



December 2021

TRANSIT-ORIENTED DEVELOPMENT

DOT Should Better
Document Its
Rationale for
Financing Decisions
and Evaluate Its Pilot
Program



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GAO@100 Highlights

Highlights of [GAO-22-104536](#), a report to congressional requesters

Why GAO Did This Study

U.S. transit agencies face fiscal challenges and rely heavily on local, state, and federal funding to operate rail and bus systems. Transit-oriented development projects could help transit agencies increase ridership and revenues, and Congress has sought ways to support these projects. A 2012 statute established a pilot program for FTA to provide grants to communities to plan for transit-oriented development, and a 2015 statute expanded eligibility under the Transportation Infrastructure Finance and Innovation Act program and the Railroad Rehabilitation Improvement and Financing program to include transit-oriented development projects.

GAO was asked to review DOT's transit-oriented development efforts. This report, among other things, examines: (1) the status of the Bureau's reviews of transit-oriented development projects since 2016 and the extent to which it documented decisions, and (2) how FTA has evaluated the pilot program for transit-oriented development planning. GAO reviewed Bureau documents, surveyed applicants for the Bureau's financing, and interviewed transit agencies in the pilot program selected by ridership, location, and other factors.

What GAO Recommends

GAO is recommending: (1) that the Bureau document its rationale for decisions and follow its procedures in reviewing transit-oriented development projects, and (2) that FTA develop a plan to evaluate its pilot program. DOT concurred with the recommendations.

View [GAO-22-104536](#). For more information, contact Andrew Von Ah at (202) 512-2834 or VonAhA@gao.gov.

December 2021

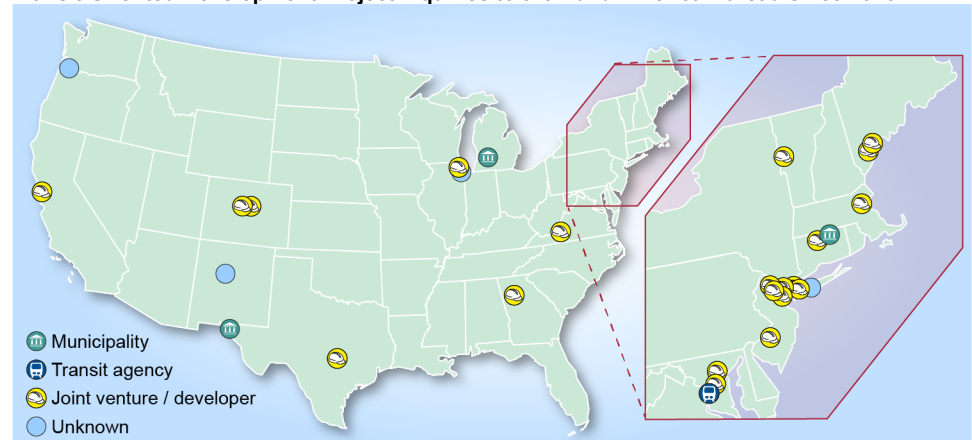
TRANSIT-ORIENTED DEVELOPMENT

DOT Should Better Document Its Rationale for Financing Decisions and Evaluate Its Pilot Program

What GAO Found

Transit agencies and local governments have looked to increase transit ridership and revenues by encouraging growth along transit corridors with transit-oriented development. Such projects generally comprise mixed-use residential and commercial real estate near transit. In 2015, the Fixing America's Surface Transportation Act expanded eligibility under two federal financing programs administered by the Department of Transportation's (DOT) Build America Bureau (Bureau) to transit-oriented development projects. While the Bureau has provided information on these programs to many potential project sponsors, it has not approved financing for any transit-oriented development projects since 2016 or clearly documented all project eligibility decisions. Specifically, the Bureau received 29 inquiries from project sponsors—mostly joint ventures by developers and local agencies—about financing such projects. All but seven inquiries were in early stages of development and not ready for the Bureau to assess their eligibility for financial assistance. Of the seven more developed projects, the Bureau determined that six were ineligible for financing and that one project is preliminarily eligible. However, we found the Bureau did not clearly document its rationale for five of the six declared ineligible, in part because it did not follow its procedures for conducting these reviews and implemented new procedures without documenting the changes. Without a clearly documented rationale for eligibility decisions and procedures for making decisions, sponsors lack reasonable assurance that the Bureau is reviewing projects consistently.

Transit-Oriented Development Project Inquiries to the Build America Bureau since 2016



Sources: Map Resources and Build America Bureau. | GAO-22-104536

The Federal Transit Administration (FTA) awards grants through a pilot program to help transit agencies and communities plan for transit-oriented development. While FTA has invested almost \$80 million through this pilot program since FTA made its first awards in 2015, it has not documented a plan to evaluate the pilot or identify lessons learned in line with leading practices. Without such an evaluation, FTA will not be able to understand whether the pilot program is fulfilling its goals to help communities develop strategies to facilitate transit-oriented development. Further, FTA will lack information to inform congressional decisions about the pilot program's future.

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Abbreviations

Bureau	Build America Bureau
DOT	Department of Transportation
FAST Act	Fixing America's Surface Transportation Act
FTA	Federal Transit Administration
<i>Governance Manual</i>	<i>Processes and Governance Manual</i>
MAP-21	Moving Ahead for Progress in the 21st Century Act
MARTA	Metropolitan Atlanta Rapid Transit Authority
RRIF	Railroad Rehabilitation Improvement and Financing
TCRP	Transit Cooperative Research Program
TIFIA	Transportation Infrastructure Finance and Innovation Act
TRB	Transportation Research Board
UTA	Utah Transit Authority

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December 2, 2021

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Mike Crapo
United States Senate

U.S. transit agencies face longstanding fiscal challenges and rely heavily on local, state, and federal funding to maintain operations and invest in capital-intensive rail and bus systems. Transit agencies and local governments have sought opportunities to increase transit ridership and revenues by encouraging population growth along transit corridors through transit-oriented development projects. These projects generally comprise mixed-use residential and commercial real estate development projects near transit services. A number of local and private stakeholders play important roles in planning and implementing a transit-oriented development project. For example, transit agencies and local partners participate in a range of local policy-development and decision-making activities, including identifying the specific transit corridor and project, refining the project design, and obtaining the necessary funding commitments from public partners and private investors.

Since 2012, Congress and the Department of Transportation (DOT) have taken steps to facilitate transit-oriented development. In July 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) established a pilot program under which DOT's Federal Transit Administration (FTA) provides grants to help communities develop strategies to facilitate transit-oriented development planning.¹ Since 2015, when FTA first awarded grants through the pilot program, FTA has awarded 90 planning grants to transit agencies and other entities through five rounds of funding. In addition, the Fixing America's Surface Transportation Act (FAST Act), enacted in December 2015, expanded federal financing eligibility through two federal loan programs—the Transportation Infrastructure Finance and Innovation Act (TIFIA) program and the

¹Pub. L. No. 112-141, div. B, § 20005(b), 126 Stat. 642 (2012), codified at 49 U.S.C. § 5309.

Railroad Rehabilitation Improvement and Financing (RRIF) program—to include transit-oriented development projects.² The FAST Act also created the Build America Bureau (Bureau) within DOT to administer these and other infrastructure financing programs.³

However, in August 2020, the Bureau reported that it had not made any TIFIA or RRIF loans for transit-oriented development projects since the FAST Act had expanded its financing eligibilities for such projects.⁴ In addition, while FTA has awarded approximately \$80 million in grants through its pilot program for transit-oriented development planning, little is known about the outcomes of these planning grants. You asked us to review transit-oriented development projects and DOT's efforts to support transit-oriented development. This report examines three objectives:

1. the goals transit agencies and community stakeholders pursued through selected transit-oriented development projects;
2. the status of the Bureau's review of transit-oriented development projects since 2016 and the extent to which the Bureau documented its decisions in reviewing those projects; and
3. the plans selected transit agencies have produced through FTA's pilot program for transit-oriented development planning and how FTA has evaluated the pilot program.

To describe the goals transit agencies and communities pursued through selected transit-oriented development projects, we interviewed a non-generalizable selection of six transit agencies about transit-oriented development projects developed in the past 10 years. We selected these transit agencies to obtain a mix of perspectives and considered ridership, geographic location, and recommendations from transit stakeholder groups, among other factors. To collect information for both this first objective and our third objective, we limited this selection to transit agencies that had received at least one grant through FTA's pilot program from 2015 to 2020, as discussed below. However, our discussions included recent transit-oriented development projects that were

²FAST Act, Pub. L. No. 114-94, §§ 2001, 11601-11611, 129 Stat. 1312, 1439-1446, 1693-1701 (2015).

³FAST Act § 9001.

⁴DOT, Build America Bureau, *Transit-Oriented Development Project Inquiries, Fiscal Year 2020 Report to Congress*, Aug. 4, 2020. More recently, as of September 2021, DOT officials told us that the Bureau had not made any TIFIA or RRIF loans to transit-oriented development projects based on this expanded eligibility.

undertaken without assistance from these grants to discuss project goals and information on outcomes, if available. For each selected transit agency, we also interviewed a community stakeholder—either a local government or nonprofit organization—that had collaborated with the transit agency on a recent transit-oriented development project to gather the stakeholder’s overall perspectives and learn about its goals for the project. When available, we reviewed documentation from transit agencies and community stakeholders describing their goals and outcomes for their transit-oriented development projects.

To assess the status of the Bureau’s review of transit-oriented development projects since 2016 and the extent to which the Bureau documented its decisions in reviewing those projects, we analyzed information from the Bureau on all inquiries—occurrences where an entity inquired with the Bureau about using the TIFIA or RRIF programs to finance transit-oriented development projects—received since January 2016 from potential sponsors of transit-oriented development projects, including documentation of the Bureau’s decisions with regard to these inquiries, where applicable. To identify the Bureau’s decisions, we reviewed its responsibilities for administering the TIFIA and RRIF programs as outlined in the FAST Act, as well as the Bureau’s internal written procedures for reviewing project applications and for engaging with applicants.

We reviewed the Bureau’s available documentation for all 29 project inquiries received by the Bureau since 2016, including the Bureau’s documentation for how it assessed the eligibility for either TIFIA or RRIF assistance for each of the seven projects it assessed for eligibility since 2016. We also interviewed Bureau officials about their review process. We assessed whether the Bureau had designed control activities to achieve its objectives and respond to risks, as called for in federal internal control standards.⁵ In addition, we administered a survey to the project sponsors that had contacted the Bureau to inquire about transit-oriented development projects on their experience obtaining technical assistance and undergoing review for TIFIA or RRIF loans. Of the 29 project sponsor inquiries since 2016, we were able to obtain contact information for 23 project sponsors. The response rate for our survey was about 74 percent

⁵GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

(17 out of 23). For copies of the survey questionnaire and consolidated results, see appendix I.

