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MISSED OPPORTUNITY:
TRANSIT AND JOBS IN METROPOLITAN AMERICA

DISCUSSION: THE FEDERAL ROLE

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P R O C E E D I N G S

MR. KATZ: Okay, folks, we're going to try to take our seats. And I know a couple people are going to come in and out, so thanks, everyone, for moving this back and forth very quickly. It is a pleasure to welcome Secretary Ray LaHood, Secretary of the Department of Transportation, and Secretary Shaun Donovan, Secretary of Department of Housing and Urban Development, to our little confab today. This is being web cast live on Facebook, Twitter and all the rest of it.

I couldn't think of two better people really to sort of close out the session, because the conversation that we've been having this morning is post-recession, how do we think not just about creating more jobs in the United States to make up for the jobs we lost, not just to create better jobs so that – for millions more Americans, they get jobs that have better wages, better benefits, but how do we create jobs that people can actually get to within a reasonable time, particular on transit, giving rising gas prices.

And our group at Brookings has taken on this heroic act of looking at literally billions of daily trips in the United States, 500 gigabytes of data, 100 metropolitan areas, 371 transit agencies, two staff hospitalized, and what they have found I think is really quite interesting. As we've worked with your teams at HUD and Transportation, there's some really good news coming out of this, a large number, large share of metropolitan residents have access to transit, 70 percent across the top 100 metros.

But only about 30 percent of metropolitan residents have access to jobs given this broad centralization and sprawling development patterns that

we have in the U.S., and the sort of legacy systems of transit, whether it's rail, or even, frankly, bus built back in the '50's.

With rising gas prices, with the environmental imperative, and with this real job deficit we have, the focus on accessibility and the focus on transit seems like it's finally come into the fore, we have the stars aligned.

So, Secretary, I'm going to start with you. Is this a public transit moment? I mean given all these dispirit kind of trends, and given the real hard choices people have to make now with gas prices and commutes, will we see a shift to transit, is transit ready, how do you think about these issues taken together?

SECRETARY LaHOOD: Well, first of all, let me say thank you to Brookings. I don't have a better partner in the cabinet than Shaun Donovan. Almost from the first day that he and I were both sworn in, we had been working collaboratively together, we've traveled together, we've put our money where our mouth is, we've combined our resources, and I think it's been good for America for us to do that.

Another one of our partners has been Lisa Jackson, but Shaun and I have really worked together, collaborating on our Tiger grants and our budgets. And actually it was his idea; he had called me and he wanted to come over and test our kitchen out at DOT and in doing that, he said we need to work together, and from that day, we have.

And I also want to thank Brookings, because I know that you all worked very closely with Polly Trottenberg and Roy Kienitz, and you've been

great partners, you really have. I don't think there's, you know, I have a great partner, but we also have great partners with you guys.

I think this about transit, we've made – if you look at the stimulus money that we received, we've made huge investments in transit, some in the tradition transit, but there's a lot of communities around America that want to get in the streetcar business. There's a lot of places in America that want to get in the light rail business. And when we look at the investments that we've made, either through Tiger, through transit, and then if you include high speed inner city rail, and when I talk about high speed, I also talk about high speed inner city rail, there has to be connectivity.

And I think Americans are going to rely on transit as gasoline prices go up, because it's affordable, but accessibility is also very important.

I was just in Detroit announcing a high speed rail program with the governor, but Mayor Bing was there, and what Mayor Bing is doing, with our help, he's trying to persuade people to come back to Detroit, but he knows if he does that, there has to be affordable housing and good transit.

I think this is the time for cities like Detroit. I've talked to Rahm a lot, he gets sworn in next Monday as the Mayor of Chicago, he's talked to both of us. As a matter of fact, one evening when I was going to Shaun's house for dinner, my phone rings as I'm walking up the steps, and, of course, it's Rahm, my daily call with Rahm, wanting to know if I still had his red line money and his transit money and all this, and I said, here, talk to Shaun Donovan, and he did, and he gave Shaun –

SPEAKER: Public housing money.

SECRETARY LaHOOD: But I think Rahm is thinking a lot. I mean he has talked to me a lot about transit, he gets it. And so it is a transit moment, thanks to some of the good work you all have done, but also thanks to the stimulus program, our partnership with HUD, and really listening to people. High gasoline prices haven't hurt us, and as long as they stay as high as they are, people are going to be looking for alternatives.

MR. KATZ: Let me ask you this question before I turn to Shaun. We hear a lot about high speed rail, we hear a lot about light rail.

SECRETARY LaHOOD: Right.

MR. KATZ: We hear a lot about commuter rail. In most of the systems that we looked at, buses are the main mode, and it's almost like buses are like the Rodney Dangerfield of the transit, they just get no respect. Now, a lot of systems are thinking about bus rapid transit, off the Latin America model. How do you think about the role of buses in the context of a broader transit system?

