years. So any savings that go beyond that, and these are annual savings, is net savings to the taxpayer. So we certainly expect to see lower utility costs in the long term that will help on the budget side with, as you know, what we have seen under the recession, increasing costs in section 8 and other programs. So I think this is a significant advantage as well.

Senator MURRAY. So I am assuming that one of the things you are looking at in proposals is, at the end of the day, does that community envision having lower costs as a result of their planning?

Secretary DONOVAN. Absolutely. How we measure those costs may be different in different communities, but in just about every example that I have seen—urban, rural, different types of metro areas—we see that.

We see more efficiency in infrastructure investment, and this is one of the things that I think is so important about these principles is where we have a community, whether it is because of brownfields or red tape from HUD is standing in the way of making investments in places that already have infrastructure, we should be able to achieve lower infrastructure costs because we can recycle, if you will, existing infrastructure that is there, improve it rather than having to have to continue to sprawl in ways that have negative impacts on families, but also on infrastructure cost.

Secretary LAHOOD. Can I just say that as a result of the work that you have done, Madam Chair, this idea of these kinds of transportation opportunities coming from the grassroots up, the whole ferry service, which is very unique to your part of the world, and there probably aren't any—there are very few other places around the country like this. But that is an integral part of the transportation for people to get back and forth to work, to housing, or to schools or whatever.

Those opportunities to create multimodal forms of transportation have to come from the ground up, have to come from the MPOs, and have to come from the idea that not one size fits all.

CAPACITY-BUILDING FUNDING

Senator MURRAY. Okay. Let me turn to some questioning about the roles and responsibilities of the agencies.

In last year's funding we provided to HUD for the Sustainable Communities Initiative, the administration has worked to clarify the roles that each agency is going to play in this partnership. And under those new defined roles, HUD is going to focus on integrated planning efforts and updating zoning codes. DOT is going to focus on capacity building. EPA will focus on administering technical assistance.

Now I understand that those roles were established in part to avoid duplication of effort among the different agencies, and that is important. But I am concerned that when we make those distinctions up front, we just are reinforcing the old stovepipes.

So, Secretary LaHood, can you provide some more detail on what you see as DOT's role in providing capacity-building funding?

Secretary LAHOOD. Well, I don't know if there has been another time when three agencies, three big agencies of the Government have ever sat down at a table together and began discussions about how we were going to share resources, how we were going to collaborate. This is an extraordinary opportunity, I think, for the country as we get into an authorization bill, as we get into a transportation policy, as we try to provide affordable housing.

We each have our expertise, and we have our resources. The point here is, we are willing to share our expertise and some of our resources if it can be brought to bear on affordable housing and where people want to live. We know what our role is, but obviously, we have expertise in transit, and we have expertise in highways, and we have expertise in other forms of transportation.

But collaborating with where people want to live and have affordable housing, has not really ever been done before. So, we are going to bring our own expertise, and look at a holistic point of view, not from a sort of a tunnel vision that you build a road here and then you hope that maybe somebody will build some houses. Or you see some houses, and how people are really going to gravitate around these communities.

I think the key point here is that we are really looking at it from a holistic point of view and coordinating and collaborating and getting good ideas from people who are in these communities.

HUD'S ROLE

Senator MURRAY. Secretary Donovan, you are supposed to focus on planning, but it seems to me that planning is about capacity building. So maybe define for me better what you see your role as.

Secretary DONOVAN. I think you raise a very important question, I think, about how we make sure that we are not duplicating roles because I think that a lot of the work that we have done to try to define clear roles is to make sure that we are not replicating expertise that Ray has in his agency, at HUD that we are not hiring more folks than we need or spending more than we need to spend in terms of making these happen.

But also recognizing, as you said correctly, that the lines are not perfectly clear and if we try to make them too hard that we can end up replicating the silos, and I think it is the right balance to strike.

Let me maybe use an example in what we are looking at with the planning grants that we have, our challenge grants. We looked at this, and we said, look, DOT has \$35 million in funds that could be used for similar purposes, but not exactly the same. We are going to come together to evaluate, but we will be awarding these funds depending on the specifics of what that community needs.

If it really is more of a transportation planning effort that is specifically around, say, a streetcar line or something like that or a ferry line or whatever it might be, Secretary LaHood's team would provide the funding there. We might provide the funding if it is more specifically, say, an inclusionary zoning effort or a transit-oriented development around there. And there may be examples, too, where we would both combine funding and provide them.