To describe the plans selected transit agencies have produced through FTA's pilot program for transit-oriented development planning, we reviewed the completed plans that five of the six selected transit agencies described above submitted to FTA and interviewed all six selected transit agencies on how FTA's pilot program helped them develop strategies to facilitate transit-oriented development projects.⁶ To assess how FTA has evaluated the pilot program, we reviewed FTA's notices of a funding opportunity announcing the availability of pilot program funds, interviewed the responsible FTA officials, and reviewed FTA data on past grant awards. We determined this data to be sufficiently reliable for our purposes of describing the grants FTA has awarded by interviewing FTA officials and tracing records to source documents. We assessed the extent to which FTA had implemented leading practices for pilot program design established by GAO. These leading practices include establishing clear and measurable objectives and a plan to evaluate the pilot program to determine whether and how to scale and integrate it into overall agency efforts, among other things.⁷ Appendix II contains additional information on our scope and methodology.

We conducted this performance audit from September 2020 to December 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Transit-oriented developments place businesses, residences, and public spaces within walking distance of transit stations. Research generally characterizes transit-oriented development as the creation of compact, mixed-use, and "walkable" neighborhoods located near transit. These developments are typically located up to a half-mile from a transit station

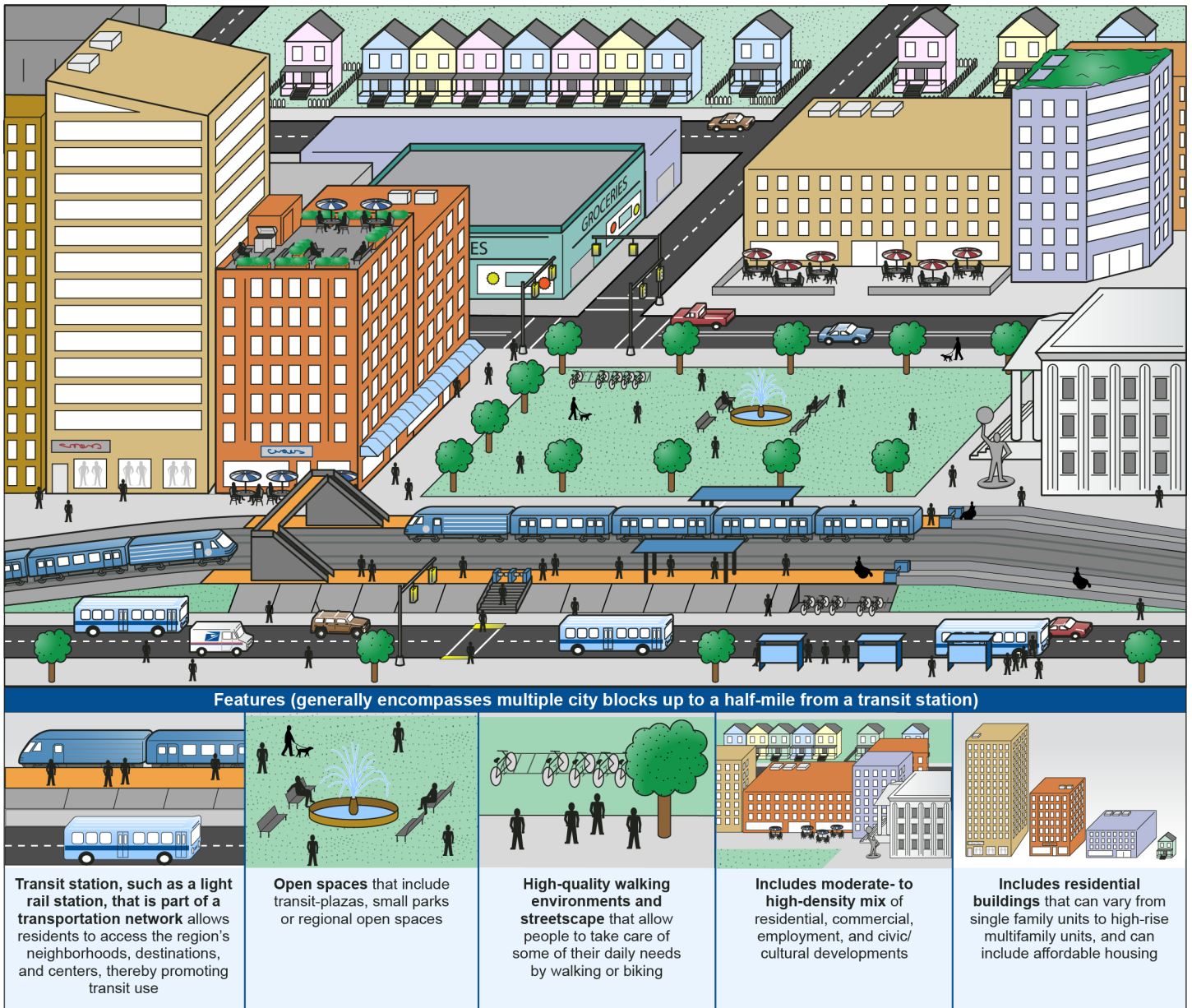
⁶Officials from one transit agency told us that its final study was still in development at the time of our review.

⁷We evaluated FTA's pilot program design against all of the five leading practices we identified in our previous work. GAO, *Data Act: Section 5 Pilot Design Issues Need to Be Addressed to Meet Goal of Reducing Recipient Reporting Burden*, [GAO-16-438](#) (Washington, D.C.: Apr. 19, 2016).

(usually a rail station), can encompass multiple city blocks, and have pedestrian-friendly environments. Transportation experts believe that transit-oriented development can increase access to employment as well as to educational and cultural opportunities.⁸ Also, by placing households near transit stations, transit-oriented developments increase transit ridership and reduce road congestion. Figure 1 provides a graphic representation of common features of a transit-oriented development.

⁸GAO, *Public Transportation: Multiple Factors Influence Extent of Transit-Oriented Development*, [GAO-15-70](#) (Washington, D.C.: Nov. 18, 2014).

Figure 1: Common Features of Transit-Oriented Development



Source: GAO. | GAO-22-104536

A number of non-federal stakeholders play important roles in the planning, funding, and implementation of transit-oriented developments. Traditionally funded by private real estate developers, these projects may

also receive assistance through local governments in the form of tax incentives or other assistance. Stakeholders' roles are summarized below.

- **Transit agencies:** Local agencies, such as transit authorities or transit operators, are generally responsible for building, maintaining, and operating transit systems. These transit systems can include fixed guideway transit systems—such as rail or bus rapid transit—ferry systems, paratransit services, and local bus service. Transit agencies can facilitate transit-oriented development by selling or leasing land they own around a station, such as parking lots, to developers. This type of transit-oriented development is known as joint development.⁹
- **State and local departments of transportation and metropolitan-planning organizations:** These organizations develop transportation plans and improvement programs; they also build, maintain, and operate transportation infrastructure and services.
- **Local governments and regional councils:** City and county governments have planning departments with control over land use planning, which includes zoning policies and growth management policies. Local governments can use a variety of policies to encourage transit-oriented development including zoning regulations, station area plans, targeted infrastructure investments, and tax incentives. These governmental entities are also generally responsible for reviewing, engaging local residents, and granting approval for new development projects. Regional councils develop land use plans used by metropolitan-planning organizations for transportation planning.
- **Private developers:** Private developers decide on and create developments and build and manage housing units and commercial developments.
- **Lenders:** Banks and other financial institutions finance developers to design and construct transit-oriented development projects.

⁹Joint development refers to real estate development that occurs on transit agency property or through some other type of development transaction to which the transit agency is a party. According to a recent Transportation Research Board (TRB) report, joint development is a subset of transit-oriented development that is closely coordinated with a transit facility. Transit agencies actively participate in joint development, generally by contributing property or funding; they benefit from joint development by deriving revenues, increased ridership, or transit improvements. See Transit Cooperative Research Program (TCRP) H-57, *Guide to Joint Development for Public Transportation Agencies* (September 2020).

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- Business improvement districts: These districts—and other entities that coordinate local economic interests—have input on community infrastructure upgrades.

In 2015, DOT was required by the FAST Act to establish a National Surface Transportation and Innovative Finance Bureau to coordinate and consolidate certain surface transportation funding and financing programs.¹⁰ DOT established this Bureau as the Build America Bureau. The Bureau—located within the Office of the Secretary of Transportation—is led by an Executive Director, who is appointed by the Secretary and approved by the President.¹¹ The Bureau administers several financing programs, two of which may provide federal loans or related assistance for transit-oriented development projects, as established by the FAST Act:

- TIFIA. TIFIA provides direct loans, loan guarantees, and standby lines of credit to surface transportation projects of national or regional significance. Eligible applicants include state and local governments, transit agencies, railroad companies, and others. Traditionally, projects eligible for TIFIA assistance have included highways, intermodal stations, and passenger rail. However the FAST Act expanded eligibility to include projects to improve or construct public infrastructure that is located within walking distance of, and accessible to, a fixed guideway transit facility, passenger rail station, intercity bus station, or intermodal facility, among other considerations.¹²
- RRIF. RRIF provides direct loans and loan guarantees to finance the development of railroad infrastructure, such as rehabilitating passenger equipment and acquiring or rehabilitating track and bridges.¹³ The FAST Act expanded RRIF eligibility to finance economic development and related infrastructure and activities that: (1) incorporate private investment; (2) are physically or functionally related to a passenger rail station or multimodal station that includes rail service; (3) have a high probability of commencing the contracting process for construction not later than 90 days after the obligation of the direct loan or loan guarantee; and (4) have a high probability of reducing the need for financial assistance under any other federal

¹⁰FAST Act § 9001(a).

¹¹*Id.*

¹²23 U.S.C. § 601(a)(12)(E).

