

Smart Growth America

Better Choices For Our Communities

THE BEST STIMULUS FOR THE MONEY:

MAXIMIZING THE RETURN ON OUR TRANSPORTATION DOLLARS

How can we get the most bang for the buck out of the \$27 billion in flexible transportation funds in the stimulus that the federal government is sending to states? This fact sheet summarizes the results of the most up-to-date research on this question in "[The Best Stimulus for the Money: Briefing Papers on the Economics of Transportation Spending.](#)"

Get the best stimulus for the money:

...By creating more jobs now with repair and maintenance (Briefing Papers #1 & #2)

- Public transportation and road and bridge repairs produce more jobs. Public transportation investments generate 31 percent more jobs than new construction of roads and bridges, and repair work on roads and bridges generates 16 percent more jobs than new bridge and road construction.
- States investing their stimulus dollars in immediate repair and maintenance projects will be able to spend money faster and create jobs more quickly than they would by investing in new projects. This is because repair and maintenance projects require minimal job skills training, lower equipment costs, and little time spent on plans and permits.
- Road repair and maintenance and bicycle and pedestrian projects allow stimulus funds to be spread throughout the state and therefore benefit more communities than spending a large portion of funds on a few big projects.
- Smaller scale projects to improve safety and convenience for pedestrians and bicyclists such as building sidewalks and bike trails, accessibility improvements and street re-striping are quicker to start than large new projects and are also generally more labor intensive.

...By leveraging private sector real estate investment (Briefing Papers #3)

- Transit Oriented Development (TOD) stimulates private capital investment in and helps meet the growing public demand for TOD from changes in consumer preferences and demographics. More people, seniors in particular, want greater access to public transportation. As a result, housing near public transportation commands a price premium, and keeps more value in downturns. Examples include:

Hudson-Bergen Light Rail (New Jersey)

In the 8 years since the line opened, more than 10,000 units of new housing have been constructed in the station areas, with an estimated sales value in excess of \$5.3 billion.

Dallas Area Rapid Transit

Since 1999, more than \$4.2 billion in development has occurred in station areas that is directly attributable to the presence of the DART facilities and services. In the year the study was completed, this development generated more than \$78.4 million in property tax revenues and \$48.1 in sales tax revenues for state and local governments.

Washington Metrorail – Rosslyn-Ballston Corridor

The Rosslyn-Ballston Corridor, just across the Potomac River from Washington, has been especially successful in attracting TOD. By 2006, the areas surrounding the corridor's five stations had seen construction of more than 13,000 new housing units and 18 million square feet of commercial development, totaling more than \$14.5 billion in taxable value.

- Demographic changes require different kinds of transportation. Currently, 60 percent of households want to live near public transportation, a demand that is not being met. If in 2030 at least half of all households want to live near public transportation, then of the 24 million new housing units needed between 2007 and 2030, all of them will need to be built where transit exists or is planned, and even this will not meet all the demand.
- Markets are already responding to these demographic trends; the lowest foreclosure and vacancy rates are in communities nearest the center of cities. Examples from around the country suggest that foreclosure and vacancy rates are even lower near public transportation facilities.

...By connecting the most people to economic opportunities per dollar (Briefing Paper #4)

- Investing in public transportation in urban areas allows for more people and businesses to benefit from the investment.
- It is important to make transportation investments that support where the market is going rather than investing in infrastructure that supports single family subdivisions where values are already declining; the supply in that market is already glutted and likely to continue to be so.
- Sustained economic development depends on engaging as many people as possible in the economy. For the broader economy it is better for someone who is unemployed to get a job than for someone who is already employed to switch jobs. Putting or keeping transit in communities with high unemployment produces up to 2.5 times more jobs than putting transit in communities with low unemployment.

...By adding value to real estate (Briefing Paper #5)

- The closer land is to a public transportation station, the higher its value, according to most studies.
- Higher land values around public transportation stations produce more intensive and higher value developments in these areas.

- The resulting Transit Oriented Development supports community environmental and social goals, and can substantially advance private sector economic developments.