In those cases, we are going to be providing some capacity building as well because we are going to be working so extensively with

the regional planning organizations, the MPOs, and others. There is real expertise at Department of Transportation in doing that. That is why we felt it was appropriate for them to be the lead.

They being the lead doesn't mean we wouldn't also provide technical assistance—

Senator MURRAY. So you don't see that as the sole responsibility is going to be them?

Secretary DONOVAN. It is not a sole, but it is making sure we understand who is leading and who is following. If there is a more specific issue, for example, around zoning codes, land use, those issues, we would step in. If there is a brownfields issue, obviously, EPA would step in and be able to provide the technical assistance.

But really, the leadership and the greatest experience on this was in DOT. That is why we felt like on that technical assistance side, they ought to be leading that effort. I hope that clarifies it.

BARRIERS TO NEW STARTS PROGRAM

Senator MURRAY. Yes, it does. And what I hear you saying is you are using your own expertise, you are sharing it, which is new, and you are not exclusively limiting yourself to your one area?

Secretary DONOVAN. Right. And the biggest risk here, we don't want to reinvent the wheel—

Senator MURRAY. Yes.

Secretary DONOVAN [continuing]. Where we have that capacity. It is more cost effective, and that means we have to be in the same room and understand who is leading and who is following.

COST EFFECTIVENESS

Senator MURRAY. Okay. All right, very good.

Secretary LaHood, I wanted to talk with you, I was really happy to see your announcement in January that the Department is now going to consider other important factors in addition to cost effectiveness when it is evaluating new transit projects. Cost effectiveness is obviously important, but I am really happy to see a more holistic approach that also considers the potential impacts of congestion and the environment and the economy because we know all of that is important to the places where we live and want to make them more vibrant and sustainable.

That announcement also highlighted the proactive steps that DOT and HUD can take to remove barriers that stand in the way of smart development, and I wanted to ask both of you today if you can tell me what your Departments are doing now to identify and eliminate obstacles that are within your power to change?

Secretary LAHOOD. Well, by proposing changes rather than just using economic development, which is an important, obviously, criteria. But taking into consideration several other factors, we think we can speed up opportunities for funding of New Starts. Really, I think the main obstacle to really expediting New Start opportunities and providing funding for it was that we were encumbered by our own guidelines. Expanding the guidelines and taking other criteria in will shorten the time within which we can really make these allocations and approve these projects.

In your absence, I told Senator Bond that the most common complaint that I heard at the beginning of my tenure was, why does

it take 10 or 12 years to get a New Starts program going? Well, because of all the bureaucracy, I guess, and all the hoops that we were making people jump through.

It is not that we are not going to be taking a careful look. We are going to be doing that, but we are going to be looking at other criteria, such as livability and sustainability and the environmental benefits of each. The economics are important, and they always will be. But there will be other things that we will look at, and I think it will speed up the process.

Senator MURRAY. I am told there is a list available somewhere in the administration of the barriers that exist. Is that available? We have been asking for it for over a year now.

Secretary LAHOOD. Well, it is available as far as I am concerned. We will see if we can get you a copy of it.

[The information follows:]

The Federal Transit Administration (FTA) has, in the past year, rigorously examined each stage of the project development of New and Small Starts and implemented measures in an effort to make the process move more smoothly and quickly. FTA has revised its internal business practices and policies as well as the regulatory framework of the New and Small Starts program to expedite project delivery.

A number of significant improvements have been made. A major change occurred in January 2010, when Secretary LaHood rescinded the test established in 2005 requiring New and Small Starts projects to have a Medium or better Cost-Effectiveness rating to be considered for a funding recommendation in the President's annual budget. Consideration for project funding recommendations are now available to projects that achieve a Medium or better Overall rating, as required by statute. Cost-Effectiveness no longer trumps all the other statutory evaluation criteria. Project funding recommendations are now based on the full set of statutory criteria, including "livability" criteria like environmental benefits and economic development effects. This change is expected to expedite the project development process because it removes the need for project sponsors to repeatedly rescope projects to lower their costs in an effort to meet a Medium cost effectiveness threshold.

To provide better technical support to applicant project sponsors as they advance toward construction funding, FTA issued new and clarified guidance. FTA also works with sponsors to develop "roadmaps," mutually developed action time lines for advancing projects.

