Dr. John L. Renne's speech at US Transportation Secretary LaHood's Transportation Reauthorization Outreach Tour Safety, Livability and Sustainability Panel

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The United States and indeed the entire planet are at a pivotal point in our history. We are in the midst of the largest recession since the great depression and perhaps most pressing, carbon dioxide levels are at the highest in recorded history. A third of CO2 emissions come from automobiles. Another related, but independent problem is the era of cheap oil may well be over, as global demand is predicted to outpace oil production. America is now competing with countries all over the world including China for oil, which will drive up our costs of transportation.

America will be the hardest hit of all countries because we are the most auto-dependent. Despite our recent investments in high-speed rail at $8 billion, China is investing over <u>a trillion dollars</u> to create a nation-wide high-speed rail network. I believe the economic superpowers of the next century will be determined by the investments that will be made during this decade. The economic expansion of the Post WWII era was facilitated by creating an industry around roads, highways and automobiles. The economic leaders of the future will be those cities, regions and countries that invest in sustainable transport systems <u>AND</u> policies to promote walkable, bikeable and transit accessible, livable communities.

A mentor of mine, Professor Peter Newman of Australia, serves on the Board of Infrastructure Australia, which is charged with developing a plan for the future of financing transportation Down Under. Newman recommends four strategic principles in his chapter, "Planning for Transit Oriented Development: Strategic Principles" in my new edited book, *Transit-Oriented Development: Making It Happen*. Newman suggests the following, which I believe ought to be at the core of our next federal reauthorization.

1. A strategic policy needs to assert where employment centers should occur and at what type of density and mix of uses, including residential and retail.
2. We need a policy framework that links centers with a rapid transit base, preferably electric rail.
3. A statutory planning base needs to be implemented that addresses density and design within these nodes.
4. A public-private funding mechanism that enables transit and TOD to be built through linking the transit and the centers they serve.

In the remaining minutes, I would like to address Professor Newman's last point because this is an area of emerging opportunity. We need to engage the private sector to partner with communities to build sustainable TODs around transit nodes no different than developers building tract housing and shopping malls around highway interchanges. I believe the private sector is quickly realizing that the TOD node in the 21st century is surpassing the importance of the highway interchange node, which was critical during the 20th century.

Two cities, which illustrate the economic power of TOD are Washington, D.C. and Denver, Colorado. DC illustrates that it worked to transform the region from being one of the most blighted, economically depressed cities in the 70s and 80s into being one of the most thriving cities today.

After the Washington D.C. Metro was built in the 1970s, the transit agency, WMATA, pursued an entrepreneurial effort to build TODs through joint ventures with private developers. As our guests from D.C. here know, the most economically and socially vibrant neighborhoods across DC are those within walking distance to the Metro stops.

In my research, I found that while the DC region as a whole has actually embraced sprawl and automobiles, many TODs have defied this trend. For example, in 1970 the percent of commuters using transit, walking or bicycling across the region was nearly 25% of the population, but by the year 2000, this had declined to 12.6%, which is not bad in comparison to most America cities. However, when you look at the average share of commuters on transit, walking or biking in 16 TODs that I studied, the average share across these TODs in the year 2000 was just shy of 45% of commuters. This is an astonishing fact so let me repeat that. In the year 2000, 12.6% of workers commuted on a sustainable mode of transportation, but in TODs the percent was nearly four times higher.

Let's explore this for a minute. If DC didn't build the Metro line in the 1970s, hundreds of thousands of people who are today walking, biking and taking transit would most likely be living in low-density suburbs and commuting in cars.

Another region, which recently made the commitment to change is Denver, Colorado. In 2004, voters passed a sales tax to finance the construction of 6 new rail lines which will connect all of the employment centers, downtown and the airport. They have achieved the first two of Newman's four principles. 1. Creating a plan for centers and 2. Liking them together with rail. Now many local governments like the City of Denver, Boulder and Lakewood are adopting TOD zoning ordinances - Newman's third principle.

The forth principle, a public-private funding mechanism is also illustrated in the construction of two of Denver's newest rail corridors, the East and Gold lines. Part of the Federal Transit Administration's Public Private Partnership Pilot Program, known in Denver as Penta-P, two private firms are now competing for a contract to finance, design, build, operate and maintain this project as the concessionaire for the next 40 years. The way that it works is that the selected private team, which the Regional Transportation District will choose next summer, will pay for the entire construction of the East Corridor from downtown Denver to the International Airport. The team will then receive public funds to build the Gold Line to the west.

So how does TOD and value capture play into the equation? In the awarding process of the contract both teams receive points for demonstrating that they are committed to TOD. Building TODs require expensive public infrastructure, such as parking garages, brick sidewalks and attractive pedestrian plazas. The Concessionaire team is rewarded to partner with developers to use innovative value capture techniques pay for this public infrastructure in TODs that will create livable communities around rail stations. This happens because property values in TODs increase significantly when rail is built and increase even more when local government partners with transit agencies and developers to figure out how to make pedestrian-friendly land uses around these stations. A portion of this increased value can be captured to cover costs, whither it be capital construction costs using bond financing or ongoing maintenance and operations. The key, however, is to get the various stakeholders, public and private, to agree to such a plan.

Here in Louisiana, our Secretary Bill Ankner made headlines a couple months ago when he recommended against applying for federal stimulus funds to build a commuter rail line from New Orleans to Baton Rouge because the state could not identify the $18 million per year in operating costs once the line was open. It's my understanding that state transportation funds in Louisiana cannot be used for anything other than roads and highways due to a constitutional restriction. The Secretary has no control over this and if we want to be economically competitive as a state, we need to change that law. However, the Secretary's decision is having a positive effect across New Orleans and Baton Rouge. Business, government and academic interests are aligning to figure out how we can use value capture and TOD to offset the financing costs of a rail connection. The University of New Orleans is working with the Center for Planning Excellence in Baton Rouge and GNO Inc., all represented on this panel, to work on developing sound financial solutions using TOD and value capture that the Secretary can support.

In conclusion, as the *2010 Emerging Trends in Real Estate* report notes, from a national real estate development perspective, we should just write off 2010, 2011 and probably 2012. But they state "You would be stupid not to build green. The next generation of projects will orient to infill, urbanizing suburbs, and transit-oriented development. Smaller housing units—close to mass transit, work, and 24-hour amenities—gain favor over large houses on big lots at the suburban edge. People will continue to seek greater convenience and want to reduce energy expenses."

We have a moment with this recession to change direction through the next federal transportation reauthorization to enact the policy framework recommended by Newman. The cities and regions that do this will reap the rewards just like DC is now reaping the rewards of the past 30 years of rail investment.

We need to encourage the facilitation of joint developments between local government, transit agencies and developers to create sustainable communites. The St. Charles Streetcar line is the oldest in the world. It was built and operated by private developers in 1835 to sell real estate in the Garden District and it continues to serve our city today. We need to encourage the principles that led to the St. Charles street car, the DC metro and Denver's FasTracks to become the norm in the 21st century rather than the exception.

Thank you very much.