



**Written Testimony to the Senate Committee on Environment and Public Works
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Thank you for the opportunity to submit testimony to the Senate Committee on Environment and Public Works. I am executive director of Regional Plan Association (RPA), America's oldest independent regional research and advocacy group. Since 1922, RPA has prepared long range plans and policies to guide the growth and development of the New York- New Jersey-Connecticut metropolitan region. We enjoy broad support from the region's and nation's business, philanthropic, civic, and planning communities.

In 1996 RPA released its Third Regional Plan, "A Region at Risk," which recommended several major infrastructure and community development investments for the tri-state metropolitan region. We identified 11 regional downtowns where the majority of population and employment growth in the region should be focused; 11 regional reserves that defined the open space, watersheds and landscapes, and three major transit investments to build capacity in our transit network. These infrastructure projects became the Second Avenue Subway, East Side Access, and Access to the Region's Core. To pay for these major investments, we proposed a series of new revenue sources, including charging drivers who enter the region's Central Business District.

RPA, through its national infrastructure planning and policy program, America 2050, also provides leadership on national infrastructure, sustainability, and competitiveness concerns. RPA believes that a set of investments in high-speed intercity passenger rail, regional rail, and local transit are needed in our nation's most populous metropolitan regions and megaregions to provide capacity for economic growth and to provide Americans with more transportation choices that do not rely on the import of foreign oil. From 2000 to 2050, the U.S. Census Bureau forecasts that America will grow by 158 million people, reaching a total population of 439 million. That's more than the 120 million people that America added from 1950 to 2000, during the rapid growth years following World War II and in which time America built the entire Interstate Highway System. But America has outgrown the Interstate system and can no longer support the costs of automobile-dependent growth patterns on households, the environment, and the global implications of our dependence on foreign oil.

RPA's analysis of land use trends indicates that most of the growth in this country will take place in metropolitan areas, and specifically, in ten or more "megaregions" -- large networks of urbanized areas like the Northeast Megaregion, which stretches from Boston to Washington, D.C. We consider these megaregions -- places such as Southern California, the Texas Triangle and the Arizona Sun Corridor -- the new competitive units in the global economy. They are competing with the similarly-sized "global integration zones" of Europe and Southeast Asia, where tens of billions of dollars in investments have been made in high-speed rail and goods movement systems to support the highly-mobile workforce of the global economy.