¹³45 U.S.C. § 822(b).

program by increasing ridership, tenant lease payments, or other activities that generate revenue exceeding costs.¹⁴ On November 15, 2021, the Infrastructure Investment and Jobs Act was enacted and modified some of these expanded RRIF eligibility requirements, as discussed later in this report.¹⁵

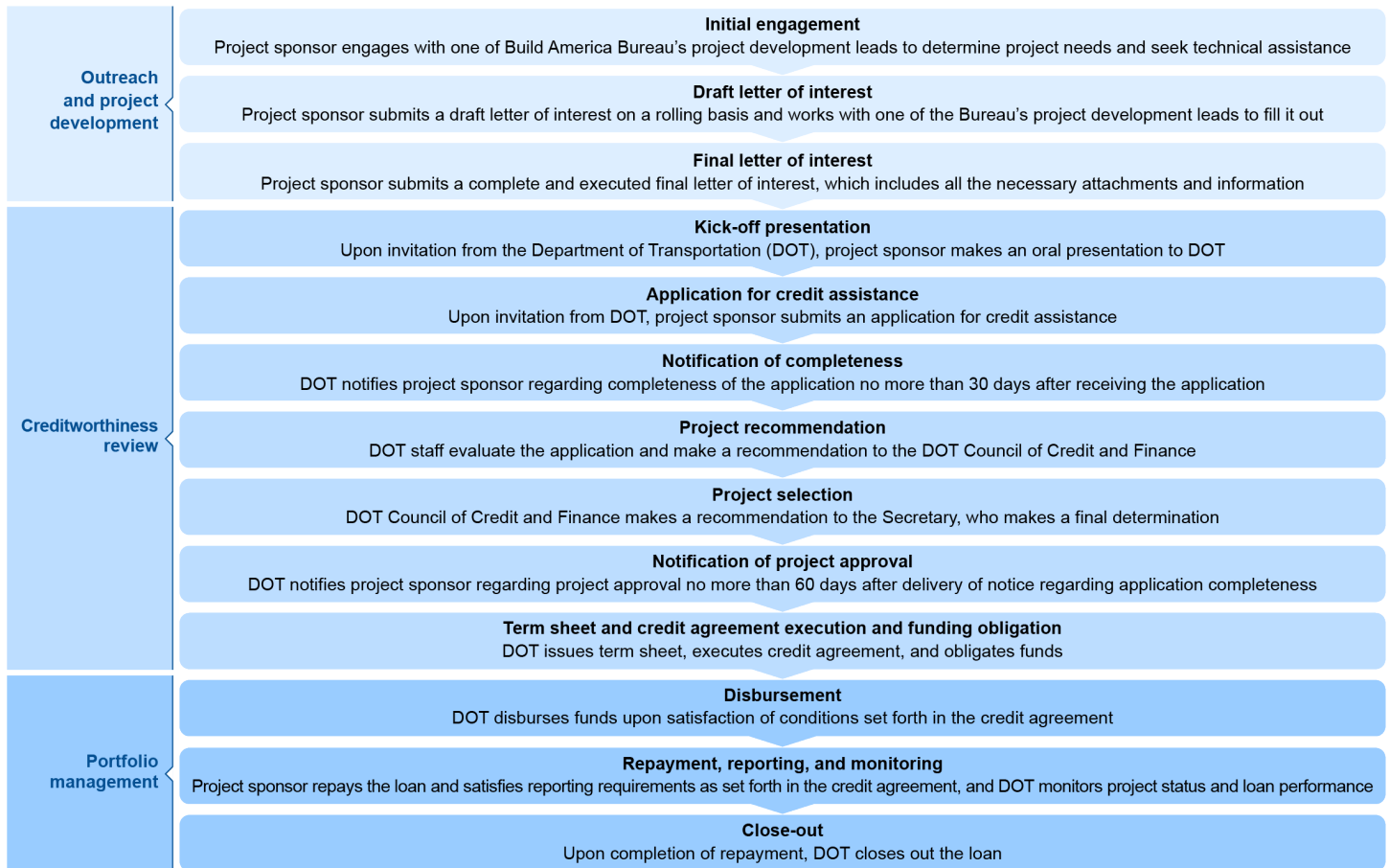
In 2017, the Bureau established a process for working with project sponsors that make inquiries about pursuing TIFIA or RRIF financing, which includes outreach and development of new projects, submission of a formal application for projects deemed eligible by the Bureau, and a creditworthiness review as summarized in figure 2.¹⁶

¹⁴FAST Act § 11604, codified at 45 U.S.C. § 822(b)(1)(E).

¹⁵Pub. L. No 117-58, § 21301, 135 Stat 429 (2021).

¹⁶DOT, Build America Bureau, *Credit Programs Guide: Transportation Infrastructure Finance and Innovation Act; Railroad Rehabilitation & Improvement Financing* (March 2017).

Figure 2: The Build America Bureau’s Review Process for Projects Seeking Financing from the Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation Improvement and Financing (RRIF) Programs



Source: GAO analysis of U.S. Department of Transportation information. | GAO-22-104536

MAP-21, enacted in July 2012, established a pilot program under which FTA provides grants to help communities develop strategies to facilitate transit-oriented development.¹⁷ These grants are to support planning of transit corridors by state or local government authorities, including transit

¹⁷MAP-21 div. B, § 20005(b), codified at 49 U.S.C. § 5309. The conference report accompanying MAP-21 stated that the pilot program was for “transit-oriented development planning to advance planning efforts that support transit-oriented development around fixed guideway capital investment projects. Grants for planning will help communities develop strategies to facilitate transit-oriented development.” H.R. Rep. No. 112-557, at 600 (2012) (Conf. Rep.)

agencies, that enhances economic development and ridership, enables mixed-use development, and includes private sector participation, among other things.¹⁸ Unlike the Bureau’s TIFIA and RRIF programs, which can help finance the construction of transit-oriented development projects, FTA’s grant program funds planning that can encourage future transit-oriented development. Grantees develop plans for areas that will see increased transit access from the future construction of a new fixed guideway project or a substantial investment that increases the capacity of an existing fixed guideway project.¹⁹ FTA has awarded 90 grants worth almost \$80 million through this pilot program since it made its first awards in 2015.

Transit Agencies and Community Stakeholders Pursued Financial and Nonfinancial Goals through Selected Transit-Oriented Development Projects

During our interviews with six transit agencies and six community stakeholders—including three nonprofit organizations and three local governments—we found that these stakeholders pursued both financial and nonfinancial goals through recent transit-oriented development projects, four of which are described below. All of the transit-oriented development projects we reviewed began before the statutory expansion of TIFIA and RRIF eligibility to include transit-oriented development projects, and none of them sought financing from the Bureau or benefitted from grants from FTA’s pilot program for transit-oriented development planning. Instead, they received financing from other sources, such as private lenders.

Financial goals: Selected transit agencies and local governments have pursued financial goals through transit-oriented development projects by using them to generate revenue through various sources, such as by increasing ridership.

- Selected transit agencies sought to increase their revenues through transit-oriented development by growing their ridership and leasing their land for development. Research has shown that individuals living in transit-oriented developments use transit five to six times as often as typical residents of the region, which can provide transit agencies with increased revenue from fares.²⁰ All six transit agencies we spoke with told us they expected to realize ridership increases through development near their stations. However, none of the six transit

¹⁸MAP-21 div. B, § 20005(b), codified at 49 U.S.C. § 5303 note.

¹⁹*Id.*

²⁰TRB, *Transit-Oriented Development in the United States: Experiences, Challenges, and Prospects*, TCRP Report 102, 2004.

agencies identified specific ridership or revenue targets in their goals for transit-oriented development along their corridors. Two transit agencies told us it is challenging to calculate ridership increases in areas with high density or attribute them to specific transit-oriented developments, and thus they did not set ridership targets for their transit-oriented developments. Transit agencies can also obtain revenue by leasing or selling land they own near their stations to developers through joint development. For example, transit agencies can capture additional economic value from underused land, such as surface parking lots near stations or lots used for maintenance and construction equipment, by partnering with developers on projects that provide residential and commercial investments near stations to enhance ridership. Three transit agencies told us that the revenues from joint development lease agreements and ridership gains go toward their operating budgets. Figure 3 details an example of a transit-oriented development project that, according to the transit agency, increased ridership and provided a transit agency with lease revenue.

Figure 3: Transit-Oriented Development near a Light Rail Station in Salt Lake County, Utah

Columbus Community Center, a nonprofit organization that provides housing, job training, and other services for adults with disabilities, developed a mixed-use project on land leased from the Utah Transit Authority (UTA) near a light rail station through a joint development agreement. The project includes 126 affordable housing units and 31 market-rate housing units as well as 20,000 square feet of commercial space and services for Columbus Community Center clients, including a job training center. A representative from Columbus Community Center told us that clients are reliant on transit, particularly paratransit services that are costly for UTA to provide, so having them live near a station gives them greater access to the transit system while reducing their need for paratransit. UTA officials told us they have seen a ridership increase at the station since the project was completed. UTA will also collect lease revenue from Columbus Community Center for the land, which was previously an unused lot.



Sources: Columbus Community Center (interviews) (image); UTA (interviews). | GAO-22-104536

- According to officials from the local governments we spoke with, their cities can also financially benefit from transit-oriented development through increased collection of property or other local taxes. Two of

the three local governments we spoke with told us that one of their goals for transit-oriented development was to grow their tax base by increasing density through new development, which can generate tax revenue by increasing the amount of taxable property and creating jobs. Examples of such underutilized land include vacant lots or parking lots owned by a transit agency that were previously exempt from local taxes. Local governments can also help finance these developments through tax-increment financing, a mechanism wherein the local government borrows against tax revenues on future gains in real estate values in the area.²¹ All three local governments we spoke with provided an example of a transit-oriented development project that led to increased tax revenues. Figure 4 details an example of one such project.

Figure 4: Transit-Oriented Development near a Light Rail Station in Richardson, Texas

The City of Richardson, Texas, worked with a developer to build a new development on a vacant field flanking a Dallas Area Rapid Transit light rail station. Economic development was the city's overarching goal for the project, which was intended to grow the tax base and increase the revenues from sales, business, and personal property taxes. The city created a tax-increment financing area that included the site to pay for the initial infrastructure investments, such as streets and sewer systems.^a The developer ultimately constructed a 186-acre mixed-use development that includes office space, residential units, and commercial space. In 2012, before construction began, the appraised value of the property in the tax-increment financing area was about \$16 million. In 2021, the appraised value had increased to \$1.3 billion. The city and county property tax revenues for the entire tax-increment financing area exceeded \$6 million in 2020, up from about \$287,000 in 2014, which city officials told us exceeded their expectations for the project.



Sources: City of Richardson, Texas (interviews) (image) (documents); Dallas Area Rapid Transit (interviews). | GAO-22-104536

^aTax-increment financing is a public-financing revenue tool that allows local governments to borrow against taxes on future gains in real estate values to pay for new infrastructure improvements.

²¹Tax-increment financing is a tool state and local governments have used to finance a wide variety of projects, including transit projects. These governments establish a district within which ad valorem tax revenues resulting from increases in assessed value, or the "tax increment," are used to reimburse infrastructure investment either directly or through bond debt service payments. According to a recent TRB report, many, but not all, states authorize tax-increment financing. TRB, *Guide to Value Capture Financing for Public Transportation Projects*, TCRP Research Report 190, 2016.

Nonfinancial goals: Selected transit agencies and local governments have pursued regional growth plans, which include goals such as reducing traffic congestion, through transit-oriented development projects, while selected transit agencies and nonprofit organizations have used transit-oriented development projects to create affordable housing.

