

Policy Brief Focus: Local Government

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Introduction

This policy brief is part of an RMI series focused on federal government action that can move the United States on a pathway consistent with limiting warming to 1.5°C, create a more equitable society, and build a healthy, competitive economy for the long term. For US local governments to be 1.5°C aligned, we need to address their largest sources of emissions: buildings and transportation. We have offered our policy ideas on both these topics in separate, dedicated memos.

This memo focuses on cross-cutting issues, over which local governments exerts considerable control, at the nexus of these systems—land-use, housing policy, and the deployment of infrastructure spending. Built on RMI’s existing work, implementation of the ideas featured below will deliver significant emissions reductions and other benefits. RMI is available to provide more detailed support to policymakers to further develop these ideas. All policy briefs in the series can be found [here](#).

IDEA #1: Assist State and Local Governments in Reforming Land Use Policies and Removing Barriers to Infill Housing

- **Agencies and committees:** Department of Housing and Urban Development (HUD); Federal Housing Finance Agency (FHFA); Department of Transportation (DOT); Senate Banking, Housing, and Urban Affairs Committee; House Financial Services Committee
- **Opportunity:** Many local governments have adopted excessively restrictive land-use regulations that limit housing supply and artificially increase its cost. Further, these regulations have led to rising transportation emissions by forcing families into homes that are far from jobs and critical services. Low-income families everywhere in the United States struggle to access the basic necessity of shelter, and the new housing being built is not being built with the future in mind. We should be ensuring homes built today will not need to be retrofitted in the future to be 1.5°C aligned, and therefore are energy efficient and all electric.

We should also ensure new homes are built in places that support density and access to public transit, while minimizing climate risk exposure by avoiding new construction on flood-prone land and in the wildland urban interface (WUI). These future-proofed new homes will save homeowners and tenants money through lower utility bills, transportation costs, and homeowners insurance.

- **Recommended actions:**
 - Congress should make Surface Transportation Block Grants (STBGs) and Community Development Block Grants (CDBGs) contingent upon reforming local auto-centric, low-density, and exclusionary zoning and development policies. Beneficial policies to consider include rezoning for higher-density housing and mixed-use development, reducing minimum lot sizes, and eliminating minimum parking requirements.
 - FHFA should require government-sponsored enterprises (GSEs) to factor in home energy costs, transportation costs, and climate risk in home appraisal and underwriting standards. Specifically, GSEs can:
 - Use the Location Affordability Index, developed by HUD and DOT, to create location-efficient mortgages. By including transportation costs, the second biggest budget item for most families, lenders have a better understanding of the full cost of living in a selected home, and therefore a better understanding of mortgage risk.¹
 - Use FEMA’s National Risk Index to ensure climate risk is properly factored into the mortgage underwriting process.

- Assess and disclose the location-efficiency, climate risk, and emissions of their portfolio and develop plans to improve their portfolio.
- **Authority and precedence:** Location-efficient mortgages were piloted by Fannie Mae in 1999 and were proposed again in the American Clean Energy and Security Act (H.R. 2454, 2009). Making funding contingent on reviewing inclusive zoning practices was included in the Yes in My Backyard Act (H.R. 4351, 2020), which would have required recipients of CDBG grants to report on their efforts to implement inclusive zoning practices. Finally, the Housing, Opportunity, Mobility, and Equity Act (H.R. 4808, 2019), would have required that states receiving STBG or CDBG grants must establish an inclusive zoning strategy that supports policies, programs, or regulatory initiatives aimed at creating more affordable and diverse housing supply.
- **Benefits:** In addition to fighting sprawl and its associated transportation emissions, this idea will remove barriers to development and address our national housing shortage, estimated at over 7 million affordable housing units.² Housing experts suggest that restrictions to housing have limited US economic growth by as much as 36%.³ Constraints on housing supply also create higher prices for increasingly hard-to-come-by homes, which can, in turn, lead to significant physical and mental health issues.⁴⁵ For these reasons, removing barriers to housing should be a national and moral priority to ensure a healthy populace, economy, and climate.

IDEA #2: Provide Federal Funding Directly to Local Governments for Clean Infrastructure Projects

- **Agencies and committees:** Department of Housing and Urban Development (HUD); Department of Transportation (DOT); Environmental Protection Agency (EPA); Department of Energy (DOE); Federal Emergency Management Agency (FEMA); Senate Banking, Housing, and Urban Affairs Committee; Senate Environment and Public Works Committee; House Financial Services Committee; House Transportation and Infrastructure Committee
- **Opportunity:** Local governments are more responsible for direct service provision and more responsive to citizens' needs than any other level of government. Because of this proximity to people and project implementation, they can both ensure that infrastructure spending is informed by local context and deliver significant bang-for-the-buck by pairing investment with thoughtful local policy (like the land-use policies described above). Local governments should lead infrastructure projects where local variations (demographic, topographic, or climatic) are of critical concern, engagement with local communities is especially important, and local governments have expertise and capacity.

