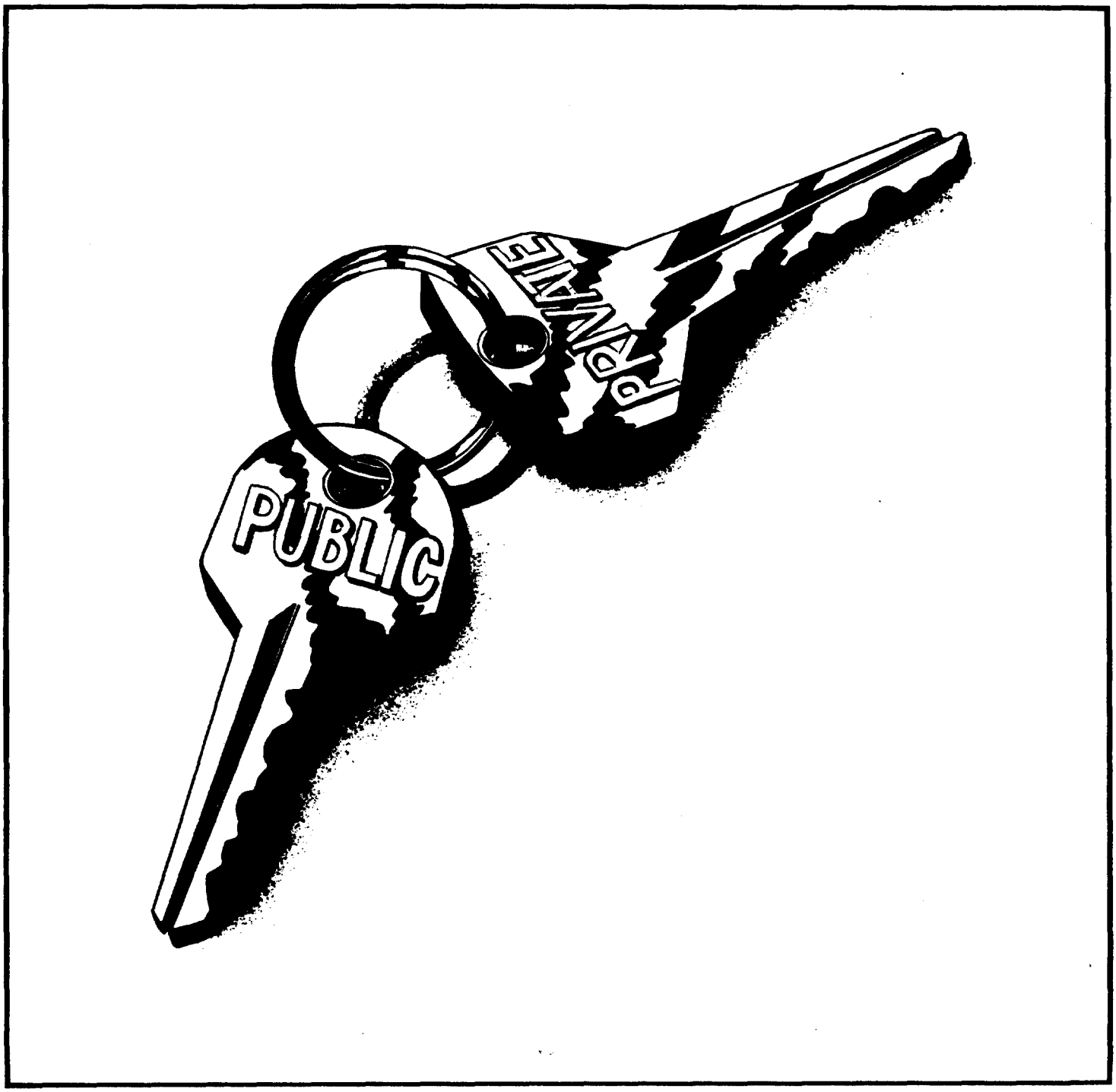
U.S. Department of Transportation

Private Sector Involvement in Urban Transportation

Case Studies

December 1986



Private Sector Involvement in Urban Transportation

Case Studies

Final Report
December 1986

Prepared by
Rice Center
Nine Greenway Plaza
Suite 1900
Houston, Texas 77046

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Preface

The urban transportation planning process is undergoing critical transformations. Of particular interest is the emergence of private sector involvement in the planning, management, financing, construction of transportation systems and provision of transit services. The objectives of this study, financed by the Federal Highway Administration (FHWA) and the Urban Mass Transportation Administration (UMTA), are to assist local and regional agencies by examining new approaches and procedures for involving the private sector in the planning and implementation of highway and transit systems, and to recommend ways to improve public/private partnerships, emphasizing the mutual benefits that can be derived.

To achieve these objectives a literature review was undertaken and experiences of more than 40 communities were reviewed. Six examples of private sector involvement in four cities--Chicago, Cleveland, Dallas and Los Angeles--were selected for further detailed case analysis. Field visits and interviews with public and private officials were undertaken during the spring of 1985. These cases cover the highway and transit modes and represent all major groups of private sector participants, including local businesses and community groups, major developers and transit service providers. Three of the six case studies examined private sector involvement in the planning process: a regional mobility planning effort in Chicago's northern suburbs, a city-wide effort to address Cleveland's deteriorating infrastructure, and a neighborhood transportation management plan in Dallas. Two experiences with private sector involvement in transit service provision were studied in Chicago and Los Angeles. Finally, a newly adopted development fee ordinance in Los Angeles was reviewed. All the cases can be characterized as promising innovations because obstacles both from the governmental and the business sectors were overcome and planning processes with broader private sector participation were established.

This report contains a detailed documentation of the experiences in the four cities. A brief overview of the transportation planning process and private sector intiatives is provided for each city. An accompanying summary report provides a broader overview of the opportunities available, briefly reviews successful applications in 20 cities, and draws conclusions on how to improve public/private partnerships.

Rice Center was assisted in this project by the consulting firms of Barry M. Goodman Associates, Inc. and Gardner and Holman. The project benefitted from the cooperation of individuals in public agencies and the private sector who assisted the research team in the case studies. The members in the project's review committee provided critical contribution in key phases of the project. Any errors in data or facts are the responsibility of Rice Center. The report does not necessarily reflect the opinions of FHWA or UMTA.

Members of the Project Review Committee

Stanton D. Anderson
Anderson, Hibley, Nauheim, and Blair
Washington, D.C.

Robert Bolen
Mayor
City of Fort Worth
Fort Worth, Texas

Sheila Burns
Chief Administrator
Regional Transit Authority
New Orleans, Louisiana

Richard H. Bradley
President
International Downtown Executives Association
Washington, D.C.

Wendell Cox
Consultant
Gaithersburg, Maryland

Thomas B. Deen
Executive Director
Transportation Research Board
Washington, D.C.

Michael W. Lewis
Chief Deputy Supervisor
First District, County of Los Angeles
Los Angeles, California

The Honorable Jon Lindsay
Harris County Judge
Houston, Texas

Thomas W. Masterson
Senior Vice President
Underwood, Neuhaus and Company
Houston, Texas

C. Kenneth Orski
President
Urban Mobility Corporation
Washington, D.C.

Omer Poorman
District Engineer
Texas State Department of Highways and Public Transportation
Houston, Texas

George J. Scheuernstuhl
Chairman
American Planning Association
Denver Regional Council of Governments
Denver, Colorado

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President
Associated Industries of Florida
Tallahassee, Florida

Robert Rade Stone
President
National Association of Regional Councils
Washington, D.C.

John B. Turner, Jr.
President
Friendswood Development Company
Houston, Texas

Phillip L. Wilson
State Transportation Planning Engineer
Texas State Department of Highways and Public Transportation
Austin, Texas

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Chicago, Illinois

City and Region Overview

The City of Chicago has a population of 3,005,100 (1980) -- the third largest city in the United States. It is the center of the six-county northeast Illinois region which has a population of 7,102,300. This makes it the third largest metropolitan area in the U.S. Chicago has undergone many changes in recent years with its own city politics and the increasing power of its suburban cities which number more than 250. As a central distribution point for the entire country, Chicago has extensive agricultural implement and industrial machinery factories, printing plants, industrial and retail concerns, nuclear research, and electronics. Chicago is also the headquarters of five leading stock and commodity exchanges. Chicago's proximity to iron ore and coal fields has made it a center for the manufacture of iron and steel. It is also an important international seaport with oceangoing vessels from many countries entering Calumet Harbor via the St. Lawrence Seaway.

Chicago is at the intersection of several State, U.S. and Interstate highways. Interstate Highways 94, 294, 90, 290, 55, 57, and 80 provide a comprehensive regional network of freeways and access from all directions (See Figure 1).

Chicago's O'Hare International Airport, 17 miles northwest of the downtown, handles most of the passenger traffic for the area. This is the country's busiest airport. The Chicago Transit Authority (CTA) operates a network of bus, subway and elevated rapid transit lines that radiate from the downtown Loop. During the peak periods, CTA operates 2275 buses and 1200 rail vehicles carrying 638 million passengers annually. All fares are 90¢, plus 10¢ for a transfer. Shuttle buses operate exclusively in the downtown area. In addition, there are six commuter railroads serving 62 million suburban riders per year as well as a 600 bus system of suburban bus lines operating under the service name of Pace.

Transportation Planning Process

Roles of Publicly Funded Transportation Agencies - There are many agencies involved in transportation merely because of the large number of jurisdictions involved in the area. The coordination activity falls to the designated Metropolitan Planning Organization (MPO). In Chicago, the MPO authority rests with the Chicago Area Transportation Study (CATS). CATS has been one of the pioneers in American transportation planning over the last 35 years. The City of Chicago has its own Transportation Department as do most of the suburban municipalities. The CTA is an operating division of the Regional Transit Authority (RTA) primarily within the city limits of Chicago. The Regional Transit Authority (RTA) was formed in 1974 to coordinate all transit in the region and to expand transit's tax base. The RTA was reorganized in 1985 with three separate operating entities under its policy, coordination, and financial jurisdiction. These three entities are the CTA, the Suburban Bus Division (SBD, also known as Pace), and the Commuter Rail Division (CRD, also known as METRA). Each division has its own board of directors to oversee

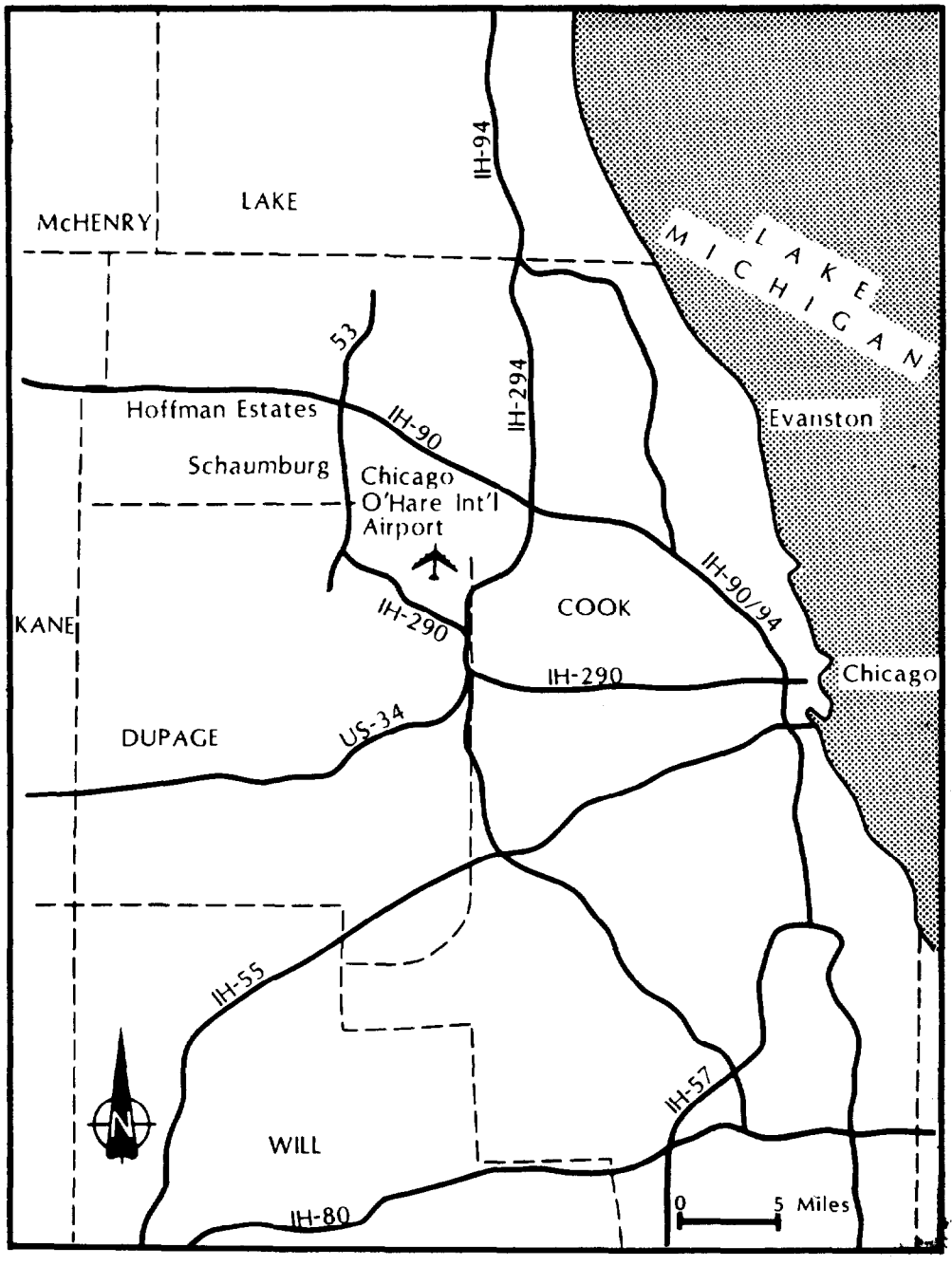

Figure 1. Chicago Metropolitan Area

its operation. The metropolitan area spreads beyond Cook County into Dupage, Kane, Lake, McHenry and Will counties. Each of these counties has a transportation department to oversee county roads. The Illinois Department of Transportation (IDOT) oversees the state highway system. In addition, there are eleven conferences of suburban mayors in the region. The conferences bring mayors together in sub-regional groups to address various problem issues such as transportation. One of their major activities is selecting projects for the Federal Aid Urban System program (FAUS). All agencies are brought together through CATS in its Work Program and Policy committees. Policy committee representatives come from the counties, Chicago, rail operators, Suburban Bus Division, RTA, CTA, comprehensive planning, IDOT, and the Regional Councils of Mayors.

Private Sector Roles - In the private sector, many groups address transportation issues. Every chamber of commerce has a strong interest in transportation. The Northwest Suburban Association of Commerce and Industry (NSACI) has taken a strong role in planning for transportation improvements in its area. As will be explained in later sections, major employers are beginning to become more involved in transportation issues both directly and through industrial and economic development associations.