FTA revised its organizational structure by creating an office solely devoted to New and Small Start project development and by revitalizing its New Starts project development teams that work one-on-one with applicant sponsors. FTA reduced the number of submittals required from sponsors. FTA introduced streamlining policies such as allowing project sponsors to automatically move forward with certain procurement and early construction activities, using local funds eligible for later Federal reimbursement upon compliance with environmental requirements.

Of particular note, FTA has just issued an Advanced Notice of Proposed Rule-making (ANPRM) effort to improve and simplify the methodology used to measure three important criteria used to evaluate New Starts projects. During this ANPRM effort and subsequent development of a new regulation, FTA will work with a broad range of stakeholders in public transportation and livable communities to make the New and Small Starts regulatory framework not only reflect a wider range of the benefits of transit, but to be more compatible with expedited project development timeframes.

With those accomplishments behind us, the FTA also expects to announce a significant revamping of its project approval processes in the coming months to further streamline the project decision process and shorten the period it takes to advance projects to a Federal funding decision.

Senator MURRAY. Okay. We would like that, all right. Secretary Donovan.

Secretary DONOVAN. I think this is such an important question, and it goes back a little bit to the issue that was raised before. Is the Federal Government dictating, absolutely not. We want to work with local communities.

One of the things we consistently hear from local communities, and I think in some ways is our first responsibility, is the Hippocratic Oath, which says “first, do no harm,” and I think that is a principle we need to follow on this side as well.

One of the great benefits of us coming together in the way that we have and reaching out to local communities is that we have heard a lot about where our rules—Ray talked about some of them, where our rules stand in the way of sustainability at the local level. In fact, I am not sure which list exactly you might be referring to. We have a list of 300 comments we have gotten from our input around the country that is barriers we ought to try and work on.

Senator MURRAY. Okay.

Secretary DONOVAN. We have begun to work on those. Let me give you just two quick examples. Let me just give you two quick examples of the things that we have started to work on already and the things that we have done.

One of the things we have consistently heard is that our standards, both for ensuring multifamily buildings or subsidizing them require outdated environmental reviews that are not state-of-the-art and often limit how much commercial income a property could have. Well, what are the effects of that?

We make it way too hard to reinvest in existing communities that might be close to transit or other things, and we stand in the way of doing mixed-use development, which is key for livable communities. So that is one example.

A second, by working with—and we have changed that, by the way. We have now begun to incorporate state-of-the-art environmental standards into the work that we do.

A second example is with the Department of Energy. As we started to look at their weatherization funding and whether it could be used on multifamily, what we found was the Department of Energy partners had to go literally family by family and check their incomes to make sure that they were low income, even though HUD is already doing that work each and every year to check their incomes.

It was a big barrier to doing it. So what did we do? We changed it. We put out an MOU with Secretary Chu that says here is a list of 1.5 million apartments in HUD programs that are automatically eligible for weatherization assistance because of the income level.

Those are just two examples of the kind of barriers that we have identified already and moved on. And obviously, there is a significant list of others that we have heard feedback from that we are beginning to work on as well.

Senator MURRAY. Okay. If you could share that with the subcommittee, it would be great. My understanding is there is a joint list developed by DOT and HUD, and if you could share that with us and some of the ones that have been removed or what the challenges are, I would really appreciate it.

Secretary DONOVAN. Yes.

Secretary LAHOOD. Can I just list for the record the six criteria—you know I mentioned cost effectiveness in the past, but we have mobility improvements, environmental benefits, cost effectiveness, operating efficiencies, economic development effects, and public

transportation supportive land use. That is the expansion that I was talking about, in addition to cost effectiveness.

Senator MURRAY. Okay, very good.

Well, I appreciate both of your responses to this and look forward to working with you on that.

Secretary LaHood, I have one other question for you that is not about sustainable communities, but that is very important to me. And we will have a number of Senators who will be submitting questions to both of you.

MEXICAN TRUCKS

And Secretary LaHood, I do need to ask you an important question. It is one I brought up with you when you were before our subcommittee before, and that is about the cross-border trucking issue with Mexico and the devastating effect of Mexican tariffs on my Washington State farmers now.