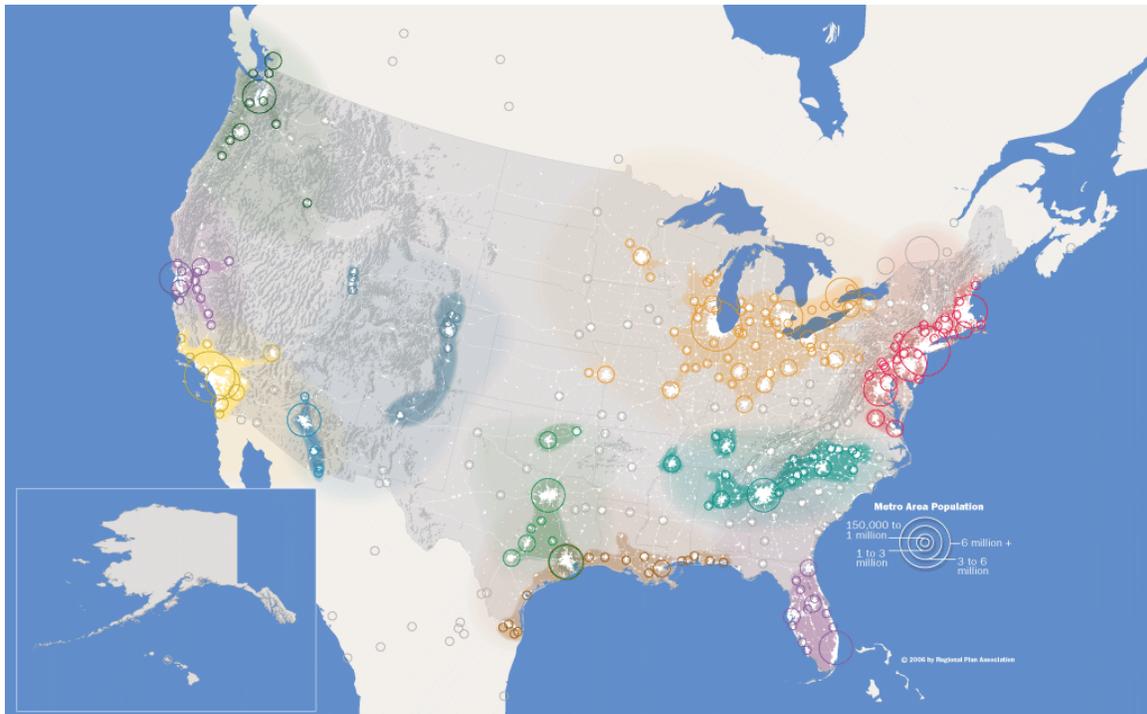


Image 1: America's Emerging Megaregions

If America is to compete internationally, accommodate rapid population growth, and preserve the quality of life and environment in its metropolitan regions, it must make dramatic investments in its metropolitan and megaregional infrastructure systems. Much in the manner of the Interstate Highway Act of the last century, our surface transportation policy must provide a bold framework for another half century of growth and development in America. In doing so it will need to accommodate population growth, move goods, and transition to alternative energy sources and alternative transportation options that can be supported by increased density.

Nationally, we should be investing in and developing intercity rail corridors of up to 500 miles in length to promote attractive alternatives to air and road travel. Funding for intercity rail should not go through a separate authorization and appropriations process, but should be integrated in the surface transportation bill to facilitate greater coordination among modes and more options for intercity travel. While we support the creation of new, high-speed rail corridors on separate rights-of-way, it is important to note that simply

providing frequent, reliable, “higher” speed service of 110 mph in dense corridors would result in major increases in ridership.

For instance, the Northeast Corridor moves approximately three-quarters of a million people per day to their jobs or among the major downtown business hubs of the Corridor. These movements are critical to the Northeast’s \$2.6 trillion economy, which accounts for roughly one-fifth of the U.S. GDP. Imagine if 750,000 additional daily passengers were suddenly added to Interstate-95 and the Northeast’s major airports (already the most congested in the nation). Our transportation networks would come to a standstill, as they regularly do already, because of their inadequate capacity and failure to meet existing demand.

Within metropolitan regions, we must continue to invest in our public transportation systems as economic development tools. Our metropolitan regions can accommodate the projected increases in population in this country if we focus density near transit to support healthy lifestyles and a healthy environment. There are 900 transit stations in the New York region; all should and could be focal points for development and smart growth.

The New York/New Jersey/Connecticut metropolitan region boasts the highest use of public transit anywhere in the country (68% of the region uses public transit compared to 9% in the rest of the country). And yet our systems are struggling because of a history of taking on debt to cover operating costs and a lack of funding for capital improvements to expand capacity in the region. While both East Side Access and the Second Avenue Subway are currently under construction, the MTA’s current 5-year capital plan is only partially funded. And as everyone is aware, last fall Governor Christie in New Jersey cancelled the ARC project, citing concerns over potential cost overruns. ARC would have been New Jersey and New York’s biggest investment in transit ever. It involved the construction of a second commuter rail tunnel that would have connected NJ TRANSIT’s existing rail network with a new terminal station at 34th Street in Manhattan. ARC would have doubled the number of trains that can travel every morning into the economic engine of the region from west of the Hudson River. For several train lines that currently terminate in Hoboken or Newark, ARC would have provided new, direct service to Midtown. For those lines that already terminate at Penn Station-NY, ARC would have significantly increased the frequency and reliability of service.

While the cost of these projects is very high, we also know that these investments will have extraordinary economic benefits. So last year we undertook a research project to calculate just one of the economic benefits – the effect of transit on nearby housing values -- that previous transit investments in New Jersey have generated and estimate what future investments could produce. The purpose of this analysis was to assess how this increased access to Midtown would increase the attractiveness of transit-accessible housing, as reflected in home values near train stations.

In 1996, 2002 and 2003, NJ TRANSIT significantly improved train service with Midtown Direct, the Montclair Connection, and the Secaucus Junction. Each of these projects shaved up to 20 minutes in travel time to Midtown Manhattan (up to 40 minutes roundtrip). And each of these projects created a jump in ridership on those lines, as illustrated below:

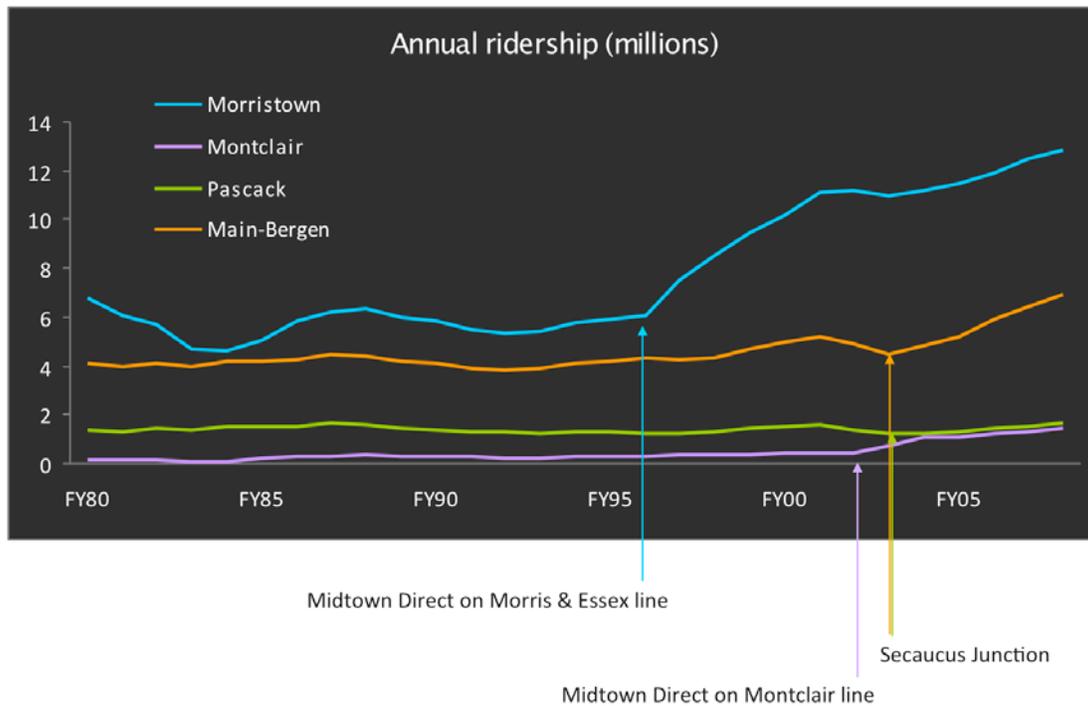


Image 2: Annual Ridership on NTRANSIT Corridors

Collectively, these projects increased the number of New Jerseyans living within a 70-minute commute of Midtown Manhattan from around 1.6 million to about 2 million. Not surprisingly, the number of riders taking NJ TRANSIT trains into New York has quadrupled (from 10 million to over 40 million a year) over the past three decades.

Based on the increased ridership, RPA set out to determine whether property values in these communities increased as a result of these transit investments. We relied on a multiple regression analysis of 45,000 home sales (sampled before and after NJ TRANSIT's three projects were built, and within two miles of the train stations) in order to identify the specific value of improved transit service. RPA calculated that every minute saved from a transit trip to Midtown Manhattan generated the following increase in property values for homes around train stations:

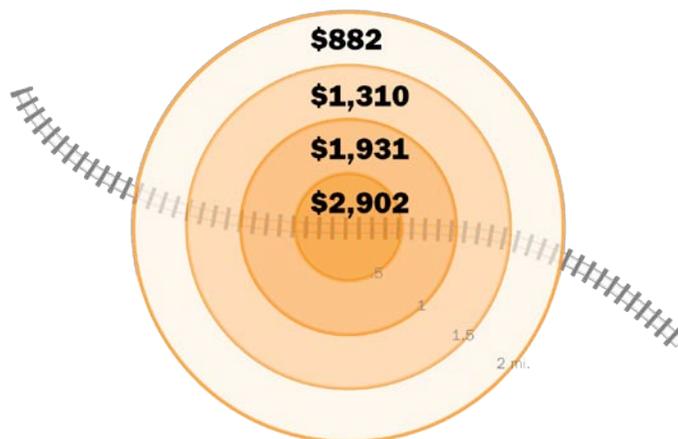


Image 3: The Value of a Minute of Travel Time Savings to Midtown Manhattan

Based on this relationship, RPA determined that the average increase in home sale prices that can be attributed to reduced travel times to Midtown Manhattan is \$23,000 for all homes within two miles of stations, or 5% of the median property value in the area. Homes within walking distance of the station (one half-mile) saw a larger increase, gaining \$34,000 in value, or 7.5% of the median sales value. (These results assume an average travel improvement of 12 minutes, and a median home value of \$451,000.) Cumulatively, the increase in value for all these homes was estimated to be \$11.1 billion. At 2009 property tax levels, that represents an additional \$250 million a year in property tax revenue for all municipalities affected.