The Chicago area has one of the largest fleets of private transportation providers anywhere. At last count, CATS had over 450 private providers (including taxicab companies) on its mailing list. Some of the private providers have banded together in the Metropolitan Transportation Association (MTA) to coordinate their own activities and to speak with a louder voice for privatization of transit services. As described in the detailed case study below, the private providers have been given a voting membership on the MPO's Policy and Work Program Committees. The current representative also happens to be an MTA member.

Overview of Private Sector Involvement

Public Agency Encouragement - CATS is very active in promoting private sector involvement. This is, in part, due to UMTA regulations and, in part, in response to the private providers' desire to be involved. CATS formed the Private Providers Steering Committee which meets monthly to discuss major issues of importance to private providers (eg. airport service, demonstration grants, and upcoming contracts). In addition, CATS publishes a quarterly newsletter for the local private transit industry (The Private Operators Transit Dispatch). All of CATS efforts are instrumental in making the upcoming activities and contracts of the public agencies known to the private providers (many of whom have no other way of knowing of their eligibility to bid on the provision of certain services).

Through recent experiences, the three operating divisions under RTA jurisdiction have become increasingly aware of the operating cost savings private operators may provide. Five of the six commuter railroads are privately owned. The Suburban Bus Division (Pace) has long been the most active in utilizing private providers. The CTA has been the slowest to open up to private providers because of its long tradition of public provision of bus and rail service.

Public highway and street agencies are not particularly active in promoting private sector initiatives. They are, however, very interested in cooperating with specific private sector initiatives such as the Northwest Municipal Conference, described in later sections.

Private Sector Initiatives - Because of the large number of private transit providers that believe in their ability to serve more efficiently and cost effectively, the Metropolitan Transportation Association (MTA) was formed in 1982 as a support organization for private transportation providers. Its members include private taxi, livery, paratransit, school bus, and charter bus operators in a six-county area in and surrounding Chicago. These operators work together with the public transit agencies to promote more use of the private sector transportation services. The MTA was instrumental in obtaining private sector representation on the CATS Policy and Work Program committees and has served as a strong voice in the planning and implementation of transportation services.

MTA members own over 6000 vehicles (more than owned by the three RTA operating boards). MTA members transport over 45 million passengers every year, including passengers who receive paratransit services through community groups and social service agencies. The MTA's members believe: that the private sector can coexist with public operators to complement and supplement their services; that the most cost effective operation can be achieved by including private providers in the planning and competitive bidding of services; and that the public will be better served by open and fair competition between public and private operators.

In the northern Chicago suburbs, the private sector has initiated a comprehensive transportation improvement needs study through several major employers, several chambers of commerce, the Northwest Suburban Association of Commerce and Industry (NSACI) and 18 municipalities. Eighteen corridors are being studied to identify a comprehensive program of traffic, TSM and transit needs. All of the 44 groups involved feel that the development of a working public/private partnership is paramount to the ultimate success of the study in general, and the eventual implementation of specific recommendations. Cooperative, multi-modal mobility planning provides a common, united base from which to present mobility needs to lawmakers and the general public and effectively secure resources for implementation.

The detailed case study for the Chicago area has a double focus. First, the concept of transit privatization is explored by investigating the efforts of the MTA and the restructured RTA. Second, the multi-modal joint planning effort coordinated by Northwest Municipal Conference is explored as an example of a comprehensive approach to a public/private transportation partnership.

Citywide Evaluation

To our knowledge, agencies in the Chicago area are doing more than most other cities to involve the private sector in transportation planning and implementation efforts. This is probably due largely to circumstances of history, availability, and massive need. Historically, the private sector transit industry in the area dates from private railroads and suburban transit services. Because of this history, and the diversity of regional needs,

private providers have flourished. Today, some 450 operators are in business. The large number of operators compete among themselves. Their aggressiveness, the fact that many of the private employees are not unionized, and occasional complacency on the part of public agencies have kept the private operators competitive with public operators. The region, with over 7,000,000 residents, generates over 736 million transit trips annually and provides an opportunity for transit efficiency at lower costs.

From the perspective of highway planning and development, private sector participation is evident mainly in the donation of rights-of-way. The private sector representatives currently serving on the MPO Policy and Work Program committees are all transit providers and do not necessarily represent the interests of the other segments of the private sector.

Transit Privatization

Two aspects of privatization of transit operations have been investigated in the Chicago area. One is the effort of private operators to gain recognition for their capabilities; and the second is privatization efforts of the RTA and the impact of RTA restructuring on same.

Private Sector Recognition

The Metropolitan Transportation Association (MTA) was formed in 1982 by private transit providers in the Chicago area as an outlet for their frustration. They believed that their demonstrated capabilities and cost effectiveness in many area services were not being used effectively by the public agencies. The MTA is an association of approximately 30 private taxi, livery (airport shuttle), paratransit, school bus and charter bus operators in the six county area centered in Chicago. Together, members of MTA operate over 6000 vehicles--more than the RTA operates. Its members transport over 45 million passengers each year. The Association began its efforts by organizing conferences on private providers and using every possible opportunity to articulate their case of good service at low cost, in the hope that eventually they would be heard. The MTA held meetings with various public sector agencies, such as CTA, to discuss various categories of transportation needs in the area and the extent to which the private operators could participate in meeting those needs.

The private sector had been represented on MPO committees by suburban bus and commuter rail interests. As these private companies went bankrupt or were sold to public agencies, private sector representation was lost. MTA members determined to regain committee membership and use it to overcome what they saw as a bias against private providers. While not always enthusiastically accepting the private operators, public agencies recognized that area transportation needs sometimes require use of private operators. MTA's initial request to serve on the Policy Committee was denied but in response to the general interest in increased private sector representation and communication an advisory Private Providers Committee was established. Then, in December of 1984, the members of the MPO's Policy and Work Program Committees voted to change their by-laws to guarantee inclusion of private transportation providers in the voting representation on these two important committees.

The Policy Committee provides oversight and direction for all activities of the MPO and approves the Transportation Improvement Program (TIP). The Work Program Committee receives and coordinates suggested annual planning elements from all agencies and approves the Unified Annual Planning Work Program. In order to more fully integrate the private providers into the MPO workings, private sector representatives also have been given seats on the Mobility Limited Advisory Committee and the Transportation Operations Committee. The MTA's most recent activities have involved support for the Moody Bill in Congress. This legislation would give local communities the option to purchase either transit services from a private provider or vehicles with federal transit capital assistance funds. The MTA has recently received a $40,000 UMTA grant to fund association activities.

The Private Providers Committee, which is open to all 450 private sector transit providers, has continued to meet semi-annually since September of 1983. A steering committee of 16 meets monthly to stay current on all activities. It is from this committee that the MPO representatives are selected and stay informed about the needs of the broad constituency which they serve. The steering committee consists of school bus providers, city and suburban taxi operators, suburban limousine and livery operators, charter bus operators, and others. A quarterly newsletter is distributed to all known private operators in the area to keep communications open and to pass on relevant decisions from the MPO. With the assistance of the CATS staff, a survey and several working papers have been produced to present factual data on various issues of concern to the private operators, such as airport jurisdiction and taxicab regulations.

These activities are currently being supported by voluntary contributions of time by the private sector representatives, the budget of the MTA (supported by members' dues) and the budgeted staff time of CATS. As mentioned above, the MTA has received an UMTA grant to provide supplemental funding for their staff activities.

Restructuring the Regional Transit Authority

In 1974, the Regional Transit Authority (RTA) was formed by the Illinois Legislature to coordinate the many transit entities in the Chicago area and to expand the funding base. By 1981, RTA was experiencing a financial crisis which included rapidly increasing debt to vendors, a large fare increase, and a local controversy about level of tax versus level of service. For the first time the suburban mayors, the City of Chicago and the Illinois Legislature came together to address a transit issue. Ten principles of agreement were stated as a basis for consensus. The major goals were to reduce expenditures, provide more responsive direction of the myriad of transit services, and decentralize. Because of the funding crisis, more state funding involvement was requested. The final legislative package included splitting the RTA into what was hoped would be more responsive service divisions and a $100 million state loan. The package was passed in the state legislature in November, 1983. Initially, an interim board was established to pay the debts and oversee the transition to the service divisions. The interim board was dissolved in October 1984 with the creation of the three service divisions.

The RTA maintains financial oversight and coordinates labor rates. Under its oversight the three operating boards, the Suburban Bus Board (recently given the service name Pace), the Commuter Rail Service Board, and the Chicago Transit Authority, provide service. Because of the renewed emphasis on cost effectiveness, the tradition of private operations in the Chicago suburbs, and the abundance of private operators available, Pace is especially interested in privatization of much of its service. The commuter rail service is privately owned and operated in all but one instance. CTA has a long history of public ownership, but has recently been much more receptive to utilizing private operators to assist with specialized services such as paratransit.

Because of its greater privatization activity, Pace will serve as the focus of the discussion. Currently Pace transports 850,000 annual paratransit patrons and 35,300,000 fixed route patrons. It operates a total of 600 vehicles: 100 buses are privately contracted for paratransit service; 30 belong to RTA and are operated and maintained by private operators; 100 are other privately owned buses; and 370 are owned and operated by Pace. Pace services were managed by a private transit management company until mid-1985. Pace now manages its own staff because board members feel it is more cost effective.

The Suburban Bus Board (Pace) is made up of current and former elected officials. It is taking a very service-oriented, cost effective approach to its task. Pace uses three categories of equipment and operation when it solicits bids from private operators for fixed route service:

- o private vendor owned and operated vehicles of any type, but mostly school buses;
- o RTA provided vehicles, which are to be operated and maintained by the private vendors; and
- o commuter buses which will be owned and operated by the private vendor.

Depending on the specific application, any of these categories can be very cost effective. For example, school buses work very well as rail feeders where short distances are involved. In some instances, two or more vehicle categories may be mixed within one contract. Since Pace has been in place for a short time, the situation is still evolving. However, the board members feel that private operators will be a big part of the Pace future.

The Pace Board is improving its financial condition and expanding service quickly and cost effectively. According to the Pace Board, non-productive services are being cut radically. The most expensive (in cost per passenger trip) 10% of Pace routes are monitored constantly. The lower 50% of routes (and services) are given periodic review. Several townships pay taxes but do not receive transit service. Pace is carefully expanding services to remedy this problem. Pace is using small bus paratransit services to expand into the outlying reaches of its jurisdiction, largely through contracts with private operators.

Pace board members believe that privatization is a necessity for survival. The funds which they administer are too finite to overlook the operational savings which they can achieve through using the private sector operators. Soon Pace will be operating more private vehicles than publicly owned vehicles. Pace board members realize that there are problems associated with extensive privatization. They have already encountered criticisms of stifling competition (appearing to subsidize certain private operators), problems with unions, and the problem of determining the appropriate extent of privatization to serve community need and economic development as opposed to cost effectiveness. Because of the extensive need for private providers, Pace is very supportive of a healthy private sector industry from which to draw. They see the private operator seats on MPO committees as very useful to that health.

The entire system hit a low in 1981 in terms of ridership and service but bus operations have come back faster than rail. Pace is currently operating at only 85% of the 1980 service level but has reached the same ridership level. This is due to economic upturn, the RTA restructuring (and its emphasis on cost effectiveness), a 50% fare increase, and the availability of private providers to help reduce costs and quickly serve new areas. Pace is considering other private sector programs such as route guarantees, but is leery of voluntary programs which can evaporate, as opposed to the contractual relations it has with current private vendors.

Evaluation

No one has yet conducted a study of exactly what savings privatization has or will be able to achieve in the Chicago area. However the following facts are known:

- Every solicitation for bids has resulted in several competitively priced proposals, usually at a lower cost than the public agency is able to achieve;
- Costs for fixed route service from private providers have frequently been 20 percent less than the public agencies could provide in the Chicago area;
- While the contracts need to be "administered," the agency has no direct labor matters to deal with, such as day-to-day hiring, firing, and record-keeping;
- Some specialized paratransit services are provided reliably by private operators for as little as one-fourth the RTA operating cost;
- A large pool of existing vehicles is available for quick response to service expansion needs, especially in areas where there are taxpayers without service;

- Private sector contracting is a relatively easy way to procure labor, equipment, and maintenance, as opposed to hiring, purchasing, and constructing; and

- Cooperation with private operators can bring a public agency more in compliance with (or at least avoid a violation of) Section 3(e) of the Urban Mass Transportation Act. This section requires caution in provision of services which may unfairly compete with existing private operators. In the Chicago area, through its representation on the MPO committees, MTA successfully opposed a CATS proposal for public purchase of vans. The program was revised to lease vehicles from local private vanpool operators.

There are also some cautions about private providers that can be taken from the Chicago experiences:

- Minimize resentment between union and non-union providers. Most of the private providers are non-union. This can cause resentment from unionized public employees and problems at contract time. The Section 13c requirements in the Urban Mass Transportation Act for protection of employees' benefits and positions make it difficult to switch an individual, established route from union, public employee operation to non-union private employee operation. For this reason, private providers are mostly used to start new services. This potential labor problem has been behind some of the CTA hesitation to use private operators more extensively in regular, fixed-route service.

- Examine the past performance and credentials of prospective private providers. The Chicago area has experienced excellent performance on both contract services and services that did not meet expectations. While contractual remedies are available, bad operators are a disagreeable problem for the public agency. They also can tarnish the image of private operators in general. The private transit industry is working to weed out the deficient operators. The public agencies must be careful to write specifications and contracts for their protection and to require information which will weed out the weaker companies prior to contracting with them. Pace has developed an extensive monitoring system for their private contractors, which includes daily spotters, follow-up on rider complaints, and penalties, without reducing the number of qualified bidders on their solicitations.

- Don't let a financial crisis develop before making cost effectiveness a priority. Some private providers have indicated that the local, State, and Federal funds readily available to public agencies have allowed them to be less cost

conscious than they should be. With the availability of Federal funding for 80 percent capital expenditures, and 50 percent of operating losses, local taxes, and recent fare increases, private providers feel that the RTA has little incentive to be frugal with its funds. They contend that even though private operators demonstrate more economical operation capabilities, RTA has been reluctant to use more private operators. This same kind of attitude can extend to suburban cities. When offered a bus by RTA without direct capital costs versus contracting out with private operators, several suburban cities have chosen their own single bus from RTA, even though this has been a highly inefficient way of providing local service. The financial crisis of 1981 and the subsequent reorganization of RTA have led to new policies emphasizing cost effective operations. This has already been evidenced strongly by the Suburban Bus Board and moderately by the CTA Board.

Northern Suburbs Mobility Planning

Introduction

The northern Chicago suburbs have experienced rapid growth during the last 15 years. A 250 square mile area bounded by the Lake County Line to the north, the Kane County Line on the West, the DuPage County Line/Chicago City Limits on the south and Lake Michigan on the east (See Figure 1) contains 850,000 residents in 25 municipalities, dense office development, the world's largest regional shopping mall, the nation's busiest airport, and large amounts of vacant land for future growth. Although there was extensive capital investment in the highway system, it lagged behind the fast paced development in this area.

