UP FOR GROWTH® POLICY BRIEF

Leveraging Federal Funds to Incentivize Land Use and Zoning Reform

Melissa Winkler

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INTRODUCTORY NOTE

In the following pages, we analyze various federal funding streams and the potential impact of leveraging each to encourage states and localities to implement pro-housing land use policy reforms. In crafting this analysis, we have engaged housing experts, practitioners, and advocates to gain a comprehensive, rigorous analysis of the various programs.

BACKGROUND

The United States is in the midst of a major housing crisis with far-reaching economic, social, and environmental consequences. The housing crisis is driven largely by an underproduction of homes — our estimates indicate that the nation fell short by 7.3 million homes relative to need from 2000-2015 (Up for Growth, 2018). While this underproduction is the result of myriad factors, from financing to the high cost of materials to labor shortages, the primary drivers are exclusionary zoning laws and overly burdensome land use policies that stymie the creation of more homes.

Changing preferences, demographic shifts, and a movement away from agricultural and manufacturing jobs have increased the demand for smaller homes in more densely populated areas with access to jobs, amenities, and transit, but the housing markets in these areas have not kept pace with demand. Despite this growing demand, housing restrictions and regulations mean that supplying the sufficient number of homes is too costly, or in some cases completely prohibited, which drives up rents and causes downstream consequences.

The economic impact of the housing crisis on individual household budgets is clear: 47% of American households are cost-burdened, paying more than 30% of their incomes on rent, and the percentage of cost-burdened renters is disproportionally higher for low- and moderate-income households (JCHS, 2020; NLIHC, 2020). Underproduction leads to rapidly rising home prices, increased rates of displacement and gentrification, rising commute times and transportation costs, and a growing number of people experiencing homelessness. Housing underproduction also pushes people farther from jobs and amenities, increasing transportation time, costs, and negative environmental impacts. This is known as a "spatial mismatch," where residents are forced to live far from available jobs, and employers can't find suitable candidates due to the underproduction of housing near their facilities. This phenomenon has wide-economic consequences — lowering the national GDP 36% from 1964 to 2009 by one estimate (Hsieh and Moretti, 2019). These negative economic impacts are not a foregone conclusion, but the result of exclusionary zoning, discriminatory land use policies, and artificial, often unnecessary barriers to housing production.

UP FOR GROWTH CONTACTS

Mike Kingsella
Executive Director
Up for Growth®
mkingsella@upforgrowth.org
202-716-2064 x1

Melissa Winkler
Manager of Policy & Research
Up for Growth®
mwinkler@upforgrowth.org
202-716-2064 x4

Control over land use and zoning policies rests largely in the hands of state and local officials. Even at the neighborhood level, homeowners are often able to exert a significant influence over what gets built in their communities. This local opposition is often contentious and can be an insurmountable obstacle for builders of multifamily or 'missing middle' homes such as duplexes, triplexes, and cottage homes. Even local and state elected officials face great pressure from 'Not In My Backyard' (NIMBY) groups which organize against land use reform, particularly as it relates to increased density and new construction (Greene and Ellen, 2020).

This imbalance in the supply of homes relative to need follows a trend of overly restrictive local development and land use policies that prioritize single-detached houses over missing middle housing types and larger multifamily communities. Zoning restrictions, height limitations, building size limitations, misaligned fees, overly cumbersome and long permitting timelines, and other policies collectively limit the creation of homes — particularly in high-opportunity areas. Policy choices are often intended to achieve public policy goals, but they can have a significant cumulative impact on housing production and affordability.

While many policies actively influence the production of homes in cities and states, exclusionary zoning policies often create the most significant impact on whether homes get built. Zoning laws in this country have a history of racial exclusion and de jure ('by law') segregation. In the 1930s, the Home Owners' Loan Corporation (HOLC) was created as part of New Deal legislation to support new mortgages and mortgage refinancing. Motivated by racism and using exclusionary tactics, HOLC developed Residential Security Maps, more commonly known as redlining maps, which led to the relegation of Black residents, other residents of color, and immigrants to the least desirable and most disconnected areas of cities. These neighborhoods were often deliberately disinvested in, thereby limiting any potential for economic or social mobility. These maps, created and supported by the federal government, were the basis for the type of residential exclusionary zoning seen today. The federal government had a clear and decisive role in creating many of the problems as they exist today, and it must also play a critical role in undoing the policies that have led to inequitable, undersupplied, unaffordable cities.