...By making investments that support people coming together to work (Briefing Paper #6)

- Metropolitan areas grow faster and generate more wealth when they can take advantage of agglomeration economies – the clustering of jobs and economic activity.
- Public transportation strengthens the accessibility of these regional centers, transferring value to the rest of the region. Highways used to provide some of the same economies, but now they disperse populations and lead to congestion, and so provide far less economic payoff. Public transportation is essentially uncongestible and is therefore a better, more reliable investment.
- A doubling of population density, made possible by public transportation, increases patent activity by 20 percent and labor productivity by 6 percent. Patents indicate innovation and are good indicators of both current economic activity (it produced the innovation) and potential economic activity (it is likely to create further jobs).
- Conversely, if the population density is too low, that area may not support shopping and other services, and the economy can remain weak.

...By getting higher returns on transportation investments (Briefing Paper #7)

- Highway spending had high rates of economic return in the 1950s and 1960s when used to create our national network. Subsequent investments have steeply declining rates of return. Investments in transit have generally high and less steeply declining rates of return.
- The best future transportation investments in metropolitan areas would improve accessibility by providing multiple transportation options that give commuters options and facilitate the density that can lead to strong economic growth. Economic returns from these investments eclipse highway investments by a multiple of more than 100.
 - A study of Cincinnati, a slow-growing city with a mature highway system, shows that the highest return on investment comes from better coordination of new development with existing transportation infrastructure, the next highest is by giving people more transportation options, and a moderate return comes from investing in improving the infrastructure, including roads, in the first land last mile of a trip.
 - The Atlanta metropolitan area is large and growing; it is not yet the kind of mature metropolitan area that many Northeastern and Midwestern ones are and yet, even in metropolitan Atlanta, according to McKinsey & Co, the highest ROIs are not associated with building new highways but rather by managing the current highway investments better.
- Some studies show that rural areas may benefit in the short-term from highway expansion but this rate may not be sustained in the long run and such developments may simply redistribute investments.

- The best future transportation investments in metropolitan areas would elevate accessibility within the area through multi-modal options, especially by integrating land uses and facilitating higher densities. Economic returns from these investments seem to eclipse highway investments by a multiple.

...By fixing it first (Briefing Paper #8)

- It is widely understood that there is a great need to update and repair America's transportation infrastructure. The American Society of Civil Engineers estimated this year that the costs of repairing the transportation system in order to meet minimum safety requirements would cost approximately \$186 billion for highway and \$21.6 billion for public transportation repairs—far outstripping available funding.
- Fixing existing transportation infrastructure produces a higher return on investment than new construction for three reasons:
 - 1) It prevents the need to reconstruct, which costs 2-4 times as much as repair.
 - 2) It saves users money by reducing damage from potholes and vibrations.
 - 3) It produces more jobs and more economic activity than building new infrastructure.

...By reducing infrastructure costs (Briefing Paper #9)

Studies across many geographic regions find a consistent pattern of high infrastructure costs for sprawl, and infrastructure efficiency and savings for more compact development. For example, Denver found that a regional growth plan that absorbed projected growth in a more compact area would be 80 percent less expensive for infrastructure than growth that would sprawl.

...By making equitable transit investments (Briefing Paper #10)

- Transportation is the second-largest expenditure category for American families: in 2007 US households spent on average 17.6 percent of their annual income on transportation. Only shelter, at 32.6 percent, exceeds transportation. Transportation has not always consumed such a high percentage of the family budget. But as public investments in transportation began to emphasize roads and highways over public transit, private spending on transportation increased dramatically.
- As families are forced to spend thousands of dollars annually on owning and operating cars and trucks (which are rapidly depreciating assets), they have less money to invest in home ownership, hindering wealth creation and the ability to enjoy other benefits of home ownership. The poorest Americans are especially hard hit, spending nearly 40 percent of their take-home pay on transportation costs.
- Access to public transportation is a consistent, significant factor in determining average employment rates. As such, public transportation investments are vital for assisting impoverished communities as well as facilitating the integration of these populations into the labor market.