The private sector interests in this area have taken the initiative to study mobility needs and work toward implementation of highway and transit improvements to relieve current congestion and accommodate future growth. Coordinated advance planning has not been performed to fully address transportation requirements. It was the perception of the communities in this area that the Illinois Department of Transportation (IDOT) had not given attention to improving facilities under its jurisdiction, because of the greater need for funds in other parts of the region and the State. In,addition, they perceived that CATS had not conducted in-depth studies of the area although RTA has conducted transit corridor evaluation beginning in 1981. Individual cities have attended to their own needs with relatively little intercity/state planning coordination. In many cases, competition exists between neighboring cities for residents, businesses, and amenities. Accordingly, there are often conflicting goals between neighboring communities (e.g., where one wants to be a residential community and another wants to be commercial).

As more and more development has occurred, the private sector interests have become more frustrated by the lack of responsiveness of public agencies, doubled travel times, and worsening congestion. This was true throughout the area but especially in Schaumburg, where Woodfield Mall is located. In addition to the mall itself, large office parks have developed in Schaumburg, contributing to extensive peak period congestion. No single entity has taken the lead to develop a comprehensive transportation plan for the area.

Transportation Study

The initial private sector response to the worsening mobility situation was to form the Northwest Suburban Association of Commerce and Industry (NSACI) under the leadership of Union Oil Company. NSACI serves as a chamber of commerce for Schaumburg, Hoffman Estates and surrounding communities. The intensity of development has quickly led to NSACI becoming the fourth largest chamber of commerce in the state, with 980 members. However, it soon became clear that a chamber could not provide solutions to the transportation needs alone. Early in 1984, meetings were held between NSACI and the Northwest Conference of Mayors (NWCM) in an effort to explore solutions to the area's mobility problems. There are eleven conferences of mayors (grouped by location within the Chicago region) which serve as a communications network among more than 256 municipalities in the Chicago region. Most of these conferences are part of the CATS MPO process, and have representation on the CATS Work Program and Policy committees. They are the catalysts for much of the subregional planning activity undertaken by the MPO. After further discussions, NWMC and NSACI worked out a public/private partnership approach, similar to what was used in the area to implement the Job Training Partnership Act (JTPA) program. JTPA is a Federal employee training program. In the local application of the JTPA, a private, non-profit corporation was established to pool Federal, local and private funds and operate the program. That program was the first public/private partnership in the area and was acknowledged as a success by all parties. It appeared that a similar partnership approach would be necessary to effectively plan and implement transportation improvements for three reasons:

- No single group could or would take such responsibility;
- Many competing interests would need to be represented; and
- The more agencies participating in the approach the broader the support for the resultant improvement program.

The Northwest Municipal Conference (NWMC), having successfully guided the JTPA program, was selected to coordinate the public/private joint venture. NWMC is a multi-municipality sponsored service provider. Because of the large number of small municipalities in the area, it is felt that by pooling buying power and through cooperation, better services can be provided to all residents rather than each city duplicating facilities and only being capable to provide services on a smaller scale. The NWMC cost effectively provides cable television, libraries, fire protection, joint purchasing and police training for 17 northern suburban municipalities. After overcoming initial reservations, 43 public and private organizations have agreed to participate.

All parties understand that the public/private partnership would bring together the public sector as funders and implementers and the private sector for its leadership and influence. All sectors participate financially in the study on an ability-to-pay basis with 50% of the total financial requirements coming from the public sector.

The partnership under the direction of NWMC will apply $100,000 to a two phase study which is to identify the transportation needs of the area in Phase I ($80,000) and specify implementation responsibilities and a funding plan in Phase II ($20,000). In Phase I, the study is examining 18 corridors (see Figure 1) in the area which total 200 miles. The goal is to develop cost-effective solutions to alleviate existing deficiencies in roadway and transit facilities and to determine the extent of facilities needed to accommodate future growth. The major considerations include:

- o reduction of rush hour congestion;
- o increase of transit usage;
- o encouragement of ridesharing programs;
- o integration of land use and economic development plans into the process;
- o determination of transportation improvements; and
- o investigation of funding alternatives.

A consultant team has been hired to establish needs and issues, determine corridor travel demands, and develop recommendations.

The first phase of the study (needs identification) was to be completed in January, 1986. The second phase (financial plan) was to be completed in June, 1986. Meetings of the advisory committee have been held on a regular basis with positive resolution of disagreements. There have been some preliminary discussions concerning funding for the eventual recommendations. Last year the State gasoline tax was raised from 7 1/2 to 11 1/2 cents per gallon. A committee is searching for means to be able to return a high percentage of that fuel tax and State sales tax to the point of origin. With the large population, and high commercial sales volume in the area, committee members feel that a large fund of money could be made available for transportation improvement projects. Schaumburg is testing the concept of required developer contributions to a pooled transportation improvement fund. As in other cities around the country, it is felt that a fee of this type would be acceptable to developers at the outset of major projects and could be applied to off site (or even to out-of-city) improvements of a corridor nature which assist in achieving mobility objectives. Currently $1.00 per square foot of office space is being considered. At this point in the program it does not appear that the private sector will provide capital construction funds for improvements beyond possible development fees and right-of-way donations. Public officials believe that perhaps the greatest asset the private sector has to offer is its persuasive powers with legislators and other public officials who control the allocation of public funds. When an organized, prioritized plan has been prepared, it is widely believed that the private sector will be able to sell that plan to anyone with appropriations powers to

divert more funding to the area and push for faster implementation. Tax increment financing, tax rebates for developer contributions, and special districts are also being considered.

In the past, many of the communities held attitudes of self-reliance. Many were founded specifically to be independent of Chicago. This self-reliance has led to refusal of Federal funds because it meant cooperation with their neighboring communities or accepting regional planning or decision making. The rapid growth and the attendant transportation problems have led to a change of attitude. Cooperation and external funding sources are essential to the success of this program.

Evaluation

The approach used in the northern suburbs is not particularly new. It is very similar to the Community Capital Improvement Strategy in Cleveland and Regional Mobility Planning in Houston. The advantages include having a comprehensive assessment of needs with agreed priorities, cost estimates, and financing strategies. When approaching any group from local voters to Federal agencies, a high degree of preparedness is impressive and enables a clear presentation of need, timing and local support. Having all parties share the cost ensures greater attention and participation, as each entity is concerned about how its money is being spent. The more entities involved in arriving at a consensus the better reception the final result will receive.

It is still too early in this program to determine the degree of success or failure. There are, however, certain indicators which point to success:

- The success of the previous public/private partnership on the jobs program where major participants are willing to work together to their common benefit;

- The strides in cooperative service achieved by the NWMC during the last 10 years indicating that the municipalities are becoming even more willing to work together to solve common problems; and

- The first working conference, held in June 1985, where all participants reviewed the basic data to be used in the study. For the first time all participants were brought together and some of the competitiveness began to disappear.

There are still two hurdles which must be addressed: (1) agreement on treatment type, and (2) agreement on priorities. The communities must be able to agree on the treatment given to the individual corridors. (E.g., conflicts between one community desiring a quiet 2-lane residential street and the neighboring community needing a six-lane thoroughfare will not be easy to resolve.) Secondly, as the list of improvements receives agreement, priorities will need to be addressed (e.g., if only three of five very critical needs can be funded immediately -- which three?). This is one aspect of the program which is made more complicated by the fact that so many entities are participating financially. Those who contribute money want to see the results of their investment.

One of the chief obstacles in the beginning of this program was the attitude that taxes already paid by the private sector (in some cases at fairly high rates) should be adequate to accomplish the study and to leverage additional funds. During the early fund raising efforts on the study, progress was made by educating all parties as to: (1) the overall process; (2) the extent of the need; and (3) the problems caused by multiple communities, overlapping land uses, and the influence of successful business enterprises.

The leaders of the task force have the opinion that whenever an initiative comes from the private sector, public officials are, at least temporarily, threatened. They think that the businesses are attempting to usurp their decision-making role and authority. The officials must become aware of the tremendous assistance the private sector can provide to obtain funding. After funding is achieved, the private sector usually takes a less active role leaving the implementation of a comprehensive program of improvements to the public officials who control the implementing agencies.

CATS, the MPO, has provided some funding and technical assistance to the consultant team. While CATS has been very active on the privatization side of private sector involvement, it has relied on local, sub-regional initiations to promote private input as exhibited in the north suburban case. CATS has historically provided technical assistance on sub-regional planning issues. This assistance has developed plans for Du Page, Will and McHenry counties along with similar studies for Cook County. It has been CATS's position to allow for local, sub-regional decision making through the Councils of Mayors. In this case study, the NWMC spearheaded the involvement of the private sector. As with any program, its continuity may be the real, long-term measure of its success. Transportation problems will always exist in any major metropolitan area. Growth causes relocation of problems to new areas. Economic changes or redevelopment may change priorities and needs of developed areas. Thus, a continual process is required to accommodate these changing conditions and priorities. However, the private sector leaders respond best in an ad hoc fashion. No matter how much they have to offer, their prime occupation is their own businesses. Lending their support and expertise on an occasional basis is acceptable to them.

Perhaps the best way to tap the private sector for overall planning is with a two-fold approach. First, whenever a special study is undertaken (as with the NWMC), input from representatives of the private sector could be solicited by the MPO through their participation on an ad hoc advisory committee. The second approach would be to convene private sector representatives on a regular basis (annually). Through such regular meetings, it would be possible to: (1) poll their opinions on various transportation matters; (2) determine their priorities for special studies described above; (3) keep them informed about the process, the progress of various programs, and the support which they can and must provide; and most importantly, (4) convey to them both the impact of mobility on future economic development, and the benefits to be derived from their input. These approaches could be undertaken either on a region- wide basis or sub-area basis.

Cleveland, Ohio

City and Region Overview

With a city population of 546,543 (1980) and a regional population of 2,788,400, Cleveland ranks as the 12th largest metropolitan area in the United States. Located on the shores of Lake Erie in northern Ohio, the City is a center of diversified industry, and a center for major corporate headquarters. As with many northern cities, both the central city and the region have been the victims of population decline. The 76 square miles of the City of Cleveland is ringed by successive circles of 60 independent suburban municipalities. Thus the urban center has been prevented from expansion. Since 1980, the metropolitan area population has decreased 1.6 percent (U. S. Bureau of the Census).

Cleveland is served by four Interstate highways which, together with two loop routes, form an intensive, though functionally incomplete, freeway network. These freeways are supported by a grid of major thoroughfares radiating from the downtown area (see Figure 2). The Greater Cleveland Regional Transit Authority (GCRTA) has bus service to most parts of the county and rapid transit train service. Rail service is available from Cleveland Hopkins International Airport to the Terminal Tower on Public Square in the Central Business District, to Windemere Station in East Cleveland, and to points in Shaker Heights in the eastern suburbs. Trains operate every 10-15 minutes during the peak hours and every 20 minutes at other times. Downtown buses serve business and shopping areas, while other bus routes spread out to serve almost every location in the city and surrounding suburbs. Altogether, there are 164 rail vehicles, with 78 operating during peak periods on 30 miles of tracks. There are 650 peak hour buses.

The Transportation Planning Process

The transportation planning process is divided between a number of agencies at all levels of government. By Federal mandate, planning information flows through the Metropolitan Planning Organization (MPO). In the Cleveland 5-county region, this role is the responsibility of the Northeast Ohio Areawide Coordinating Agency (NOACA). Roads and bridges are the responsibility of the Ohio Department of Transportation (ODOT) or Cuyahoga County (under a separately elected County Engineer), the City of Cleveland, one of the suburban municipalities, or in some cases a private owner. The County, statutorily responsibile for only 27 miles of roadways, maintains over 800 miles of roads, under contractual agreement with municipal governments. The public transportation system of buses and rail cars is the responsibility of the Greater Cleveland Regional Transit Authority (GCRTA). Each of these agencies are involved in their own planning, as well as cooperative efforts at the areawide planning level.

There is nothing particularly unusual about the structure of interagency relationships. All agency inputs are coordinated each year through the MPO

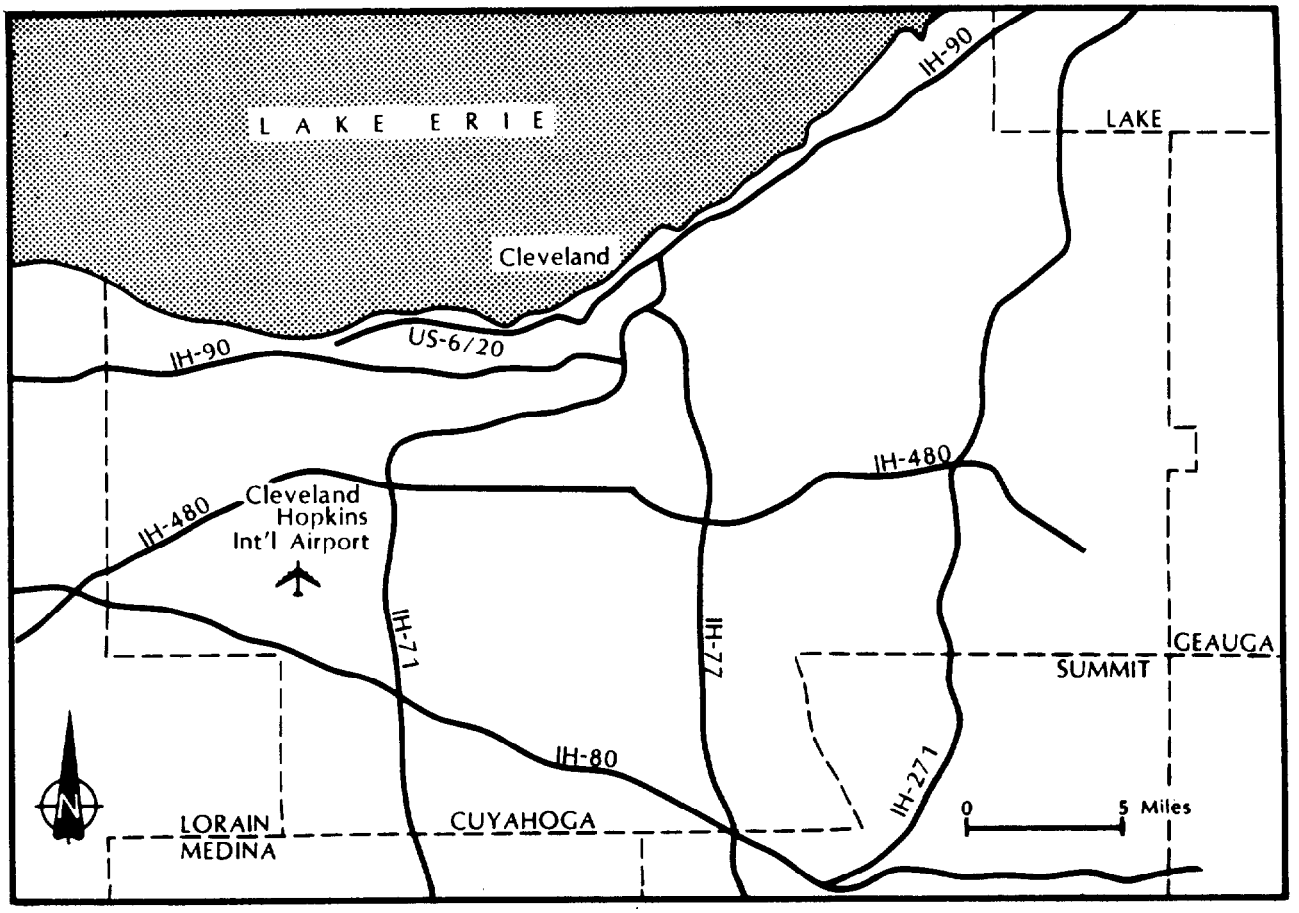

Figure 2. Cleveland Metropolitan Area

into a Unified Planning Work Program (UPWP) and a Transportation Improvement Program (TIP). In addition, individual agencies coordinate between themselves where they have common needs. The unusual aspect of Cleveland's planning process is the way in which various agencies have been brought together with the private sector through a Community Capital Investment Strategy (CCIS), the focus of this case study report.