Each year, states and localities receive billions of dollars in federal funding to support the creation of housing, roads, transit systems, infrastructure, and countless other large- and small-scale projects. Many of these grants are distributed on either a formula basis, meaning they are allocated based on criteria like population and income levels, or via competitive grants which states, localities, and eligible entities must apply to receive. The requirements and scopes of funding vary based on the specific funding source, but the federal government retains control over issuing and implementing these dollars. Zoning and land use policy decisions are concentrated locally, but the housing underproduction crisis is a national concern, and the federal government, via its massive funding streams, has the power to influence states and localities to participate in quality reform that will mitigate the economic and social impacts of the underproduction of homes.

SOLUTIONS

State and local governments' autonomy over land use and zoning policies has led to overly restrictive supply constraints that increase rent costs, exacerbate inequality, and create economic, social, and environmental consequences. Despite the short- and long-term consequences of underproduction, local and state governments often have incentives to implement policies that limit the supply of homes. For example, it is more efficient for localities to collect tax revenue from large single-family homes or commercial properties that fund infrastructure but consume less (Greene and Ellen, 2020). Furthermore, homeowners are also incentivized to exert power over local officials because the artificially constrained supply results in higher home values, motivating them to preserve the status quo. Finally, as noted earlier, the long history of racially motivated discriminatory tactics that created exclusionary zoning, redlining, and other types of segregation have created racially and economically divided cities and limited mobility for marginalized and minority groups.

With such strong historic precedent and major incentives for maintaining status quo exclusionary zoning and land use policies, the federal government must play a more active role in encouraging pro-housing reform that is tied to measurable outcomes on the creation of more homes. Because the federal government has ceded much of this power to state and local governments, innovative use of federal funding programs, either through restricting funds or incentivizing the right policy choices, is critical for achieving more equitable, affordable, and accessible communities. The federal government can also alleviate some of the pressure state and local governments feel from constituents who would prefer status quo housing constraints. Housing is a critical resource, but the current policy landscape leaves millions of families and individuals without access to homes. In this section of the paper, we explore some important federal funding programs that can be leveraged to achieve a more balanced housing supply and better outcomes for restrictive cities and states. This inventory of programs includes an overview of how the program functions and an exploration of its pros and cons in order to enact housing reform.

PROGRAM NAME	DEPARTMENT	ANNUAL ALLOCATION	ELIGIBLE RECIPIENTS	REQUIREMENT	INCENTIVE
Community Development Block Grants (CDBG)	HUD	$3.4 billion	States, cities, counties	Make funds contingent on jurisdictions implementing land use reform and ending exclusionary zoning	Provide additional funding to jurisdictions that implement pro-housing land use and end zoning reform
HOME Investment Partnership Program (HOME)	HUD	$1.35 billion	States, local jurisdictions	Make funds contingent on jurisdictions implementing land use reform and ending exclusionary zoning	Provide additional funding to jurisdictions that implement pro-housing land use and end zoning reform
Low Income Housing Tax Credit (LIHTC)	Department of Treasury	$9.5 billion	States	Make LIHTC contingent on jurisdictions implementing land use and zoning reform	Provide additional funding to jurisdictions that implement pro-housing land use and end zoning reform
Surface Transportation Block Grants (STBG)	DOT	$11.6 billion	States	Make funding contingent on ending exclusionary zoning and implementing pro-housing land use reform	Provide additional funding to states and localities that enact zoning and land use reform
National Highway Performance Program (NHPP)	DOT	$23.6 billion	States	Amend program requirements in next FAST Act Reauthorization to tie funding directly to land use and zoning reform	Provide additional funding to states and jurisdictions that implement zoning and land use reform
Infrastructure for Rebuilding America (INFRA) Grants	DOT	$906 million	Project-based	Amend grant application criteria to require land use and zoning reform	Award bonus points or enhanced scoring to projects that demonstrate land use and zoning reform
Transportation Infrastructure Financing and Innovation Act (TIFIA)	DOT	$300 million	Project-based	Amend grant application criteria to require demonstrated land use and zoning reform	Award bonus points or enhanced scoring to projects that demonstrate land use and zoning reform
Grants for Bus and Bus Facilities (Competitive Grant Program)	DOT	$464 million	States and Project-based	Amend grant application criteria to require demonstrated land use and zoning reform	Award bonus points or enhanced scoring to projects that demonstrate land use and zoning reform
Congestion Mitigation and Air Quality (CMAQ) Improvement Program	DOT	$2.4 billion	States, Metropolitan Planning Orgs., Transit and Transportation Organizations	Require CMAQ recipients to demonstrate land use and zoning reform as part of program goals and reporting	Fund a pilot program for recipients who demonstrate land use reform as part of their congestion management plan
Better utilizing Investment to Leverage Development (BUILD) Grants	DOT	$1 billion	States, Localities, Port Authorities, Tribes, Metropolitan Planning Organizations	Amend grant application criteria to require demonstrated land use and zoning reform	Prioritize projects that implement zoning and land use reform