SECRETARY LaHOOD: I look at – buses are here to stay. The only people that don't like buses are people that are driving cars behind them and get stuck behind them. There are a lot of working people, there are a lot of people who – college students, there are a lot of people in America that like buses, because they deliver them to work, to school, to play, all over their communities. I don't know that we've heard that much complaint about buses, but we have heard more emphasis on light rail and on streetcars, and so we've put some resources into that, because we have been listening to mayors and people in the communities that are trying to plan for transportation.

America will always have buses, we always have and we always will, because they deliver people where they want to go at a cost that they can afford.

MR. KATZ: Secretary Donovan, in some way that's a perfect segway, because when we looked at the statistics across the country, and why certain metros, particularly the western metros, perform so well, it's not really just about the capacity or competence of the transit system, it's about the broader growth patterns and the broader development patterns. The west is different from other parts of the country, because at the end of the day, you hit a mountain, you hit a desert, we won't talk about water for now, but you basically run into things, you can't keep sprawling as we do in other parts of the country, plus, there's more of an ethic of collaboration in many of these western metros across housing, transit, land use, jobs.

You and Secretary LaHood have really been very vocal and articulate about the need to break down the silos between housing and transport commerce so that we deliver more organically, smart, strategic metropolitan growth. Could you talk about that vision and how it might be affected by this report?

SECRETARY DONOVAN: Absolutely, and let me just start by echoing Ray. We've not only gotten great work together, we've actually had a lot of fun doing it. We've gone on the road. Lisa Jackson, Ray and I did a tour, I think we have the black concert t-shirts from it, and I'll tell you, this guy is a rock star in this world, it was amazing to see.

Ray told me, very honestly, you know, there are not that many things you can get done in the time that we have, this is one of the things I want to get done, and we worked on it together, and I do feel like we made progress because it's been such a great partnership.

And the highest compliment I could pay Bruce is that, and to say thank you to Brookings, is that when we came in fresh, you know, you've got maybe two or three people at the beginning of the administration running the entire department, we stole Bruce, borrowed him from Brookings for about three months, and there's no higher compliment I could give than this is a person who – and an institution at Brookings who understands these issues like nobody else in the country, and so I just want to thank you. Once again we're celebrating today I think the leadership of Brookings on this, so –

MR. KATZ: Thank you.

SECRETARY DONOVAN: -- I think, to me, you asked if we're at a public transit moment, I think we're also at a metro moment. And it's interesting, when you look back 50 years, metropolitan dynamics were about cities versus suburbs, right, and what you have in the west, and maybe I think in the east, and maybe your report shows not quite as much in the south, but hopefully we're getting there; I was in Atlanta this week with the mayor and they get it, is that dynamic has reversed, and what you started to see is a fundamental recognition that if you don't have that cooperation, you're going to lose the economic race, right. I mean the President talks about we're going to win the future, you're only going to do that if you have a strong metro. Ninety cents of every dollar in this

country is produced by the metros, and that is a fundamental shift that we're seeing.

And I think, you know, I worked for Mayor Bloomberg for five years, he got this in a very fundamental way. This was all about economics to him, and the long term economic success of the New York Metro was, look, we're in a world where we've gone from people following capital and industry to industry and capital following people to the places they want to be.

And in a world where, you know, 52 cents of every dollar the American family spends goes to just housing and transit combined. People want to be in places where they can get to work, and Ray is eloquent on this, where, you know, they can walk to the corner and see a movie, or get on a bike, or, you know, they're not going to get rid of their car, but they want options and quality of life. And more and more, the most successful metro, there's Denver, others, you see these suburbs saying how do I get in, how do I get my light rail, how do I get onto the system, how do I connect, because they recognize that you're going to be left behind in an economic race if you're not getting on board.

So I really do think we have a moment of opportunity to see. And this is what our sustainable community's partnership is about, metropolitan and planning grants, putting our money together, and saying, hey, we want to help you realize that vision.

This wasn't like we had to force somebody on them; it was a billion dollars of demand for \$170 million in grants, to do exactly that kind of planning to bring these metros together.

SECRETARY LaHOOD: Can I just – let me just – three examples. Shaun and I and Lisa went to Dubuque, Iowa, it's a pretty small community, it has three colleges there. IBM decided to relocate and hire 1,500 people. These are going to be very smart, young people. So we made a Tiger grant to them to leverage some – this is going to be in downtown Dubuque, bringing people back down -- now, Dubuque is not that big, but they're bringing people back downtown. They have a little town area that was used to do milling work; they've turned it into condominiums. So these people, 1,500 people, when they come to Dubuque, they'll find affordable housing. We gave them some Tiger money for transportation, and IBM is bringing these people into Dubuque, so that's one example.

We gave a Tiger grant to Kansas City, Missouri, about \$40 or \$50 million, affordable housing money. Our money is going to be used for streetscape, things we take for granted, sidewalks, and there's also going to be transit.

So people can go back into this 150 block area, they'll have good transportation, either buses or other forms of transportation, they'll have affordable housing, and they'll have the ability to go back to a neighborhood where many of them grew up, but for whatever reason, it was blighted.

