

## The Cost of Smart Growth in Transportation Planning

*A summary of Washington Policy Center's 2012 Transportation Lunch*

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### Presenters

Craig Stone, director,  
Washington State Department of  
Transportation Toll Division

Wendell Cox, transportation  
policy expert and principal,  
Demographia

In May, Washington Policy Center welcomed over 200 transportation experts, business leaders, community members, news reporters, and dozens of state and elected officials to its 2012 Annual Transportation Lunch event in Bellevue.

Attendees first heard from Craig Stone, director of Washington State Department of Transportation's Toll Division, on the State Route 520 tolling project and its performance and effect on driver behavior since tolling began last year.

Guests then enjoyed a keynote presentation by transportation policy expert Wendell Cox. "Cities exist because of economic opportunities," Cox said. "The purpose of urban areas is to improve the affluence of their residents." Mr. Cox provided the audience with an overview of smart growth policies, such as those used in the Puget Sound region, and explained the detrimental effects they can have on traffic congestion, housing prices, development patterns and demographics throughout the state.

Mr. Stone began with a basic description of the SR-520 bridge program, which will replace the current Evergreen Point floating bridge that opened in 1963. The project will also make improvements to landings, interchanges and roadways between I-5 in Seattle and the eastern shore of Lake Washington. He also pointed out the program includes Sound Transit and HOV improvement projects from Medina to Redmond and congestion management features from I-5 to I-405.

Mr. Stone explained that Seattle was one of five urban areas to receive \$154.4 million in federal grant money from the United States Department of Transportation (USDOT) to improve and research better transportation methods. The grant money is assisting Washington in implementing the Congestion Management Program, specifically variable tolling across the floating bridge. Stone stated that tolling 520 "is the facility that we're using to generate revenue to pay for improvements for a bridge that is 50 years old and in need of replacement." He went on to say that it was never a question of whether or not to toll, but rather "came down to a question of how it should be tolled."

Components of the project include advanced technology such as electronic travel time signs directing drivers to the best route, variable speed limits and real-time driver information. Additionally, Sound Transit and King County added more than 130 bus trips across the bridge daily, and have encouraged vanpool and carpool programs. Mr. Stone said since tolling began, buses have had a 10% ridership increase and vanpools in the SR-520 corridor have increased nearly 17%.

Tolling on SR-520 is an open-road system, variably priced and all electronic. This system, he explained, allows drivers to maintain travel speeds throughout the corridor and better manages pricing points at peak times. Tolls are collected from drivers traveling in both directions through two methods: Good To Go accounts or through a photo toll which sends a bill to the driver through the mail. Stone said that \$1 billion of the \$2.4 billion currently being spent is coming from tolls, and “that is our target for moving forward.”

He said Good To Go accounts are the most efficient model both for drivers and for collection purposes. Initial targets were to open 100,000 new accounts before tolling began, but Mr. Stone was excited to announce WSDOT exceeded its goal by opening 250,000 new accounts. Transportation officials forecast 72% of transactions in the first year would be through these accounts, but early indications show approximately 80% of all toll trips are made by Good To Go account users. Stone said that numbers like this are what other tolling projects across the world strive to achieve, and that this shows great success of the program from very early on. “If we can get people into the lowest cost collection, the Good to Go,” he said, “it helps everybody.”

Individuals without a Good To Go pass are billed by mail and are charged a higher fee of \$1.50 more. A photo of the license plate is taken and bills are mailed to the owner of the car. He also noted there is a short-term account available for drivers who are from out of the area.

Mr. Stone explained the project’s variable price rates, which he stated were originally controversial and confusing, but now “people are getting it.” There are no tolls from 11:00 p.m. to 5:00 a.m., and four rates throughout the day, which alternate at certain times. He explained that without this variability, the cost would be overpriced during non-peak travel hours, deterring drivers elsewhere, and underpriced during rush hour, creating congestion. A flat toll rate, as an alternative option, as is used in Vancouver, B.C., would need to be 20 cents more than the average \$2.60 rate people are currently paying. He said this would be necessary because 10% of trips across the bridge would be lost to other routes. Variable rates have proven successful in reducing congestion and minimizing cost to the driver, as well as maximizing revenue for the state.