Brownfields and Land Revitalization Program	EPA	Varied	Project-based	Amend grant application criteria to require demonstrated land use and zoning reform	Provide additional funding projects that implement zoning and land use reform and that prioritize housing and mixed use development in mitigated areas
Partnership for Sustainable Communities	EPA/HUD/DOT	$571 million ($4 billion over the course of 7 years)	Project-based	Amend grant application criteria to require demonstrated land use and zoning reform	Prioritize projects that implement zoning and land use reform

HOUSING AND URBAN DEVELOPMENT PROGRAMS

The Department of Housing and Urban Development's (HUD) budget is around $50 billion annually. These funds support various programs related to housing, homelessness, homeownership, and research and policy development. Through block grants and competitive funding programs, HUD distributes billions of dollars to states each year to support housing and community development initiatives. Many of these grant dollars are intentionally flexible, but the goals of the programs align with a larger goal of more affordable and accessible housing, making them appealing leverage points for enacting more pro-housing policies.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

PROGRAM OVERVIEW: The Community Development Block Grant (CDBG) Program provides states, cities, and counties with funding to support communities in producing affordable housing, expanding economic opportunities, and improving infrastructure, particularly for low- and moderate-income people (HUD, 2020). Annually, about $3.4 billion in CDBG funds are allocated on a formula basis to states and localities, with 70% going to entitlement communities and 30% going to the states. Because CDBG is a formula block grant, localities enjoy more flexibility in implementing the dollars and developing programs, so long as they fit within the broader goals of developing viable communities. Eligible CDBG activities range from acquisition, rehabilitation, and construction of property to infrastructure improvements and economic development.

LEVERAGING THE PROGRAM: With more than 1,200 CDBG recipient communities, the program's reach is quite significant. Many states and localities depend on the funds to invest in communities and implement large- and small-scale improvement programs, including the development of affordable housing for low- and moderate-income residents. The program's reporting requirements, namely the Annual Action Plan and the Consolidated Plan, give insight into exactly how communities and states are using the money and require an evaluation of the efficacy of the program on intended outcomes. These metrics would be useful in ensuring that funds allocated toward pro-housing reform led to positive housing outcomes, and the fact that recipients are already reporting on some of these benchmarks helps with measuring impacts.

Because of the CDBG program's reach and its direct relationship with HUD, the program has appeared in legislative proposals as a mechanism for encouraging local and state government reform. Most recently, the Yes in My Backyard (YIMBY) Act, which passed through the House in 2019, requires that recipients report on the ways they are or are not implementing pro-housing policies. Similarly, the Housing, Mobility, and Equity (HOME) Act of 2019 makes CDBG funding contingent on the development of a plan to end exclusionary zoning and implement land use reforms that make the housing supply more elastic. Framing it through a 'carrot-and-stick' approach, the HOME Act represents a 'stick,' as funding is contingent upon reform. Because CDBG dollars are such a valuable resource to many localities and states, this approach could yield significant housing policy reform — particularly in areas that cannot afford to lose funding.

While conditioning CDBG funds on pro-housing reform and tangible outcomes certainly has benefits, there are also some downsides to using the program. First, because of variation across states, some cities and counties receive funds directly, while others receive pass-through allocations. For example, 75% of California's CDBG dollars flow directly from HUD to counties and cities, but only 45% of New Jersey's CDBG funds do so (Schuetz, 2018). Because cities and counties control local land use or zoning policy, HUD would have less power to influence the decision-making for localities that are not direct recipients. Critically, as Schuetz's research points out, many of the communities with the most exclusionary land use and zoning policies do not rely on CDBG funds as a substantial source of revenue. These communities either do not receive CDBG funding at all or can reject funding without major financial consequences (Schuetz, 2018). For example, only 17% of California's most exclusionary communities use CDBG funds, compared with 37% of less exclusionary communities (Schuetz, 2018). Often, more exclusionary communities are wealthier, with better access to jobs and amenities, meaning that housing reform in these areas would have the greatest Impact. Therefore, conditioning on CDBG alone may not have enough reach to fuel a large-scale movement toward a housing supply and demand balance.

Proposals like the Housing Is Infrastructure Act of 2019 use a more carrot-based approach by allocating an additional $10 billion in CDBG funds to expand the supply of affordable housing and for the elimination of zoning requirements and other housing development restrictions, including parking minimums and height restrictions. Providing additional funding to encourage pro-housing reform will likely encourage greater adoption of these reforms and help localities offset any related costs. However, because CDBG is designed to help low- and moderate-income communities, even an additional financial incentive will have little impact on wealthier communities with more exclusionary zoning and land use policies.

HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

PROGRAM OVERVIEW: The HOME program provides grants to states and localities to fund activities related to creating affordable housing for low-income households. Much like CDBG, HOME is a formula grant where recipients enjoy flexibility in administering the program, which gives local and state governments more power in determining the best use of funds (HUD, 2020). HOME grants must serve low- and very low-income families — at least 90% of families who benefit from the program must be at 60% or less of the area median income (AMI). Dollars flow from HUD to states and localities who can use the funds directly, distribute funds as grants and loans to public and private entities and nonprofits, or give them directly to individuals as rent payments. 15% of each state's allocation must go to Community Housing Development Organizations (CHDO). Eligible uses of HOME funds include buying and rehabilitating homes, providing direct assistance to low-income people, and new construction of housing. HOME allocates on a formula basis with a minimum state award of $3 million annually and a minimum local award of $500,000 annually. The total program allocation is around $1.35 billion a year, and recipients must match 25% of received funds (HUD, The HOME Program, 2020).

LEVERAGING THE PROGRAM: Similarly to CDBG, HOME is a natural fit for conditioning funding on pro-housing reform because it is a widely used program and is also directly related to increasing the supply of affordable homes, specifically for low-income households who are most negatively impacted. The program, however, is much smaller than CDBG and more tailored to low-income affordable housing. Utilizing HOME funds as a stick would mean conditioning funds on zoning and land use policy reforms or on a commitment to creating such changes. Conversely, using HOME as a carrot could involve providing additional funding to states and localities that commit to land use policy reform and improved outcomes.

The same challenges that impact CDBG's effectiveness as a mechanism for federally backed housing reform apply to HOME. The most significant hurdle is again that the most exclusionary communities do not rely on HOME funding and are therefore not incentivized to enact zoning and land use changes to receive these funds. HOME's emphasis on low and very low-income households makes it a critical program for ensuring equity and access for some of the most marginalized communities, and using the program as a stick could take away these critical resources.

LOW INCOME HOUSING TAX CREDITS (LIHTC)

NOTE: *The Low Income Housing Tax Credit is not a HUD administered program, but it is included in this section for organizational purposes.*

PROGRAM OVERVIEW: The Low Income Housing Tax Credit (LIHTC) provides a dollar-for-dollar tax credit for the construction of low-income affordable housing. For 2018-2021, the federal government has allocated $3.1 million, $2.70 per capita, in LIHTC funds to each state, which means that the program provides nearly $9.5 billion annually to fund the construction or rehabilitation of affordable rental properties. The federal government issues the tax credits to states that then award credits to project developers that can then leverage the credits to receive capital. Developers of eligible projects must provide 20% of units to tenants with 50% AMI or less, or 40% to tenants at 60% AMI or less. Developers can also choose to provide 40% of units to tenants at 60% AMI or less and the other 60% of units to tenants at 80% AMI or less (Tax Policy Center). Over the last 30 years, LIHTC has supported the development of more than 110,000 affordable homes each year, which means the credit is responsible for the vast majority of affordable housing production in the country (Tax Policy Center, 2020). As the housing crisis worsens and more low- and moderate-income households are forced out of market-rate homes, the construction of affordable units becomes more critical, and LIHTC is necessary for ensuring that construction takes place.

LEVERAGING THE PROGRAM: With its $9.5 billion annual allocation, LIHTC is the largest federal program to support the production of low-income affordable housing. Without the tax credit, the vast majority of affordable housing projects would not be built, particularly in high-cost markets where building anything other than market-rate units requires special financing or other incentives. As the housing crisis exacerbates rental costs across the country, states and localities are often interested in uncovering ways to produce more affordable housing. With this policy goal in mind, LIHTC offers critical funding support and is therefore desirable both to localities and to affordable housing developers. Furthermore, LIHTC's large budget means that it reaches more communities than CDBG or HOME grants. States and localities have come to depend on LIHTC for the creation of affordable housing. Thus, leveraging this program could have a major impact in encouraging ending exclusionary zoning and implementing better pro-housing land use policies. As a stick, LIHTC funding criteria could be amended to require that recipient localities enact pro-housing land use and zoning reform. The downside is that communities who choose not to implement such pro-housing reform may lose LIHTC funding and see a steep drop in affordable rental units, a decision that would exacerbate an already acute affordability crisis.

