



Indianapolis' war on suburban lifestyle

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A criteria for obtaining federal funding for transit construction projects during the Obama years has been whether a project will be accompanied by “transit-supportive economic development.” In Indianapolis for example, to improve chances of getting federal funding for a bus project, the Metropolitan Planning Organization prepared a transit-oriented development plan.

Typically, such transit-oriented developments are high-density, often mixed-use projects. Many are four- and five-story apartment buildings with the ground floors dedicated to small shops and restaurants.

Supposedly, encouraging people to live in such transit-oriented developments will increase transit ridership and reduce driving. In fact, there is little evidence that this is true. Studies typically survey or monitor the transportation habits of people who live in such developments in comparison with people who live in more typical neighborhoods of single-family homes. These surveys often find that people in the denser developments are less likely to own cars and more likely to ride transit.

The flaw in these surveys is known as self-selection: People who prefer not to drive tend to choose to live in higher-density areas that have better transit service. That doesn't mean that moving a family of four from a single-family home to a transit-oriented development will radically change their transportation habits. After reviewing studies that accounted for self-selection, University of California (Irvine) economist David Brownstone concluded that the effect of density and urban design on driving was “too small to be useful” in saving energy or reducing greenhouse gas emissions. Thus, while some people prefer to live in such areas, additional transit-oriented housing won't have much effect on transit ridership or driving.

This can be seen in regions that have promoted such developments. Since 1990, the San Jose urban area has increased its population density by 43 percent; built more than 31 miles of new rail transit lines; and built numerous transit-oriented developments along those lines. Yet as of 2013, per capita transit ridership has declined by 20 percent and per capita driving increased by nearly 50 percent.

Portland, Oregon, has built scores of transit-oriented developments along its 70 miles of light-

rail, commuter-rail, and streetcar lines. Before building rail transit, 9.9 percent of Portland-area commuters took transit to work. As of 2014, just 8.3 percent of commuters rode transit. Portland's Cascade Policy Institute has carefully monitored what means of transportation people living in many of the region's transit-oriented developments use when they leave in the morning. Overall, it found that the share using transit is not significantly different from people living in other parts of the region.

Because the demand for living in small apartments on noisy streets is limited, Portland and other cities have had to subsidize such developments. When Portland opened its first light-rail line in 1986, it zoned everything near light-rail stations for high-density development. Ten years later, planners reported to the Portland city council that not a single such development had been built. To encourage such development, the city decided to use a variety of subsidies, the most important of which was tax-increment financing, to dense developments along the transit lines. Overall, Portland has spent roughly \$5 billion building its light-rail system and close to \$2 billion subsidizing developments near rail stations.

Indianapolis' transit-oriented development plan includes the use of tax-increment financing (TIF) as well as a variety of other housing subsidies to promote developments along the Red Line. These include federal grants, the local Housing Trust Fund and other sources of funding for so-called "affordable housing."

Contrary to claims by urban-renewal advocates, TIF is not "free money." Any housing built in a tax-increment-subsidized development would have been built somewhere in the city, so taxes collected from that housing used to subsidize its construction are taxes that otherwise would have gone to schools, fire departments, and other property-tax-dependent entities. Not only does tax-increment financing not enhance growth, some researchers have found that it slows growth in cities that use it, probably because it imposes a higher tax burden or reduced urban services on residents and businesses.

Finally, another article of faith behind transit-oriented developments is that there is a pent-up demand for this lifestyle. "Demographic changes and shifting lifestyles are leading to greater demand for development that is walkable, higher density, mixed-use and transit-served," says the Indianapolis plan. In fact, that too is mostly imaginary, which is why such developments nearly all have to be subsidized. The oft-repeated claim that Millennials prefer to live in cities rather than suburbs is belied by census data showing that the vast majority of people of all ages live in suburbs and that suburban numbers in all age classes, except the elderly, continue to grow faster than city populations.

Randal O'Toole, a Cato Institute Senior Fellow working on urban growth, public land and transportation issues, wrote this at the request of the Indiana Policy Review Foundation. It is excerpted from a larger work to appear in the foundation's summer journal.