The major private sector participant in transportation planning coordination is the Greater Cleveland Growth Association (the area's Chamber of Commerce). It has helped initiate the CCIS for Cleveland and has had a major role in orchestrating Cleveland's return from financial default and economic decline. Two unusual major non-profit sector participants are the Cleveland Foundation and the Gund Foundation. These two combined community trust funds lend financial support to a wide variety of activities throughout the Cleveland area. The Cleveland Foundation pioneered the concept of a combined fund wherein many separate bequests (276 in this case) are jointly administered to broaden the overall impact of the funds in a cost effective manner. The Foundation authorizes grants in excess of $17,000,000 per year in the fields of health, civic affairs, social services, education, and cultural affairs. Over 550 grants are given annually. The smaller Gund Foundation operates in a similar manner. These foundations took a lead role in the formation and funding of the CCIS. Various local developers and other businesses are also involved in specific projects where their particular development will be enhanced or accelerated because of transportation improvement (The Cleveland Foundation 1983).

Overview of Private Sector Involvement

The impetus for the CCIS came from the collective realization that drastic measures were necessary to restore several categories of public infrastructure to an adequate level for serving existing needs and supporting business expansion. Many public agencies pursued their programs independently under the resources provided them through taxes or grants, without sufficient coordination with other agencies and concern for the interaction of land use and infrastructure.

NOACA has been exploring the potential of privatization in transit services to the outlying areas. Several small towns outside Cuyahoga County and hence outside the GCRTA service area have recently seen a need for transit services. Recently, UMTA authorized a special study, to be administered by NOACA, to compare costs of suburban transit service with those of GCRTA. Privatization will also be explored through the five-county NOACA area.

The small suburban communities (outside of Cuyahoga County) don't have the resources to develop elaborate transit systems to address their need so they have turned to NOACA and the private sector for assistance. In at least 3 communities NOACA has provided on-site planning and operating staff assistance to relatively new transit operations:

- In Lorain County vehicles have been purchased and cities and social service agencies have been contracted to operate the system. Private carriers have also been contracted for service provision. Representatives of the private carriers sit on the county transit board's advisory committee.

- In the City of Brunswick, transit service is being planned to include maintenance by the school district, radio communication by the city, and operation by NOACA (with either contract drivers or private sector organizations).

- In Geauga County, East Ohio Natural Gas Company has pledged $80,000 to the NOACA as match to an application for UMTA grant for an alternative fuel demonstration project. Transit vehicles will be operated on compressed natural gas to demonstrate the effectiveness, efficiency, and cost savings of that fuel source.

In both Lorain County and the City of Brunswick, private sector participation will provide transit service or functions at a lower cost than the traditional public sector methods.

One other transit project in Cleveland is notable for its private sector involvement. The Dual Hub Project is a proposal to relocate and improve the rail line which operates in the eastern part of the city. An alternatives analysis and environmental impact statement are being prepared. The studies are being performed by the City of Cleveland. There is a steering committee for the project which includes representatives from the City, GCRTA, NOACA and the private sector. Three private developers are involved in the development of the alternatives. All parties are hopeful that the study will lead to joint development projects at some stations. The initiative for this came from the private developers who need the transit facilities to serve their high density planned developments and who realized that the existing facility was inadequate. The private sector consortium involved in the project primarily focuses at the eastern end of the project. This area is a major employment, educational, medical, and cultural center, known as University Circle. Private sector interests have pledged $100,000 toward the $1.1 million alternatives analysis study.

Citywide Evaluation

Most public agencies are doing very little to actively encourage private sector participation. While not discouraging the private sector they are not aggressively pursuing private participation. Private sector involvement in transportation is relatively new to the Cleveland area. In transit, private operators are only being used in outlying small communities where the public sector lacks the funds and the expertise to implement new services without drawing from the private sector. The major private sector initiative, which is the focus of this case study, is based on severe deterioration of infrastructure which the private sector has recognized as a contributing factor to the area's economic decline. As described below, there have been substantial benefits which have come to the Cleveland area as a result of the CCIS. While it may be argued that the public agencies would have eventually financed and built all of the facilities which that program includes, there is general agreement throughout the community that the private sector's initiative and leadership have provided a major boost to the area's economy at a time when it was sorely needed. Additional benefits of the program included a public/private consensus on transportation needs and education of both public officials and the general public in Cleveland.

Community Capital Investment Strategy

Introduction

Community leaders in Cleveland initiated the CCIS in recognition of the urgent need to restore the area's public capital facilities. The purposes of the project were to develop a workable process for identifying public investment goals and priorities and to recommend a feasible financing plan for meeting investment requirements. The project was launched under the auspices of the Greater Cleveland Growth Association, with the Urban Institute acting as the technical contractor. The effort was made possible by funding from the Cleveland Foundation, the George Gund Foundation, and from five cooperating local governments: the City of Cleveland, Cuyahoga County, the County Engineer, the Northeast Ohio Regional Sewer District (NEORSD), and the Greater Cleveland Regional Transit Authority. Extensive time and assistance have been provided by the 24 members of the Policy Committee, organized to act as the project's decision-making body. Half of these committee members are from the private sector.

Background

The impetus for the Community Capital Investment Strategy (CCIS) program came from a 1979 report by the Urban Institute entitled "The Future of Cleveland's Capital Plant." This report documented the condition of the water, street, bridge, sewer, and transit systems in Cleveland. The city-owned water system, which serves most of the metropolitan area, needed $250 to $500 million in replacements and renovation. The condition of 30 percent of the city-owned bridges had been rated as unsatisfactory or intolerable, and in need of more than $150 million in major repairs. The City's sewer collection system was plagued with frequent overflows. An estimated $340 million would be needed for storm sewer improvements to alleviate flooding alone. Street deterioration was initially rated a less serious problem than the deteriorating condition of the bridge and sewer systems. However, 30 percent of the street system needed to be resurfaced or repaired at a cost of $250 million. The transit system was in need of modernization by the regional authority at an estimated cost of $248 million. In the wake of financial pressures and tax limitations on the City and and other entities, maintenance had been severely reduced during the previous five years to the point that these infrastructure elements were deteriorating even more rapidly.

While outside funding resources could reduce local funds required by public agencies in the Cleveland area, the near-term prospects for agencies depending on tax-supported bond financing were poor. Without the ability to issue general obligation bonds, the City had been constrained in spending or matching Federal funds for repairs and rehabilitation of its bridges and local streets, as well as other facilities.

The Greater Cleveland Regional Transit Authority (GCRTA), created in 1974 by the Cleveland City Council, County Commissioners and a consortium of suburban cities in the County, was financed by a 1 percent sales tax approved by Cuyahoga County voters in mid-1975. The Cleveland Transit System (a bus and

heavy rail system) and the Shaker Heights Rapid Transit System (light rail) were transferred to GCRTA. Regionalization of transit occurred in response to the increased availability of Federal funding in 1974, and the need to provide adequate local matching funds to take full advantage of Federal assistance. GCRTA inherited antiquated transit facilities which required a massive capital improvement program. Sixty-three percent of the buses were over 12 years old. Three-quarters of the rail fleet was 30 years old. In addition, bus and rail maintenance facilities have been slated for replacement. The need for a major capital improvement program was further demonstrated by the rapidly deteriorating fleet performance between 1974 and 1978. The number of bus failures more than doubled during the period, while the average number of miles traveled between road calls decreased by almost half. Maintenance expenditures increased, reflecting the problems of an aging fleet.

Through the CCIS project, a renewal program of $1.6 billion over 1985-1990 has been identified for the Cleveland area to begin the long overdue task of upgrading the area's deteriorated public capital plant. To date, the estimates suggest that Federal, State, and existing local revenues will cover at least 50 percent of the cost of restoring area roads, bridges, water system, sewer system, and transit facilities. New local funds will be needed to finance the remaining shortfall of $656 million to $866 million.

The Urban Institute report had recommended that the City of Cleveland explore a range of financing alternatives to address their needs: user fees, greater involvement by other levels of government, better use of Federal resources, and the need to accept locally the concept that much infrastructure investment can be financed only through the issuance of tax supported city debt. Getting the City's fiscal house in order was the first priority before any of the necessary bond funding could even be contemplated.

Program Description

The Urban Institute report first came to the attention of the Cleveland Foundation. With its extensive involvement in the City, the Foundation's directors felt that the infrastructure crisis was serious enough to warrant immediate attention. At the same time a mayor with a businesslike approach to government was selected in Cleveland on the promise of better fiscal management.

With the wide distribution of the Urban Institute report, leaders in both the public and private sectors became aware of the magnitude of the problem facing their community. At the instigation of the Greater Cleveland Growth Association, meetings were held to discuss strategies to bring Cleveland out of its infrastructure crisis.

A consensus was reached that an extensive program needed to be initiated to devise a strategy to pull the area out of its decline. Working together, the Growth Association and the Cleveland Foundation, along with many volunteers

from the private sector began planning activities in 1981. The initial seed-money came solely from the Cleveland Foundation. An organization was established under the banner of the Growth Association to develop a plan covering five infrastructure categories (roads, bridges, transit, sewer, and water). Subsequent funding has been a joint effort among the Cleveland Foundation, the Gund Foundation, the Growth Association, the City of Cleveland, Cuyahoga County, GCRTA, and ODOT. The Cleveland Foundation insisted that public agencies be financially contributing partners in the process so that they would take interest, and be fully involved in the development of priorities which they would ultimately have to implement (Olson 1983).

Once a home, budget, and director had been found, a work plan was devised with the help of the Urban Institute. The work plan called for development of a project list, time table, funding strategy, process for continuing update and consensus, and a strategy for involving the private sector in various improvement projects as appropriate.

A program administration and policy committee was established including representatives from each entity participating in the project. The MPO, NOACA, was accorded a seat on the Policy Committee in recognition of its coordinating role with all public sector participants and based upon its record of grantsmanship. This committee reviews data, sets priorities, makes judgements about feasibility of alternative financing approaches, and recommends financing strategies for the capital renewal program. A technical team was designated for that initial study to generate more detailed information about conditions, needs, resources, strategies, legal aspects and barriers, and governmental capabilities (Olson 1983).

The results of the 15-month effort led to the 1983 Community Capital Investment Strategy Report. The Report contained a project listing of all needed improvements in the five infrastructure categories (roads, bridges, sewer, water, transit) over a five year period in the Cleveland area as defined by Cuyahoga County boundaries (including 56 cities and villages). Capital requirements were estimated to be $1.6 billion. Federal and State assistance were expected to cover 44% of the cost. Existing local revenues were expected to cover 9% of the total. This left a $656 million to $866 million shortfall (Olson 1983). As time goes by, NOACA and its public sector member agencies update costs and project lists.

Working together, community leaders representing local government and business interests have devised a financing strategy for closing the funding gap. The recommended plan proposes a substantial county-wide general obligation bond borrowing program which will stretch costs over a 20 to 30 year repayment period. Since transportation facilities typically serve both the City and suburbs, improvement costs will be spread over the widest possible taxing base. The financing plan recommends two bond issues for transportation improvement. Up to $285 million would be spent for road and bridge improvements and $45 million for transit. For convenience and to emphasize the inter-connected aspect of the transportation improvements, the plan recommends a State law which would allow consolidation of these two bond

issues into a single transportation program for voter approval. In addition, an increase in the $5 County automobile license fee for maintenance is included. This is intended to reduce the demands on the property tax and create a dedicated maintenance fund. Part of the City of Cleveland's response to the plan has been to dedicate a portion of the City income tax increase to capital improvements. This dedicated fund has made possible a substantial commitment to infrastructure improvements within the City. The plan also recommends institutional changes to facilitate capital planning and financing in the Greater Cleveland area, but mostly for the non-transportation categories.

The recommended financing program draws heavily on existing financing sources, including general tax revenues, user fees such as sewer and water charges, and bond issues backed by these funding sources. Non-traditional financing mechanisms were also reviewed for their application in Cleveland. Techniques such as the sale and leaseback of transit rolling stock are already in use. Creative financing was seen to offer only small savings and limited potential for financing the majority of the area's capital needs. The development of new organizational arrangements to facilitate capital planning and management were considered to offer a more productive outlet for creativity. Special consideration was given to the use of existing financing sources, which do not require major legislative changes or complex new administrative procedures, to facilitate program start-up and implementation (Peterson, et. al. 1983).

Despite the goal of considering private sector financing initiatives, such strategies were not mentioned in the final report. This was due to the feeling that the recommended improvements were mostly public agency related responsibility, and were too costly for private initiative to have a significant impact. Support for and payment of increased taxes were felt to be sufficient responsibility to impose on the private sector.

A forum has been created that encourages public and private leaders to jointly consider areawide investment priorities. There is greater coordination of capital planning among the City of Cleveland, Cuyahoga County, NOACA, the RTA, and the NEORSD.

Evaluation

The situation in Cleveland is one in which the financial crisis had eroded the City's credibility over a period of years, leaving the area's infrastructure in disarray. New administrations in both the Mayor's office and the County Engineer's office created an atmosphere for change. The City's private sector leaders and certain public sector administrators took the initiative to first identify the extent of the need and then identify the best strategy to restore five categories of infrastructure. The process was a partnership between both private and public sectors. It was felt that a high visibility effort was needed to focus attention on the problem. Financing of the infrastructure study was shared by both private and public sectors. Most of the planning data tasks and cost estimates were performed by appropriate public agencies. This created goodwill among all parties involved. The public officials were still able to perform their normal jobs and exercise their staff expertise. The private sector participants came to a new appreciation of public sector

responsibility and were participants in the priority setting process. The data needs and programming requirements of the CCIS stimulated the public agencies to develop five year plans, which had been neglected in the normal routine of responding to day-to-day crises.