DEPARTMENT OF TRANSPORTATION PROGRAMS

While HUD programs are the most direct path for leveraging land use and zoning policy reform, they are not far-reaching enough to achieve sweeping policy reform alone. The Department of Transportation (DOT) budget is more than $86 billion annually, and it uses these funds to implement transportation and transit programs in every community across the country (George, 2019). This huge reach makes DOT funding streams a viable avenue to leverage pro-housing policy reforms. While many of the agencies responsible for the administration of transportation dollars are not responsible for zoning and land use policies — particularly as they relate to housing policy — expanding transportation program requirements will be important for solidifying the connection between housing and transportation and will better connect various planning agencies so that communities can be built more efficiently and equitably. Furthermore, sweeping land use reform will require comprehensive reform across localities from major metropolitan areas, suburban cores, and rural areas. DOT grants and funding streams are some of the only federal-level dollars that touch all of these communities. The inventory of programs listed below gives an overview of the purpose and scope of relevant DOT funding streams, as well as some of the potential strengths and weaknesses of utilization.

SURFACE TRANSPORTATION BLOCK GRANTS (STBG)

PROGRAM OVERVIEW: The Surface Transportation Block Grant (STBG) program provides federal funding to states and localities for the construction, rehabilitation, and preservation of transportation networks and infrastructure projects. STBG funding averages about $11.6 billion annually. Each state receives a lump sum apportionment for which the state allocates 55% to fund large, midsized, and rural areas as a proportion of their share of the state's population. The remaining 45% is earmarked for flexible spending. STBG funds are quite flexible and available for a variety of eligible projects, including but not limited to: construction, improvement, maintenance, and planning of highways, bridges, roads, and tunnels; transit capital projects; infrastructure improvements; recreational trails, including bike lanes; and transportation research and development (DOT, 2016). The 2016 FAST Act converted the Surface Transportation Program (STP) into the STBG and reinforced the flexibility that states enjoy in applying the funding (DOT, Surface Transportation Block Grant Program, 2016).

LEVERAGING THE PROGRAM: STBG provides the most funding for transportation-related expenditures and is a critical resource for states and localities. The program's importance and reach across urban, suburban, and rural communities makes STBG a great mechanism for leveraging more pro-housing land use and zoning policies. As a stick, STBG funds could be made contingent on the implementation of pro-housing reform and outcomes. The HOME Act of 2019 would do just that by requiring all STBG recipients to implement a plan to end exclusionary zoning and other restrictive land use policies and to create a more elastic housing supply. The Place to Prosper Act of 2019 would deny all road transportation funding, including STBGs, for any locality that does not eliminate single-family-only zoning, parking requirements, and minimum lot sizes larger than 0.5 acres. Leveraging STBGs as a stick will likely have success in terms of the number of communities reached, but overly prescriptive land use reforms may not appropriately adjust for local and regional variations. Alternatively, utilizing STBG dollars as a carrot could mean a greater investment of these funds into localities that end exclusionary zoning or implement policies to spur the creation of housing. STBG apportionments are population-based, with no specific requirements on equity or affordability, which would assuage any concerns about a disproportionate focus on only the most vulnerable communities, as is often the case with CDBGs. STBGs touch nearly every community, so leveraging these dollars would have a significant widespread impact. Additionally, tying STBG funding to housing and land use policies would reinforce the critical connection between transportation and housing.

NATIONAL HIGHWAY PERFORMANCE PROGRAM

PROGRAM OVERVIEW: The National Highway Performance Program (NHPP) provides federal funding to support and improve the condition and performance of the National Highway System. The NHPP is formula-based with an average allocation of $23.6 billion annually, which makes it the largest highway program in terms of dollars allocated. Funds are distributed in a lump sum to the states. (DOT, National Highway Performance Program (NHPP), 2020). Eligible projects include the construction, replacement, or rehabilitation of highways, bridges, tunnels, and other highway infrastructure, including bicycle transit and pedestrian walkways. States must produce a state asset management plan that DOT approves. If the state fails to achieve performance targets or if the condition of roads and bridges fail to meet structural standards, the state must transfer dollars from other DOT funding streams until the standards are met.

LEVERAGING THE PROGRAM: NHPP funds provide the biggest dollar value support to the construction and maintenance of highways and bridges. The prevalence and use of highways in nearly every community make this program a critical resource for most states and localities. Leveraging NHPP funds to inspire pro-housing policy reform, therefore, would have broad reach to incentivize states and localities in implementing these reforms. Changes made to the funding of the program would need to occur in conjunction with the Surface Transportation Reauthorization Bill. Currently, NHPP funding requires states to create an asset management plan that includes current conditions, performance gaps, objectives and other measures, along with a financial and investment plan. However, the reporting requirements could be amended to include zoning and land use provisions that would accommodate housing production. As a stick, funding could be tied directly to the implementation of these provisions. As a carrot, additional funding could be provided to help alleviate costs associated with implementing land use reform. Furthermore, exclusionary zoning and restrictive land use policies, particularly in high opportunity cities and towns, contribute to the overuse of highways as families and individuals must drive to and from economic centers and amenities. Reducing sprawl, therefore, would reduce congestion and stress on highway systems, which would reduce the funding necessary to maintain and construct roads and bridges. Any cost savings could be allocated toward funding projects that support better land use.