And I mentioned Detroit, Shaun has been working closely with the mayor, so have I. We gave them – there's the Woodward Avenue Project, we're going to create a Woodward Avenue corridor, and with affordable housing money, some transit money, people will start coming back to Detroit, hopefully where the jobs are, where we also, by the way, thanks to the President, made a

huge investment in the American automobile manufacturers, GM and Chrysler, who both posted first quarter profits. So it doesn't get any better. And it's just – it is a time for us to really think about, you know, where we're at with transit, but also with housing, and also with other transportation options.

MR. KATZ: Let me follow up with both of you on this question, because I fundamentally agree it's a metro moment, that's almost the driving purpose of the program we have here at Brookings. Now, when we look at the data for the top 100 metros in the U.S., what we see is the positive economic performance, and we see, you know, incredible shares, 75, 80, 85, 90, 95 percent of the nation in terms of the critical assets we have to move forward.

What we also see are these trends around major employment decentralization. The cities, and it varies, the cities are seeing some resurgence, particularly in places like Detroit, around that downtown and the corridor to the medical center and the universities, a large portion of the jobs are ten miles away from the central business district, and the major challenge, to some extent, that we're seeing in this report is, a lot of our transit systems built in the '50's, whether they're rail or bus, are hub and spoke, and they don't quite get to the suburb to suburb commute, or particularly the older suburb to newer suburb commute, given poverty concentration in some of the older suburbs, employment sprawl in some of the newer suburbs, so we have to retrofit these 50 – 60 systems, very radically different kind of (inaudible)

There's no doubt in my mind what has been going on in the administration, particular to the Recovery Act, it has started us down the road towards that retrofit. The question is, how do we accelerate it, how do we

leverage up the private sector investment so it's public transit for sure, but then different modes of private sector provision, whether it's ride sharing or some of the corporate transit systems we see in Seattle and elsewhere.

So I think the question is, given that we have these broad trends that we've inherited really from the past century, we're trying to shift to a very different ethic of development, more integrated, you know, less compartmentalized, but how do we respond to what are these vast – what is essentially a spatial mismatch between where particularly poor, low income, moderate income skilled people work and where so many of the jobs are being created. Do we have all the tools we need? How do we engage governors, mayors, leaders of the private sector to go even further than perhaps we've gone so far? A simple question, right, I mean it is Brookings.

SECRETARY DONOVAN: And I could certainly jump in on this. I think there are a lot of lessons to learn in what's started to happen on the housing front, right.

MR. KATZ: Right.

SECRETARY DONOVAN: Because what – this is all about connecting housing to jobs, right, where you live and where you work, and how do we make sure that there are quick, easy ways to get between the two, right. And I think – and Shelly Poticha here who runs our Sustainable Housing Communities Program, created Reconnecting America, done an amazing job I think on driving a transit oriented development agenda which really started on housing, and it was already moving I think very well.

Ironically, I think this housing crisis that we face has focused the market even more on this. And what I mean by that is, you look at the places that have been hardest hit in terms of loss in value, it's the places that are least connected to transportation. In fact, the dark system is a very good example in Dallas, where it shows houses near transit held their value by 25 percent better than houses that were disconnected. And so you have a very, you know, fundamental, economic rationale for connecting housing and transit that has begun to drive the market in much more fundamental ways.

I don't think we're quite there on the economic argument. I think that's why this report is so important, is that we've got to build the data, the evidence that, in fact, connecting jobs makes them more – transit makes them more attractive, helps broadly the city, the metro do better, those suburbs do better, I think we're starting to get there.

I think one of the real barriers to this is that mixed use development is hard. You know, having done this in New York, worked very closely with our City Planning Department, Economic Development Cooperation, it is much simpler to have zoning codes that segregate these uses. It is much easier to finance, you know, single use.

We have this at FHA, we're, you know, we've quintupled our volume in our multi family programs. We know how to underwrite commercial, and so we're trying to do more mixed use, the environmental – the whole set of things that are barriers, but this is, again, where our sustainable communities funding is so important. We're literally at a time when city and state budgets are falling apart. We're literally funding the planning of, you know, mixed use TOD

development, the zoning that needs to happen, and providing the technical assistance.

I can't tell you, when we were in New York doing this, how many mayors would come to us and say, you know what, I'd love to do this, I don't know how, I don't have the technical capacity in my planning department, I don't have the ability to really figure out how to change the zoning.

And then you get to the politics of it, right, you say, well, we want to put 40 story buildings or 20 story buildings, you're going to run into those barriers.

So it does take time and capacity. We have to lay the groundwork for this, and I think that's really what we're trying to do with the sustainable community's partnership.

SECRETARY LaHOOD: And I think what is so interesting is, you start with the market dynamics. And what we've experienced, with decline in value in some of the low density, decentralized areas, where we've seen an up tick in value in places that actually do have access, so the question I think over time is, can the market – can the norms and standards and behavior of the market begin to respond to this. You know, transit obviously – in a way, what you've done, you've made collaboration a natural act at the federal level.

SECRETARY DONOVAN: I'm not sure it would feel natural to some of our (inaudible) working together. It's not easy, and our teams – I mean, Ray, teams coming back to us saying, oh man, your data system doesn't talk to our data, I mean there are lots of barriers just like there are to the – but it is – it has gained a lot of momentum, and I appreciate you saying that.