Mr. Stone told the audience he understands this is a “critically important corridor to us all,” and explained what this “massive project” has meant for drivers. Initial results for the first four months of operations show very positive performance, he said. Traffic levels on the toll bridge have met or exceeded projections by as much as 9% on weekdays and by as much as 32% on weekends. Driver volumes on the bridge are actually exceeding the pre-toll average during peak travel times. Traffic levels on I-90, a major focus of concern in the community, have increased 5 to 10% and the commute is generally only two or three minutes longer during peak travel times. Traffic on both I-5 (between Seattle and Northgate) and I-405 (through Bellevue) is within two percent of what it was before tolling, and travel times are two or three minutes slower in both directions, on average.

Since “tolling is a business,” as Stone put it, looking at revenue streams is very important in indicating success. Revenue from tolls has exceeded expectations according to preliminary data from the department of transportation. In March, gross revenue was as much as 9% above the forecasted numbers, and when adjusted for free trip incentives and faulty or doubtful charges, revenue was much as 23% above forecasts.

Questions from the audience focused on the broader economic and policy implications of tolling, including fairness, about which Stone provided more information. He explained that it costs the state about ten cents on the dollar to collect the toll, and about three quarters of that is used to pay companies that

provide cameras and other necessary components. On the question of fairness, he replied, “There is a cost to driving; there is a cost to tolls,” and “we know that some people are staying on their side of the lake.”

Concluding his update on Washington’s tolling efforts, Stone reminded the audience, “We’re only in the first few months of this,” but that so far, “Things are settling down, customers are getting used to the system. We’re trying to build bridges and infrastructure with that [tolling] revenue.” He added, “We’re trying to bring this into the 21st century.”

Next, Michael Ennis, director of WPC’s Center for Transportation, introduced the luncheon’s keynote speaker Wendell Cox.

As the principal of Wendell Cox Consultancy (Demographia), an international public policy firm, Mr. Cox specializes in urban policy, transport and demographics. He has provided consulting assistance to the United States Department of Transportation and was certified by the Urban Mass Transportation Administration as an “expert” for the duration of its Public-Private Transportation Network program (1986–1993). He has consulted for public authorities in the United States, Canada, Australia and New Zealand, and for public policy organizations. He serves as visiting professor at the Conservatoire National des Arts et Metiers (a national university) in Paris, where he lectures on transport and demographics.

Most recently he was tasked with preparing a policy report for the congressional Millennial Housing Commission about smart growth and housing affordability. He lectures widely, writes numerous commentaries and is frequently interviewed by international, national and local media.

“You go pushing things too much,” said Mr. Cox, “and all of a sudden it will be more than the Supersonics moving to Oklahoma City.”

“Cities are justified only by economics,” he began. “Urban areas exist because of the economic opportunities they provide.” A well-governed and planned area will provide positive economic growth, easy access to jobs, and mobility around the area, all at a low, affordable cost of living. Cox’s speech focused on the “smart growth” policies in Washington and the Seattle metropolitan area, which have regulated land use and managed growth of the area. These policies, for example, create centralized transit centers, seek to reduce the amount and distance that people drive their cars, and promote policies that sustain the environment.

However, Cox was critical of these policies, explaining that, “We have allowed architects and planners to hijack city policies without considering the cost.” He said that when planning, nobody looks at the negative effects these policies have on the economy. While looking at smart growth debates around the country, nobody considers the impacts on housing costs, mobility and the factors which ultimately create jobs and sustain the economy. “We need to do this,” he insisted.

Mobility has made large urban areas possible, Cox explained, and it is “the key to metropolitan job growth.” In the past 35 years, virtually all urban growth has been in the suburbs. Locally, 76.3% of Seattle’s metropolitan growth since 2000 has been in suburban areas, specifically Pierce, Snohomish and Kitsap counties. These counties have seen a significant increase in employment over the past 12 years, while King County has actually experienced negative growth.

