



MEMORANDUM

TO: Long-Range Plan Task Force
FROM: Lyn Erickson, Plan Development and Coordination Program Director
SUBJECT: Comments Received to Date
DATE: May 3, 2017

The following comments to the Long-Range Plan Task Force were received to date and are attached:

- May 1, 2017, from Rick Rybeck, Director, Just Economics, LLC

Just Economics

MEMORANDUM:

TO: The Honorable Jay Fiset, Chair, Long-Range Plan Task Force

CC: Kanti Srikanth, TPB Staff Director



FROM: Rick Rybeck, Director, Just Economics, LLC

SUBJECT: Critical Policy for Improving the Region's Transportation System, Part II

DATE: May 1, 2017

I just read the April 19th memo from Mr. Kanti Srikanth and Ron Malone regarding the process by which the Task Force will select 6 to 10 projects, programs or policies for further review.

In my memo to you dated April 18th (attached for easy reference), I suggested that the region should utilize a **more robust and balanced transportation funding system** based upon **infrastructure user fees and access fees**. This approach can provide the type of bundled, synergistic impacts that the project/program/policy selection memo calls for. In particular, a well-designed and well-balanced complement of user fees and access fees can provide:

- An often overlooked or underutilized source of funding for both existing and unfunded transportation programs and projects;
- Incentives for better individual decision-making regarding mode choice, time and route of travel; and
- Incentives for landowners, residents and businesses to make better land use decisions by developing land and locating homes and businesses closer to existing transportation facilities and services and closer to activities (jobs, schools, shopping, recreation, etc.) that are engaged in on a regular basis.

Additionally, to the extent that user fees and access fees can substitute for taxes on privately-created building values, residential and commercial development will be more affordable. This would benefit residents and businesses alike while fostering job creation, particularly for persons associated with the building trades and retail.

In another document prepared by TPB staff, there are summaries of past scenario planning exercises. These summaries show favorable outcomes (regarding CLRP performance and the attainment of regional goals) associated with:

- Moving development into the region from outside the region;
- Moving new development within jurisdictions from remote locations to activity centers;
- Encouraging off-peak, counter-flow and shared (non-SOV) transportation; and
- Encouraging Transit-Oriented Development.

Yet, these scenario inputs are often viewed as wishful thinking or impossible to achieve without imposing draconian and dictatorial land use controls. Yet, well-designed user fees and access fees (**land value return and recycling**) can create economic incentives that will help accomplish these scenario inputs as a consequence of voluntary actions.

In other words, user fees and access fees are more than money. They are also information that help guide transportation and land use decisions. Regulations must be understood and enforced to be effective. But price signals motivate behavior without requiring experts to interpret their meaning or elaborate enforcement bureaucracies.

A more robust and balanced transportation funding system (based upon infrastructure user fees and access fees) can improve the CLRP's performance and enhance the achievement of regional goals for transportation efficiency, job creation and affordable housing along with fiscal and environmental sustainability. Please let me know if you have any questions or concerns – or if I can provide any additional assistance to the Task Force.

MEMORANDUM:

TO: The Honorable Jay Fiset, Chair, Long-Range Plan Task Force

CC: Kanti Srikanth, TPB Staff Director



FROM: Rick Rybeck, Director, Just Economics, LLC

SUBJECT: Critical Policy for Improving the Region's Transportation System

DATE: April 18, 2017

We create transportation infrastructure to facilitate development. But when infrastructure is well-designed and well-executed, land prices rise, chasing development away to cheaper, but more remote sites. The resulting sprawl is bad for our environment. It is also bad for our budgets because expensive infrastructure must be extended into sparsely populated areas even though there is excess capacity elsewhere. Fortunately, the Long Range Plan Task Force (LRPTF) can address this “**infrastructure conundrum**” and thereby improve the performance of the region's transportation system, its economy and its environment.

Transportation facilities and services should create sufficient value to be self-financing. If these investments are not self-financing, perhaps existing funding mechanisms fail to sufficiently capture and recycle transportation-created values.