MR. KATZ: Let me ask you this question about – this is going to sound really boring, right, but, you know, we're at Brookings, so, you know, data. You know, Rob and I were just in Tokyo, this was about three weeks before the earthquake, and, you know, you get on your hand held and you basically can get any piece of information you want about the performance of the transit system, which is a multi modal transit system, obviously a much more dense and compact country and a much more dense and compact metropolis, but transparency is the order of the day, and accessibility, not just, you know, home to work, but accessibility to information is the order of the day. We are the country at the vanguard of information technology, but when we go abroad, it's pretty embarrassing in some respects as to, you know, city by city, metro by metro, we don't really have this information at our fingertips, and we still watch the 6:00 news in the morning to say, okay, bottleneck on this or don't use that. How do we begin to up our game in a way of data collection, data integration, data accessibility so that – I mean since we all live on these things, we can improve our own efficiency, so to speak, we can experience the city and the metro in such a more reliable and efficient way?

Is that going to be a government push or does that have to be really a public/private partnership of major proportion that we have –

SECRETARY LaHOOD: Basically both. No, some of the leadership does have to come from people in elective office and people in appointed office, and some of it has to be topped down, and some of it can be bottom up.

I was so struck when I was in Japan by the fact that you can, you know, you buy your ticket for your rail, and then you go through and you scan your blackberry or phone or whatever, and you go – that's how you get through the turnstile, and then when you're on the train, you can see what food they have to serve, and when they come by to serve you the food, they scan your device again to pay for it. And so, you know, I know exactly what you're saying, and we need that kind of innovation here, and some of it has to come from some of us.

I mean if you look at what we've done in the last two and a half years in terms of collaboration and innovation and just working together, that was unheard of prior to two and a half years ago, but some of it has to come from the bottom up, too, I mean it does have to be a collaborative effort, there's no question about it.

SECRETARY DONOVAN: Let me build on this, because, you know, we're not obviously directly involved in the data around the transit systems, but I think there's a broader point here that connects back to the last discussion, which is, for private capital really to efficiently move to support this stuff, if we're going to get, you know, companies and jobs moving at a higher pace toward transit to those locations and vice versa, sort of retrofitting our systems to get to those jobs, we need to have reliable, consistent information that could help drive those decisions.

And on the housing front, I mean take a simple issue, right, average American family spends 52 cents of every dollar they earn on just housing and transportation, yet when you go to underwrite a mortgage, you don't ever look at how much somebody spends on transportation. And we tried this

before, there have been kind of location efficient mortgages, a huge part of the barrier is, well, how do I know reliably what the cost of transportation is for this family that lives in this house?

And look, there's human behavior, it's going to vary, but there's human behavior on what you do with your paycheck, right, and so we can get over those issues, but we haven't had a reliable – and are there going to be companies that are going to do that? Yes, but I think us really making sure there's a standard at the federal level, getting that information -- and so one of the things Shelley has been working on with the team, we have \$10 million, and we're trying to create a housing and transportation affordability index that could literally cover every part of the country, and without that, you're just not going to get capital driving in those directions. So I think there's a larger lesson here of a way we could use this data.

SECRETARY LaHOOD: Let me just talk about transit for a second here. We've made investments in companies that are making totally green buses, the bus is totally green, so when people say, what's a green job, and you go to the place that I was in in South Carolina where there's 225 people, those are green jobs, they're making totally green buses, then we encourage transit systems to buy the green buses that are burning natural gas, but it's also totally green.

The investments we've made in streetcars, because streetcars are made in America now, so we made an investment in Atlanta, in Tucson, Arizona for a streetcar that will deliver people from the university to downtown in Atlanta,

across the entire historic district of Atlanta, and in New Orleans, where they have streetcars, but we've made investments there.

Many of these streetcars are made in Portland, Oregon by American workers and they're very clean burning. And so, you know, we can leverage some of our opportunities, but also then encourage people in communities to take advantage of the opportunity for cleaning burning buses, streetcars, light rail, from some of the investments that we have made, and to my point of driving it from the top, but also then encouraging it from the communities. You know, Denver, which has one of the – had one of the most innovative, creative mayors who is now governor, the kind of system that he created there, which is now in your statistics, in your data, from your report, show that, you know, there's so much good transportation in Denver, all the way out to kingdom come to get to the airport, and all those trains now coming into Denver station. So it goes to your point about some of it can be done here, but some of it has to be out in the communities, too.

MR. KATZ: Just the language both of you are using, you know, transit 15 – 20 years ago would probably be talked about almost as a service, you know, no different than other municipal services that might be provided by a city or by a metropolitan area.

What you're basically describing are smart investments, some very low cost, like the data, that catalyze markets, that change market behavior, that ultimately create more jobs, more value, given how we arrange our metropolitan – that's a very different kind of conversation.