- Transit agencies and local governments can use transit-oriented development to further their plans for regional growth. Five of the six transit agencies we spoke with and all three of the local governments said that their transit-oriented development projects supported regional visions for growth along transit corridors, such as increasing density near transit stations and creating communities that support transit and walking as a means of transportation. Additionally, research has shown that local government planners view transit-oriented development as an approach to address regional problems including urban sprawl and traffic congestion.²² Research has also shown that residents of transit-oriented developments have lower rates of automobile ownership and, as described above, use transit five to six times as often as typical residents in the region.²³ As a result, transit-oriented developments can lead to reduced traffic congestion by reducing the number of people using automobiles. Figure 5 details an example of a transit-oriented development project that helped a local government increase density near a transit station.

²²TCRP Report 102.

²³TCRP Report 102.

Figure 5: Transit-Oriented Development near a Heavy Rail Station in Decatur, Georgia

The City of Decatur, Georgia, reached a joint development agreement with Metropolitan Atlanta Rapid Transit Authority (MARTA) and a developer to construct a mixed use development on a MARTA parking lot at Avondale Station, supporting the city's growth goals. A Decatur official told us that the city had a goal to increase density as a means to address the region's housing shortage. The official told us that the project had an effect on the surrounding community, catalyzing a large amount of dense development including more housing, retail, and local schools within a half-mile radius of the station. Furthermore, the project supported the city's long-term transportation plan that called for increased development near MARTA stations to reduce traffic.



Sources: City of Decatur, Georgia (interviews) (image); MARTA (interviews). | GAO-22-104536

- Selected transit agencies and nonprofit organizations have used transit-oriented development to advance their goals to increase the supply of affordable housing in their communities. We have previously found that plans to create new transit stations and adjacent developments generally increase nearby land and housing values and that such increases can raise the market price of housing beyond what is affordable for lower-income households.²⁴ Four of the six transit agencies we spoke with had a goal to create affordable housing through transit-oriented development along their corridors, a goal that could help to mitigate this effect. Furthermore, three of these four transit agencies set targets for affordable-housing development on transit agency property. For example, one transit agency's policy established a target that 80 percent of residential units developed on its property should be affordable to households making 80 percent of the area median income. The three nonprofit organizations we spoke with worked with transit agencies to create affordable housing that provides easy access to transit, as well as to provide other services and amenities to tenants. Figure 6 details an example of a transit-oriented development project for which a transit agency and a

²⁴GAO, *Affordable Housing in Transit-Oriented Development: Key Practices Could Enhance Recent Collaboration Efforts between DOT-FTA and HUD*, [GAO-09-871](#) (Washington, D.C.: Sep. 9, 2009).

nonprofit organization collaborated to pursue their respective goals to increase affordable housing.

Figure 6: Transit-Oriented Development near a Light Rail Station in Seattle, Washington

The nonprofit Community Roots Housing developed a project on land purchased from Sound Transit in which all 110 housing units are considered affordable in comparison with the local market rate. A representative from the organization told us the organization's priorities are to create as many units of affordable housing as it can and to decrease its residents' reliance on cars. Sound Transit's affordable housing goal is that at least 80 percent of its property suitable for housing be used to create housing that is affordable to households earning no greater than 80 percent of the area median income. This project's 110 units are each affordable at one of three levels: 30, 50, or 60 percent of the area median income, exceeding Sound Transit's 80 percent goal. The Community Roots Housing representative told us these units are fully leased and provide the tenants with easy access to transit through proximity to the station and a transit pass provided by the organization. The development also includes a rooftop garden and a farmer's market.



Sources: Community Roots Housing (interviews) (image); Sound Transit (interviews). | GAO-22-104536

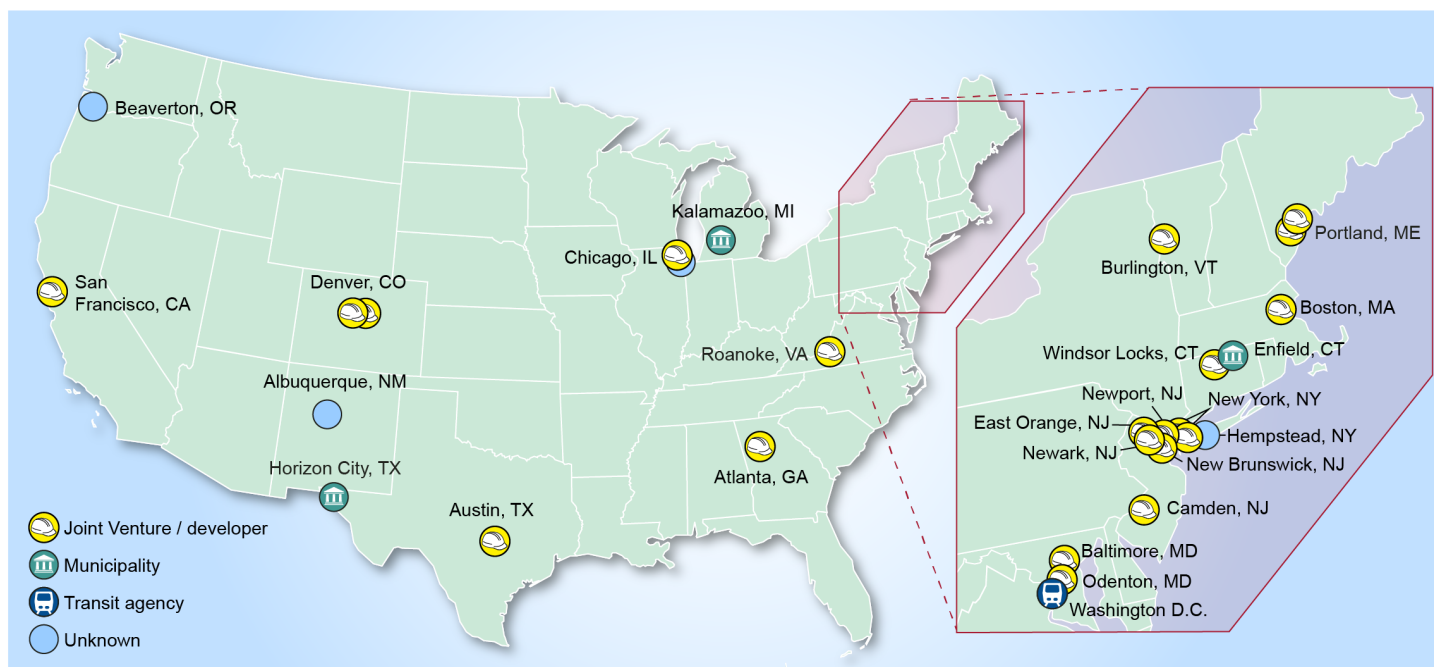
The Bureau Provided Financing Information for Many Project Inquiries but Has Not Clearly Documented All Project Eligibility Decisions

The Bureau Has Fielded Inquiries for 29 Project Sponsors, and Most Are in Early Stages of Development

Since 2016, when transit-oriented development projects were first eligible for Bureau financing, the Bureau has received 29 inquiries from project sponsors—occurrences where an entity inquired with the Bureau—about using TIFIA or RRIF financing for proposed transit-oriented development projects. The project sponsors making these inquiries are mostly joint ventures initiated by private real estate developers, though they also include several local governments and a transit agency, see figure 7. The transit-oriented development inquiries range in the project readiness of

the proposals, from those sponsors seeking general information on federal financing to project-specific inquiries that are further along with project budget estimates. For example, one transit agency inquired about the general suitability of federal financing to help develop a number of its properties along its rail system. In another instance, a developer contacted the Bureau to inquire about a \$100 million loan for a single transit-oriented development project on a specific property. Of the 17 project sponsors that responded to our survey, almost all indicated that they contacted the Bureau to obtain general information and to understand federal financing options. Eight sponsors were interested in pursuing financing under both the TIFIA and RRIF programs, four sponsors were only interested in TIFIA assistance, and five sponsors were only interested in RRIF assistance.

Figure 7: Twenty-nine Transit-Oriented Development Project Inquiries to the Build America Bureau since 2016



Sources: Map Resources and Build America Bureau. | GAO-22-104536

The Bureau conducts outreach—including its work addressing project inquiries—to help project sponsors understand financing requirements, and most sponsors we surveyed found this outreach helpful. According to Bureau officials, the Bureau conducts outreach and fields questions from potential project sponsors on their eligibility for financing and the

requirements they need to meet in order to apply. The Bureau participates in industry events, publishes guidance, and proactively reaches out to sponsors and states on projects that may be a good fit. Representatives from an association of transit agencies told us that Bureau officials have been responsive in engaging with their members and have sought opportunities to provide information on project assistance in association meetings or via webinar. According to responses from our survey, most of the project sponsors (12 of 17) responded that the Bureau provided sufficient assistance to help them understand the TIFIA and RRIF programs.

Most of the 29 project inquiries received by the Bureau since 2016 were in early stages of project development or seeking program information. The Bureau worked with sponsors from 22 project inquiries, mainly providing information to the project sponsor on high-level topics such as the Bureau's services and loan options. However, according to Bureau data, these 22 inquiries had not progressed to the point where the Bureau would review their eligibility for financial assistance from the Bureau.²⁵ Of these inquiries, the Bureau considers 10 as active and 12 as inactive—these 12 having withdrawn their project inquiry or ceased communication with the Bureau.

According to Bureau data, Bureau officials reviewed seven project proposals that had progressed to the point where the Bureau would determine a project's eligibility for financial assistance. However the Bureau had not determined any of these projects to be eligible to progress into the next phase where sponsors formally apply for TIFIA or RRIF financing.²⁶ Of the seven project proposals, the Bureau has determined:

- Six projects were ineligible for RRIF assistance.²⁷ The Bureau determined these projects to be ineligible because they did not meet

²⁵The Bureau's eligibility determination occurs in the first phase of its project review process, within Outreach and Project Development.

²⁶Because the Bureau's eligibility decisions determine whether an applicant can apply for federal assistance, we consider the Bureau's eligibility evaluation to be a major decision in its review of transit-oriented development projects.

²⁷None of the six projects the Bureau determined to be ineligible for RRIF was directly seeking TIFIA loans.

one or more of the following statutory requirements of RRIF.²⁸

Specifically, according to Bureau officials, these projects either (1) did not commit enough private investment, (2) were not physically or functionally related to a passenger rail station, or (3) did not demonstrate a high probability of reducing the transit agency's need for financial assistance under other federal programs which was needed to demonstrate their eligibility for RRIF loans.²⁹

- One project was given a preliminary, but not final, determination of eligibility to apply for RRIF assistance. This project has advanced the farthest of all the current transit-oriented development project inquiries received since 2016. According to Bureau documentation, this project would involve construction of a platform over an active railyard for mixed-use development and public open space on Manhattan's West Side, developed in coordination with a future Hudson River rail tunnel project. The Bureau had determined that this project was preliminarily eligible as early as August 2020 and that final eligibility is pending the Bureau's independent review of the information provided by the project sponsor. As of September 2021, Bureau officials told us they are awaiting the sponsor's submission of a final letter of interest in order for them to finalize the eligibility determination and begin the creditworthiness review phase. The sponsor stated it is working through the federal environmental review process and noted that the project previously completed a similar process for state and local environmental review.