One of the more important aspects of this joint public/private effort was the working relationship built by the community. Both the public sector and the private sector felt responsibility for creating the plan. The publicity generated made the entire community aware of the problems facing the City and of the potential solutions. The overall consensus led Cleveland to present a united front to the Federal and State governments and bond agencies in their efforts to secure financing.

While the private sector participated in funding (through the two foundations) and in decision making, it is widely felt that its greatest contribution was in the political arena. Public agencies generally find it difficult to successfully lobby for funds or new programs, if they are the only voices backing such proposals. In some circles, it is considered an inappropriate activity. The purpose of public agencies is merely to carry out the wishes of their governing body. The most frequently used word with regard to private sector participation in the Cleveland area was "clout." The public agencies felt that when plans were jointly developed in the CCIS program the private sector could be counted upon to assist politically in obtaining more funding, in cutting red tape, and in enlisting the support of other prominent individuals and politicians in funding and implementation. Initially, it was thought that the private sector participants would be concerned mainly with their own self interests. This has not turned out to be the case due to the diversity of the group involved and their public-mindedness. Much of the success of this effort is credited to the dedication of all individuals involved in guiding the process and representing the agencies.

To date, some notable successes can be attributed to this program. As a result of extensive information provided by the CCIS to the Ohio congressional delegation, the delegation was able to sponsor legislation which increased the percentage of Federal highway categorical funds sent back to Ohio from 60 percent to 85 percent. Because there has also been an increase in Federal gasoline taxes, Ohio is now receiving double its former annual amount of highway funds. The efforts of the Ohio congressional delegation to achieve this change were partly the result of the CCIS program. A major contribution of the CCIS program was the education of the State's legislators, congressional delegation, and other public officials. For the first time they were able to see the overall needs, the financial realities and a clear solution. They were then able to make vigorous efforts on the State and Federal levels to alter funding ratios and pursue changes in laws to address Cleveland's needs. The Growth Association estimates that $76 million of new funding has been acquired for projects as a result of CCIS and that $200 million in funding has been influenced greatly by CCIS.

A big disappointment to the program has been delays which certain politicians have put into the program. While most individuals involved think that the electorate will approve the tax increases suggested because of the compre

hensive process which has gone into suggesting them, the issues have not been placed on County ballots as yet because of reluctance by the County Commissioners to institute new taxes until they are assured that all sources of State and Federal funds have been tapped to the maximum extent. It is felt that the Commissioners will agree to the taxing plan as soon as they can be convinced that every other option has been exhausted.

There is unanimous agreement that a continuing effort is necessary to ensure completion of the program and updating of priorities. There are two problems with maintaining a continuing effort. First, private sector participants are voluntary and unpaid. While their attention can be captured for an intensive, one time effort, regular, long term involvement is very difficult. This would point to a periodic intensive update effort, every three years, for example. The second problem is establishing a responsible entity. Most of the agencies involved are either too narrowly focused, or too partisan. The MPO or Regional Planning Commission would seem to be a logical agency for managing a continuing effort. Since the Growth Association took the lead role in forming the CCIS, a very likely compromise will be for the Growth Association to monitor annual progress and focus on a major plan update, as necessary. NOACA, as the MPO, has been aiding the Growth Association in these updating processes and by agreement, is moving quietly into a more visible staff role.

Those who have been involved locally in the program suggest that any community can successfully apply the same public/private planning effort to:

- bring the officials of many entities together;
- force a detailed assessment of the five-year needs of each participating agency; and
- present a united front to the outside world for funding, lobbying, voting, and bonding. Anytime a community speaks with one voice it gets attention.

Those involved in Cleveland agree that the catalyst role must be filled, or at least shared, by the private and public sector entities that truly desire to make things happen. Those participants who take a leadership and active role make the difference.

Dallas, Texas

City and Region Overview

Dallas is located in North Central Texas. The City of Dallas has a population of 987,350 (1980). It is ringed by a dense cluster of suburban cities. Its Primary Metropolitan Statistical Area (PMSA), including these surrounding communities, has a 1984 estimated population of 2,383,750 spread over 4,659 square miles. When the entire region is viewed as the Dallas-Fort Worth Consolidated Metropolitan Area (CMSA), 3,634,600 residents are included in 7,197 square miles. The area is currently undergoing rapid growth with the addition of residences and commercial facilities at an unprecedented rate in its diversified economy. Since 1981, 50 million square feet of office space have been completed or put under construction. During the last 3 years, 165,000 residential building permits have been filed.

Because of the dual focus of two major cities, the highway system provides an interconnected double hub of radial and loop freeways with connections between Dallas and Fort Worth. Interstates 35, 45, 20, and 30 converge on Dallas. US 75 and US 67 provide additional freeway access. Interstate 635 provides a circumferential route. See Figure 3. In addition, the North Tollway provides access to the downtown from the northern suburbs. The two year old Dallas Area Rapid Transit (DART) System contracts with the city-owned Dallas Transit System (DTS) and provides for expanded suburban bus services. DART is planning a 147-mile subway and at-grade light rail system.

Transportation Planning Process

Public Agencies - The North Central Texas Council of Governments (NCTCOG) has been the Metropolitan Planning Organization (MPO) since 1974. NCTCOG's Department of Transportation and Energy is responsible for the regional planning process for all modes of transportation. NCTCOG also provides technical support and staff assistance to its technical and policy committees. In addition, NCTCOG provides technical assistance to the local governments of North Central Texas in preparing population and employment forecasts, transportation modeling, planning, coordinating, and helping to implement transportation decisions (NCTCOG 1984).

Another group involved in area transportation planning is the Regional Transportation Council (RTC). The RTC prepares and maintains a regional, multimodal transportation plan for North Central Texas. It is composed of elected officials, many of whom are also involved in private sector businesses. In conformity with the UMTA policy for private enterprise participation in transportation planning, private sector leaders in urban development and private transportation operators have been working with the RTC in formulating transportation plans and programs for North Central Texas. Its members are served by the NCTCOG staff.

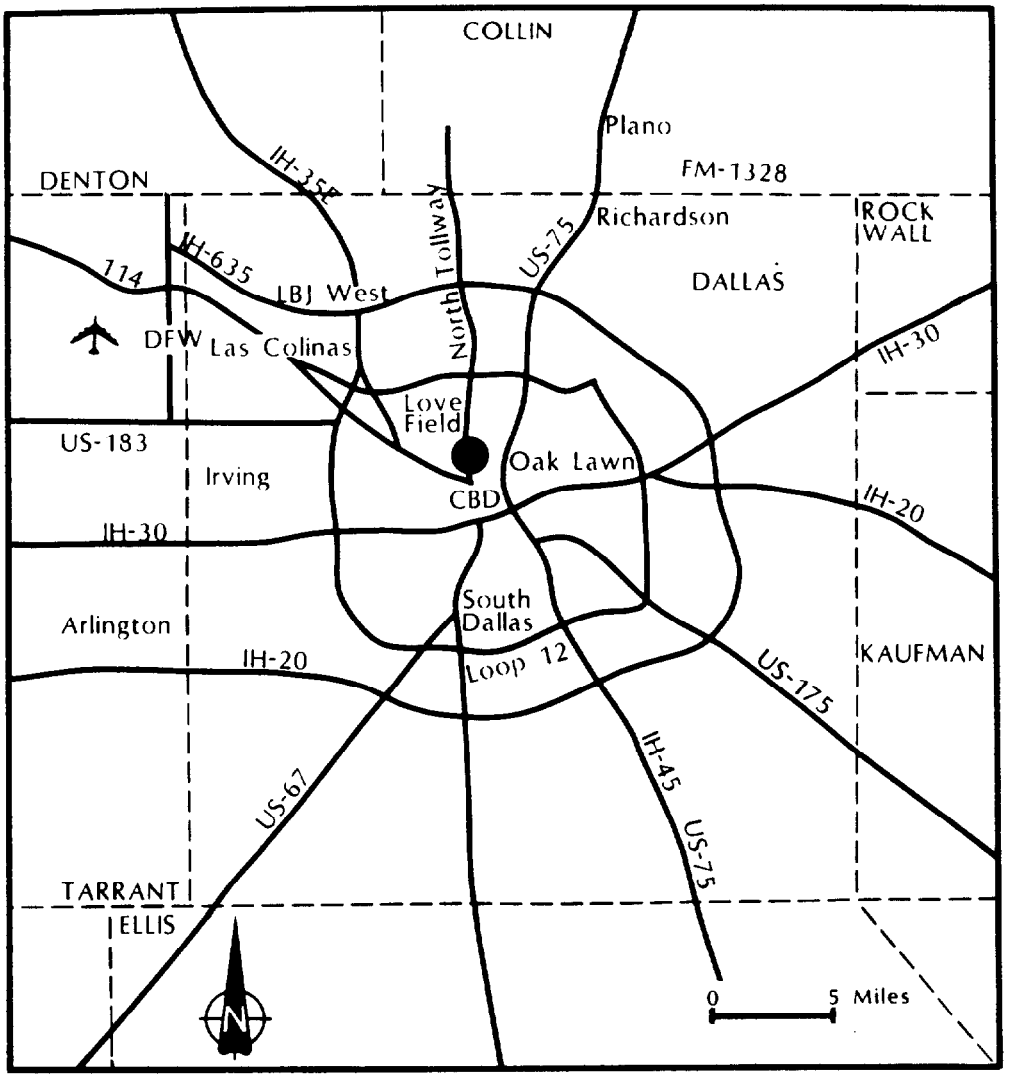

Figure 3. Dallas Metropolitan Area

The City of Dallas Department of Transportation (DOT) is responsible for thoroughfare planning and development within the City. The DOT also is involved in working with developers who are required to prepare traffic impact analyses prior to receiving zoning on projects generating in excess of 1000 trips per day or prior to receiving building permits for projects with floor area ratio greater than 1:1 and generating more than 6000 trips per day and 500 trips per acre.

Dallas Area Rapid Transit (DART) was formed in 1983 and is in the process of establishing its identity and role. Its directors have chosen to maintain a small staff (supplemented by consultants) and use its 1% sales tax revenues to provide many services by contract. Thus, DART contracts with the Dallas Transit System for city transit, and Continental Trailways for local suburban and park-and-ride services. DART is planning for a 147 mile light rail system throughout the Dallas area.

Dallas County is concerned with roads of county-wide importance. It funds construction of roads both inside and outside of municipal jurisdictions. The Texas State Department of Highways and Public Transportation (SDHPT) primarily is concerned with the State Highway System. This includes facilities with Interstate, U.S. Primary, State Highway (SH) and Farm-to-Market (FM) designations. The SDHPT also has a small public transit fund which is available to match two-thirds of the local share of UMTA grants to transit agencies throughout Texas. This fund, however, has been reduced to provide a total of only $9,750,000 for the 1986 and 1987 fiscal years.

All of these agencies join with Fort Worth and suburbs of both Dallas and Fort Worth, under the MPO and SDHPT's Regional Transportation Study Office, to prepare the annual Unified Planning Work Program (UPWP) and the Transportation Improvement Plan (TIP). From time-to-time, any two or more of these agencies will get together, as needed, to address issues of common interest and concern.

Overview of Private Sector Involvement

In 1984, NCTCOG devised an extensive set of guidelines for community involvement in transportation planning. These guidelines are expected to maximize the private sector and general public involvement in the planning process. While the guidelines have not led to a structured mechanism, they reflect the goal of involving a representative cross-section of an affected community in decision-making. Some form of ad hoc public meeting is the most frequently recommended mechanism but the guidelines indicate appropriate levels and forms of involvement for purposes of information dissemination, data gathering, conflict management, and credibility building (NCTCOG 1984). Two examples of this approach are the formation of the Metroplex Mayor's Committee (MMC) and the Executive Committee on Highway Finance (ECHF). The MMC meets monthly to discuss transportation issues of common interest. The ECHF was formed in January of 1985 by the mayors of Dallas and its adjoining suburbs. It is a five-member task force charged with lobbying for a greater share of State highway funds for the Dallas region.

The City of Dallas, and some of its suburban cities, have instituted a requirement for private developers to perform traffic impact assessments for major proposed development projects. Based on this analysis, certain on-site, adjacent-to-site, and off-site improvements are required from the developer before zoning changes or building permits are granted. Mandatory fees based on total project floor area are being tested.

Private Sector Organizations - Until recently the Dallas Chamber of Commerce has played only a small role in coordinating private sector activities. It has been involved in some aspects of land donations for freeways. Three years ago the Chamber spearheaded a regional mobility planning effort for Dallas. The Chamber will be taking a more active role in 1986 through its participation in the update of the 1986 Greater Dallas Mobility Study. The former Central Business District Association has been renamed the Central Dallas Association. This organization continues to be very active in promoting donation of right-of-way. It was active in DART subway planning, has recently funded a study on West End thoroughfares, and has hired a consultant jointly with the City of Dallas to update the CBD Plan.

A special private sector and community task force has been formed to study alternatives for the North Central Expressway Corridor. Ultimately the project will include rehabilitation of the Central Expressway and construction of light rail transit in subway and elevated sections. The task force is working in cooperation with a 45-member advisory committee, several cities, and governmental agencies responsible for transportation.

Private transit providers have played a major role in Dallas, especially since the advent of DART. Trailways Commuter Transit, Inc., operates DART's popular suburban express commuter routes. In the spring of 1985, Trailways was awarded a contract to operate local and crosstown routes within and between nine northern suburban cities. This contract includes the operation of 204 buses on 52 routes. Trailways will provide operators, supervisors, and maintenance facilities while DART has purchased the vehicles. DART and Trailways have determined that this is a money saving public/private venture.

There have been numerous examples in recent years of the private sector taking various initiatives in highway planning in the Dallas area. Private land owners'donation of rights-of-way for highways and funds for ramp and bridge modifications has become commonplace. Almost every new facility built in the last five years has had some private sector contribution. During the last two years private sector involvement in highway planning has been greatly encouraged by Texas legislation allowing the creation of two types of new entities, Transportation Development Corporations and Road Utility Districts. A Transportation Development Corporation (TDC) allows a private non-profit corporation to be established to receive right-of-way, conduct planning studies, prepare plans and specifications, and construct new facilities. These activities take place under the guidance of the State Highway and Public Transportation Commission which ultimately becomes the owner of a new state facility. (While no TDCs have been formed in the Dallas area as yet, there are three TDC's in other parts of Texas. Even though major facilities are being planned in all three cases, none of the TDCs has been given official representation on area planning bodies.)

The second type of mechanism which has been authorized recently is the Road Utility District (RUD). The RUD legislation allows the formation of a special district, by private developers, which can have taxing and bonding authority to plan and build roads within the district. No RUD's have been created as yet and their representation in any region's transportation planning process has not been determined.

There have been some transit initiatives by the private sector in the Dallas area. Private interests in the suburb of Arlington have instituted a successful park and ride service into Dallas. Another private group has begun shuttle service to Dallas-Fort Worth Regional Airport from areas currently not served by other publicly operated shuttles (Surtran).

