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What the Country Needs Now, Mr. President

Four experts offer advice to the incoming administration.

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Apply Some Tough Love

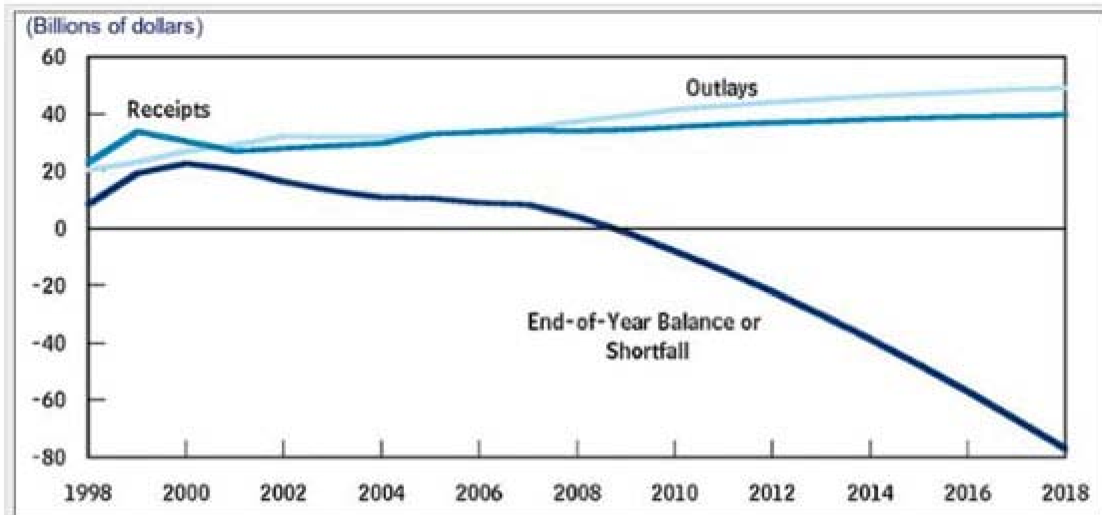
By Peter Katz

The federal government's Sustainable Communities Program, an unprecedented alliance of three cabinet level agencies — HUD, DOT, and EPA — and the vision-based regional planning program embedded within it, is almost certain to disappear if a different leader takes the helm at the White House. This will be a setback for sure, especially for planners, but not a surprise.

That said, we're not, in my opinion, going back to the modeling-driven "dialing for dollars" approach that dominated regional planning and federal infrastructure investment before the breakthrough initiative.

Here's why:

The federal Highway Trust Fund, the pool of money that's been paying for large-scale suburban road building, is now drying up (see chart below). In 2009 the fund, derived from gas taxes paid at the pump all around the country, went into the red.



The bad news about the Highway Trust Fund: Gas tax receipts aren't keeping up with spending levels, leading to a shortfall that gets bigger each year. Source: Congressional Budget Office

The shortfall between revenues collected and money spent has been increasing ever since, mostly because of increased gas mileage, more hybrids and electric cars, and a sprawling road network — badly in need repair — that continues to receive heavy use. Thus, significant federal support for large-scale road building, will, of necessity, need to come from another source; this is not a likely near-term scenario.

A second reason why the old planning approach isn't coming back has to do with a widespread shortage of funds at the local government level. The contribution from states to municipalities is shrinking, too, just when local governments' need for the money is greatest. Local governments now have less patience and even fewer dollars for the detailed planning studies that they used to provide to state and federal agencies when requesting money for more road construction.

The modeling approach at the heart of such studies — showing which road segments were failing, and which ones were *about* to fail — had the appearance of technical credibility, and certainly created work for a great many people, both in government and on the consultant side, over many years. It also facilitated a predictable, ongoing transfer of dollars from the federal government to localities — at least as long as there was money in the trust fund. This was important to elected and appointed leaders at all levels of government. But like many aspects of government, the practice confused activity with progress.

Few questioned the ongoing failure of the road system as the low-density pods within the network attempted to achieve full build out, but couldn't. Many roads required repeated widening just to enable completion of the first wave of development; eventually the constraints of geography or NIMBY pushback would halt the process entirely in many close-in suburbs. Farther out, the process of initiating new development continued unabated, even as road-building money became ever scarcer.

The current fiscal distress at the local level suggests a threat far greater than just limiting a municipality's ability to pay for planning; it strikes at the heart of local government's ability to replace now crumbling or outdated infrastructure, much of it only recently constructed. If municipal bankruptcies become the norm, responsibility for such costs will certainly move up the ladder, first to counties, then to states, and eventually to the federal government. With the federal government already struggling to maintain its own inventory of highways and bridges, such increased responsibility, necessary for the functioning of America's communities, could bring an already overburdened system to the point of collapse.