Back in March, I urged you and the administration to move quickly to craft a plan to resume this cross-border trucking in a way that would address the safety concerns that were raised during the pilot and the tariffs that are imposed right now. You told me at that time that a resolution was going to be forthcoming soon.

You should know and I want you to know that the effects of that Mexican tariff have been absolutely devastating to the farmers and families in my home State now. The tariffs are really undermining our farmers' competitiveness. They are killing jobs, devastating communities.

In fact, in the 2 months since we last talked and you came before the subcommittee, the ConAgra potato processing plant that is located in Prosser, Washington, shut down and eliminated hundreds of really good-paying jobs. If we don't address this soon, that is just going to be the first of what we see. We literally have thousands of jobs at stake and are in serious jeopardy over this.

I sat down last week with the Mexican ambassador to the United States in my office because I wanted him to know how harmful this was, and I told him that I feel very strongly that our Washington State farmers and our families should not be punished for a diplomatic dispute they had nothing to do with.

Well, he told me that Mexico's president, as you know, is planning to be here in a few weeks and is bringing this issue up with President Obama. So my question to you this morning is I want to know what you can tell me about the administration's progress toward fixing this problem, are you prepared to resolve this issue with Mexico during the state visit later this month?

CROSS BORDER TRUCKING

Secretary LAHOOD. Well, since the program was suspended, we have worked very hard with the White House and other members of the Cabinet, President Obama's team has worked very hard to put a proposal together. We will be announcing it very soon, and we will come to Capitol Hill and brief every Senator that has an interest in what it says and get feedback.

President Obama's administration's intention is to restart this program. It is a part of NAFTA. It needs to be restarted. We believe if it is restarted that these tariffs will be lifted, which we

know have had a devastating effect not only on the State of Washington, but on many other States across the country.

We are very close to briefing you and other Senators on the proposal—

Senator MURRAY. Is “very close” sooner than “soon?”

Secretary LAHOOD. It is closer than “soon.”

Senator MURRAY. Okay. Well, this is extremely important to us. So I will stay in touch with you on this.

Secretary LAHOOD. Yes.

Senator MURRAY. And we are hoping with the President coming later this month that we can have a resolution of this and move on.

Secretary LAHOOD. Yes. Thank you.

Senator MURRAY. Okay. Thank you.

ADDITIONAL COMMITTEE QUESTIONS

I would ask at this time that if the subcommittee members have any additional questions that they submit them for the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO HON. SHAUN DONOVAN

QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER S. BOND

TRANSPARENCY

Question. Secretary Donovan, as discussed during this and previous hearings, I am still waiting for real transparency in the current administration grant making process: in other words, at a minimum, Congress and the American people need to know the substance of the implementation of the program and the decisionmaking through the Internet or the Federal register, including such information as the basic requirements for receiving a grant, a list of all grants awarded, to whom and for how much, and what were the requirements that the grantee met in order to qualify for a grant, how the grant was awarded (who made the decision, under what basis), what are the minimum expectations, and a bi-annual review of the status of each grant including what has been accomplished in contrast to the benchmarks established for a successful grant, and what benchmarks apply for the length of the grant, including in all cases the rate of obligation and the rate of expenditure and whether the expenditures are consistent with the requirements of the grant. It seems to me that cost shares and the leveraging of funds also should be readily available on the Internet so we have access to information about other sources of Federal, State or private funds that may be used to augment these grant awards. In brief, what does HUD believe should be the minimum requirements for transparency? What issues should not be subject to transparency? What steps is HUD currently taking to ensure that HUD grant decisionmaking is open and objective with benchmarks on the award of grants as well as a process to determine whether grants are meeting program goals and requirements? Is there a political review process at HUD which allows political decisionmaking once the underlying objective criteria process is complete?

Answer. For our programs, both NOFAs clearly stated the process that would be used to evaluate and rate projects.

HUD issued an Advance Notice of Funding Availability and the Office of Sustainable Housing and Communities organized a public listening tour with DOT and EPA in advance of the NOFA publication that directly influenced the structure of the funding notices. Each and every application for HUD programs is reviewed, evaluated and rated as stated in the Notice of Funds Availability (NOFA). There is no political process that is done once the objective process is complete.