Once we had calculated the benefits from three previous investments, RPA set out to estimate the potential benefit of building a new transit link under the Hudson River. For over a decade, planners in New York and New Jersey have focused on the need to reduce delays and congestion on the single biggest choke-point in the Northeast Corridor – the Hudson River. A new tunnel under the River would double the capacity of the system, providing faster rides and fewer delays for riders throughout the entire Northeast Corridor, but especially for the 75,000 riders taking NJ TRANSIT to New York Penn Station every day.

RPA calculated the time savings which a new tunnel under the Hudson River would provide to NJ TRANSIT riders, and then calculated the economic development benefits to homes around each and every train station in the NJ TRANSIT system. On average, stations could see a travel improvement of 10 minutes, and homes could increase in value by \$19,000 if they were located within 2 miles of stations. On average, homes within one half-mile of those stations would gain \$29,000 in value.

Cumulatively, this means that homes near a train station would gain \$17.9 billion from a new transit tunnel under the Hudson River. At 2009 property tax levels, that represents an additional \$374 million a year in property tax revenue for all municipalities affected.

These findings are very consistent with other national studies, which have identified

a strong link between transit service and economic benefits. Similar research by RPA and other groups has shown:

- Homes within walking distance of stations on the Morris & Essex line increased in value by \$90,000 more than homes farther away after direct service to Midtown Manhattan was inaugurated in 1996 (Michaelson, 2004).
- Houses immediately adjacent to San Francisco's BART sold for nearly 38% more than identical houses in areas not served by BART (Landis and Cervero, 1995).
- Residential rents decreased by 2.4% for every one-tenth mile further from Washington DC Metro stations (Benjamin and Sirmans, 1996).
- Single-family houses in communities served by Boston's commuter rail were worth 6.7% more than similar homes in other communities (Armstrong, 1994).
- In Chicago, the prices of single-family houses located within 1,000 feet of stations were 20% higher than comparable houses located a mile away (Gruen, 1997).
- Median home prices in the Philadelphia region were 10% higher in census tracts served by PATCO rail line, and 4% higher in tracts served by SEPTA rail line (Voith, 1991).

This research has several major implications for the work of this Committee.

- ***Higher property values are a reflection of a more efficient economy and improved access to jobs.*** More efficient commuter travel means that employers have access to a larger workforce, and that workers have access to more jobs. Improving New Jersey and New York State residents' access to Manhattan from west of the Hudson River is particularly important since average wages in the region's economic hub are 60% higher. Reduced commuting times also mean more hours in the day that can be spent either for work or leisure.
- ***Better train service increases local and state tax bases, and will reduce pressure to increase tax rates.*** As transit increases the value of land and built properties near stations, and as new residents and new businesses move into the transit-served communities, so will municipal and state tax bases. This new property, income and sales tax revenue could help to improve municipal and state services and reduce pressure to increase tax rates.
- ***The economic development and quality-of-life-improving potential of improved transit can best be harnessed by building new, transit-oriented, mixed-use, economically diverse development around train stations.*** That the greatest gains in value happened closest to stations is an indication that the most effective way to harness the economic benefits of transit is to build densely around stations. New districts of housing, office and retail that are tightly knit around stations would revitalize

downtowns, boost local economies, increase tax revenues, and generally have a larger positive economic impact with smaller traffic and infrastructure costs.

- ***Transit agencies and municipalities should work together to optimize benefits for the most residents possible.*** The additional capacity that an investment provides can be distributed throughout the rail network in an infinite number of ways, as service plans are defined in the future. Decisions about how to allocate additional service to particular lines and stations should be based on existing and future ridership and on other efficiency considerations, and not on political factors. The transit agencies should reward municipalities that attract new dense development around station with better service.

As politically difficult as it may be, we must find a way to pay for these investments. New capacity is a prerequisite for economic growth in metropolitan regions where economic growth is meeting the artificial constraints of limited roadway, transit, and airport capacity.

We urge the committee to consider a range of options to generate more funding for transportation investments, such as raising and indexing the gasoline tax to inflation; implementing user-fees such as VMT charges; and supporting public-private partnerships. Secondly, we strongly support proposals for a National Infrastructure Bank, which would provide loans and grants for priority infrastructure projects, evaluated on a competitive basis on the project merits. New federal financing tools could help leverage local revenue streams that voters have approved through local ballot initiatives to support specific packages of transportation improvements.

There is no more suitable role for the federal government than to chart the direction of the nation's future growth with long-term investments in infrastructure that will promote economic prosperity, a healthy environment and the freedom of movement across the nation's rich landscape. These opportunities are most possible in the nation's metropolitan areas where economic activity and people are concentrated and where more tools, resources, and policies are needed to direct investments to these areas.

Thank you for the opportunity to share this research with you this morning.