Despite all this bad news, however, there *is* some hope, particularly for local government planners and the municipalities that employ them: As we increasingly consider fixed guideway transit systems, instead of roads, to serve as the primary circulation armature for the region, the modeling of capacity becomes not just *simpler*, but far *less important* within the planning process. The new kind of regional plan that is derived from the process, like many of the Sustainable Community plans now coming off the drawing boards, is not so much technically driven — based on which road segments are failing or about to fail — but more vision driven, based on how citizens and their leaders want to "grow the region," and how they want it to look and function as it grows.

The new planning approach is different because of a fundamental characteristic of transit networks: Whereas road *capacity* is consumed incrementally as people locate farther away from established centers, road *supply* is more "lumpy," with new capacity delivered one full lane at a time. (Has anyone ever heard of a third of a lane being added to a road?). Fixed guideway transit systems, on the other hand, deliver capacity gradually — in a way that stays in step with demand. Seats become available when additional cars are added to a train, more trains are put on the track, or when additional buses are put on the trackway. Schedules can be easily adjusted to match trends in ridership, on a monthly or even weekly basis, if desired. If an estimate of demand is off, the fix is simple: Add more vehicles or take units out of service. Only huge increases in demand require an additional parallel track or guideway to be built.

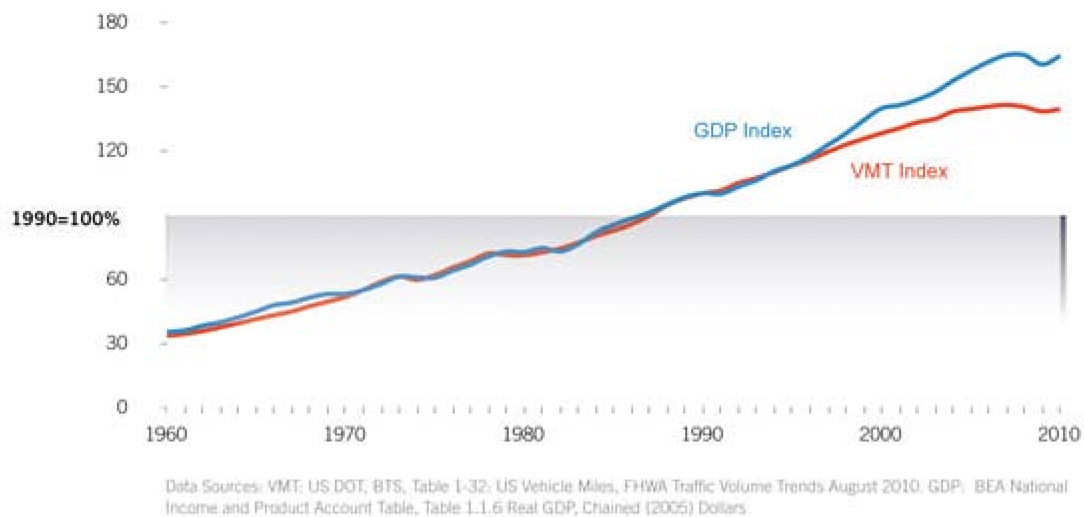
Since the impacts of service expansion increase incrementally as well, the sort of community pushback that's often triggered by major road widenings is largely avoided. Few citizens are ever even aware of the changes described above; such changes are seen by many as a benefit to their quality of life, rather than a diminishment.

Most important, we're learning that urban places well served by public transit eventually achieve a level of fiscal *stability*, where the wealth of the region continues to rise with less and less auto usage. This concept, touched on in writings about the efficiency of large cities by Harvard professor Ed Glaeser (*Triumph of the City*), is most clearly validated by the accompanying chart documenting a significant milestone that took place in the mid- to late-1990s.

That was when, according to researchers at the U.S. Department of Transportation, GDP (Gross Domestic Product) began to rise at a faster rate than VMT (vehicle miles travelled). Despite a significant drop in GDP as a result of the recent downturn, the pattern appears to be holding in the post-recession economy (see chart which follows).

This newly documented trend certainly flies in the face of the "roads equal progress" ethic that's held sway since the opening of the American frontier. But it suggests that there *are* key tipping points in the growth of metro regions where certain efficiencies — the efficiency of public transit, for example — kicks in to enable a large part of the region's population to live better with fewer resources.

Figure 3. Historical Growth of Total On-road VMT and GDP



Data Sources: VMT: US DOT, BTS, Table 1-32: US Vehicle Miles, FHWA Traffic Volume Trends August 2010. GDP: BEA National Income and Product Account Table, Table 1.1.6 Real GDP, Chained (2005) Dollars

Looking beyond the data, to the physical places where this trend is playing out, a technical term used by transportation experts, *mode shift*, comes to mind: With increased congestion of surface streets, people abandon their automobiles for other modes like walking, biking, and public transit.