²⁸As previously discussed, the eligibility requirements for RRIF financing related to transit-oriented development projects are that these projects (1) incorporate private investment; (2) are physically or functionally related to a passenger rail station or multimodal station that includes rail service; (3) have a high probability of commencing the contracting process for construction not later than 90 days after the obligation of the direct loan or loan guarantee; and (4) have a high probability of reducing the need for financial assistance under any other federal program by increasing ridership, tenant lease payments, or other activities that generate revenue exceeding costs. FAST Act § 11604, codified at 45 U.S.C. § 822(b)(1)(E).

²⁹See FAST Act § 11604, codified at 45 U.S.C. § 822(b).

The Bureau Has Not Clearly Documented Its Rationale for Several Projects It Found to Be Ineligible for RRIF Assistance

We found that the Bureau did not clearly document how it arrived at its eligibility decisions for five of the six projects that were ultimately determined to be ineligible. For example, we found that the Bureau did not document how it ultimately determined two projects to be ineligible for RRIF assistance after those projects were recommended as eligible on the Bureau’s worksheets. Additionally, the Bureau did not consistently complete eligibility evaluation worksheets, which it established to record eligibility decisions for projects, or provide eligibility letters for two project sponsors.³⁰ See table 1 for a summary of the Bureau’s eligibility evaluation documents.

Table 1: GAO Analysis of the Build America Bureau’s Eligibility Evaluation Documents for Transit-Oriented Development Project Inquiries Determined to Be Ineligible for Railroad Rehabilitation and Improvement Financing (RRIF) Assistance

Project Inquiry	Eligibility evaluation worksheet’s recommendation	Eligibility letter determination	GAO’s evaluation of the Bureau’s documented eligibility rationale
Project 1	Eligible	Ineligible	Unclear
Project 2	Eligible	Ineligible	Unclear
Project 3	No worksheet completed	No letter completed	Unclear
Project 4	Ineligible	No letter completed	Unclear
Project 5	No recommendation ^a	Ineligible	Unclear
Project 6	Ineligible	Ineligible	Clear

Source: GAO Review of Build America Bureau documents and interview. | GAO-22-104536

^aThe Bureau document provided to us for Project 5 was not a standard eligibility evaluation worksheet, but included a comparison of statutory requirements to elements of the project; therefore, we are including it here. However, it did not include an eligibility recommendation.

As shown in Table 1, we found that the Bureau did not clearly document how it arrived at its RRIF eligibility decisions for five projects it ultimately determined to be ineligible:

- In two instances (Projects 1 and 2 in table 1), the Bureau’s working group, which assesses projects for eligibility, recommended on the evaluation worksheets that the projects be declared eligible for RRIF assistance.³¹ In both cases, the Bureau subsequently declared the projects ineligible in their respective eligibility letters. However, the

³⁰The Bureau completed an eligibility evaluation worksheet for the one project where it made a preliminary determination of eligibility.

³¹According to the Bureau officials, the working group is comprised of Bureau and DOT officials and serves to advise the Bureau on the eligibility of transit-oriented development projects for Bureau financing, and is discussed in greater detail below.

Bureau did not document how or why it decided not to follow the recommendation made by the working group in the eligibility evaluation worksheets.

- The Bureau did not complete an eligibility evaluation worksheet or an eligibility determination letter for one project (Project 3 in table 1). Although the Bureau sent an email to the project sponsor indicating that the project was found to be ineligible, the Bureau did not document how it came to its ineligibility decision for that project. The Bureau also did not prepare an eligibility determination letter for another project, instead conveying its decision in an email to the project sponsor (Project 4 in table 1).
- The Bureau provided eligibility determination letters for four projects in which it identified the specific eligibility requirements that the projects failed to meet. However, we found that the Bureau did not include specific information on the rationale for its decision in three of these letters (Projects 1, 2, and 5 in table 1).³² Specifically, the Bureau found that these projects did not satisfy the eligibility requirement of demonstrating a high probability of reducing the need for financial assistance under other federal programs but did not clearly explain how it made those determinations, such as by stating a threshold that the proposed projects did not meet.³³ Similarly, four sponsors that responded to our survey identified demonstrating their project's RRIF eligibility as a concern. For example, one sponsor stated that the process lacked clarity for the amount of private investment required or how to demonstrate that the project would reduce the need for federal assistance.

Federal law requires and federal standards for internal control emphasize the importance of clearly documenting these agency decisions. Specifically, the FAST Act outlines specific responsibilities for the Bureau on administering the TIFIA and RRIF programs including establishing procedures for analyzing and evaluating applications for these programs, as well as documenting major decisions in the application evaluation process through a decision memorandum or mechanism that provides a

³²In one of the four letters conveying ineligibility, the Bureau's rationale was more evident, as the proposed project did not meet the requirement for being physically or functionally related to a passenger rail station or multimodal station that includes passenger rail service, because it was located by a multimodal marine terminal that only served passengers by ferry and not by rail.

³³45 U.S.C. § 822(b)(1)(E)(iv).

clear rationale for such decisions.³⁴ Moreover, GAO's Standards for Internal Control in the Federal Government emphasizes the importance of establishing and documenting the procedures used by the agency to fulfill its mission. Specifically, federal standards for internal control call for management to design control activities to achieve objectives and respond to risks; including documentation of transactions and other significant events.³⁵

We found that the Bureau did not clearly document its eligibility determinations, in part, because it did not follow its written procedures for conducting these reviews and implemented new procedures without documenting those changes. In 2016, the Bureau created a *Processes and Governance Manual (Governance Manual)* that established procedures the Bureau is to follow in each step of its review process. For example, the *Governance Manual* requires the Bureau to prepare internal meeting notes signed by the Outreach and Project Development Director to document decisions on whether the project remains in outreach and development or moves forward in the process. However, the Bureau did not prepare internal meeting notes for any of the seven projects it assessed for eligibility. Instead, the Bureau stated that it created a transit-oriented development working group to perform the preliminary eligibility reviews using the eligibility evaluation worksheets described above. According to Bureau officials, the working group serves to advise the Bureau on eligibility decisions and is comprised of a project development lead, underwriter, attorney, modal liaison, and a representative from the Policy Office within the DOT's Office of the Secretary. The officials also stated that the Bureau's evaluation procedures have evolved since 2016 when the *Governance Manual* was prepared and that changes to the review process have improved efficiency and been approved through emails and interactions between staff and leadership. However, the Bureau does not have documentation of the roles and responsibilities of the transit-oriented development working group, nor has it documented how these procedures have evolved. In addition, the Bureau has not prepared any written requirements to record the rationale for its eligibility decisions by updating its *Governance Manual* or other documentation.

Bureau officials told us that they would consider formalizing the changes to the review procedures to coincide with any future changes to the Bureau's legislative responsibilities for transit-oriented development

³⁴FAST Act § 9001, codified at 49 U.S.C. § 116(d)(6)(iii).

³⁵[GAO-14-704G](#).

projects. In addition, the Bureau's current leadership has recently acknowledged the need for improving the clarity of the eligibility guidelines for using TIFIA and RRIF assistance for transit-oriented development projects. Specifically, the Bureau acknowledged through a press release on its website that it had not set clear eligibility guidelines for using TIFIA and RRIF financing for transit-oriented development projects, and this lack of clarity had become a barrier for financing such projects. In May 2021, the Bureau issued new FAQs that aim to clarify the eligibility of transit-oriented development projects. In addition, in November 2021, the Infrastructure Investment and Jobs Act revised RRIF eligibility for transit-oriented development projects by clarifying eligibility requirements.³⁶

While clarifications to the eligibility guidelines for financing transit-oriented development projects could be helpful to potential project sponsors, those sponsors will still need specific information from the Bureau on how its decisions are made. Without a clearly documented rationale from the Bureau explaining why a project meets or does not meet eligibility requirements, project sponsors lack the information necessary to develop transit-oriented development project proposals that address RRIF and TIFIA eligibility requirements. In addition, without written and up-to-date procedures for making eligibility and other decisions, project sponsors lack reasonable assurance that the Bureau is conducting its reviews in a consistent manner.

³⁶Specifically, the Infrastructure Investment and Jobs Act, provides that RRIF direct loans and loan guarantees may be used to finance economic development (including commercial and residential development, and related infrastructure and activities) that (1) incorporates private investment of greater than 20 percent of total project costs; (2) is physically connected to, or is within 1/2 mile of, a fixed guideway transit station, an intercity bus station, a passenger rail station, or a multimodal station, provided that the location includes service by a railroad; (3) demonstrates the ability of the applicant to commence the contracting process for construction not later than 90 days after the date on which the direct loan or loan guarantee is obligated for the project under this chapter; and (4) demonstrates the ability to generate new revenue for the relevant passenger rail station or service by increasing ridership, increasing tenant lease payments, or carrying out other activities that generate revenue exceeding costs. Infrastructure Investment and Jobs Act, § 21301(d).

FTA Has Not Evaluated Its Pilot Program for Transit-Oriented Development Planning, in Line with Leading Practices

Selected Transit Agencies Produced Plans Recommending Local Policy Changes That Can Encourage Transit-Oriented Development

We found that selected transit agencies used grants from FTA's pilot program to produce plans that could help facilitate transit-oriented development in their communities such as analyses of potential development along future corridors. FTA's pilot program is intended to fund planning that supports increased ridership, economic development, and mixed-use development near transit stations, among other things. Of the six transit agencies we selected, five had submitted completed plans to FTA.³⁷ We reviewed the plans these five agencies submitted, which included analyses of existing conditions along proposed new transit corridors, community-supported visions for future development around station areas, and recommendations to make those visions a reality, among other things. In our prior work, we identified six local government actions that can encourage transit-oriented development: creating zoning and regulations supportive of elements of transit-oriented development; developing area plans that provide guidance and resolve contentious issues; responding to local residents' preferences; responding to market demand; making targeted investments in infrastructure; and creating tax credits for developers.³⁸ We found that all five of the transit agencies submitted plans that took or recommended taking actions that can encourage transit-oriented development. For example:

- Responding to local residents' preferences. Our prior work noted that incorporating input from local residents on issues such as land use, parking, density, and building height could help ensure their support for transit-oriented development. All five plans used community outreach and engagement to ensure they were responsive to local

³⁷Officials from one transit agency told us that its final plans were still in development at the time of our review.