I would say many metros have come to that conversation, but for a long time the federal government was more siloed and compartmentalized and so forth. So in some ways, as we talk about the jobs deficit and the economic recovery, we've got to bring these agencies right smack in the middle of it, both for people who can get to work, but we could also catalyze different kind of economic growth going forward.

SECRETARY LaHOOD: Can I just say one thing about our budget? The President's five year plan for transportation has 120 percent increase in transit funding, so the President gets it. Now, that's going to be a huge investment. And we also changed the formula in hard economic times for allowing transit districts to use some of the money for operating.

We go from being able to use 25 percent, to 15, to ten in hard economic times. So we get it – so, again, it has to come from the communities, but it also has to come from us listening and responding to.

SECRETARY DONOVAN: I also think, Bruce, it's a fundamental point, right. I mean proposing a big increase today in transit funding, there are going to be a lot of people say we can't afford to do this right now, right, the answer has to be, we can't afford not to do this because the costs of falling behind. The cost, frankly, and this is a lot of what really drove the Sustainable Communities Partnership, the cost of putting housing and jobs in the wrong place relative to transportation is huge, not just in, you know, environmental cost, not just in – out of people's, you know, pocket books in terms of what they're spending on their commutes, but economic growth costs over the long term, but we can't make that argument unless you at Brookings are doing these reports,

and all of you are helping us make that argument, because, you know, it's one thing for two cabinet secretaries, as convincing as we are to say it, it's another thing for everybody out in their communities, constituents, having real hard information that says, you know, one plus one isn't two here when you invest smartly, it's one plus one equals three.

MR. KATZ: I want to start engaging some other folks here. I want to initially go to a tweet. Oh, it's not coming up, okay. This is 21st century technology.

SECRETARY DONOVAN: It's actually on your blackberry.

MR. KATZ: Yeah, it is on my blackberry, okay. And, of course, you know, Owen Washburn is my research – I can never read his writing. So we're going to start with a question out here, right back over there.

SPEAKER: Thank you. A real quick local question. The Silver Line, I don't think there's a more important short term project than the completion of the Silver Line. It seems to be getting bogged down under ground, above ground, the airport; we still can't get to the airport. Is there anything you could do to facilitate decision-making here?

SECRETARY LaHOOD: I was just out in Northern Virginia speaking to a group of people out there that are real involved in this, and I talked to Congressman Wolf yesterday, and I've offered our good offices together, all the stakeholders together. We have a \$900 million investment of taxpayer money, this project will be finished, and it will be done in a way that respects the idea that we don't have a bottomless pit of money, it'll be done in a way that respects the views of people that are elected, to make sure taxpayer money is

being spent correctly, but that project will finish on time, and we'll do everything we can to get everybody around the table and make sure we get to the bottom line, which is to finish the project and do it in a way that – where there's an understanding that we just, you know, we don't have all the money that people might think that we have. It's a very important project.

SECRETARY DONOVAN: Let me just add to this. We're doing our part, too. I was just out there to break ground on a \$77 million FHA ensured loan for transit oriented development that is going up, waiting for the Silver Line to get there. And part of it is, we've got to support – we've got to put our money where our mouth is to support the kind of development that we're talking about.

But part of it is you can bet that that county commissioner who broke ground with us is going to be arguing hard to get that project finished, because all of his tax revenues on those new apartments that are going up are dependent on those folks getting their transit.

The rents will go up, the property taxes will go up, and by the way, the private developers – there is a constituency waiting for that line to come that is going to be pushing hard and building support to make sure that it happens.

MR. KATZ: That's great. Cora Booker, someone you both know, Mayor Booker. We're not quite at the point where the tweets can talk, that's the next forum. Are there special DOT/FTA opportunities for cities to enhance port industrial connections?

SPEAKER: New York big port, sure, New York metro coming off as one of the best accessible metros in the country, vis-à-vis transit. So here's a particular question about cities and the port and industrial.

We just finished our second port summit, where we invited all the port directors. The first one was in San Diego; the one that we just completed was in Chicago. Every port director came. We have made – what's the number, Polly? How much? Two hundred and fourteen million dollars in investments in ports in the last two and a half years. Ports are an economic engine, they provide a lot of jobs, they take – it gives us the opportunity – we just finished a report, I encourage you to look on our web site on Marine Highways, we're going to use the waterways near to the ports in order to create a Marine highway to deliver goods around the United States.

We are a huge, huge backer of ports, because they are an economic engine, because they provide jobs, and we know that there's congestion, and most of our money has gone to relieve congestion and really to up tick our Marine Highway Program.

MR. KATZ: Cory, is that okay? Let's go over here, right over here.

MS. SLOAN: (off mike) and I wanted to come back to your comment about – Rebecca Sloan, Sacramento Area Council of Governments. And your comment about flexibility between operating and capital for transit, we are doing everything we can to work with our business community, the Metro Chamber, with our land use planning to think about economic opportunities moving forward where you get those benefits, but our challenge has been local and state support. We just don't have the budget to continue to support the operating.

And in the long term, we know that we'll see the benefits of higher ridership in (inaudible) recovery, but we can't even go any further with our capital investments until we can improve our operating capacity in the short term.