In Manhattan, where a huge amount of new housing and office space has been added over the past half century, there has been little if any widening of surface streets. Yet surface streets there continue to flow, albeit with some friction, as they tend to do in large cities. In Arlington, Virginia, a close-in suburb of Washington, D.C. (where I served recently as planning director), county records showed traffic volume on key commute corridors — where millions of square feet of new real estate had been added over several decades — staying constant or even decreasing during the same period.

One can thus conclude that while the property tax base, a principal generator of community wealth, continues to grow with the addition of new and bigger buildings, at least one major "consumer" of that wealth, the building and rebuilding of the community's transportation infrastructure, can grow at a slower rate, or even start to level off. One outcome of this leveling off is far greater long-term fiscal stability.

Innovative planners have taken the concept a step further by promoting increased development of fixed guideway transit systems as a way to catalyze additional high-value real estate within a municipality. That approach is emerging as the most viable way for many formerly sprawling suburban communities to grow their way out of the serious financial challenges that they face.

So how can these trends, and the changes happening as a result, help the federal government to facilitate better planning at all levels of government, and to make investments that are better suited to the needs of tomorrow?

First on my list would be administering some tough love in the form of stern warnings about the federal government's limited ability to act as the caretaker of last resort for local and state governments that can't afford to maintain their roads and other civic infrastructure. Certainly past federal policies played a huge role in creating the sprawling network of roads that communities now struggle to maintain. But that was then, and this recommendation is based on today's realities. There's a new austerity at all levels of government that means that we can't keep kicking the problem up to the next higher level: No matter how many zeros one is adding up, the total will still come out to zero.

Second, I'd mandate, as Canada does, a consistent policy of *development charges* to cover the true costs of local growth — not just initial capital costs, such as those that our impact fees seek to cover, but all of the costs that must be paid over the life of a development. Like impact fees, such charges would be paid up front. But unlike impact fees, which are levied in a *majority of*, but not *all* states, the system I'm recommending would be ubiquitous across the entire country. That said, it should be noted that each Canadian municipality is encouraged to establish its own menu of charges within the general parameters set forth by the provincial government.

Finally, I'd suggest that the U.S. federal government use its bully pulpit to encourage municipal review bodies to go beyond their current hyperfocus on impacts and quality of life issues, to take a

deeper, yet more objective look at the fiscal consequences of new development on the municipality's tax base when granting approvals. Although many local governments routinely ask for statements of fiscal *neutrality* as part of the development review process, such documents are often based on subjective criteria that can be easily gamed to advance proposals that, when realized, become a financial drain. Indeed, it's not unusual in these cash-strapped times for zealous elected or appointed boards to overwhelm otherwise rigorous staff efforts at fiscal screening, simply to score a perceived win on behalf of a favored developer or constituent group.

But there's good news for planners — fiscal analyses are now considering more objective measures, such as property taxes paid *per acre* versus the *absolute* tax dollars generated by a project, to determine whether a project is indeed a winner, or simply a high-profile loser. By tracking such previously "missing metrics," local governments are coming to understand why compact, well-located mixed use developments can make a positive contribution — sometimes dramatically so — to a community's bottom line (see "Sarasota's Smart Growth Dividend," December 2010).

To this end, several intergovernmental agencies such as Sacramento's SACOG, OKI, the tristate (Ohio, Kentucky and Indiana) council of governments for the Cincinnati region, and CRTPA, the metropolitan planning organization for the Tallahassee region, are developing their own regional fiscal impact models to evaluate development proposals on the basis of revenue return. These models share the goal of making better use of the precious federal infrastructure dollars that remain in the pipeline.

Why not convene the leaders of such efforts to share their knowledge and collaborate on jointly funded models? Why not promulgate a national standard for objectively scoring fiscal impacts that, like Canada's development charge system, would be ubiquitous across the nation, but could be locally calibrated to reflect a community's financial situation and its desire to subsidize new development (or not)?

Such innovations, which on first blush have the ring of central planning, are in fact intended to foster the kind of "responsibility" we heard so much about during the run-up to the recent election. Going forward, leaders on both sides of the political aisle will certainly agree that we need to promote wealth creation in this nation at whatever level of government it can best be accomplished. The regional planning component of the Sustainable Communities initiative certainly sought to further that intention. Unfortunately, from the standpoint of sheer dollars, the program was a drop in the bucket compared to many other current and past federal programs.

Today it is our *lack* of wealth, and an understanding that we'll need to do more with less, that will, in my opinion, become the driving force for future government leadership in planning. By employing time-tested concepts that encourage proven patterns of urban settlement, and screening development proposals on the basis of anticipated fiscal performance, we can, I hope, more than compensate for declines in revenue that are expected to continue far into the foreseeable future.

*Peter Katz directs Place First (**www.place-first.org**) and is the author of* The New Urbanism *(McGraw-Hill, 1994).*

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