³⁸[GAO-15-70](#).

residents' preferences. For example, one plan described data collection on the demographics of the people who participated in community outreach meetings and compared this data to the demographics of the neighborhoods in the plan's area. They proceeded to target outreach to residents belonging to demographics that had been underrepresented in the community engagement process to ensure the plan incorporated input from all parts of the community.

- Targeted investments in infrastructure. Local governments can encourage transit-oriented development by supporting the integration of multi-modal transportation choices to take riders to and from transit stations.³⁹ All five plans recommended targeted investments in infrastructure near transit, such as improvements to sidewalks, bike lanes, streetscapes, and access for people with disabilities. For example, one plan recommended improving accessibility by adding sidewalks and street crossings. Transit agency officials who produced this plan explained that they identified these areas for investment through an active transportation audit that studied how people traveling by wheelchair, bicycle, and on foot could access transit stations and, by extension, businesses and residences around the stations.
- Creating zoning and regulations supportive of elements of transit-oriented development. Local governments can also support transit-oriented development by designing zoning and other regulations to facilitate more certainty for developers proposing projects near transit stations, such as by allowing buildings with greater unit density or fewer parking spaces near transit.⁴⁰ Three of the plans reviewed the zoning codes for the proposed station areas along the new corridors and made recommendations on how local governments could revise zoning codes in those areas to make them more compatible with transit-oriented development. Another plan identified considerations to guide potential zoning changes that would generally support transit-oriented development in the community, such as allowing for increased density while also keeping the design of new buildings consistent with the character of the existing residential neighborhoods.

Selected transit agencies told us that funding from FTA's pilot program was critical for developing actionable plans. All six transit agencies we

³⁹[GAO-15-70](#).

⁴⁰[GAO-15-70](#).

spoke with told us that without this funding, they would not have developed these plans or the plans would not have been as impactful. For instance, three of the six transit agencies told us that, without this funding, they may have done some planning, but it likely would not have involved the same degree of cooperation between the transit agencies and local governments. Furthermore, two of the transit agencies told us that the grant funding enabled them to take additional steps to implement their plans' recommendations. For example, one transit agency told us it created a \$1 million grant fund to help local governments implement the recommendations in its plan.

FTA Has Not Evaluated the Pilot Program's Performance to Inform Future Decisions

We have reported that a well-designed pilot program can help ensure agency assessments produce information needed to make effective program and policy decisions and identified five leading practices to design pilot programs accordingly.⁴¹ We determined that FTA's pilot program did not fully align with these five leading practices, as summarized in table 2 and described below.

Table 2: GAO's Assessment of Federal Transit Administration's (FTA) Pilot Program for Transit-Oriented Development Planning Compared to GAO's Leading Practices for Pilot Program Design

Leading practice	Description of leading practice	GAO evaluation of FTA's pilot program design
Measurable objectives	Establish well-defined, appropriate, clear, and measurable objectives.	Partially aligns.
Assessment methodology	Articulate an assessment methodology that details the type and source of the information necessary to evaluate the pilot and methods for collecting that information, including timing and frequency.	Does not align.
Evaluation plan	Develop a plan that defines how the information collected will be analyzed to evaluate the pilot's implementation and performance.	Does not align.
Scalability criteria	Identify criteria for identifying lessons from the pilot to inform decisions on whether and how to integrate pilot activities into overall efforts.	Partially aligns.
Stakeholder communication	Appropriate two-way stakeholder communication and input should occur at all stages of the pilot. Relevant stakeholders should be identified and involved.	Partially aligns.

Source: [GAO-16-438](#) and GAO analysis of FTA information. | GAO-22-104536

Note: "Partially aligns" indicates that FTA provided evidence its pilot program design satisfied some of the leading practice, and "does not align" indicates that FTA provided no evidence that its pilot program design satisfied the leading practice.

- Establish well-defined, appropriate, clear, and measurable objectives. We found that FTA's pilot program partially aligns with this practice

⁴¹[GAO-16-438](#).

because FTA has established objectives against which it reviews grantees' completed plans; however, FTA has not established measureable objectives to assess the extent to which the pilot program is fulfilling its statutory goals. According to FTA, the pilot program's objectives are established in its authorizing legislation, which states that grants should fund planning associated with projects that enhances economic development and ridership, enables mixed-use development, and includes private sector participation, among other things.⁴² FTA officials told us they review grantees' completed plans to ensure they meet all of these statutory requirements. While these reviews can ensure the plans contain the required elements, FTA has not established measures to assess how the pilot program as a whole is meeting its goals. FTA officials told us that it would be a challenge to establish measureable objectives for planning grants because it may be many years before construction of the planned transit infrastructure and related transit-oriented development begins. However, FTA could establish measurable objectives for the pilot program's more immediate outcomes, such as capturing the range of strategies that grantees pursue and how these strategies advance the longer-term goal Congress established for the pilot program: supporting transit-oriented development around fixed-guideway capital investment projects.

- Articulate an assessment methodology. We found that FTA's pilot program does not align with this leading practice because FTA has not developed or documented an assessment methodology to evaluate the pilot program. FTA officials told us they have considered conducting an assessment involving an analysis of the completed plans they receive from grantees but have not identified what, if any, other information sources they would use for this assessment. Furthermore, officials told us they have not committed to conducting this assessment, nor have they developed a methodology beyond identifying the grantees' plans as a potential source of information.
- Develop an evaluation plan that defines how the information collected will be analyzed. We found that FTA's pilot program does not align with this leading practice because FTA has not developed or documented a plan to evaluate the pilot program's implementation and performance using the information collected through its assessment methodology. FTA officials told us they have not yet developed such an evaluation because they have not received

⁴²See MAP-21 div. B, § 20005(b).

enough completed plans from grantees to conduct an evaluation. These officials said they may begin developing an evaluation when they have received completed plans from all of the grantees who received awards during the first three rounds of funding.⁴³ However, according to our analysis of FTA data, FTA would not expect to receive the last of these plans until March 2026, more than 10 years after FTA awarded its first round of funding. Developing an evaluation plan earlier would enable FTA to expeditiously evaluate the pilot program once it has received all of these plans.

- Identify criteria for identifying lessons learned from the pilot to inform decisions on scalability and whether and how to integrate pilot activities into overall efforts. We found that FTA's pilot program partially aligns with this leading practice. Specifically, FTA identified one lesson learned from the first 2 years of the pilot program but has not identified specific or measurable criteria it will use to identify additional lessons learned that can inform decisions on whether and how to fund transit-oriented development planning in a broader context. FTA officials told us that, for their first two rounds of funding, they did not receive enough eligible grant applications for all of the funding that was available. To increase the number of eligible applications, FTA changed the pilot program's requirements to make more transit projects eligible for the planning grants.⁴⁴ As a result, officials told us they received more eligible applications for subsequent funding. This lesson about project eligibility could be informative for future efforts to fund transit-oriented development planning in a broader context. However, FTA officials told us they do not have criteria to identify additional lessons learned that could be relevant to future FTA or DOT efforts. For instance, FTA officials told us they have responded to requests from Congress about ideas for supporting transit-oriented development, such as creating a transit-oriented development office within FTA or making this pilot program permanent. If FTA identifies additional lessons learned from the pilot program, it could better inform these congressional decisions.

⁴³FTA has awarded five rounds of funding, and applications for the sixth round closed on June 21, 2021.

⁴⁴FTA's notices of funding availability for the first two rounds of awards specified that eligible transit projects must be a New Starts, Core Capacity, or fixed-guideway Small Starts project, as defined in 49 U.S.C. § 5309(a), that was currently in or expected to enter FTA's Capital Investment Grants program. FTA's notices of funding availability from the third round onward only required transit projects to be a new fixed guideway project or core capacity improvement project, as defined in 49 U.S.C. § 5309(a), removing the requirement that the project be currently in or expected to enter the Capital Investment Grants program.

-
- Ensure appropriate two-way stakeholder communication. We found that FTA's pilot program partially aligns with this practice because FTA communicates with grantees as they are developing their plans, but does not follow up with them to obtain input after they submit their completed plans. Specifically, FTA officials told us that they had not conducted any formal outreach with pilot program grantees to gather their perspectives on the program. Similarly, the five transit agencies we interviewed that had submitted completed plans for their grants told us that FTA was supportive of their projects, but they had not received specific feedback from FTA on their project deliverables.

FTA officials told us they did not implement these practices, in part, because they did not consult leading practices when they designed this pilot program. The officials said they used the Office of Management and Budget and DOT's general guidance on implementing discretionary grant programs. However, this guidance does not speak to the design of pilot programs and how to effectively design them to evaluate their performance for future decision-making.

An FTA evaluation of the extent to which the pilot program is fulfilling its goals could help Congress and agency leadership make informed decisions about the future of the pilot program. By developing an evaluation plan for the pilot program that includes: (1) measurable program objectives, (2) a methodology to collect and analyze information to assess whether the program is meeting those objectives, (3) criteria to inform future program decisions, and (4) a means to gather feedback from grantees, FTA and Congress will have the information needed to draw lessons learned from the pilot program.

Conclusions

Transit-oriented development projects can be useful tools for transit agencies to increase ridership and revenues and to help their communities achieve broader goals for affordable housing and economic growth. While statutes have expanded DOT's role in supporting transit-oriented development, the Bureau and FTA have not taken steps to ensure they are fulfilling this role effectively. Specifically, because the Bureau has not clearly documented its rationale to explain why a project meets or does not meet eligibility requirements for RRIF assistance, potential applicants for this financial assistance remain uninformed about how to develop projects that will align with the Bureau's expectations. Moreover, because the Bureau has changed its internal procedures for determining the eligibility of transit-oriented development projects for financial assistance—without taking the important step of documenting those changes—stakeholders may lack reasonable assurance that the

Bureau is implementing those procedures consistently. Taking steps to document and follow its review procedures and provide a clear rationale for eligibility decisions would help the Bureau build confidence in its decisions among applicants seeking to build transit-oriented development projects and finance them with federal assistance.

Our review of selected projects in FTA's pilot program suggest that this program can benefit transit agencies and communities in their efforts to create transit-oriented development projects. However, because FTA lacks a plan to evaluate outcomes from the \$80 million in grants awarded through the pilot program so far, it does not have a clear path for gathering lessons learned from these investments or identifying areas for future improvement. By developing a plan that includes information found in leading practices for pilot program design: (1) measurable program objectives, (2) a methodology to collect and analyze information to assess whether the program is meeting those objectives, (3) criteria to inform future program decisions, and (4) a means to gather feedback from grantees, FTA will be better positioned to inform decisions in Congress and DOT about federal support for the planning of transit-oriented developments.

Recommendations for Executive Action

We are making two recommendations, including one to the Bureau and one to FTA.