So I just wanted to encourage you, ask how we can help, and ask you to expand just a little bit on what that flexibility might look like, what we have the opportunity for it to look like.

MR. KATZ: Well, the way you can help is, tell Congress to pass a bill, which includes this new formula, 25, 15 and ten. In hard economic times, we know that transit districts are really facing very tough times, ridership in some places is down, and that's why we, you know, currently it's ten percent, and we believe it should be higher in times when unemployment is at nine percent, and transit districts do need the money, we support that. The President supports it, the administration does, and we need Congress to pass a transportation bill that includes that language. A question over here.

MR. GUZETTI: Thank you, Bruce. Art Guzetti with the American Public Transportation Association. This has been a fantastic exchange over the last 45 minutes, and you've talked a lot about investments. Now, a lot of the talk over the past three hours has been about a bunch of things, about redesigning transit systems, helping improve them, and that's all good in the transit systems around the country, we'll step up to that challenge.

But on the topic of investments, Secretary LaHood, you've made the point that you've put forward a bold plan for that, so I'd like to rally folks behind that and say get on board. And on the question of revenues, let me suggest that folks that say revenues are off limits or the public won't stand for

them, when you ask the public directly, there's a different answer, and when in (inaudible) measures around the country over the last 11 years, 70 percent of the time the public has said, yes, we want more public transportation in our communities, and we're willing to vote to tax ourselves to do that.

Now, that's at the local level. We have, of course -- the federal level has to be a partner in that. But another recent study had said taxes at the federal, state and local level are the lowest they've been since 1958. Now, I'm not here to stand up and call for higher taxes, but I am saying revenues have to be part of this call for investments.

I'm going to soften my point a little bit and make it a comment rather than a question, but invite you to react to that comment.

MR. KATZ: So the call for investments, transformative investments, I mean so much of what you both have been about, frankly, in the last two years are transformative investments that have a high ROI for individual cities, metros, and ultimately the country. It seems like we're not quite into the investment moment right now, but how do we get back to one, particularly once we're past -- at the state and metro level, the balance budget reality, and the sort of hangover from the recession, particularly with property taxes. How do we sell -- invest in America essentially with transit and transportation and these mixed used developments as a major component of it all?

SECRETARY LaHOOD: Well, here's what I tell my republican friends on Capital Hill when they say that we need to cut the deficit and cut the debt, number one, the President believes that. I served in Congress for 14 years, five of those years we had a balanced budget, the republican majority and

the House and Senate and a democratic President, and we did it, and here's how we did it, the same way that all of you do it.

The idea that we're going to pay down the debt is something the President supports. So what you do is you pass a budget that sets money aside to pay down part of the debt. But you still have priorities, you still have transportation priorities, whether it's in transit or high speed rail or whatever it is, you can do both. You do it every day.

You don't take your entire paycheck and pay it against your credit card. How silly would that be? So the idea that we're going to take all the money and pay it against the debt, that's not going to happen, it never has. In America, we've always been big thinkers, we've always been bold thinkers, we've always been creative thinkers, particularly when it comes to transportation.

And so this Congress can do the same, take some money and set it aside for the debt, and the President will support that, but you can still have priorities. We have over a \$3 trillion budget. Do you think we're going to take \$3 trillion and put it against the debt? Of course not, nobody would want that, so pay some of it down, and also have housing priorities, transportation priorities and other priorities, that's the way we've always done it in America.

So my advice to all of you is, when you're talking to your member of Congress, when you're trying to persuade them that we need to continue to think big, think bold, the way we've always done in America, to do that, put some money against the debt, but we have some big, bold priorities that will put people to work, that will be creative in terms of what Shaun likes to do, what I want to do, what we want to do collaboratively, and what all of you want to do, and what

Americans want to do. Americans are so far ahead of their elected officials on this stuff. No, they really are, and I'll tell you how I know that. We had \$2 billion of high speed rail money that came back to us from Florida. We had \$10 billion worth of requests. We had 100 applications. There's a pent up demand in America to get out of the car, to get out of congestion, to save money on high gasoline prices, and to have transportation that's affordable, comfortable, convenient, on time, that's what transit does, that's what street cars do, and buses, and high speed rail, and that's what America wants.

SECRETARY DONOVAN: I just want to brag on Ray for a second here. You know, this infrastructure bank that is being proposed for the transportation reauthorization bill has been, you know, one of the top priorities of the President, and the question is, how do we get out of this old game that we've been in of making investments in ways that aren't consistent, aren't dedicated, creating an infrastructure bank that – whose sole purpose is to make sure that we are investing with that long term is exactly what the President is talking about.

And in particular, you know, you all know when you do this at the local level, it's one thing to pay for the rails and the cars, and it's another thing to pay for the deck that goes over the rail line which supports, you know, a million square feet of development above that creates exactly the kind of connection between transit and jobs and housing that we're talking about.

And so our teams have worked incredibly closely together to craft something that would make sure we don't just get the transportation, we get all the pieces that we're talking about.