A study jointly funded (2/3 city, 1/3 private) by the City of Dallas and the North Dallas Chamber of Commerce of the Dallas Parkway Center Area (along the Dallas North Tollway, north of I-635) has led to the conclusion that non-residential development (exceeding current zoning allowances) could only be supported if a series of specific transportation system improvements and "demand management" measures were carried out. The study grew out of public and private sector concerns that traffic congestion might place an undesirable limit on the otherwise successful commercial growth in the area. The area currently has almost 13 million square feet of office space and 4.5 million square feet of retail space. The public and private sponsors jointly agreed on extent and concentration of commercial development, amount of street improvement needed, and a strong, mandatory transportation management program for the entire area. The management program will include reduction of the parking requirements, mandatory ridesharing and transit support, and an independent, ongoing funding mechanism.

In one historically restored area north of downtown Dallas, a private group has formed the McKinney Avenue Transit Authority (MATA). The primary goal of MATA is to develop a streetcar/trolley system, partially on existing street tracks, connecting this area of offices, stores, and restaurants with downtown Dallas. The project is being pursued jointly by MATA (providing vehicles, maintenance facility, operating support) and the City of Dallas (providing planning, track construction, and coordinating an UMTA grant).

One Dallas neighborhood association has gone to great lengths to bring about a joint effort of transportation planning, sponsorship, and funding for their area. That group is the Oak Lawn Forum -- founded to deal with transportation and other planning issues in their area. The Forum's interaction with the City of Dallas and developers is the main focus of this Case Study.

Citywide Evaluation

Overall, considerable private sector involvement in transportation planning and implementation exists in the Dallas area. Most of the involvement to date has been on an ad hoc basis with public and private sectors coming together to address specific problems as needed (Central Expressway, Dallas Parkway, MATA). An extensive amount of privatization is allowing DART to expand transit services quickly and cost-effectively throughout its service area. NCTCOG maintains informal contact with area Chambers of Commerce. The only formal structure which exists is the requirement for a traffic impact

assessment, in Dallas and some suburban cities. At this point, even that requirement leaves the amount of improvement or fee demanded from the developer open to negotiations. The City of Farmers Branch is experimenting with a fixed fee of 50 cents per square foot for traffic improvements and 5 cents per square foot to fund a Transportation Management Organization (TMO). The City of Dallas hopes to eventually establish a fixed fee, but has had success with a policy of negotiated fees. As the concept of traffic management programs becomes more fully tested, that may become another structured part of the overall program.

The greatest obstacle to more private involvement, especially in planning, is finding an appropriate forum for regular, informed dialogue between public officials and private leaders. As the cities move toward a policy of greater private sector participation in the costs of constructing improvements, the private sector participants will want more input concerning what their funds are supporting. This concern was part of the initiative for the Dallas Parkway, the Oak Lawn Forum, and other studies--to identify the actions needed by all groups involved. City officials in Dallas have difficulty seeing how the MPO could play a larger role given the current circumstances of the absence of a regional land use plan and competition between cities for development. They see the private sector involvement revolving around specific developments. Since the developers must coordinate so many other facets of their projects with the City (zoning, building permit, traffic impact assessment), they see the City as coordinator for all aspects of transportation also.

A regional perspective on the overall effect of the myriad of localized developments is essential. Currently, NCTCOG provides baseline regional traffic forecasts which the developers' consultants modify in their separate traffic impact assessments. The feedback to modify the regional baseline does not exist. The Regional Transportation Council, in its role in maintaining an overall transportation plan, may be best equipped to provide a regional forum. An approach to dealing with purely subregional or single mode issues would need to be developed. In addition, dependence upon elected officials to represent private operators and other private sector interests is not adequate. The elected officials' concerns for the public good need to be informed by a better understanding of private sector concerns and capabilities.

City and Federal governments may inadvertantly frustrate the private sector through their "red tape." This frustration stems partially from the private sector's lack of familiarity with agency procedures and the occasional delays of any bureaucracy due to the workload generated by the area's rapid growth. All agencies should keep these factors in mind in an attempt to streamline their interaction with private sector organizations.

Oak Lawn Area Transportation Management Plan

Introduction

The Oak Lawn area of Dallas is north of and immediately adjacent to the downtown. See Figure 4. It is a transition area between the commercial downtown and the exclusive residential communities of Highland Park and

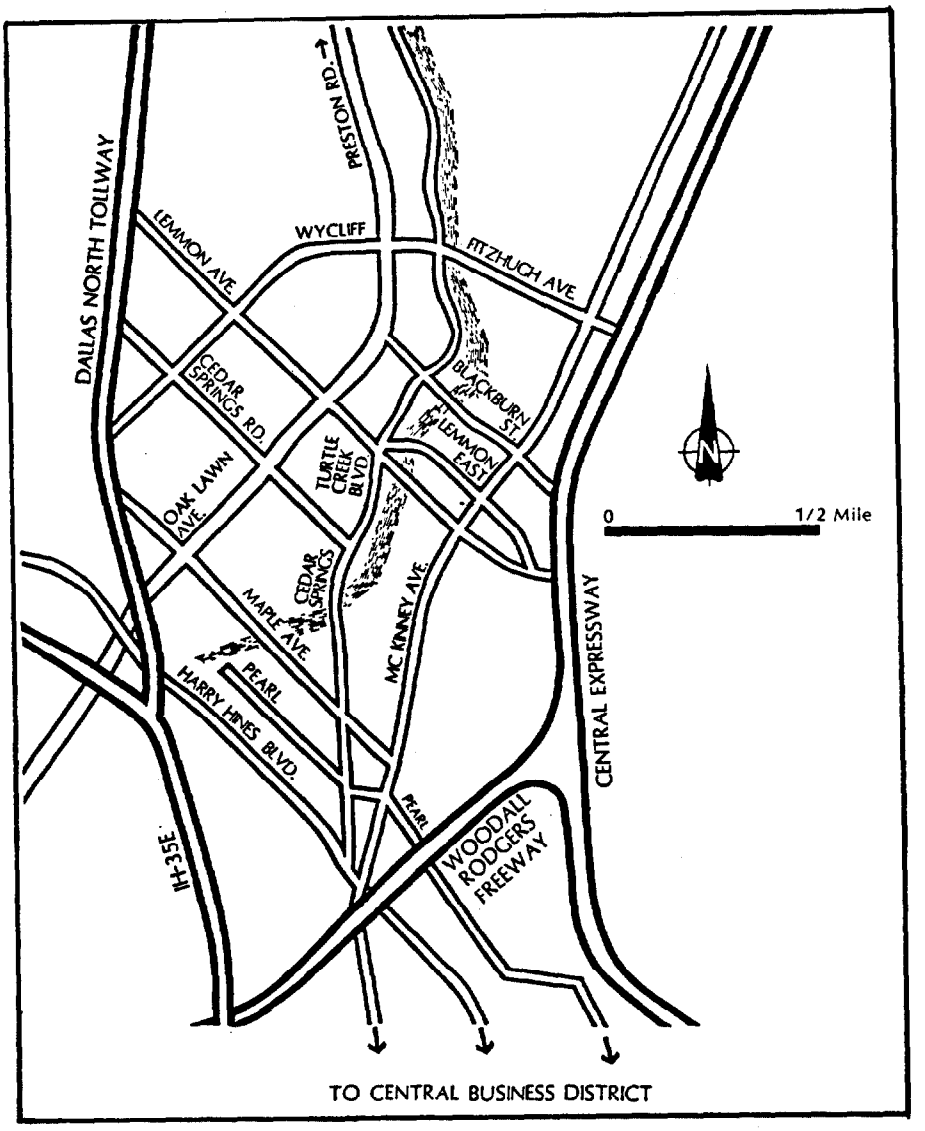

Figure 4. Oak Lawn Area

University Park. The area encompasses a broad spectrum of income groups in residential neighborhoods as well as a diversity of businesses and developments. Some portions of Oak Lawn have a historic character and some represent the latest in ultra-modern, high density commercial development. Some parts of the area maintain an appeal as an older residential neighborhood. Oak Lawn also is beginning to experience intensive commercial development which has spread from the downtown along the major thoroughfares which pass through Oak Lawn. The area's employment is expected to grow from 44,000 to 146,000 during the next 15 years. An additional 14 million square feet of office space is planned. The mixed residential and commercial land uses have led to conflicts between residents, developers, and the City in its attempts to respond to both groups.

In 1982 the Oak Lawn Forum was formed as a private sector initiative to bring all of the interest groups in the area together to identify problems and achieve a consensus on a plan for the orderly evolution of the area. The plan addresses issues which include: zoning, neighborhood stability, protection of the unique retail environment, landscaping, parking, aesthetics, urban design, and transportation.

Overall, the program is unique in that the residents, the developers, the business owners, and the City are all working together to devise a comprehensive set of guidelines and plans to bring a high quality of life to the area over a short period of time. The transportation planning for the Oak Lawn area is especially unique. The leaders of the Oak Lawn Forum demanded an approach completely different from typical transportation planning. Instead of advocating more and wider streets and freeways to accommodate ever increasing traffic, they advocated fewer, narrower roads along with other traffic management activities to more effectively handle traffic while preserving the appearance and residential character of the neighborhoods.

The basic premise of the Oak Lawn Forum leaders was that the streets currently were inadequate to serve increased development activity. Widening the streets as shown on the City's major thoroughfare plan would be permanently disruptive to the neighborhood and would still not provide enough capacity to easily accommodate all of the traffic which would be generated in the area as well as that which would pass through the area to access the downtown. As an alternative, the Forum proposed minimal street improvements but an extensive array of transportation system management, parking restriction, ridesharing, vanpooling and transit promotion techniques to more effectively manage traffic rather than to let traffic run rampant over the Oak Lawn area.

Background

After the formation of the Oak Lawn Forum, its first activity was to begin a study. An extensive amount of time was spent identifying the objectives of the Forum members. Transportation was not the only focus but it was one of the largest and most difficult issues to resolve. The report recommended reduction of office parking ratios to encourage transit use and to encourage developers to provide incentives for higher automobile occupancy and transit use among their tenants. Recommended actions included bus pass subsidy,

preferred parking for ridesharing, and vanpool programs (Oak Lawn Forum 1983). City retail and residential parking requirements were reduced because current data indicates fewer spaces are needed than previously thought. These recommended reductions achieved the double objective of smaller, less obtrusive parking facilities in the neighborhood, and fewer cars on the streets. Shared and paid parking also were recommended.

With elimination of thoroughfare improvements, limitations of parking, and continuation of high density zoning to accommodate substantial growth in the Oak Lawn area, a number of alternative measures were recommended to accommodate growth. These included:

- A Traffic Systems Management (TSM) plan. This plan included limited intersection improvements, elimination of angle parking, a limited number of major thoroughfare improvements, signalization improvements, traffic diversion from residential neighborhoods, a pedestrian system and bicycle lanes;

- Increased use and availability of public transit through more frequent DART service, and an internal shuttle bus system; and

- Miscellaneous alternatives to automobiles and public transit such as jitneys, private trolleys, taxis, and ridesharing (carpools and vanpools).

The initial effort was concluded with adoption in February 1985 by the City Council of a special district ordinance for the Oak Lawn area. This came after many months of discussions between the Forum and City officials. In the ordinance, parking ratios required for most land use categories were reduced by 10 percent, as an incentive for developers to: make a payment into the Oak Lawn Transit Fund, prepare an improved traffic management agreement, or qualify as a mixed-use development with shared parking. The Oak Lawn Transit Fund is earmarked for the development and operation of a bus shuttle system for the area. A traffic management plan requires each developer to state a specific, detailed plan for traffic mitigation measures such as carpooling, vanpooling, bus pass subsidy, subscription transit and bicycling programs. Specific vehicle trip reduction goals must be achieved within two years.

Adoption of this ordinance was not easy to achieve. Deviation from the thoroughfare plan and extensive reliance on transit is very unusual in a city like Dallas with only a 2-3 percent peak hour transit mode split. The City Department of Transportation (DOT) was concerned about the practicality of some aspects of the program.

Traffic forecasts indicated increasing need for thoroughfare improvements, not down grading of the existing plan. There was no detailed program for providing transit, and transit in Dallas is not used extensively. The DOT was skeptical about the success of the ordinance unless a deep and continuing commitment to trip reduction in the Oak Lawn area was shown. Setbacks in building design configurations were reduced or eliminated in the plan - thus there could be no fallback position in case of failure of the Forum approach.

Initially, the DOT staff was concerned about the proposed McKinney Trolley's impact on existing traffic, expecting increases in actual congestion due to the Trolley's stop and go operations. However, following more detailed analysis by the DOT staff and a traffic consultant during the summer of 1985, an operating plan was devised to allow safe and efficient trolley operations, while minimizing traffic disruption. The City staff in the transportation, planning and other departments has worked closely with the Oak Lawn Plan as it was developed in order to come to a mutually agreeable program.

In June of 1984 the first phase of the internal transit planning study was completed. This report documented the data collection and alternatives identification aspects of the plan. The plan also included: an inventory of existing and planned transit services in the area; extent of vehicle trip increase anticipated from development; and consideration of the various transit options for an internal shuttle system. Recommendations included: a closer working relationship with DTS and DART; development of the local shuttle service (with a private operator recommended as the most cost effective approach); and the establishment of an areawide ridesharing coordination service. Phase II of this study will be the actual service planning for the Oak Lawn area. That program was scheduled to be in place by the end of 1986.

Evaluation

There is a continuing need for all involved parties to be reminded of the tremendous continuing efforts which will be required for the success of this experiment. Despite these concerns, the planning and transportation staffs, the board of directors of the Oak Lawn Forum and the majority of City Council members feel that the alternative approach can be made to work with diligent effort.

Until the final mix of services is operating for a period of time, it will be difficult to determine which approach is better: the traditional or the experimental. The traditional approach has the drawback of addressing capacity needs on an interim basis. The Oak Lawn approach manages transportation demand and services. It is not widely tested and may require changes in habit and extensive efforts on the part of all parties concerned to ensure any degree of success.

Financial and Economic Benefits and Costs - The Oak Lawn Plan has not been economically evaluated. Its goals are oriented towards improving the community "standard of living" as defined by all participants. If the plan is ultimately successful in maintaining the Oak Lawn area as a desirable close-in residential environment, then residential land values could be maintained or increased, thereby financially benefiting the residents. The plan places a somewhat greater burden on developers with more costly below-ground parking recommendations; traffic impact assessment studies; costs for subsequent on-site and off-site improvements; and contributions to the Oak Lawn Transit Fund. These costs are somewhat offset by reduced parking ratios and easing of setback requirements. It remains to be seen whether the development modifications will discourage commercial developers in the area. The City is certainly being relieved of the cost of many thoroughfare improvements but is also being saddled with some additional administrative costs.