INFRASTRUCTURE FOR REBUILDING AMERICA (INFRA) GRANTS

PROGRAM OVERVIEW: Infrastructure for Rebuilding America (INFRA) grants are competitive grants that are awarded to freight and highway projects to improve the movement of freight and people, generate economic benefits, or improve or enhance connectivity and infrastructure (DOT, Infrastructure For Rebuilding America (INFRA), 2017). INFRA grants were first established as part of the 2016 FAST Act, and in 2020, $906 million were allocated to 20 projects in 20 states. 25% of INFRA grants are set aside for rural areas — areas with populations of 200,000 or less. Additionally, awards are divided among large and small projects — large projects receive 90% of INFRA grants and must exceed either $100 million or 30% of the state's federal highway apportionment (DOT, Infrastructure For Rebuilding America (INFRA), 2017). The remaining 10% of INFRA grant funds are reserved for small projects that do not meet this threshold. INFRA grants may be used for up to 60% of total project costs, and the rest of the funding must come via other public and private funding sources. This cost-share encourages partnerships and diverse investments into the projects.

LEVERAGING THE PROGRAM: INFRA grants are important for achieving infrastructure improvement goals. The commitment to rural areas also expands their reach across jurisdictions, which makes them valuable to many state and local governments. Because INFRA grants are distributed on a competitive basis, the federal government has more room to include pro-housing policy reform as part of the already established grant criteria. As a stick, grant application requirements could be amended to include commitments to zoning and land use reform. As a carrot, jurisdictions that are committed to implementing and tracking pro-housing reforms could be eligible for bonus points or enhanced scoring as part of their applications. INFRA grants support a variety of projects across geographies, which gives the program the reach to influence several jurisdictions.

TRANSPORTATION INFRASTRUCTURE FINANCING AND INNOVATION ACT (TIFIA)

PROGRAM OVERVIEW: Transportation Infrastructure Finance and Innovation Act (TIFIA) provides loans, loan guarantees, and lines of credit to states, localities, private firms, and transportation improvement districts to stimulate investment in significant transportation projects. TIFIA allocates $300 million annually, and funds can cover up to 33% of project costs and are intended to help large-scale projects overcome some of the obstacles for large project implementation (Congressional Research Services, 2019). Minimum eligible projects are $10 million for Transit Oriented Development (TOD), local, and rural projects; $15 million for Intelligent Transportation System Projects; and $50 million for other Surface Transportation Projects (DOT, TIFIA Credit Program Overview, 2019). The TIFIA program increases critical outside investment, which allows states and localities to implement projects that would otherwise be too difficult to fund. The program has important economic impacts and cost savings for the federal government. FHA estimates that every dollar of federal funds provides up to $10 in TIFIA credit and $30 in transportation infrastructure investment (DOT, Transportation Infrastructure Finance and Innovation Act (TIFIA), 2020).

LEVERAGING THE PROGRAM: TIFIA funds are used in a variety of large-scale projects across most states and localities, and the program's reach makes it a good target for advancing better land use and zoning policies. Additionally, the existing TOD-related components mean that many TIFIA funds are already gaining traction in aligning housing needs in transit-rich environments. This existing funding infrastructure means that conditioning TIFIA funding on pro-housing policy and zoning reform will be easier than with other DOT programs. As a stick, TIFIA application criteria can be updated to include commitments or measurable actions toward land use policy and zoning reform. As a carrot, jurisdictions that implement zoning and land use reform could receive supplements to their application, including a higher percentage cost share allocation or some additional weighting.

GRANTS FOR BUS AND BUS FACILITIES

PROGRAM OVERVIEW: The Grants for Bus and Bus Facilities program provides federal funds to states, localities, and direct recipients to purchase or rehabilitate bus equipment and to construct bus facilities. The program includes a formula-based bus grant program and two competitive bus and bus facility funding programs (FTA, 2020). In 2020, $464 million funded 96 projects in 49 states to improve the safety and reliability of America's bus systems. Federal funds cannot exceed 80% of project costs, meaning grant recipients must find other public and private funding to complete the project financing.