The last thing I would just say is, you know, I would challenge everyone here who comes from a local level that there are very creative ways to do this, and, you know, literally where we're making the argument that this stuff pays for itself, there are mechanisms to make it pay for itself. And there are going to be places where you need federal investments.

But there's an extension of the number seven line in the New York City being built right now, not a single dollar of traditional capital outlays coming from the state. We waited and waited and finally gave up on it, and so what we did is, we up zoned the whole area around there, we asked developers to pay in, you want to buy extra square feet, you can do that, pay into a fund, that is supporting the extension of the number seven line which is on time, under budget, and will be completed, fully financed by the value of the development that's going up around it. And so finding ways to get out of this old box and say, you know, this stuff does pay for itself, and we can create mechanisms that do that. I think there's lots of creative ways that state and local government can make sure that even in a time like this; we can continue to make these investments. And, by the way, we're going to keep fighting for that infrastructure bank to help you.

MR. KATZ: I want to go back to the twitter sphere. Two mayors, Mayor Sam Adams of Portland, Mayor McGinn of Seattle, we have a question from (inaudible) So Mayor Sam Adams, how can we use Brookings metro report to increase investment, push the transit envelope?

To some extent, we've talked about that. And then some of our cities which is a think tank based in London, what infrastructure investment should we prioritize to best link people with lower level skills to jobs? I thought both of your

response to this investment question was quite interesting, a public platform, whether it's resources or whether it's these kind of creative rule changing, rules of the road, to sort of expand private sector engagement. Let's focus on the second one for just a second. What we found in this report, 89 percent of individuals who we classify as lower skills actually have access – coverage by transit, but only 26 percent have access to jobs, given this 90 minute commute window that we provide.

So we've got a real challenge here, particularly for the lower skill jobs, because – lower skill workers, because they tend to live again in the central cities and older suburbs of our metros, and the jobs that they're qualified for are further out as those jobs have decentralized. How do we begin to address that gap with scale? A tough issue.

SECRETARY DONOVAN: A couple things I would say about this. One is to maybe disagree with the premise of the question a little bit.

MR. KATZ: Okay.

SECRETARY DONOVAN: I don't think it's my job or Ray's job to tell communities which things to prioritize, in this sense, you know, what Dubuque needs is totally different from what New York needs, is different from what Sacramento needs. And one of the things that has been so great about this sustainable community's effort is that this is not the old style, you know, federal government, urban renewal, we're going to imagine a tabulariza in your place and tell you what you need and design it for you, right.

And, in fact, Ray and I went to testify together one time, and the question, the Congressman will remain nameless, but said to me, son, this

sounds like federal planning, those words scare me, and the beauty of this is that it's not, this is about local communities telling us what they want and what they need.

Obviously, we're saying, you know, we think that's a great plan, we don't think this plan is so good for these reasons, but there is an enormous diversity of what we're funding.

And think about this, 52 percent of the applications we got for our regional grants were from rural communities. Sorry to the metro. In fact, most rural areas are in metros, right.

SECRETARY LaHOOD: Exactly.

SECRETARY DONOVAN: I'm glad I remembered that fact. But, you know, you really are talking about a huge demand that's red state, blue state, red district, blue district, big places, small places. Over 50 percent of our winners in the metro areas were from rural areas. We had a Native American community that got funding to create its first ever zoning code, ever. So this is about a different kind of approach, and I think both substantively and politically, that's enormously important for this argument that we're having.

Having said that, I think we talked a little bit about how do we make sure that it's not just housing, but jobs that are located – connected to – I think that's important. The other – the last thing I would say is, you know, one of the dynamics that we often see with transit oriented development is that there's a real tension between the value that that investment brings, the way that it raises property values, creates more zoning envelope and opportunity, and the push to keep affordable housing in those communities.

So one of the central things we've tried to bring is to really emphasize equity. You want the whole community planning together, which will stop resistance in the long term, make sure it gets done and gets done right, but also to integrate inclusionary zoning, very strongly in the zoning efforts that we're making. So in other words, hey, if you're going to up zone, if you create the potential for 1,000 units in this community, make sure a portion of those are set aside so that you continue to have access for low income folks to the jobs and the access that's created there, and I think that's a critical part, as well.

MR. KATZ: I have one last question back over here. There's a microphone coming, old technology, here we go.

SPEAKER: Good afternoon. Thank you very much for this wonderful panel. My name is Amy Conrick; I'm with the Job Links Program at the Community Transportation Association, CTAA. We have worked – one partner we haven't talked about in this context yet too much is the Department of Labor, and I know that they are very interested in this transportation, as well, and we are working with them in some cooperative agreements to bring training to the work force, to let them know the role that they can play both in community-wide transportation planning, but also to encourage those workers who work one-on-one with customers who are seeking jobs, to make sure that they do the best they can to match them to jobs that are within their ability to get to.

This is a very important piece. We certainly hear from people that – people are being placed in jobs, and they lose them in two weeks because that car pool just doesn't persist and there is no other way for them to get there.

