
**"A Fresh Start for New Starts"**

**Testimony before the Senate Banking Housing, Transportation, and Community Development Subcommittee**

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Chairman Menendez, Ranking Member Vitter and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today. I am Mariia Zimmerman, Policy Director for Reconnecting America, a national non-profit dedicated to using transit investments to spur a new wave of development that improves housing affordability and choice, revitalizes downtowns and urban and suburban neighborhoods, and creates lasting value for our communities. Reconnecting America is a co-founder of the Transportation for America campaign, and we also host the national Center for Transit-Oriented Development (CTOD), a partnership with two other groups: the Center for Neighborhood Technology and Strategic Economics.

CTOD is federally funded to provide standards, guidance, and research on transit-oriented development (TOD), including a web-based resource of best practices and cutting edge research, and the National TOD Database, the only database of every existing and planned fixed transit station in America. We provide technical assistance to the 40 regions that either have transit or are planning to build new transit lines.

Today I would like to share with you some of the larger trends that are reshaping consumer preferences, business trends and the real estate market, creating an unprecedented opportunity for transit in defining the future sustainability of our communities. The way the Federal Transit Administration evaluates proposed transit investments has a direct bearing on whether or not regions are able to fully realize the potential of these trends.

In a 2008 study by Reconnecting America, we found that the demand for transit is soaring across the country, with 400 new rail, streetcar and bus rapid transit projects proposed in almost 80 communities across the country at a proposed worth of $248 billion --- far more than can be funded through the federal transit program alone.[1] Transit ridership is at a 52-year high; since 1995, ridership has increased 38 percent; nearly triple the rate of population growth.[2] There are a host of reasons for this boom in demand for transit. Mayors value transit in helping to spur urban regeneration and reduce traffic congestion. Businesses value transit because employees can get to work on time and transit is viewed as a key amenity in attracting the highly desirable "creative class" to local economies. Developers see an untapped market for housing near transit and are designing new products and new neighborhoods to meet this demand. And, communities recognize that when all the pieces come together, transit can be a powerful tool to improve quality of life and help lower costs of living.

CTOD has estimated the demand for housing near transit to increase to almost 15 million U.S. households by the year 2030, roughly a quarter of all renters and buyers, and a more than doubling of demand from the 6 million households that live near transit today.[3] This is a tremendous potential increase. If we are to come even close to achieving it, we need more transit investment and we need to reduce regulatory barriers that still make mixed-use, more compact development illegal in many communities. In addition, we need to maximize opportunities to

[1] "Jumpstarting the Transit Space Race: How the New Administration Could Make America Energy-Independent, Create Jobs and Keep the Economy Strong." Reconnecting America, 2008.
[2] American Public Transportation Association, 2009.
[3] "Hidden in Plain Sight: Capturing the Demand for Housing Near Transit, Reconnecting America, 2005.

leverage public resources and reduce the funding and bureaucratic silos between housing, transportation, and economic development.

Regions are aggressively seeking to use transit investments to help focus growth, create a sustainable foundation for economic development and provide mobility options for residents. Take into consideration Denver. In 2004, residents of the region voted to tax themselves to build five new transit lines in 15 years. They're making a $6.4 billion investment in their future and focusing a significant percentage of regional growth into neighborhoods around each station. Virtually every major job center will now be connected by transit and the remaining 50 stations will accept about a quarter of the region's housing. In Orlando, the Central Florida commuter line will not only provide much needed congestion relief, but will provide the impetus for community revitalization in those towns with transit stops. The proposed Gold Line in Los Angeles is seen as a central strategy to curb sprawl in the Inland Empire and focus growth around the Claremont Colleges and a thriving medical complex. We're seeing similar investments in the Twin Cities, Houston, Dallas-Fort Worth, Salt Lake City, Atlanta, Sacramento, Norfolk and Charlotte, North Carolina – regions that even a few years ago wouldn't immediately come to mind as transit-based places.

Given the tremendous demand for new transit service, many communities are seeking new ways to fund and expedite project development. Federal funding for new transit lines has remained relatively stable, between $1.5 billion and $1.9 billion annually, while the time to successfully navigate the federal New Starts process has increased from 5 years in 1991 to 10 years in 2004.[4] To cite one example, both the Seattle, Washington streetcar, which did not go through the New Starts process and Charlotte, North Carolina South Corridor light rail line, which did, opened at the end of 2007. But the Seattle streetcar was proposed 5 years after the Charlotte project.

[4] "Planning for the Future: New Starts Projects Must Address Next Generation of Transit Projects." APTA, October 2006.

The relatively low level of transit investment in the United States stands in stark contrast to funding in other parts of the world. China, for example is dedicating $88 billion for construction of 1,062 miles of rail over the next six years. India has announced it will spend $56 billion to expand its rail system over the next five years. In London, the United Kingdom is spending $32 billion on just one subway project – the 74-mile Crossrail subway in London.

It is clear from the growing domestic demand for transit, and the need to address our global competitiveness and reduce our dependence on foreign oil that more transit investment is warranted. My organization joins a growing chorus of voices that asks Congress to significantly increase funding for public transportation in the next surface transportation reauthorization, and as part of overall energy and climate legislation that may also be before the Senate this Congress.