LEVERAGING THE PROGRAM: Bus transit is important in both large urban areas with multimodal transit options and in smaller cities and rural areas that cannot support large fixed guideway rail and train projects. Bus transit is the most commonly used public transit in the country, and aligning bus routes with housing needs will help ensure more efficient and effective use of bus systems, particularly as it relates to increased ridership (FTA, National Transit Database Provides Key Stats on Public Transportation in the US, 2020). Similar to other competitive grants, as a stick, grant application criteria can be amended to include pro-housing land use reform provisions. As a carrot, scoring criteria can be adjusted or additional funds granted to jurisdictions that show housing reform progress.

CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT PROGRAM (CMAQ)

PROGRAM OVERVIEW: The Congestion Mitigation and Air Quality Improvement Program (CMAQ) was created as part of the 1990 Clean Air Act. The program has been included in every infrastructure and transportation reauthorization package since then, including the 2016 FAST Act. CMAQ provides funds to projects that reduce emissions, improve air quality, and mitigate congestion, particularly in areas that have higher rates of air pollution and lower air quality standards (DOT, Congestion Mitigation and Air Quality Improvement Program (CMAQ), 2017). The program allocates an average of $2.4 billion each year, and funding flows from the federal government to states, metropolitan planning organizations (MPOs), and transit and transportation organizations who then use the funds for projects that achieve the program's fundamental goals of improving congestion management and mitigating pollution. From 1992 - 2017, CMAQ has provided over $30 billion for more than 29,000 projects.

LEVERAGING THE PROGRAM: As climate change and air quality improvements become increasingly critical for states and localities, programs like CMAQ offer important funds for unlocking innovative solutions. Congestion and traffic increase environmental toxins, add to infrastructure costs, and reduce economic productivity. CMAQ programs are useful for mitigating these negative impacts. As housing and transportation are inextricably linked and because more housing in densely populated, transit-rich areas can significantly improve congestion and the environmental impacts of sprawl, leveraging CMAQ dollars on pro-housing reform is a natural fit. The goals of the program, namely emissions and congestion mitigation, are more quickly and efficiently achieved when land use policies allow for dense housing near transit, economic opportunities, and amenities. Some CMAQ projects are located in sparsely populated areas, without a significant housing need, and therefore tying these funds to land use policies may be difficult. As a stick, CMAQ recipients could be required to demonstrate land use and zoning reform as part of their program goals and reporting. As a carrot, additional CMAQ funding could be allocated for pilot programs that utilize land use and zoning reform and increase housing development as part of their congestion mitigation strategies.

BETTER UTILIZING INVESTMENT TO LEVERAGE DEVELOPMENT (BUILD) GRANTS

PROGRAM OVERVIEW: The Better Utilizing Investment to Leverage Development (BUILD) grants program is a discretionary program that directs federal funds into road, transit, and port projects. The BUILD program, previously known as Transportation Investment Generating Economic Recovery (TIGER) grants, has funded more than 670 projects since its inception in 2009. In 2020, the BUILD program allocated $1 billion to 70 projects in 44 states. States and localities are eligible applicants, along with port authorities, federally recognized tribes, and metropolitan planning organizations, all of whom may apply directly for BUILD funds. They allows recipients to create multi-jurisdictional and regional projects that have a wider footprint (DOT, About BUILD Grants, 2020). Eligible activities include road, rail, transit, and port projects that have a significant national impact. Under TIGER, projects were prioritized when they fulfilled key pieces of the Ladders to Opportunity Initiative, which sought to leverage transportation projects to better connect communities to jobs, schools, and amenities and that help with economic and community revitalization. Projects that strengthened economic and social opportunities by better connecting communities were given additional consideration during the selection process.

LEVERAGING THE PROGRAM: As with other competitive grant programs, the rigorous application process gives DOT leverage to encourage regional and national goals — including projects that better connect transit to housing and economic opportunities. Historically, priority consideration has been given to projects that achieve these public policy priorities. Because of its structure, BUILD grants allow for more innovative opportunities and regional partnerships, which leaves the program well-positioned for land use and housing policy reform. Additionally, because BUILD projects must be nationally impactful, the projects chosen could have more significant local and regional impacts on policy reform. BUILD grants historically work best as a carrot, with priority consideration given to projects that best align transportation and housing and that offer economic opportunity by holistically connecting communities. To give these program goals more teeth, BUILD applications could require that applicants demonstrate significant land use reform to ensure that transportation and housing are better aligned.

ENVIRONMENTAL PROTECTION AGENCY (EPA) FUNDING

The Environmental Protection Agency (EPA) awards more than $4 billion for grants and other programs each year. The EPA awards grants to those who attempt to reduce air, water, and land pollution through environmental improvement and education programs. EPA grants apply to both rural and urban areas, and most states, territories, and federally recognized tribes take advantage of some form of EPA funding. For the purposes of housing reform, EPA grants and programs that specifically focus on renewal projects to improve and rehabilitate land while reducing emissions and pollution are well aligned with other national pro-housing goals. Additionally, dense homes in walkable and transit-rich environments offer environmental benefits and can help areas reduce emissions.