Decades of local government budgetary constraints have led to systematic underinvestment and a significant backlog of infrastructure needs that their leaders could quickly address if given the resources, while also helping them recover from the pandemic and build resilience in the face of escalating climate-related disasters. States, however, are often the gatekeepers of federal funding to local governments, largely defining priorities for building, expanding, and repairing our infrastructure.

States tend to favor large infrastructure projects, such as centralized grey stormwater projects or regional, intercity highway projects—which often result in more embodied and operating carbon than the alternatives that might be pursued by local governments (e.g., “green infrastructure” or infrastructure that support non-motorized transportation). Currently, most local governments must use funding from their very limited capital budgets, local bond issuance, or property tax revenue for such projects—a very limited toolkit.

- **Recommended actions:** The following recommendations focus on opportunities to increase the allocation of federal funding for local governments. Just as we recommend in Idea #1, these grant programs should—when and where possible—tie funding to improvements in land-use, building codes, zoning, and housing practices. In addition, these programs should require measurable progress toward decreasing emissions and enhancing community resilience.
 - Per the U.S. Conference of Mayors' recommendation, address the \$100 billion shortfall in spending for HUD's Community Development Block Grant (CDBG) Program by providing an additional \$10 billion in annual funding.⁶
 - Restore funding to DOE's Energy Efficiency and Conservation Block Grant (EECBG), which support local governments' efforts to invest in energy efficiency retrofits and procurement of renewable energy.
 - Update DOT's Surface Transportation Block Grant (STBG)'s formula to provide a portion of the funding directly to local governments to ensure transportation investments benefit communities.
 - Increase funding for the competitive Federal Emergency Management Agency's (FEMA) Building Resilient Infrastructure and Communities (BRIC) program. In 2020, this grant awarded \$500 million, but received requests for \$3.5 billion in applications.⁷ FEMA should prioritize applicants that utilize green infrastructure.
 - Ensure adequate funding levels for the Water Infrastructure Finance and Innovation Act program and Clean Water State Revolving Funds. Prioritize projects that include community-scale green infrastructure.
- **Authority:** These actions would require congressional approval and could likely be done through the budget reconciliation process. This process offers flexibility to restructure existing grant programs and adjust requirements and funding under the Omnibus Budget Reconciliation Act (Pub. L. 97-35, 1981). The primary agencies for these programs (DOT/EPA/FEMA/HUD/DOE) are responsible for providing guidance and, in some cases, can update funding formulas to provide more direct funding to local governments.
- **Benefits:** Increasing funding for local projects will enable city governments to better respond to the needs of their citizenry, as well as unforeseen natural, social, and economic events. By directly funding local governments, the federal government can put cities in the position to implement much needed smaller-scale projects, such as green-infrastructure (e.g., wetlands restoration, bioswales) and local transportation initiatives (e.g., bikeways, sidewalk expansions, local road repair). As importantly, it will divert funding away from projects that are actively destructive, like highway expansions that induce travel demand, increase both transportation and industrial emissions (from embodied carbon), and disproportionately hurt low-income and historically disadvantaged communities that live near them.

¹ "About the Location Affordability Index," US Department of Housing and Urban Development, accessed 2021, <https://www.hudexchange.info/programs/location-affordability-index/about/>.

² *The Gap: A Shortage of Affordable Rental Homes*, National Low Income Housing Coalition, 2021 <https://reports.nlihc.org/gap>.

³ Chang-Tai Hsieh, Enrico Moretti, "Housing Constraints and Spatial Misallocation," *American Economic Journal*, April 2019, Vol 11, No. 2 <https://www.aeaweb.org/articles?id=10.1257/mac.20170388>.

⁴ Jenny Schuetz, "To improve housing affordability, we need better alignment of zoning, taxes, and subsidies," Brookings Institution, <https://www.brookings.edu/policy2020/bigideas/to-improve-housing-affordability-we-need-better-alignment-of-zoning-taxes-and-subsidies/>.

⁵ Kevin [Martone](#), "The Impact of Failed Housing Policy on the Public Behavioral Health System," *Psychiatric Services*, March 2014, Vol 65, No. 3

⁶ "Mayors' Infrastructure Priorities for the 116th Congress," U.S. Conference of Mayors, 2021 <https://www.usmayors.org/issues/infrastructure/>

⁷ "Hazard Mitigation Assistance (HMA) Annual Grant Cycle Submission Summary," FEMA, March 17, 2021, <https://www.fema.gov/fact-sheet/hazard-mitigation-assistance-hma-annual-grant-cycle-submissions-summary>