Additionally, both grant programs will involve a Logic Model that has specific performance indicators and there is also \$8.5 million specifically for research and evaluation out of the fiscal year 2010 funding. The \$8.5 million is derived by an appropriation of \$10 million less \$1.5 million for the Transformation Initiative. The eval-

uation funds will be used to see how the grantees are performing. Specific information can be found on the Sustainable Housing Web site (HUD.gov/sustainability). There is a list of applicants for both grants and a summary of those that were funded. The NOFAs contains what criteria were used and how the grantees applications were weighted.

RELATIONSHIP BETWEEN HUD, EPA AND DOT IN THE SUSTAINABLE HOUSING AND COMMUNITIES INITIATIVES PROGRAM

Question. HUD has established a new Office of Sustainable Housing and Communities with an appropriation of \$150 million which will be available for regional planning efforts that integrate housing and transportation decisions as well as to increase State, regional and local capacity to incorporate livability, sustainability and social equity principles into land use and zoning. One hundred million dollars will be for regional integrated planning initiatives. HUD, EPA and DOT are directed to work together to bring coherence to the planning process. HUD is also asking for another \$100 million for fiscal year 2011.

This program remains very ambiguous. A dialogue on livability and sustainability represents a good and healthy debate; however, we must be careful about not becoming too prescriptive or start to rely too much on Federal mandates to force certain conclusions. One size does not fit all—instead we must encourage flexibility and not try to purchase conclusions through grants. What is the current relationship between DOT, EPA and HUD as to sustainability/livability? How do the agencies work together and what are the problems?

Answer. When we formed the Partnership for Sustainable Communities, the Department of Housing and Urban Development (HUD), the Department of Transportation (DOT), and the Environmental Protection Agency (EPA) agreed to collaborate to help communities become economically strong and environmentally sustainable. Through the Partnership and guided by six Livability Principles, the three agencies are coordinating investments and aligning policies to support communities that want to give Americans more housing choices, make transportation systems more efficient and reliable, reinforce existing investments, and support vibrant and healthy neighborhoods that attract businesses. Each agency is working to incorporate the principles into its funding programs, policies, and future legislative proposals. The Partnership breaks down the traditional silos of housing, transportation, and environmental policy to consider these issues as they exist in the real world—inextricably connected. This results in better results for communities and uses taxpayer money more efficiently, because coordinating Federal investments in infrastructure, facilities, and services meets multiple economic, environmental, and community objectives with each dollar spent. As part of this effort, the three agencies have been working to identify barriers that exist.

Additionally, in June 2010 HUD and DOT joined together to issue a joint Notice of Funding Availability to support integrated housing and transportation planning to eligible States, tribal governments, regions, and local units of government, making up to \$75 million available for these activities.

HUD, EPA AND DOT CONTRIBUTIONS TO SUSTAINABLE HOUSING AND COMMUNITY INITIATIVE PROGRAM

Question. How much is each agency contributing to this initiative and what is the relationship of the different funding streams?

Answer. HUD, DOT, and EPA have identified a set of priorities and roles that guide our individual and joint efforts. Within the Partnership for Sustainable Communities, each agency will incorporate the six Livability Principles into their policies and funding programs to the degree possible and adopt a common set of performance metrics for use by grantees that helps align and leverage Federal funds. As laid out in the agencies' joint fiscal year 2011 budget proposal, the agencies each propose to take the lead in different areas as further described below.

- HUD will take the lead in funding, evaluating, and building the capacity for integrated regional and local planning for sustainable development, and will invest in sustainable housing and community development efforts.
- DOT will focus on building the capacity of transportation agencies to integrate their planning and investments into broader plans and actions that promote sustainable development, and investing in transportation infrastructure that directly supports sustainable development and livable communities.
- EPA will provide technical assistance to communities and States to help them implement sustainable community strategies, and develop environmental sustainability metrics and practices.

REQUIREMENTS FOR RECEIVING A GRANT

Question. What are the underlying requirements for receiving a grant under sustainability?

Answer. We respectfully refer you to the Notices of Funding Availability that were issued on June 24, 2010 for the two Sustainable Communities grant programs, which describe the program requirements for each program.

Sustainable Communities Regional Planning Grant Program.—<http://www.hud.gov/offices/adm/grants/nofa10/scrpgsec.pdf>.

Community Challenge Planning Grant Program.—<http://www.hud.gov/offices/adm/grants/nofa10/huddotnofa.pdf>.

SUSTAINABILITY VS. LIVABILITY

Question. Why does HUD call this initiative sustainability and DOT calls it livability?