The Executive Director of the Build America Bureau should ensure that the Bureau documents and follows its procedures for making decisions in its reviews of potential transit-oriented development projects for the TIFIA and RRIF programs. Such procedures should require the Bureau to document a clear rationale to explain why a project meets or does not meet eligibility requirements. (Recommendation 1)

The FTA Administrator should develop a plan to evaluate the implementation and performance of the pilot program for transit-oriented development planning that includes: (1) measurable program objectives, (2) a methodology to collect and analyze information to assess whether the program is meeting those objectives, (3) criteria to inform future program decisions, and (4) a means to gather feedback from grantees. (Recommendation 2)

Agency Comments

We provided a draft of this report to DOT for review and comment. In its comments, reproduced in appendix III, DOT concurred with our recommendations. DOT also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to interested congressional committees, the Secretary of the Department of Transportation, and other interested parties. In addition, this report is available at no charge on the GAO website at <https://www.gao.gov>.

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

A handwritten signature in black ink, appearing to read 'Andrew Von Ah', with a stylized, cursive script.

Andrew Von Ah
Director, Physical Infrastructure Issues

Appendix I: Transit-Oriented Development Projects Survey and Summarized Responses

This appendix provides a copy of the survey sent to project sponsors that contacted the Build America Bureau to inquire about transit-oriented development projects on obtaining technical assistance and undergoing review for Transportation Infrastructure Finance and Innovation Act (TIFIA) or Railroad Rehabilitation Improvement and Financing (RRIF) assistance. This appendix totals survey responses on closed-ended questions and does not include information from write-in responses, any identifying information, or from project sponsors voluntarily declining to respond to a question. The number of selections for each of the question responses are listed in brackets in red text. We sent the survey to 23 project sponsors, and the response rate for our survey was 74 percent (17 out of 23).



Transit-Oriented Development Projects

Introduction

The U.S. Government Accountability Office (GAO) is an independent, nonpartisan agency that gathers and analyzes information for the Congress. Based on a request from the Chair and Ranking Member of the Senate Committee on Banking, Housing, and Urban Affairs, GAO is currently reviewing the Department of Transportation, Build America Bureau's (Bureau) efforts to work with project sponsors on transit-oriented development (TOD) projects.

As part of this review, we are seeking responses to the questions below from all TOD project sponsors that have made inquiries to the Bureau about the Transportation Infrastructure Finance and Innovation Act (TIFIA) or Railroad Rehabilitation Improvement and Financing (RRIF) loan programs. Please answer the questions based on your experience working with the Bureau on this TOD project. In our report, we will use only the aggregated results of this survey. We will not attribute individual responses to respondents in our report or otherwise disclose them to the public. We plan to issue a report in fall 2021.

Completing and Returning the Survey

Please complete this survey within 2 weeks of receiving it, by **{date}**. In testing this survey, we found that it took approximately 15 minutes to complete. Thank you in advance for your time and participation.

To complete the survey, please save this file to your computer and enter your answers directly into the saved document. When you have completed the survey, attach it to an email to **{GAO staff contacts removed for report publication}**.

Instructions for Completing the Survey Onscreen

- Please use your mouse to navigate, clicking on the field or check box you wish to answer.
- To select a check box or a button, click on the center of the box.
- To change or deselect a check box response, click on the check box and the 'X' will disappear.
- To answer a question that asks you to write a comment, click on the answer box and begin typing. The box will expand as you type.

**Appendix I: Transit-Oriented Development
Projects Survey and Summarized Responses**

1. Has your organization been in contact with the Bureau on the **{project name}** TOD project?

[17] Yes

[0] No

2. How many contacts (e.g. calls, meetings, or e-mail exchanges) has your organization had with the Bureau about this TOD project?

[2] Minimal contact (Only 1 contact)

[5] Moderate contact (2 to 5 contacts)

[10] Substantial contacts (6 or more contacts)

[0] Don't know

3. For this TOD project, did your organization contact the Bureau for any of the following reasons? *Check one response per row.*

	Yes	No
To obtain general information	[17] <input type="checkbox"/>	[0] <input type="checkbox"/>
To understand federal financing options	[16] <input type="checkbox"/>	[1] <input type="checkbox"/>
To pursue a TIFIA loan	[12] <input type="checkbox"/>	[4] <input type="checkbox"/>
To pursue a RRIF loan	[13] <input type="checkbox"/>	[2] <input type="checkbox"/>
Other reason:	[3] <input type="checkbox"/>	[3] <input type="checkbox"/>

4. What is the status of your organization's pursuit of TIFIA or RRIF financing for this TOD project?

[7] We are considering whether to pursue TIFIA or RRIF financing *(if checked, go to question 5).*

[4] We are currently working with the Bureau to develop the project *(if checked, go to question 4a).*

**Appendix I: Transit-Oriented Development
Projects Survey and Summarized Responses**

[4] The Bureau determined this TOD project is not eligible (if checked, go to question 5).

[2] We withdrew this project from Bureau consideration (if checked, explain why and then go to question 5).

Please explain why you withdrew this project:

[1] Don't know the status of the application (if checked, go to question 5)

[1] Other (if checked, briefly explain the status and then go to question 5)

Please explain your other status:

4a. If you are currently working with the Bureau on this project, about where along the process is this TOD project? *Check one response.*

[4] Getting information on whether TIFIA or RRIF are suitable for our project

[1] Awaiting Bureau determination of project and applicant eligibility

[2] Awaiting Bureau determination of statutory threshold requirements (Total eligible costs; creditworthiness and dedicated revenue source; project readiness; advancement of DOT policy goals; and program-specific threshold requirements)

[0] Awaiting rating opinions (Preliminary rating opinion letter; pre-closing rating opinion letter)

[0] Awaiting Bureau decision on Letter of interest (TIFIA) / Draft application (RRIF) submission

[0] Don't know

5. Did the Bureau provide sufficient assistance to help understand the TIFIA and RRIF programs?

[12] Yes

[4] No

[1] Don't know

5a. Please explain your answer in the box below. *The box will expand as you type.*

**Appendix I: Transit-Oriented Development
Projects Survey and Summarized Responses**

6. How clear is the Bureau's application process for a TIFIA or RRIF loan for this TOD project? *Check one response per row.*

	Very clear	Somewhat clear	Not clear	Don't know / not applicable
TIFIA	[2] <input type="checkbox"/>	[8] <input type="checkbox"/>	[1] <input type="checkbox"/>	[6] <input type="checkbox"/>
RRIF	[3] <input type="checkbox"/>	[10] <input type="checkbox"/>	[3] <input type="checkbox"/>	[2] <input type="checkbox"/>

6a. Please explain your answer in the box below. *The box will expand as you type.*

7. Is your organization also seeking the following non-federal financing options for this TOD project? *Check one response per row.*

	Yes	No	Don't know
Private sector financing	[15] <input type="checkbox"/>	[1] <input type="checkbox"/>	[1] <input type="checkbox"/>
State or local financing	[10] <input type="checkbox"/>	[1] <input type="checkbox"/>	[4] <input type="checkbox"/>
Value capture strategy (please specify):	[4] <input type="checkbox"/>	[5] <input type="checkbox"/>	[3] <input type="checkbox"/>
Other:	[5] <input type="checkbox"/>	[1] <input type="checkbox"/>	[1] <input type="checkbox"/>

8. What effect, if any, has COVID-19 had on your organization's interest in continuing or pursuing financing for this TOD project? *Check one, and briefly explain.*

- [1] Major effect
- [3] Some effect
- [13] No effect
- [0] Don't know / not applicable

8a. Please explain your answer in the box below. *The box will expand as you type.*

**Appendix I: Transit-Oriented Development
Projects Survey and Summarized Responses**

9. How much of a challenge, if at all, are the following conditions as your organization pursued TIFIA or RRIF assistance for this TOD project? *Check one response for each row.*

	Major challenge	Moderate challenge	Minor challenge	Not a challenge	Don't know / not applicable
Paperwork and information required by the Bureau	[4] <input type="checkbox"/>	[3] <input type="checkbox"/>	[4] <input type="checkbox"/>	[4] <input type="checkbox"/>	[2] <input type="checkbox"/>
Timeliness of Bureau review processes	[4] <input type="checkbox"/>	[2] <input type="checkbox"/>	[2] <input type="checkbox"/>	[6] <input type="checkbox"/>	[3] <input type="checkbox"/>
Advisors' fee upfront payment	[3] <input type="checkbox"/>	[1] <input type="checkbox"/>	[3] <input type="checkbox"/>	[4] <input type="checkbox"/>	[6] <input type="checkbox"/>
Payment of credit risk premiums	[3] <input type="checkbox"/>	[5] <input type="checkbox"/>	[2] <input type="checkbox"/>	[1] <input type="checkbox"/>	[6] <input type="checkbox"/>
National Environmental Policy Act requirements	[5] <input type="checkbox"/>	[3] <input type="checkbox"/>	[2] <input type="checkbox"/>	[4] <input type="checkbox"/>	[3] <input type="checkbox"/>
Buy America requirements	[0] <input type="checkbox"/>	[3] <input type="checkbox"/>	[6] <input type="checkbox"/>	[4] <input type="checkbox"/>	[4] <input type="checkbox"/>
Prevailing Wage and Employee Protection requirements	[1] <input type="checkbox"/>	[3] <input type="checkbox"/>	[6] <input type="checkbox"/>	[4] <input type="checkbox"/>	[3] <input type="checkbox"/>
Project inclusion on State Transportation Improvement Program (TIFIA only)	[3] <input type="checkbox"/>	[1] <input type="checkbox"/>	[1] <input type="checkbox"/>	[3] <input type="checkbox"/>	[9] <input type="checkbox"/>
Other:	[0] <input type="checkbox"/>	[0] <input type="checkbox"/>	[0] <input type="checkbox"/>	[0] <input type="checkbox"/>	[2] <input type="checkbox"/>

10. What suggestions, if any, do you have to improve the suitability of TIFIA or RRIF assistance for a TOD project? *The box will expand as you type.*

11. What suggestions, if any, would you make to the Bureau in working with applicants seeking TIFIA or RRIF assistance for a TOD project? *The box will expand as you type.*

Appendix II: Objectives, Scope, and Methodology

This report examines (1) goals transit agencies and community stakeholders pursued through selected transit-oriented development projects; (2) the status of the Build America Bureau’s (Bureau) review of transit-oriented development projects since 2016 and the extent to which the Bureau documented its decisions in reviewing those projects; and (3) the plans selected transit agencies have produced through the Federal Transit Administration’s (FTA) pilot program for transit-oriented development planning and how FTA has evaluated the pilot program.

To address all three objectives, we reviewed relevant statutes including the Fixing America’s Surface Transportation Act (FAST Act) and the Moving Ahead for Progress in the 21st Century Act (MAP-21).¹ We also reviewed the Transportation Research Board (TRB) Transit Cooperative Research Program’s (TCRP) Guide to Joint Development for Public Transportation Agencies.² In addition, we interviewed officials from agencies within the Department of Transportation (DOT) and transit-oriented development stakeholders, listed in table 3 below.