BROWNFIELDS AND LAND REVITALIZATION PROGRAM

PROGRAM OVERVIEW: The Brownfields and Land Revitalization Program offers grants and funding to help with the redevelopment and reuse of 'brownfields,' or areas that have been contaminated with pollution or hazardous substances. The EPA estimates that there are more than 450,000 brownfields in the country, and without proper mitigation these lands are unusable for residential and commercial redevelopment (EPA, 2020). Currently, EPA has 7 different brownfields-related grants and funding programs that help states, localities, federally recognized tribes, and organizations revitalize brownfields.

LEVERAGING THE PROGRAM: Brownfields are an environmental and public health risk that limit community and economic development. Cleaning up and redeveloping brownfields can offer cities, states, and federally recognized tribes opportunities for housing, economic opportunities, and other commercial development. As a stick, brownfield funding can be conditioned on well-calibrated land use policies that ensure these areas are best able to meet the needs of new housing and commercial areas on previously unusable land. Funding application criteria should consider the long-term use of the areas beyond the initial environmental mitigation. As a carrot, additional funding could be given to jurisdictions that create comprehensive plans for housing, job, and transit-rich development projects on restored land.

PARTNERSHIP FOR SUSTAINABLE COMMUNITIES

NOTE: *The Partnership for Sustainable Communities was a partnership between EPA, HUD, and DOT, and is included in this section for organizational purposes.*

PROGRAM OVERVIEW: The Partnership for Sustainable Communities was created in 2010 as a way to better connect housing, transportation, and environmental goals to ensure that communities are built in ways that achieve these goals simultaneously. The program's goals included increasing the supply of market-rate and affordable housing, improving efficiency and reliability of transportation systems, achieving sustainability and environmental goals, and improving economic opportunities in communities. The Partnership had six livability principles: provide more transportation choices; promote equitable, affordable housing; enhance economic competitiveness; support existing communities; coordinate and leverage investment; and value communities in neighborhoods (The White House, Partnership for Sustainable Communities, 2010). To achieve these goals, each agency created grants and other funding programs, including DOT TIGER II Grants, HUD Community Challenge Planning Grants and Sustainable Community Regional Planning Grants, and EPA Brownfields Area Wide Planning Grants and Smart Growth Technical Assistance Program. From 2009 onward, the Partnership disbursed nearly $4 billion to more than 1,000 projects until it was disbanded in 2016. (Katz & Tilchin, 2016).

LEVERAGING THE PROGRAM: The Partnership for Sustainable Communities allowed for innovative interagency collaboration. The principles of the program solidified the inextricable connections between housing, transportation, and the environment, and the grant programs gave the federal government an active role in aligning policy goals and better spending federal dollars to achieve these goals. As a carrot, the grant and funding programs created by the partnership provided significant incentives to localities looking to implement better land use policies to connect housing, jobs, transportation networks, and environmental sustainability goals. Reinstating the program and expanding its funding will continue the path toward achieving better alignment in an interconnected, holistic way. Furthermore, the communities that have utilized the funding provide case studies for best practices around how these public policy goals can be achieved.

CONCLUSION

The housing crisis, driven by an undersupply of homes, has severe short- and long-term economic and social consequences for the entire country. Despite these consequences, localities and states continue to create and perpetuate policies that limit the supply of housing — particularly in opportunity-rich areas. Historically, the federal government has played a more active role in shaping local land use and housing policies through mortgage and lending policies, redlining, and federal mandates for affordable housing. Additionally, transportation and transit funding has shaped the landscape and influenced local and regional commerce and community development. Despite the federal influence over local and regional development — both through financial power and through laws to dictate goals, local and state governments enjoy almost complete control over land use and zoning policies. This concentrated control has created overly restrictive policies that have limited the supply of homes, increased rent costs, exacerbated inequality, and slowed economic growth. Despite these consequences, states and localities have incentives to maintain the status quo policy landscape. The federal government, therefore, must play a more active role in encouraging pro-housing goals nationwide, and they can do this by leveraging billions of dollars of their own funding each year.

ABOUT UP FOR GROWTH®

Up for Growth® is a national 501(c)(3) organization that forges policies and partnerships to achieve housing equity, eliminate systemic barriers, and create more homes.

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1875 K STREET NW, 4TH FLOOR, WASHINGTON, DC 20006 | 202.716.2064 | UPFORGROWTH.ORG | SUPPORT@UPFORGROWTH.ORG