In 2013, I wrote a report for the DC Tax Revision Commission, “**Funding Infrastructure for Growth, Sustainability and Equity.**” (This report can be found at http://media.wix.com/ugd/ddda66_d46304b5437c178e2f092319a6f30364.pdf .) It examined how infrastructure investments might be funded so as to be financially self-sustaining. Two key findings of this report appear to be applicable to the work of this Task Force:

1. Reliance on general tax revenues (income taxes, sales taxes, etc.) leave infrastructure consumers disconnected from the public goods and services that they are consuming. User fees, on the other hand, create a more direct connection between what members of the public are paying and what they are consuming. This connection is not only important in terms of raising funds, but also in encouraging conservation.
 - For example, most of us pay a “per gallon” fee for water services. When we have a leaky faucet, we don't just see water going down the drain. We also see our money going down the drain and this motivates us to fix the leak. We could

pay for water with a sales tax. But would we be motivated to avoid waste or fix leaky faucets? If we had a leak, would we make an unnecessary purchase just to compensate the water authority for the water we were wasting?

- By funding transportation facilities with general tax revenues, we are missing an opportunity for transportation funding mechanisms to inform better decision-making about when and where to travel, what mode of transport to use, and where to locate homes and businesses to maximize the utility of the existing transportation network. **Distance- and congestion-based roadway fees** combined with **performance-based parking fees** can fund transportation facilities and services while also sending important signals to consumers that will encourage better transportation and land use choices. Many people scoffed when DDOT proposed charging \$2/hour for the first hour and \$12/hour for the 2nd and 3rd hour to park at curbside meters around the ballpark during baseball games. Yet, this system has encouraged some ballpark patrons to park in off-street lots and persuaded many more to take transit. This leaves curbside metered spaces free for customers of neighborhood businesses. Likewise, Metro's congestion-based fares encourage riders to make discretionary trips during off-peak times, enhancing the system's efficiency.

2. Investments in transportation facilities and services often create enormous amounts of land value. Yet, the lion's share of this publicly-created land value ends up as a windfall to those who are lucky enough to own the best-served land. This denies resources to the agencies that create this value. It also fuels land speculation. Land speculation is detrimental to affordable housing, job creation, and other regional economic and environmental goals. **Infrastructure access fees (land value capture and recycling)**, if properly designed and implemented, can help overcome these problems. Infrastructure access fees return publicly-created land value to the public. They reduce land speculation and reduce land prices, enhancing the affordability of housing, shops and offices near transportation facilities and services. Unlike the present system that chases development away, a proper balance between user fees and infrastructure access fees encourages compact development close to existing transportation infrastructure.

Few members of the Task Force will have the time to read my report. But some of the key points are found in a brief article, "*Funding Infrastructure to Rebuild Equitable Green Prosperity*" at <http://revitalizationnews.com/article/funding-infrastructure-for-sustainable-equitable-revitalization/>.

Jurisdictional and regional funding systems that achieve an appropriate balance between user fees and infrastructure access fees will help sustain the region's essential transportation facilities and services while also maximizing the efficiency with which existing facilities and services are utilized. Such a funding system will also encourage land use patterns that have been shown to maximize the efficiency of our multimodal transportation system while minimizing greenhouse gas emissions and other adverse environmental impacts. In short, a better-engineered funding system could make our transportation system financially self-

sustaining (at least to a greater degree than today), enhance the affordability and economic vitality of the region while also reducing congestion and pollution.

The regional transportation model shows that changes in land use yield relatively small changes in regional VMT and congestion in any given year. But land use changes are like compound interest. Over time, they create ever-increasing and significant yields. As we know, many transportation problems are related to land use. A balanced approach between user fees and access fees can fund transportation facilities and services while simultaneously addressing the Region's job creation, affordable housing, land use and environmental goals.

I encourage the Task Force to examine and endorse a policy to fund transportation infrastructure through a balanced approach of user fees and access fees. This policy alone will not solve all our transportation, economic and environmental problems. However, without this policy, all of the other "solutions" (both policies and projects) will be less effective or ineffective because we failed to resolve the infrastructure conundrum.

Thank you for considering my comments. Please let me know if you have any questions or concerns – or if I can provide any additional assistance to the Task Force