Political and Administrative Issues - The administration of this program will place some additional burdens on the City of Dallas. However, that may be a small price to pay for harmonious coexistence of residents and developers in the Oak Lawn area. Conventional wisdom indicates that streets should be widened as development intensifies and traffic volumes increase. Oak Lawn residents have said that street improvements only lead to congestion on a larger scale which spills over to dramatically change the character of the nearby residential neighborhoods. However, the lack of thoroughfare improvements will put a great deal of pressure on the Traffic Management Plan. This plan will include transit and traffic elements and mandatory fees to support them.

There are two disturbing factors to this plan. The first is that a specific transit plan has not yet been devised, leaving much uncertainty about how the alternative approach is to work and delaying its implementation. The second factor is that there is no provision to make any requirements or participation in this plan retroactive. In other words, developments begun before the ordinance was passed, while contributing to the problems in the area, have no responsibility to contribute to transportation solutions.

Lessons - Many communities can learn from the Oak Lawn Plan. Residents can learn to work with developers and governmental agencies rather than merely resisting various pressures to change. Developers can learn that by joining with nearby residents, mutually beneficial plans can be devised to satisfy the needs of both sides. City and other governmental agencies can learn to be more open to innovative approaches, which may be able to reduce strife between competing interests within the community. These agencies can also learn that the private sector can be interested in the community good and peaceful coexistence rather than purely selfish motives for their isolated developments.

As in most cases of private sector involvement, the initiative in the Oak Lawn area came from the private sector. Since the MPO operates outside the jurisdiction of the city zoning ordinance structure, it can have little influence in matters such as these. In the Oak Lawn case, the MPO provided technical assistance in the area of data provision and traffic forecasting. The Oak Lawn strategy must be watched closely during the next five years to determine its success or failure. If successful, MPOs everywhere, through their TIP and UPWP development process, should encourage their participating agencies to take a new look at their projects. In some cases, developer incentive programs and intensive area transit treatments can be substituted for costly construction projects.

Los Angeles, California

City and Region Overview

The City of Los Angeles, with a population of just over 3 million (1980), is the second largest and the second most densely populated urban area in the U.S. The region has increased its population from 3.3 million in 1940 to 11 million in 1980. Today, it is one of the largest metropolises in the world. The Southern California Association of Governments (SCAG) forecasted a regional population growth of 28 percent, to 14.7 million, by the year 2000.

Public perception of the need for transit and transportation improvements is evident in the 1980 approval of a Los Angeles County referendum to raise revenues by a one-half percent sales tax in support of transit. The approval was primarily made possible by combined efforts of civic and business groups, and political leaders.

The Southern California lifestyle of high mobility is made possible by an extensive network of highways (1,921 miles of freeways and 11,341 miles of arterials), surface streets, bus transit and other systems, such as airports and ports. The highway system presently carries approximately 96 percent of traffic or almost 39 million person trips each weekday. Transit carries the remaining 4 percent. The total daily person trips in the region are expected to increase to a level of approximately 51 million by the year 2000. Unless considerable transportation improvements are made, the region's roadway system could become increasingly less capable of handling additional demands.

Public transit service in the region includes express fixed route bus service, local fixed-route bus service, demand-responsive service, subscription bus service and charter bus service. Paratransit is provided by public and private operators for numerous local government agencies. The 42 publicly owned transit systems either provide service through private firms under contract or operate service directly from within the organization. It has been found that many cities have developed contracts with private providers, thus reducing their operating costs. More than ten cities in the County own and operate municipal transit systems which provide fixed-route service.

Los Angeles is one of the largest urban areas in the western world that does not have a rail rapid transit system. The Metro Rail and the Long Beach/Los Angeles Light Rail Transit, two major projects, started construction in 1986. Thirteen corridors, comprising a 164-mile network of rail lines, have been identified and selected for further definition, two of which are currently undergoing engineering design.

The Transportation Planning Process

In the region, the transportation planning process is shared by a large number of governmental units. During recent years, however, the roles of various governmental agencies in both planning and financing of publicly funded transportation have been significantly shifting. Funding from national and

State agencies is no longer as certain for capital and operating expenditures as in the past. This influences the nature of transportation programs developed by the planning process. The following presents some of the role changes at several key public agencies.

Publicly Funded Transportation Agencies - SCAG, as the Metropolitan Planning Organization (MPO), is responsible for preparing the six-county regional transportation plan. Sixteen delegates are elected from member cities located throughout the region. Furthermore, the Transportation and Communications Policy subcommittee has representation from 75 local and county governments, Caltrans, California Highway Patrol, and Air Resources Board. SCAG largely serves local jurisdictions by providing information on member cities and general regional data as needed.

The California Transportation Commission reviews and adopts annual Regional Transportation Improvement Plans as a part of the State Transportation Improvement Plan (STIP) prior to committing State funds. It assists in formulating and evaluating State policies and plans for transportation programs in the State. The California Department of Transportation (Caltrans) is responsible for implementing decisions determined by the Commission. It has full possession and control of all State highways and it maintains the present highway systems.

Additionally, Caltrans designs, builds, and maintains bridges located throughout the State, financially supports mass transit systems such as commuter trains and light rail systems and builds transit stations that connect different forms of transit, light rail, bus and rapid transit.

The City of Los Angeles Department of Transportation (LADOT) was formed in 1979 to provide the focal point for the planning and implementation of surface transportation in the City. It has the responsibility for planning, developing and implementing transportation improvements; reviewing development proposals for traffic impacts; and developing applicable ordinances that mandate circulation improvements as a condition for the issuance of building permits. LA DOT also has lead responsibility for para-transit administrative operations, such as issuance of taxi licenses and taxi coupon subsidy program vouchers, and for coordinating the allocation of Proposition A funds. Proposition A funds are generated by a one-half cent sales tax and used for public and private transit service provision.

The Southern California Rapid Transit District (SCRTD) was created by the Calfornia State Legislature in 1964 and is the region's largest publicly owned bus operator. It is responsible for operating and maintaining a 2,771 bus fleet, and planning, designing and eventually operating the Metro Rail, a $3 billion, 18-mile heavy rail passenger project. SCRTD will also be responsible for operating all other planned rail projects located within Los Angeles County. This bus operator has an annual budget of $490 million and is the largest of the 42 transit operators in Southern California. The L.A. County Board of Supervisors exercises influence over SCRTD policy through appointment of five of the eleven board members. The Mayor of the City of Los Angeles appoints two members and the balance are appointed by a special county-wide selection committee.

The Los Angeles County Transportation Commission (LACTC), the newest actor in the transportation planning process (established in 1976), is primarily responsible for planning, programming, budgeting (the appropriation and allocation of funds), monitoring and coordinating activities of highway and transit agencies in the County (Shaw and Simon 1982). Recently, a County-wide rail transit implementation strategy was adopted, based on the 1980 referendum known as Proposition A. Voters increased general sales tax from 6 to 6-1/2 percent to finance development of the rail transportation system. LACTC manages the implementation of that transit strategy. The annual revenues generated by the sales tax averaged over $200 million since collection began on July 1, 1982. The Social Services Transportation Improvement Act (AB 120) put LACTC in charge of coordinating and consolidating social service transportation needs in L.A. County. Also, LACTC is responsible for designing and building a rail system within the proposed Century Freeway (right-of-way) which is currently undergoing construction.

Some of the 83 cities in the County operate transit systems as publicly owned public utilities, while other para-transit services are either publicly owned and privately operated or privately owned and privately operated (but publicly subsidized).

Impetus for private sector involvement in real estate development lies with developers, and the Planning Department of the Los Angeles Community Redevelopment Agency (LACRA). LACRA negotiates trade-offs with major developers in locating sites near proposed transit stations or in target areas. LACRA's prime responsibility is real estate "blight elimination" in designated target areas that meet specific criteria for redevelopment and injection of new capital.

SCAG participates in the formulation of comprehensive regional planning objectives but it has had a history of difficulty in developing regional consensus. This is mainly due to size of the area, strengths of local government units and number of municipalities in the region, according to both staff persons and private sector persons interviewed. Ongoing task forces and ad hoc committees are established to coordinate and exchange information between agencies.

Major Private Sector Transportation Organizations - The Chamber of Commerce (COC) Transportation Committee has an active history of direct involvement with transportation matters. In fact, the Los Angeles Chamber of Commerce has endorsed every major transit project in the area and it holds or co-sponsors forums related to downtown development with emphasis on transpor- tation. Also the COC has periodically financed downtown circulation and parking studies and its major concern is the reduction of downtown traffic congestion.

The Central City Association, a group of large corporate executives and developers, meets regularly to discuss congestion and funding matters. In addition, they routinely review current and projected traffic impacts of downtown development and recommend "Blue Ribbon" commissioned studies. This group also advocated additional benefit assessment taxes, to fund transportation improvements.

There has been an increase in the number of employer associations in the region, usually located in high-intensity employment centers such as El Segundo, Century City and South Coast Plaza. The associations support ride-sharing and have ride-sharing specialists on staff to provide on-site assistance to member employers desiring carpools and van pools. Transportation officials state that in addition to the existing (10 or more) transportation management associations (TMA) located all over the region, major developments such as those planned in the Coastal Corridor will establish TMA's to influence decisions on site specific mitigation measures such as carpools and van pools.

There is a large number of private transit operators in the region. Cities such as Santa Fe Springs, Carson and Whittier have successfully contracted out for fixed route systems. Many other cities have established municipal "demand responsive" systems by contracting out either to other cities or to private operators. On the employer side, the Hughes organization has sixteen vanpool routes in the Los Angeles International Airport area for its employees, thus reducing service demands for the use of private autos and public transit systems.

Neighborhood associations become involved in the planning process typically when their communities are directly impacted by major developments, however they have also provided feedback to public agencies with respect to support of Proposition A and the Metro Rail Project. Developers and property owners have become increasingly aware of shared responsibility in the improvement of the transportation system. The Coastal Transportation Coalition (CTC) which started in 1983, provides uniform representation of the business development and residential community within the LAX-Coastal Transportation Corridor. The CTC provides technical assistance in administrative/legislative proceedings that involve precedent-setting issues for the development of a light rail or other transit systems. The CTC will be discussed in the case study section.

Overview of Private Sector Involvement

Public Agencies Initiatives - In the last five years, as traffic has built up throughout the region, the infrastructure has not been able to accommodate demands of vehicular movements. Many commercial subdivisions are now required to provide internal and external shuttle service and other types of transportation improvements. These requirements have become necessary because development has outpaced the ability of the City to provide funds for improvements and therefore, actual physical improvements have not been implemented on a timely basis.

Also in keeping with both funding resource limitations and private/public partnerships, the area's public agencies have fostered innovative policies and programs expressly designed to encourage the sharing of costs of capital improvements for highways and transit projects. The policies and programs range from Special Benefit Assessment Districts to offering incentive bonuses to developers. The following provides an abbreviated description of public agencies' responses to private sector involvement.

SCAG solicits support from the private sector through its two year old Regional Advisory Council (RAC), which is comprised of sixty persons who report private sector issues at bi-monthly policy meetings. Members of the RAC represent private and non-profit organizations for the purpose of: (1) sharing technical solutions, (2) exchanging ideas that generate public/private understanding that transportation problems cannot be handled solely by public agencies, and (3) setting current and future policy objectives and directives and monitoring transportation issues.

SCAG has developed policies and recommendations to "coordinate revenue raising approaches with transportation strategies in order to make them mutually reinforcing." Also SCAG intends to increase the use of value capture, benefit assessment districts and developer participation in the financing of transitways. Over $100 million per year has been collected in the region by way of dedications of roads and subdivision surface streets, although this is not totally attributable to such policies. Instead this revenue has resulted from local governmental conditions and criteria established in the issuance of building permits. In March 1985, SCAG adopted a policy statement on Private Enterprise Participation in the Urban Mass Transportation Program in support of UMTA's October 1984 private sector initiative.

The City of Los Angeles recently adopted an area specific ordinance authorizing development impact fees, while it provides developers with an opportunity to exempt a certain percentage of trips generated from the fee if they institute trip reduction measures. Two geographic areas are now under the traffic assessment impact fee program of this "specific plan" development process. They are the Westwood Village and the LAX/Coastal Corridor area.

The City Council declared an emergency in the former area due to congestion in the general area of Wilshire and Westwood Boulevards. The City has levied a one-time charge of $5,600 per p.m. peak hour trip generated by new developments. (The fee was determined by the estimated costs of improvements.) Within the LAX Corridor area the Hughes Corporation and other major developers have joined in a cooperative effort to pay an amount levied by the city. Also the ordinance encourages demand management and will grant fee credits for designated regional transportation investments.

In the area of transit service provision, SCRTD has taken an aggressive posture toward joint development/value capture and financing alternatives resulting in programs such as "Benefit Assessment Districts" as a part of the Metro Rail Project. Through negotiation and coordination with LACTC and LADOT, SCRTD responds to many demands by monitoring service operations and by contracting out many long haul routes to counties. Some of these are the Central Business District (CBD) shuttle, Westwood Shuttle, San Pedro Shuttle, Fairfax Shuttle and Encino Park/Ride. Each of these operations has been found to operate at costs lower than those of SCRTD. The City of Carson has authorized contracting out for a mini-bus system which now consists of six circuitous, time-pulsed routes and one feeder line. This transit system, with a ridership of 1,500 passengers per day, has been so successful that new routes have been added to the initial system since it began in 1984. Transit privatization in the Los Angeles region is the focus of the second case study.

LACTC is currently developing its policy on private sector involvement. However to date it has applied an informal policy whose basis is established in SCRTD's joint development policy (LACTC 1984). Developers are now initiating partnerships around several of the transit station sites along the L.A. to Long Beach Light Rail Transit alignment because of the perceived business attributed to the passengers using the proposed rail line.

Private sector involvement takes place on a project-by-project basis. For example, a developer proposes to develop a location near the proposed Willowbrook Station and offers to provide a parking lot with security arrangements for common use. For the most part, however, benefit assessment districts are the predominant method of involving the private sector throughout the city.

As a part of the California Transportation Commission's 1983 Economic Policy, Caltrans (1984) adopted policies that "promote statewide economic development through support of improved access to existing and planned commercial and residential development in full cooperation with local and regional agencies and the private sector." Also it is a departmental policy that "those who share in the benefits of such improvements should also participate in the costs..."and recommends that "the higher the ratio of private to public funds, the higher the priority should be, if all other conditions are met."

Furthermore, an application of the management policy with respect to highways is found in the Caltrans (1984) Guidelines. In this policy, a developer's funding participation increases the priority of the project to be built, allowing a project to be programmed ahead of its statewide priority as defined in the State Transportation Improvement Program (STIP). If a developer pays, for example, 50 percent of the cost of an interchange, the project receives 50 points or more. Total points for a project range from 200 to 300. Caltrans sponsored numerous seminars in San Diego and Sacramento for the purpose of convening large and small developers to inform them of Caltrans criteria and solicit their input for establishing standards and procedures for funding highway related work. Finally, Caltrans involves the private sector in transit projects by adopting policies allowing the private sector to build bus shelters on highway rights-of-way in exchange for using the advertising potential of shelters. More than 125 shelters have been built at a savings of approximately $600,000 for the State.