Answer. DOT uses the term “livable,” and by extension “livability,” to describe a community where an individual or family does not need to get in a car in order to do such things as go out to dinner, go to a movie, or a park. DOT defines livability to mean building communities that help Americans live the lives they want to live—whether those communities are urban centers, small towns or rural areas. Whereas DOT’s definition of livability reflects its transportation mission, HUD uses the terms “sustainable communities” and “sustainability” in its programs because of HUD’s broader mission.

Although HUD has not defined the term “sustainability,” it defines “sustainable communities” to mean “urban, suburban, and rural places that successfully integrate housing, land use, economic and workforce development, transportation, and infrastructure investments in a manner that empowers jurisdictions to consider the interdependent challenges of: (1) economic competitiveness and revitalization; (2) social equity, inclusion, and access to opportunity; (3) energy use and climate change; and (4) public health and environmental impact.”

Given its broader mission, which includes promoting such things as economic competitiveness, social equity, and public health, HUD has chosen to use what it considers to be a term that has a broader meaning. We do not see these terms as being in conflict, but rather represent a coordinated approach between our agencies.

PRIORITIZING FUNDING

Question. Secretary Donovan, as you know, there are significant deficit issues facing the entire Federal Government. As I discussed, we are facing a \$1.6 trillion deficit this year; a record \$1.6 trillion deficit this year—10.6 of the Nation’s GDP—the highest since World War II, and the future only looks worse, especially for future generations. The HUD budget is filled with new agenda items, such as Choice Neighborhood, Sustainable Communities, Transforming Rental Assistance with its future multi-billion out-year costs and Catalytic Investment Competition. How will these stack up with HUD’s core programs like HOME, CDBG, public housing and section 8 with the two previous programs requiring increased additional costs for each fiscal year just to preserve the housing safety net for low-income families? There are many other housing and Transportation programs that will also need funding and are widely supported both in the Congress and throughout the Nation. How do you plan to prioritize funding?

Answer. HUD’s fiscal year 2011 budget request takes into consideration our core programs such as CDBG, public housing and section 8 rental assistance. In an effort to not only preserve the safety net that many of HUD’s programs provide to low-income families and tenants, HUD sought to fundamentally change the way that our programs work to make them more efficient, serve more families and communities and preserve affordable rental housing options.

HUD’s request compliments our core programs with new initiatives like Choice Neighborhoods and Sustainable Communities. The Choice Neighborhoods Initiative modernizes the HOPE VI program so that neighborhoods and communities can access funding that will improve existing HUD-assisted housing as well as support other community development needs. The Sustainable Communities Initiative will help regions, communities and neighborhoods create comprehensive development plans that link housing, transportation and job opportunities together. These programs in addition to HUD’s core programs will enable States, cities and regions to continue to serve low-income families, create more affordable housing options and spur economic development in a way that makes sense to that area.

LEVERAGING

Question. Secretary Donovan, HUD is looking at requiring or perhaps providing points in the grant process for matching or leveraging of funds or “in-kind” matches. The in-kind matching sounds like little more than crediting an additional staff to a Sustainability program? How do you plan to measure or identify this match which seems hard to quantify?

Answer. Matching funds are not required. However, applicants must provide 20 percent of the requested funding amount in leveraged resources in the form of cash and/or verified in-kind contributions or a combination of these sources. Successful applicants must have the required amount of leveraged resources (20 percent) at the time of signing the cooperative agreement. In-kind contributions may be in the form of staff time, donated materials, or services. Please see section VIII.C. for a list of possible in-kind contributions. All assistance provided to meet this requirement must be identified by their dollar equivalent based upon accepted salary or regional dollar values. Cash contributions may come from any combination of local, State, and/or Federal funds, and/or private and philanthropic combinations dedicated to the express purposes of the proposal. Applicants will receive credit for leveraged resources greater than 20 percent of the requested amount, as described in section V., Rating Factor 4. If an applicant does not include the minimum 20 percent leveraged resources with its appropriate supporting documentation, that application will be considered ineligible. Please see section III.F., Threshold Requirements.

We respectfully refer you to the Notices of Funding Availability that were issued on June 24, 2010 for the two Sustainable Communities grant programs, which describe how leveraging is defined and evaluated in each program.