The reason for these trends, Cox postulated, is because increased mobility has continued to make it “possible for people to get further, cities to get larger, and for labor markets to be more efficient.”

While smart growth policies try to reduce the time and distance people drive, they can have a detrimental effect on job growth. “Forcing people out of their cars does not improve productivity,” said Cox. A less mobile metropolitan area will have less economic growth.

Further, Cox explained that transit is not a viable alternative for the majority of people who need to get to work and move about the city whenever they want. Transit generally is not faster than driving a car, Cox said, and only 6.7% of people can get to work through public transportation in less than 45 minutes. When you increase the distance one is able to travel to work in a set period of time, Cox explained, the better the economic growth will be.

He did concede that for people traveling to the core of downtown Seattle, transit can be a good option but “it cannot get you anywhere else.” 87% of jobs are outside of downtown Seattle, but the city accounts for about 60% of transit ridership. Again, he emphasized that forcing people out of their cars and into public transportation is not going to improve job growth, personal mobility or affluence in the Seattle metropolitan area.

Cox dismissed one specific argument in favor of transit, regarding low-income people and the assumption that they have a heavy reliance on public transportation. He showed that 73% of low-income residents in the Seattle area get to work by car. Car ownership is simply, “the best way to get low-income people to work,” especially outside of downtown. Because downtown Seattle represents only 13% of jobs in the greater metropolitan area, Cox explained public transportation cannot be a substitute for most low-income individuals to get to work.

Cox explained that Washington state’s Growth Management Act has set a goal of regulating housing production and supply, effectively managing the amount of growth and land use to certain areas. He said there are many negative effects associated with these policies, including high housing prices, increased poverty and less economic growth.

Cox quoted Don Brash, the governor of the New Zealand Bank, who said, “The affordability of housing is overwhelmingly a function of just one thing: The extent to which governments place artificial restrictions on the supply of residential land.”

Cox summarized that when planners in Seattle regulate the use of land, restricting supply, prices go up. “It’s a very basic economic issue.”

One idea policymakers and planners have used to combat this, Cox explained, has been to create transit-oriented centers, in effect “balkanizing the city.” The state builds transit centers, encouraging people to ride transit or live in a location where they can walk to work. He suggested this is a “counterproductive kind of program” which would “destroy the very purpose of the urban area” and bring us back to what urban centers looked like before the 19th century.

Another problem Cox highlighted about smart growth is the environmental analysis which he argues is incorrect: “There is no reason why we cannot have a sustainable environment and at the same time, continue to have good lives.”

Washington state has created benchmarks for reducing Vehicle Miles Traveled (VMT) to cut greenhouse emissions. He suggested a better approach would be to reduce congestion conditions because “a five-mile trip in congested conditions emits the same amount of greenhouse gas emissions as a nine-mile trip in less congested areas.” Thus, it won’t do any good if the total miles traveled are reduced at a cost of increased congestion and reduced speeds. “What it will not do is get the greenhouse reductions we have hoped for,” he said.

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Overall, Cox wanted the audience to understand that a well-governed city is one in which government officials, policymakers and citizens are concerned about indicators such as the cost of living, access to the labor market and sustainable economic growth.

Most importantly, he said, we have choices. Smart growth has significant costs: If we reduce vehicle miles traveled, we are going to hinder job growth; if we restrict the supply of housing, we are going to create a higher cost of living; and if we combine these efforts, we're going to increase poverty and hurt the overall economy. On the other hand, Cox said, is a situation where people have choices: "Nobody is forced to live in Seattle."

The good news is that regardless of the poor choices city planners around the country are making, and the choices people are being forced to make about living and working conditions, "We are now, I hope, embarking on the long-needed debate on this issue." He said that there is a lot to be considered about smart growth and how it can impact economic growth in Seattle, but "I'm just hopeful that in the long run that we will see this debate grow. I don't know what the outcome will be, but these are issues enough to at least be debated objectively."

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