Increased investment in public transportation should be viewed as part of a larger national goal to build and maintain a national transportation system that includes a well connected and integrated highway, transit and rail network. Last month, Senators Rockefeller and Lautenberg introduced S. 1036, "the Federal Transportation Policy and Planning Act of 2009." This legislation sets a bold new vision for federal transportation policy in order to address the current and future needs of our economy, energy, environment and health. The measure establishes a unifying mission for the federal surface transportation program and sets needed and achievable performance targets, including goals to increase system safety, to repair and maintain existing assets, and to reduce congestion and carbon emissions through increased use of transit, rail, marine, and non-motorized transportation. The Transportation for America campaign supports this legislation and hopes that these performance targets will be effectively integrated into the federal transportation planning process as part of the next transportation bill.

As Congress works to reform federal transportation policy, it will be important to ensure that it benefits those communities that have been historically disadvantaged by how our nation has

chosen to invest. This Subcommittee may wish to see included performance targets which speak to the critical need to better coordinate transportation with housing, land use and social equity goals – all objectives which fall within your subcommittee's jurisdiction. Towards this aim, T4America recommends the following additional national transportation performance targets:

- Achieve zero percentage population exposure to at risk levels of air pollution;
- Reduce average household combined housing + transportation costs 25 percent; and,
- Increase by 50 percent essential destinations accessible within 30 minutes by public transit, or 15 minute walk for low-income, senior and disabled populations.

In addition to providing more federal resources for transit and clearly articulate a set of national transportation objectives, the federal partnership can also be improved through major reform of the federal New Starts process. I commend the Subcommittee for beginning to address this important issue through today's hearing. There appears to be general agreement that the current program has lost its way and become overburdened by existing statutory and regulatory requirements. My organization supports a rigorous review process to ensure that federal investments are being wisely made and to ensure transparency and oversight. However, the unlevel playing field between the current process for planning, designing and constructing a new transit project versus a new highway project severely handicaps transit projects from moving forward and unduly burden transit projects with increased project costs.

We recognize the challenge the administration has in developing a fair and rigorous review process. We are encouraged by some of the proposed changes in the May 2009 Proposed Guidance on New Starts/Small Starts Policies and Procedures, particularly reinstating a multi-measure evaluation rating system. I'd like to use my testimony to highlight two measures particularly important to my organization: land use and economic development.

There is a growing concern among local project proponents, whether real or perceived, that including a full range of amenities, streetscape improvements, and pedestrian safety enhancements in a proposed transit project will jeopardize Federal funding. Yet these are the very features that help maximize walking trips to transit and create high value urbanism. Local concern over meeting the federal Cost Effectiveness Index has lead some communities to shortchange the number of transit stations, rail cars, or corridor enhancements that would help meet or even exceed 20 year ridership projections.

Our research shows that actual ridership on many recently built transit lines is higher than predicted by the FTA's Transit System User Benefit or "TSUB" model.[5] This raises significant concerns about the substantial weight placed on these model results, and we believe validates the need to maintain a multi-measure approach to evaluating projects, including qualitative and quantitative measures.

The overall data show that the majority of recent rail lines built with Federal funding through the New Starts program are performing at least as well as pre-construction projections. Some lines, such as Minnesota's Hiawatha Light Rail and the Metro Red Line in Houston are outperforming their ridership estimates 15 years ahead of projections. It is interesting to note that some of these lines would not have been funded if rated solely on their Cost-Effectiveness rating. For example, the Hiawatha Line received only a low-medium Cost Effectiveness rating. This presents both good and bad news.

The good news is that over performing lines give transit agencies and communities the momentum and political capital to expand their transit systems to benefit more of the region. The bad news is that these over performing lines indicate that cost reductions in the planning

[5] "Destinations Matter: Building Transit Success." Reconnecting America, May 2009.

stage are resulting in a shortage of transit vehicles, parking spaces, inadequate tracking or maintenance facilities or may have contributed to a downgrading of technology.

Reconnecting America continues to support changes made in SAFETEA to raise the significance of land use, and to add economic development to the list of project justification criteria. These are not insignificant changes. They recognize what we know about the potential power of transit investments to generate a host of benefits, beyond cost and travel time savings.

Such an approach is similar to that taken by Canada and the United Kingdom in allocating their national transportation funding. Those two countries give much stronger consideration in their analysis to a full range of benefits including environmental impacts, specifically the reduction of greenhouse gas emissions, and for Canada, consideration of economic development benefits as measured by public/private rates of return. I find it curious that other countries, and indeed American developers, companies and even local economic development agencies can separate and evaluate land use and economic development, yet our federal government continues to find this a challenge.