Sustainable Communities Regional Planning Grant Program.—<http://www.hud.gov/offices/adm/grants/nofa10/scrpgsec.pdf>.

Community Challenge Planning Grant Program.—<http://www.hud.gov/offices/adm/grants/nofa10/huddotnofa.pdf>.

STAFFING

Question. Secretary Donovan, how many staff do you have in the Office of Sustainable Communities and Housing? How many staff do you expect to hire and by when? Where will they be located and what will be their primary functions? How do you plan to perform grant review and selection? Will you or other political staff be part of the review and selection process? If yes, in what way?

Answer. As of June 15, 2010, 14 of the allocated 19.5 full-time employees (FTEs) have joined the Sustainable Housing and Communities (OSHC). Another FTE will begin work on June 21. The remaining FTEs will join the Office over the next 2 months. They will be located in HUD Headquarters in Washington, DC. The primary functions of staff will be to establish the Office, administer and oversee the two grant programs, and coordinate with DOT, EPA and other Federal agencies involved in the Partnership for Sustainable Communities and related energy efficiency programs.

We respectfully refer you to the Notices of Funding Availability that were issued on June 24, 2010 for the two Sustainable Communities grant programs, which describe the grant review process, selection criteria and rating factors for each program.

Sustainable Communities Regional Planning Grant Program.—<http://www.hud.gov/offices/adm/grants/nofa10/scrpgsec.pdf>.

Community Challenge Planning Grant Program.—<http://www.hud.gov/offices/adm/grants/nofa10/huddotnofa.pdf>.

As noted in the NOFAs for both grant programs, a senior review team will be created for each grant program to review qualifying grant applications that receive qualifying scores from review teams comprised of career staff from HUD, DOT, EPA and other Federal agencies. For the Sustainable Communities Regional Planning grants, we also anticipate using representatives from philanthropy as review team members to supplement teams with outside expertise on sustainability and regional planning. The Senior Review teams will review qualifying applications using the same criteria and rating factors, but will not change project scores. The Director of the Office of Sustainable Housing and Communities will recommend selected projects to the Secretary for recommended funding based on the overall review process as described in the NOFAs for both grant programs.

SUSTAINABILITY VS LIVABILITY

Question. What is HUD’s relationship with DOT and these Sustainability and Livability programs? One of the primary goals is for DOT and HUD, and to some extent

EPA, to work together on related issues under each department's jurisdiction to assist jurisdictions and joint jurisdictions to find common themes and activities that will facilitate the development of projects and help grow better communities through the interaction of these agencies.

Neither HUD nor DOT appear to be making any real progress in growing their relationship and finding ways to join hands on grants and projects in order to improve the overall quality of life in that jurisdiction or jurisdictions.

I am especially concerned that HUD calls its programs and activities "sustainability" and DOT calls its programs "Livability". Why not a common name and definition? As you know, from a legal viewpoint, the use of different concepts infers that the concepts and activities are different. If the departments cannot come to a common concept for this program, how will you plan to reach a common working relationship?

Answer. Given its broader mission, which includes promoting such things as economic competitiveness, social equity, and public health, HUD has chosen to use what it considers to be a term that has a broader meaning but is still consistent with the objectives incorporated within the term of Livability. We do not see these terms as being in conflict, but rather represent a coordinated approach between our agencies. Within the joint-NOFA issues by HUD and DOT for Community Challenge/TIGER 2 Planning grants, both terms are used and described in terms of eligible activities and a focus on integrated housing and transportation planning.

OVERSIGHT

Question. Secretary Donovan, it appears that Sustainability funding could go to a variety of different activities with the planning grants especially focused on staff and planning costs. These are often difficult funds to verify as to use. What are your plans to provide adequate oversight? This is a particularly sensitive issue now where jurisdictions are often surviving under very tight budgets—how will you ensure these funds are being used well for the intended purpose and not merely to maintain existing staffing?

Answer. Grants made under both grant programs will be in the form of cooperative agreements, providing HUD greater opportunity to provide oversight in working with grantees. Grantees are required to develop detailed work plans within 60 days of grant execution and there are additional bi-monthly reporting requirements, all of which provide HUD the opportunity to verify use of funds and the on-going progress and eligibility of grantee activities. In addition, Congress included \$10 million in the fiscal year 2010 appropriation for a joint HUD-DOT research effort that includes a rigorous evaluation of the Sustainable Communities Regional Planning Grant and Community Challenge Planning Grant programs.