Another thing I wanted to mention, I wanted to thank you very much for your comment about connectivity. We talked about – we heard in the last panel about Detroit, about the Woodward Avenue Project, but as that speaker mentioned, what about connectivity to that light rail project? I believe it's a light rail or a BRT; I'm not sure which one.

But connectivity is so very important, particularly for the low and moderate income people. And if we could ensure that connectivity through creative means, through a whole network of transportation such as van pooling and ride sharing, and make sure that there's seamless connectivity there, I think that really would be very helpful in connecting people to the jobs they need, until we can get to the land use and making sure that those jobs are close to where those people already are living. So thank you very much.

MR. KATZ: We just had a meeting with Secretary Solis about the very issue that you've talked about, and we have a team from DOT and DOL, they're going to work together on that, so it's a very good point. Mayor Bing is going to take a chapter or a page out of other mayors like Hickenlooper and Daley, and he's been so busy worrying about the city of Detroit, but his next move is to reach out to the mayors in the suburban part of Detroit, and to begin to meet with them, and to begin to talk with them about connectivity to Detroit and connectivity in terms of, you know, the opportunities that could be there for the so called suburban area of Detroit, and that's really what needs to happen, and I think it's paid big, big dividends, it did for Hickenlooper, and it's done that for Daley, and I'm sure other mayors, I know the Mayor of Atlanta is also doing the same.

So I think there has to be, you know, you can put a good system in place, but in the urban core, but you have to, you know, it has to be available to the suburban area, too. This gentleman was one of the first people with his hand up here, can we take his question? Tony.

SPEAKER: Were you ignoring him, Bruce?

MR. KATZ: No, I was trying to be fair and equitable with the number of – Tony had a question before.

MR. DOWNS: I'm Tony Downs and I'm in the Metropolitan Policy Department at Brookings. And, Mr. LaHood, you said that the Americans were bold and approached problems in a big, bold and daring way. The vast majority of transportation in the United States is done by automobiles. Why doesn't the Department of Transportation put pressure on the automobile firms to develop cars that don't use gasoline, but use natural gas or use some other form of transportation that would eliminate the problem of, first, buying all our fuel costs from abroad, and second, polluting the atmosphere?

It seems to me that a type of Manhattan project directed at putting real pressure on the automobile manufacturers to do this would have a much greater effect than anything you're going to do in transit.

SECRETARY LaHOOD: One of the first executive orders that the President signed in the presence of Lisa Jackson and myself, who had the responsibility for café standards, was to raise café standards. And within a year, that executive order was put into place when the President, with all of the CEO's of every car manufacturer, both domestic and foreign, announced that café standards in 2012 would be 25 miles per gallon, and in 2016, they'd be 35 miles

per gallon. So that's cars and light trucks. We are working with EPA on the standard from '17 and beyond, and we will hopefully announce that later this year, so that's one thing that President Obama has done.

The second thing that the President has done, which I mentioned earlier, he provided the investments to GM and to Chrysler to where now they posted first quarter profits. That's the most untold story in America. The President saved the American automobile industry in America.

And you know what they're doing now? They're producing and manufacturing a lot of battery powered cars. They're producing – GM is producing the Volt, which if you buy one, you get a \$7,500 tax credit. That was initiated by President Obama. That car gets anywhere from 40 to 60 miles per gallon, and you can almost drive it, you know, all day without plugging it in.

We're also making investments in charging stations, and five years from now there will be charging stations all over America. The car manufacturers get it. They're not only producing hybrids, they're not only producing cars that use biofuels, which the President has encouraged them to do, we're raising the café standards. I think over the next five to ten years, you will see Americans – this is what Americans want, they want more fuel efficient cars. We've done our part of that. The car manufacturers are doing their part of it. I'm going to go down to – somewhere I think down south and help turn the first shovel of dirt on a Nissan facility that will build the Leaf, which is totally battery powered, doesn't use any gasoline.

So, you know, if you're looking for leadership, it's here, we're pushing. This is a hard thing to do. People love their cars, number one, and we

built an interstate system that allows these cars to go all over America. Nobody in America has provided more leadership to the car manufacturer for more battery powered, more fuel efficient than President Obama. In the last two and a half years, he's done a hell of a lot.

MR. KATZ: I have a feeling that was a planted question, but I'm sorry I called on him. You know, you just violated all of Brookings rules here. So let me close this. I know both of you have real jobs.

SECRETARY LaHOOD: This is part of our real job; it doesn't get any better than this.

MR. KATZ: I just want to say I think the way you both talked about this issue, the focus on the investments that we need to move now, whether it's the infrastructure bank, whether it's the change in operating subsidies that might go to hard hit transit, so very, you know, clear focus on some short term things that we have to do, I think the way in which you've described about a federal system being a platform for local creativity, not surprising since you both totally get the local level and the metro level, I think that is the right way to really –

And then the last piece I think which probably was less a focus of this report and more a focus of so much of the rest of the work we do are setting the rules of the road in such a way so that public investments and public rulemaking can leverage up private sector of a massive proportion, so that we create the kind of jobs, the good jobs, the better jobs, the accessible jobs that the country desperately needs. Thank you to the two secretaries, thanks to everyone.

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