Table 3: Department of Transportation Agencies and Transit-Oriented Development Stakeholders Interviewed

Department of Transportation agencies
Build America Bureau
Federal Railroad Administration
Federal Transit Administration
Transit-oriented development stakeholders
American Public Transportation Association
Smart Growth America
Transit Cooperative Research Program
Transit-Oriented Development Institute

Source: GAO interviews with Department of Transportation agencies and transit-oriented development stakeholders. | GAO-22-104536

To describe the goals transit agencies and communities pursued through selected transit-oriented development projects, we interviewed a non-generalizable selection of six transit agencies about transit-oriented development projects developed in the past 10 years. We selected these transit agencies for variety and considered ridership and geographic

¹MAP-21, Pub. L. No. 112-141, 126 Stat. 405 (2012); FAST Act, Pub. L. No 114-94, 129 Stat. 1312 (2015).

²TRB, *Guide to Joint Development for Public Transportation Agencies*, TCRP H-57 (September 2020).

location and whether they had participated in TCRP’s research described above, and recommendations from DOT agencies and transit-oriented development stakeholders. We limited this selection of six transit agencies to transit agencies that had received at least one grant through FTA’s pilot program from 2015 through 2020, in order to collect information for our third objective as discussed below. However, our discussions included transit-oriented development projects that were undertaken without assistance from these grants. To identify this population of transit agencies, we reviewed FTA data on past grant awards. To assess the reliability of these data, we traced a selection of grant awards to published information to identify any discrepancies and interviewed the responsible FTA officials. Based on this assessment, we determined this data to be sufficiently reliable for our purposes of describing the grants FTA has awarded.

For each selected transit agency, we also interviewed a community stakeholder—either a local government or nonprofit organization—that had collaborated with the transit agency on a transit-oriented development project in the last 10 years (2011 through 2020) to learn about the goals they had pursued through the project. We identified these community stakeholders in our interviews with transit agencies and selected them to include an equal number of local governments and nonprofit organizations. Table 4 lists these transit agencies and community stakeholders. When available, we reviewed documentation from transit agencies and community stakeholders describing their goals and outcomes for their transit-oriented development projects.

Table 4: List of Transit Agencies and Community Stakeholders Interviewed

Transit agencies
Central Puget Sound Regional Transit Authority (Sound Transit)
Dallas Area Rapid Transit (DART)
Los Angeles County Metropolitan Transportation Authority (LA Metro)
Metropolitan Atlanta Rapid Transit Authority (MARTA)
Regional Transportation District – Denver (RTD-Denver)
Utah Transit Authority (UTA)
Community stakeholders (associated transit agency)
City of Decatur, Georgia (MARTA)
City of Denver, Colorado (RTD-Denver) ^a
City of Richardson, Texas (DART)
Columbus Community Center (UTA)

Community Roots Housing (Sound Transit)

Little Tokyo Service Center (LA Metro)

Source: GAO interviews with transit agencies and community stakeholders. | GAO-22-104536

^aWe were unable to secure an interview with knowledgeable officials with the City of Denver, Colorado, to discuss the Denver Union Station transit-oriented development project because current officials told us that officials with knowledge of the project were no longer employees of the City. However, we were able to obtain the necessary evidence from our interview with RTD-Denver, at which one City official was present, as well as prior GAO products and publicly available documents.

To assess the status of the Bureau’s review of transit-oriented development projects since 2016 and the extent to which the Bureau documented its decisions in reviewing those projects, we analyzed information from the Bureau on all transit-oriented development project inquiries—occurrences where an entity inquired with the Bureau about using the TIFIA or RRIF programs to finance transit-oriented development projects—it received since January 2016, including documentation of its decisions with regard to these inquiries. To identify the Bureau’s decisions, we reviewed its responsibilities for administering the TIFIA and RRIF programs as outlined in the FAST Act, as well as the Bureau’s 2016 *Processes and Governance Manual* that documents its procedures for reviewing project applications and for engaging with applicants. We reviewed the Bureau’s available documentation for all 29 project inquiries received by the Bureau since 2016, including the Bureau’s documentation for how it assessed the eligibility for either RRIF or TIFIA assistance for each of the seven projects it assessed for eligibility since 2016. We also interviewed Bureau officials about their review process. We determined that the control activities component of internal control was significant to this objective, along with the underlying principle that management should design control activities to achieve objectives and respond to risks.³ We assessed whether the Bureau’s review process was aligned with its statutory responsibilities and written procedures, and whether it was accomplishing the Bureau’s objectives.

In addition, we administered a survey to the project sponsors that had contacted the Bureau to inquire about transit-oriented development projects on their experience obtaining technical assistance and undergoing review for TIFIA or RRIF loans. To identify these project sponsors, we reviewed the Bureau’s data on project inquiries. To assess the reliability of these data, we reviewed the Bureau’s *Processes and Governance Manual* and interviewed the knowledgeable agency officials

³GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sep. 2014).

to determine how the Bureau identified those inquiries as transit-oriented development projects and categorized the status of their inquiries. Based on this assessment, we determined these data to be sufficiently reliable for the purposes of identifying a population for our survey. We developed the survey questions based on our review of the Bureau's responsibilities and procedures for administering the TIFIA and RRIF programs, interviews with Bureau officials, and interviews with the transit-oriented development stakeholders listed in table 3 above. To ensure the clarity, reliability, and validity of our survey questions, we pretested the survey questionnaire with three project sponsors selected for variety based on how the Bureau characterized the status of their inquiries. Of the 29 project sponsor inquiries since 2016, we were able to obtain current contact information for 23 project sponsors and distributed the surveys to them between March 30, 2021, and April 19, 2021.⁴ The response rate for our survey was about 74 percent (17 out of 23). For copies of the survey questionnaire and consolidated results, see appendix I.

To describe the plans selected transit agencies have produced through FTA's pilot program for transit-oriented development planning, we reviewed the completed plans that five of the six selected transit agencies described above submitted to FTA and interviewed all six on how FTA's pilot program helped them develop strategies to facilitate transit-oriented development projects.⁵ We also compared the plans completed by the five transit agencies with prior GAO work on local government policies that can support transit-oriented development.⁶ To assess how FTA has evaluated the pilot program, we reviewed all six of FTA's notices of funding opportunity announcing the availability of pilot program funds, interviewed the responsible FTA officials, and reviewed FTA data on past

⁴We were unable to obtain contact information for six project sponsor inquiries, therefore could not administer the survey for these inquiries. For four of the six, the Bureau did not have a point of contact. For one of the six, the Bureau provided a phone number, but we did not receive a response. For the last one of the six, all staff involved with the project inquiry had retired.

⁵Officials from one transit agency told us that its final study was still in development at the time of our review.

⁶In our prior work, we identified local government actions that can encourage transit-oriented development: creating zoning and regulations supportive of elements of transit-oriented development; developing area plans that provide guidance and resolve contentious issues; responding to local residents' preferences; responding to market demand; targeted investments in infrastructure; and tax credits for developers. GAO, *Public Transportation: Multiple Factors Influence Extent of Transit-Oriented Development*, [GAO-15-70](#) (Washington, D.C.: Nov. 18, 2014).

grant awards, as described above. In addition, to further assess how FTA has evaluated the pilot program, we reviewed MAP-21, the statute authorizing the pilot program, the conference report accompanying MAP-21,⁷ and evaluated the extent to which FTA had implemented leading practices for pilot program design established by GAO.⁸

We conducted this performance audit from September 2020 to December 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁷H.R. Rep. No. 112-557, at 600 (2012) (Conf. Rep.)

⁸We evaluated FTA's pilot program design against all of the five leading practices we identified in our previous work. GAO, *Data Act: Section 5 Pilot Design Issues Need to Be Addressed to Meet Goal of Reducing Recipient Reporting Burden*, [GAO-16-438](#) (Washington, D.C.: Apr. 19, 2016).

Appendix III: Comments from the Department of Transportation



U.S. Department of
Transportation

Office of the Secretary
of Transportation

Assistant Secretary
for Administration

1200 New Jersey Ave., SE
Washington, DC 20590

November 10, 2021

Andrew Von Ah
Director, Physical Infrastructure Issues
U.S. Government Accountability Office (GAO)
441 G Street NW
Washington, DC 20548

Dear Mr. Von Ah:

Encouraging sustainable and equitable development of real estate with convenient access to transit is a high priority for the U.S. Department of Transportation (DOT). The Railroad Rehabilitation Improvement and Financing (RRIF) and the Transportation Infrastructure Finance and Innovation Act (TIFIA) programs, administered by the Build America Bureau (Bureau), provide loans to finance construction of transit-oriented development (TOD). The Pilot Program for Transit-Oriented Development Planning, administered by the Federal Transit Administration (FTA), provides grants to communities to develop strategies to facilitate TOD.

The Bureau and FTA have taken the following actions to encourage TOD:

- The Bureau published new guidance that clarifies the definitions of key statutory terms used to determine eligibility of TOD projects for RRIF and TIFIA loans; participated in several national conferences, webinars, and industry events to present and discuss TOD eligibility; and, as a result, has held more than 30 consultations with new TOD project sponsors since January 2021; and
- The FTA has made 90 awards totaling \$80 million, covering 27 states – and is currently soliciting applications for additional awards – that fund comprehensive TOD planning studies examining ways to improve economic development and transit ridership, foster multimodal connectivity, and enhance transit access for pedestrians and bicyclists.

Upon review of the draft report, DOT concurs with GAO's two recommendations to (1) document and follow procedures for making decisions in review of transit-oriented development projects for the TIFIA and RRIF programs, including documenting a clear rationale to explain why projects meet or do not meet eligibility requirements and (2) develop a plan to evaluate the implementation and performance of the pilot program for transit-oriented development planning that includes (i) measurable program objectives, (ii) a methodology to collect and analyze information to assess whether the program is meeting those objectives, (iii) criteria to inform future program decisions, and (iv) a means to gather feedback from grantees. We will provide a detailed response to each recommendation within 180 days of the final report's issuance.

We appreciate the opportunity to respond to the GAO draft report. Please contact Madeline M. Chulumovich, Director of Audit Relations and Program Improvement, at (202) 366-6512 with any questions or if you would like to obtain additional details.

Sincerely,

Philip A. McNamara
Assistant Secretary for Administration

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Andrew Von Ah, (202) 512-2834, or VonAhA@gao.gov

Staff Acknowledgments

In addition to the contact named above, Matt Barranca (Assistant Director); Brian Chung (Analyst-in-Charge); Josh Garties; Lois Hanshaw; Terence Lam; Andrea Levine; Josh Ormond; Kelly Rubin; Harrison Vey; and Michelle Weathers made key contributions to this report.

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