STAFF TURNOVER

Question. Secretary Donovan, planning grants at the local level are intended to last 3 years and then hopefully we will reach a project decision in conjunction with a DOT project. How will jurisdictions demonstrate they will be able to transition the cost of staff from Sustainability to other resources?

Answer. You are correct that these are 3-year planning funds. The work plans and budgets developed by grantees cover work to be performed only during that time-frame. Applicants will be rated on their capacity to see these plans through to implementation, which includes plans to address turnover and a limited time horizon for funding toward staff costs.

PROJECT COSTS

Question. After the planning stage, how much does HUD estimate the project stage will cost annually? Rough estimate—how can we be expected to even fund planning if we have no hard cost estimates for project costs especially with expected very tight budgets?

Answer. Given the significant variation that we anticipate to see from each region as it develops its own regional and community plans, HUD is not able to forecast or estimate a number to answer this question. We do not advocate a one-size fits all, cookie cutter approach and these are decisions that will be made at the regional and local level, not by the Federal Government. Furthermore, the plans that will be developed will include consideration of Federal, State, local and private sector finance. As noted in the Livability Principles included as factors within the grant programs, however, the Partnership for Sustainable Communities places a strong focus on leveraging investments and coordinating policies and plans to achieve economic efficiency. We have seen in some regions such as Salt Lake City, UT substantial cost

savings from avoided infrastructure costs as a result of integrated regional planning.

CHOICE NEIGHBORHOODS

Question. Secretary Donovan, HUD is proposing to fund Choice Neighborhoods at \$250 million in fiscal year 2011 and Sustainability at another \$150 million in fiscal year 2011. Both programs require the consultation and integration of program requirements under other agencies, including primarily DOT and HUD. What is the difference between these programs and why fund both when the goals are nearly the same. At a time of tight projects, shouldn't we fund one or the other, not both?

Answer. HUD's Choice Neighborhoods Initiative focuses on the redevelopment, replacement and community integration of distressed public and HUD-assisted housing that cannot be funded through current annual funding formulas. The goal of the Choice Neighborhoods initiative is to provide investment targeted to distressed, high-poverty neighborhoods, to create opportunity in those neighborhoods and improve quality of life for residents. Choice Neighborhoods builds off of the HOPE VI program, which focuses on the rehabilitation and replacement of severely distressed public housing units, but takes it one step further to include HUD-assisted housing and encourage other types of community development. Where possible, HUD will coordinate with the Department of Education's Promise Neighborhoods program, which aims to improve schools and education-related activities in high poverty areas, the Department of Justice's Byrne Innovation program, which has been proposed to replace Weed and Seed, and other Federal programs to help grantees maximize the impact of Federal investments. Improvements in housing, access to educational opportunities and other community amenities will promote economic growth in low-income neighborhoods and resident self-sufficiency.

The Sustainable Communities Initiative focuses more on holistic community planning at the metropolitan, regional, or county level, so that areas can then implement their own community development plans that take into account access to public transportation, community amenities and affordable housing. The Sustainable Communities Initiative is a collaboration with the Department of Transportation and the Environmental Protection Agency to address land-use, housing and transportation planning in order to promote more accessible and livable communities. These integrated plans may serve as a road map for transportation, infrastructure and housing investments in the future.

Each of these initiatives does focus on better community and neighborhood planning and development, however, they have two different goals. The Sustainable Communities Initiative works at a larger geographic scale to assist local governments in coordinating housing, transportation and other amenities to reduce transportation costs and developed mixed-income and mixed-use housing in order to create a more viable community. The Choice Neighborhoods Initiative focuses more specifically, in distressed neighborhoods, on redeveloping and rehabilitating distressed public and/or HUD-assisted housing and improving economic and other opportunities in those neighborhoods.

Senator MURRAY. I want to thank both of you for your work on this issue and for being here today and look forward to working with you in the coming months and years.

Thank you very much.

SUBCOMMITTEE RECESS

With that, this hearing is recessed. We will reconvene on May 13 at 9:30 a.m. with testimony from Commissioner Stevens on fiscal year 2011 budget request for FHA.

[Whereupon, at 10:57 a.m., Thursday, May 6, the subcommittee was recessed, to reconvene at 9:30 a.m. Thursday, May 13.]