Strictly-defined from a traditional economist's perspective, economic development is the measure of productivity derived from a specific investment – a difficult and abstract concept. The practitioners' definition for economic development encompass the much easier to measure realm of real estate development, employment gains, access to jobs, concentration of economic activity and return-on-investment. This approach can include the capitalization of user benefits (e.g. users expending less on transportation costs and travel time which can be spent on other goods and services), redistributive economic development benefits represented through revenue generation from increased property values and ridership, and the benefits of agglomeration, or the potential for increased business transactions due to densification and proximity of uses. There are a number of

proxies that could be used to evaluate potential economic development impacts of transit investments, ranging from housing, employment and population projections to developer agreements, local financial contributions to the corridor and targeted public finance tools such as Business Improvement Districts and tax increment financing. In short, we believe that there are a number of commonly used indicators of economic development that could be incorporated into the transit project evaluation process.

We do not agree with the argument that economic development and land use are too difficult to measure separately, but we do feel that given the confusion over these terms it may be useful to better define each in the next transportation bill or to develop a fresh New Starts process that incorporates more of a "warrants" approach in the evaluation process to help to expedite project delivery. The basic concept is that a set of corridor and project characteristics and conditions (referred to as warrants) would be established. These could include factors related to employment and population density, or threshold ridership levels, for example. FTA would determine that projects meeting these pre-defined warrants have met the statutory criteria and would be advanced into New Starts or Small Starts project development, and could be recommended for funding.

Additional suggestions to improve the project delivery process for New Starts that warrant more consideration by Congress include:

- Development of a metropolitan mobility program that could allocate formula funding for small start capital transit investments, thereby avoiding the federal review process but still ensuring these projects are evaluated through existing federal environmental and planning requirements.
- Advancement of a set of interrelated expansion projects, similar to the approach taken by Salt Lake City, Utah and Houston, Texas.

- Reconciliation of the major capital investment alternatives analysis with the Alternatives Analysis requirement in NEPA, to create one integrated comprehensive analysis instead of a time-consuming and confusing two-step process.

I'd also like to highlight some of the social equity needs of transit-supportive land use policies. Over the past five years, CTOD has worked with the Federal Transit Administration, HUD, AARP and affordable housing advocates on a series of reports highlighting the importance of transit to racially and economically diverse neighborhoods. Neighborhoods within a half-mile of a fixed transit station are home to a greater share of a region's lower-income households, and also contain a high number of federally assisted housing stock.[6] The data also shows that in three-quarters of these "transit zones" – defined as the half-mile radius around stations -- households have one car or no cars.[7] This low-rate of auto ownership indicates that residents do realize the cost-savings that comes from lower auto ownership. Our work, sponsored by the Brooking Institution, found that while the average American family spends roughly 19 percent of its household budget on transportation, households with good access to transit spend just 9 percent.[8]

But as the demand increases and the market heats up for land and housing in these neighborhoods, the threat of displacement will force households to lose potential affordable transportation and affordable housing options if they are pushed out of transit accessible

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[6] "Preserving Opportunities: Saving Affordable Homes Near Transit." National Housing Trust and Reconnecting America, 2007.

[7] "Preserving and Promoting Diverse Transit-Oriented Neighborhoods." Center for Transit-Oriented Development for the Ford Foundation, 2006.

[8] "The Affordability Index: A New Tool for Measuring the True Affordability of Housing Choice." Center for Transit-Oriented Development and the Center for Neighborhood Technology for the Brookings Institution's Urban Markets Initiative, 2006.

neighborhoods. The affordable housing opportunities that are lost cannot be regained without an enormous public expenditure.

One way to ensure the market provides housing opportunities for families of all income levels is through well-designed policies that ensure that housing near public transit is permanently affordable to families at a mix of incomes -- both on the rental side and on the ownership side. The New Starts program and transportation reauthorization provide Congress an opportunity to encourage localities to make investments and adopt land use policies to support both proposed transit investments and address long-term affordability. Reconnecting America, together with the National Housing Conference, has convened a group of national housing and transportation organizations to help identify ways that our federal housing and transportation programs could be better coordinated.

We commend the recently announced HUD-DOT interagency sustainability partnership and look forward to working with both agencies to identify and implement strategies that make it easier for communities to successfully integrate housing and transportation investments. In regards to the New Starts process, we feel that more can be done to simultaneously improve project delivery and reward affordable housing preservation. One idea we are vetting is to allow communities to count investments in housing affordable to families with a mix of incomes within a half-mile of a proposed transit station as a match against requested federal dollars. Another option may be to reward communities that implement mixed-income housing preservation and creation policies in the land use evaluation measure; thus moving beyond just reporting on the number of low-income households currently residing in a proposed corridor, to actually rewarding those communities that take steps to ensure long-term affordability to households at a mix of income levels. For example, a growing number of states including New Jersey, North Carolina, Illinois and California already give higher credit in the allocation of state low-income housing tax credits to areas well served by transit.

The Federal New Starts and Small Starts program sets the rules for engagement in how communities coordinate proposed transit investments with larger regional decisions about population growth and economic development. Our nation is facing significant challenges to maintain our economic competitiveness, address energy security, meet the demands of projected population growth, and preserve our quality of life. Expanding the number of regions with high quality transit, and growing existing transit systems is critical to achieving these goals.

Thank you very much for this opportunity to appear before the Committee today, and my organization looks forward to working with you on giving the New Starts and Small Starts program a fresh start in the next surface transportation bill.