



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

September 15, 2010

**S. 1619**

**Livable Communities Act of 2010**

*As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs  
on August 3, 2010*

**SUMMARY**

S. 1619 would establish the Office of Sustainable Housing and Communities (OSHC) within the Department of Housing and Urban Development (HUD) and would authorize appropriations to provide financial and technical assistance, conduct research, and coordinate federal policies and programs aimed at encouraging sustainable development and regional planning. Assuming appropriation of the specified and necessary amounts, CBO estimates that implementing this legislation would cost \$1.95 billion over the 2011-2015 period and about \$0.9 billion after 2015. Enacting S. 1619 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 1619 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 1619 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars					2011- 2015
	2011	2012	2013	2014	2015	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Sustainability Challenge Grants						
Authorization Level	100	500	700	900	0	2,200
Estimated Outlays	0	30	185	465	680	1,360
Comprehensive Planning Grants						
Authorization Level	100	125	125	125	0	475
Estimated Outlays	10	75	115	125	100	425
Infrastructure Credit Facility						
Authorization Level	20	20	30	30	0	100
Estimated Outlays	2	6	12	18	22	60
Regeneration Plant Grant Demonstration Program						
Authorization Level	20	20	20	20	0	80
Estimated Outlays	6	20	20	20	14	80
Office of Sustainable Housing and Communities						
Estimated Authorization Level	3	2	2	2	1	10
Estimated Outlays	2	2	2	2	2	10
Interagency Council on Sustainable Communities						
Estimated Authorization Level	3	3	3	3	4	16
Estimated Outlays	2	3	3	3	4	15
Total Changes						
Estimated Authorization Level	246	670	880	1,080	5	2,881
Estimated Outlays	22	136	337	633	822	1,950

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that the legislation will be enacted in 2010 and that amounts specified and estimated to be necessary will be appropriated for each year. Estimated outlays are based on historical spending patterns for similar federal programs and on information provided by HUD.

## **Sustainability Challenge Grants**

S. 1619 would authorize the appropriation of \$100 million in 2011 and \$2.2 billion over the 2011-2014 period for HUD to make grants and provide technical assistance for state and local governments, area planning organizations, and Indian tribes. About \$2 billion would be used for sustainable development projects, including public transportation infrastructure, commuter benefit and trip reduction programs, brownfields redevelopment, land banks, and affordable housing. In addition, up to \$200 million would be used to update and enforce local land use, zoning, and building codes. Grants would cover up to 80 percent of the project cost, although a larger federal share may be awarded for certain projects. Based on the historical expenditure patterns of other federal grant programs for state and local governments, CBO estimates that implementing this provision would cost \$1.4 billion over the 2011-2015 period and \$0.8 billion after 2015.

## **Comprehensive Planning Grants**

S. 1619 would authorize the appropriation of \$475 million over the 2011-2014 period for state and local governments, area planning organizations, and Indian tribes to assess needs, implement zoning and code changes, and conduct other activities necessary to design and implement comprehensive regional plans. Grant funding would not exceed 80 percent (100 percent for Indian tribes) of the cost for those activities. Based on the historical expenditures of other federal planning grants, CBO estimates that implementing this provision would cost \$425 million over the 2011-2015 period, assuming appropriation of the specified amounts.

## **Infrastructure Credit Facility**

The legislation would authorize the appropriation of \$100 million over the 2011-2014 period to make and guarantee loans to state and local governments or to other entities on behalf of those governments. Proceeds from the loans would be used to finance transit-oriented development, acquire open space, and construct transit stations, parking structures, walkways, and bikeways. HUD would charge borrowers an unspecified fee for participation in the program. Repayment would be derived from dedicated revenue sources, such as user fees or property and sales taxes, and would begin no later than five years after substantial completion of the project.

The budgetary accounting for direct loans and loan guarantees administered by federal agencies is governed by the Federal Credit Reform Act of 1990, which requires an appropriation of the subsidy and administrative costs associated with such loan operations. The subsidy cost is the estimated long-term cost to the government of a loan or loan guarantee, calculated on a net-present-value basis, excluding administrative costs.

Administrative costs, recorded on a cash basis, include activities related to making, servicing, and liquidating loans as well as overseeing the performance of lenders.

Based on historical defaults experienced by similar programs within the federal government (for example, the Transportation Infrastructure Finance and Innovation Act programs of the Department of Transportation), CBO estimates that the subsidy rate for this program would be about 10 percent. Assuming appropriation of the specified amounts, including about \$1 million each year for administrative expenses, we estimate that the Infrastructure Credit Facility could leverage nearly \$1 billion in loans and loan guarantees at a cost of \$60 million over the 2011-2015 period and \$40 million after 2015.

### **Regeneration Plant Grant Demonstration Program**

S. 1619 would authorize the appropriation of \$20 million a year over the 2011-2014 period for grants to local governments and Indian tribes that have experienced prolonged population loss and housing vacancies. Funds would be used to cover up to 80 percent (100 percent for Indian tribes) of the cost of developing a regeneration plan. Such a plan would include strategies for land use, new employment opportunities, and the creation of green infrastructure. Because a regeneration plan would be required with the grant application, CBO expects that some of the funding authorized by this provision would be used to reimburse already incurred expenses. We estimate implementing this provision would cost \$80 million over the 2011-2015 period, assuming appropriation of the authorized amounts. This estimate reflects a faster rate of spending compared to similar planning grant programs.

### **Office of Sustainable Housing and Communities**

The bill would authorize the appropriation of whatever amounts are necessary to establish an OSHC within HUD. The new office would coordinate and review federal policies, conduct research aimed at fostering sustainable development and livable communities, and administer new programs established by the legislation. The office would report to the Congress within one year on the development of a housing location affordability index and on the use of incentives for energy-efficient and location-efficient mortgages. Based on information from HUD, CBO estimates that establishing the OSHC would cost \$10 million over the 2011-2015 period, assuming appropriation of the necessary amounts.

### **Interagency Council on Sustainable Communities**

S. 1619 would authorize the appropriation of whatever amounts are necessary to establish an Interagency Council on Sustainable Communities made up of representatives from HUD, the Department of Transportation, the Environmental Protection Agency, and other agencies. The council would conduct outreach, assist in coordinating and reviewing

federal research on sustainable development, develop performance measures for grant recipients, and establish a clearinghouse for community best practices. The council also would conduct several studies and provide annual reports to the Congress on its activities. Based on the historical expenditures of similar entities, CBO estimates that implementing this provision would cost \$15 million over the 2011-2015 period, assuming appropriation of the necessary amounts.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1619 contains no intergovernmental or private-sector mandates as defined in UMRA. State, local, and tribal governments would benefit from financial assistance authorized in the bill. Any costs to those entities would be incurred voluntarily as a condition of receiving federal assistance.

### **ESTIMATE PREPARED BY:**

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