Recently, public agencies and private industry have begun to focus effort, money and attention on public/private interaction. For example, consider the 1984 Summer Olympic Games held throughout the entire region. Public agencies, private developers and major employers cooperated for the public welfare by modifying normal travel behavior patterns in order to reduce vehicular traffic peak periods during the two-week event. Most large employers staggered work hours, utilized shuttle buses and satellite parking, while other employers encouraged employees to rideshare and take vacations. The end result was that traffic movement occurred at optimum levels throughout the region, including those areas where sporting events took place.

Potential Private Service Providers - Private transportation providers expect to expand para-transit services beyond the current service levels, this expansion to be funded by about $6 million of LACTC's Proposition A Discretionary Account for FY 85-86. The program is made possible by an increase in SCRTD fare. (The July 1, 1985, termination of the Proposition A 50-cent bus fare program required an increase in fare to 85 cents. With the increase in fare, officials expected that local business associations, van pool and taxi operators and private transport operators would draw riders away from SCRTD lines. However, the fare increase resulted only in a 4-5 percent reduction in patronage and the SCRTD, instead of cutting back, had to add service to relieve overcrowding on numerous lines.)

Developers - Private developers have reached agreements with Caltrans to trade off right-of-way and air rights for construction of roadways, bridges and other transportation related facilities. Caltrans also leases right-of-way to private developers at prime interchanges along major freeways for the sole purpose of raising money. This is evidenced by a new hotel currently under construction in the Route 101 (Hollywood) freeway right-of-way at Vermont Avenue.

The Hughes Corporation provides yet another example of the private sector actually paying for 100 percent of the project costs for an interchange at I-405 (San Diego Freeway) and Sepulveda Boulevard.

In 1981, MCA Development Company financed and built a bridge that spans the Hollywood Freeway (101) linking Cahuenga West Boulevard with Universal Studio's main parking lot. In 1986, MCA was scheduled to construct northbound off and on ramps along the freeway to convert the aforementioned bridge to an interchange. The estimated cost for the improvement is more than $3 million, 100 percent to be paid by MCA, since State/local funds were not immediately available to make such improvements.

In North L.A. County, the Newhall Land and Farming Company is currently negotiating with Caltrans to build new freeway entrance and exit ramps at Rye Canyon Road to facilitate a proposed new mixed use site development.

The Irvine Company is developing a large tract of land bounded by I-5, I-405 and State Route 133 in Orange County commonly known as Spectrum. The company has proposed financing new and re-routed access, i.e., roads, freeway ramps and overcrossings linking several roadways with its planned future commercial/industrial mixed-use developments.

Employer Associations - Major employer associations in the L.A. area have a growing interest in achieving more organized transport services. Transportation associations such as the recently formed South Coast Metro Employees Association in Costa Mesa and the Century City Chamber of Commerce Transportation Committee are a sign of this interest.

The El Segundo Employers Association (ESEA), a local employers group in the Los Angeles International Airport area, was formed in 1981 as the first non-profit employer association at the request of the City of El Segundo. The ESEA's purpose is to solicit assistance from businesses to plan for the area's growing transportation needs. The Association has been directly involved with efforts to enhance commuter bus service, light rail and management of an areawide ridesharing program (for more detail see brief in Part B).

The Atlantic Richfield Company (ARCO) has participated primarily in underwriting costs for a downtown (L.A.) subscription bus system and a downtown circulation study. The subscription program was absorbed into the SCRTD service system in 1983.

Citywide Evaluation

Private sector financing of both large and small transit/highway projects is gaining attention from decision makers on the public and private sides of the bargaining table in the L.A. region. The interest in private sector involvement comes from the general public's realization that local governments can no longer alone provide needed services. Although this research effort has shown many examples of private sector involvement in planning and implementation, the involvement appears to be limited to the project level.

The availability of a large pool of qualified private operators and the low density suburban type of development in the Los Angeles region has helped the spread of transit privatization. While the major public transit agency (SCRTD) has been cautious in adopting extensive privatization, there are other public agencies such as LACTC and LADOT which believe that private contracting can produce cost savings and they have promoted privatization through the use of Proposition A funds.

LAX/Coastal Corridor Development Fee Ordinance

Introduction

As a result of the massive development planned near the Los Angeles International Airport (LAX) by the Howard Hughes Development Corporation and other large developers, the City of Los Angeles took the initiative to establish a specific ordinance which regulates development and provides the funding mechanism for the implementation of a "specific plan" in the LAX Corridor area. The application of this ordinance in the area and the Hughes Corporation site in particular is the focus of this case.

Background

The LAX Corridor area encompasses 34 square miles in the general South Bay area of Los Angeles County. The area includes major traffic generators such as Los Angeles County International Airport (LAX), the second busiest airport in the U.S., and Marina Del Rey, the largest marina on the West Coast. It also includes intense employment conglomerates of aerospace industries. LAX plans to accommodate 40 million annual passengers by 2000, an increase of

7 million annual passengers (MAP) over current capacity. The area around LAX is one of the fastest growing in the County, where residential and employment growth are expected to intensify as the last remaining areas of open space are developed (SCAG 1984).

Within the next ten years, an addition of 41 million square feet of new office, commercial, industrial and residential development has been proposed to occur in the study area. The study area is served by major arterials and freeways including I-405 in the eastern boundary. Currently, traffic congestion frequently occurs at most intersections. Peak hour congestion occurs on major freeways and arterials outside the study area as well. The projected employment and residential growth could lead to further deterioration in arterial services on the study area roadway network, unless major capacity improvements are implemented. The study area encompasses nine jurisdictions including the entire City of El Segundo, and parts of the cities of Los Angeles, Culver City, Manhattan Beach, Redondo Beach, Hawthorne, Inglewood and Lawndale, as well as unincorporated areas of L.A. County (see Figure 5). The Coastal Transportation Corridor was later defined to encompass LAX, Playa del Rey, Palms-Mar Vista, Marina del Rey, Venice, and Westchester.

In February 1984, SCAG prepared a LAX Corridor-TSM study. It established a policy advisory committee and a technical advisory committee to study the situation and to prepare alternative recommendations. The policy committee held monthly meetings in the local jurisdictions. In November 1984, the L.A. City Council adopted a motion to initiate a LAX Corridor Specific Plan (referred to as the Coastal Transportation Corridor Specific Plan). During preparation stages of the Specific Plan, the L.A. City Council imposed interim restrictions prohibiting issuance of building permits for commercial and industrial development within the project area, unless traffic impacts could be mitigated. During the same period, two workshops and a scoping meeting were conducted in which area residents, developers and governmental agencies convened in the planning process. In April 1985, the first public hearing was held and by November 1985, Council approved the proposed ordinance.

Councilwoman Pat Russell of the 6th District was the individual responsible for carrying out and promoting the ordinance. Mrs. Russell used her influential positions as a President of the L.A. City Council, Chairwoman of the Transportation and Traffic Committee, past president of SCAG and member of the LACTC Board of Commissioners to make the ordinance a reality. In the late 1970s, when there was a move afoot to rezone the north side of the LAX Corridor to high intensity office/commercial uses, area residents had formed an organization called the Coalition for Concerned Communities (CCC). The CCC is an anti-development group whose purpose is "to preserve the existing character of the neighborhood," and it does not focus on transportation planning. However, its members provided input for planners and developers to consider during the LAX Corridor-TSM study, and many CCC concerns were incorporated in the Specific Plan. Essentially it took an adversarial position vis-a-vis the private developers, and used the CCSP planning process to bring residential concerns into the political arena. Developers subsequently formed a counterpart organization, the Coastal Transportation Coalition (CTC), to consider action, in cooperation with local governments, to improve traffic and transportation systems serving the Coastal region (CTC

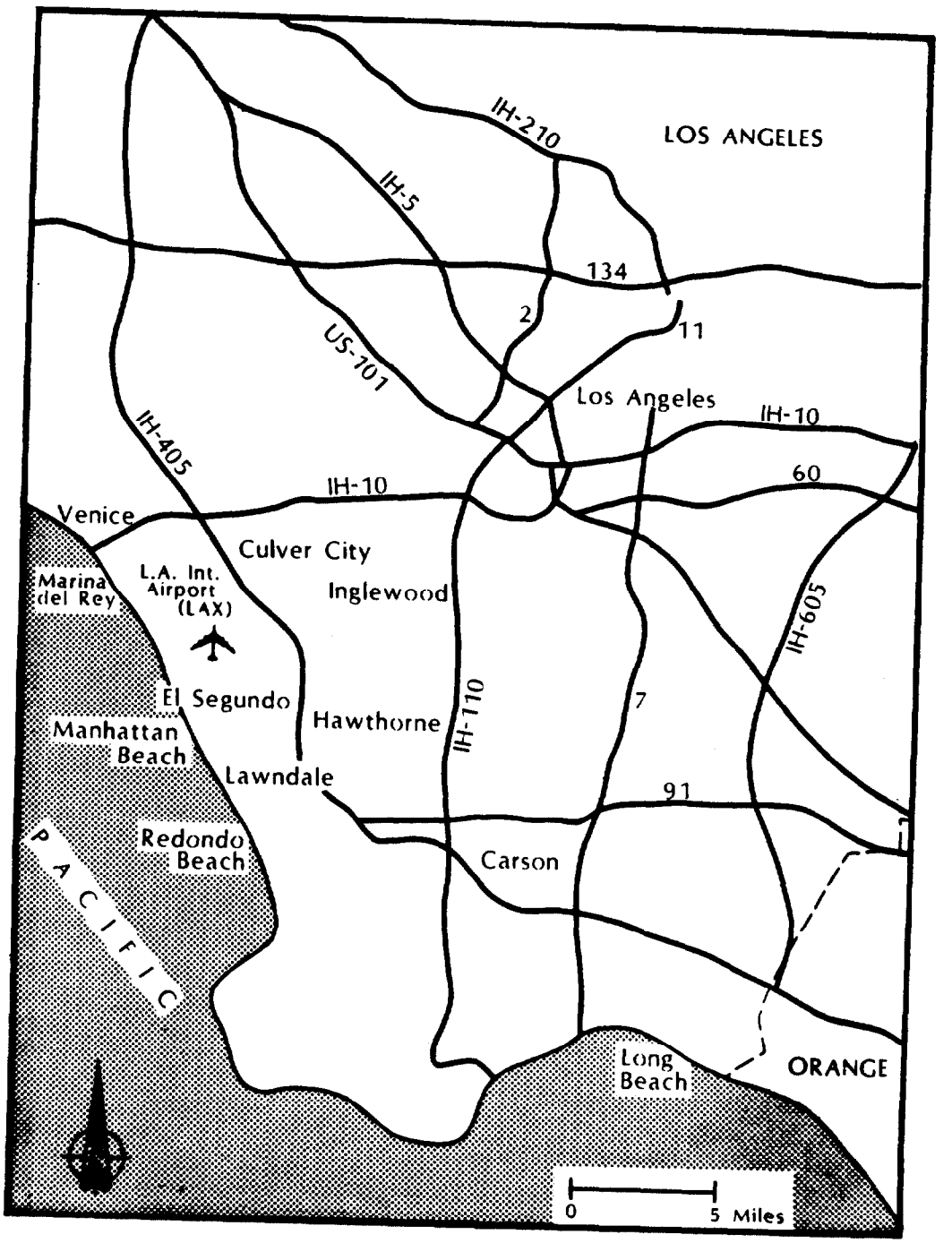

Figure 5. Los Angeles Metropolitan Area

1984). The CTC became routinely and directly involved with review and comment and even assisted in the drafting of the Preliminary Ordinances. Other neighborhoods outside the L.A. jurisdiction also participated including neighboring cities of El Segundo and Culver City, by testifying at numerous public meetings held by the all-encompassing SCAG-sponsored policy advisory committee, which was also strongly supported by Councilwoman Pat Russell.

Urban Planning Consultants (UPC), a consulting firm, was contracted to advise Mrs. Russell and the Council on local government and community relations issues. After the expiration of its 12-month contract with the City, UPC was requested to act as Executive Director of the CTC.

The role of UPC is to act as a coordinative conduit of information between private and public sectors. The UPC budget for the first year was $58,000 (FY 83-84), the bulk of which came directly from membership dues from six developers. The charter members of CTC are Garrett Corporation, Continental Development Corporation, Howard Hughes Development Corporation, the Koll Company, Hughes Aircraft Company and Playa Vista Corporation. Each of these entities has vested development interests in the total development of the Coastal Corridor. The Playa Vista mixed-use project alone is estimated at build-out to cost $1 billion. According to LADOT, more than $190 million will be committed to public transportation improvements within the overall LAX Corridor Plan primarily in the L.A. jurisdiction. It is expected that the entire amount will be paid for by private developers. This amount does not include transportation improvements scheduled to be made in adjoining jurisdictions.

Through the Coastal Transportation Coalition, the Summa Corporation, owner of Howard Hughes Center site, had direct participation in assisting in the following areas:

- Identifying LAX Corridor traffic problems and potential solutions;
- Exchanging information with Policy Advisory Committee, City of Los Angeles and neighborhood groups concerning its development plans within the LAX Corridor;
- Providing assistance to public officials in staging and prioritizing planned on-site and off-site improvements.

Program Description

The Coastal Corridor ordinance is intended to:

- Regulate land use development and transportation in the area;
- Establish a transportation trust fund to cover costs directly associated with construction of public transportation facilities;
- Provide a funding mechanism to address transportation needs;

- o Establish an impact assessment fee based on the number of trips generated by the development. A one-time fee of $2,010 per each p.m. peak hour trip, or the equivalent of a $5 per square foot fee has been levied on office development to pay for required transportation facilities in the (LAX) Corridor.

- o Provide developers with opportunities to reduce fees to be paid if they institute trip reduction measures. The rates are derived from trip tables developed in the planning process by LADOT.

The Howard Hughes Center (HHC) is but one of numerous planned facility developments within the LAX Corridor. However, this project has phased components, some that have been successfully completed, and others that are currently in the process of design development. More improvements are planned. On-site transportation improvements include a $5.4 million freeway ramp, a $2 million park buffer zone, with approximately $1 million for expansion of an existing ramp, road widening and traffic channelization and a transit center. Other on-site infrastructure will cost an additional $50 million. These capital and transportation improvements are expected to be completed at build-out in ten years and most will be paid for entirely by HHC. Based on calculations of $5 per square foot of office space, the developer will contribute approximately $13.5 million. (The planned office space at the HHC site totals approximately 2.7 million square feet.) This estimate is merely preliminary and does not take into consideration reduction schemes such as TSM and other off-site or regional improvements that the developer may opt to implement over the next few years. Such reduction schemes would allow the developer to be given credits, thus requiring less capital outlay as part of the development fee.

Evaluation/Discussion

The assessment fees paid by the HHC help pay for transportation improvements at the site, and assist with the proposed external transit system, which will circulate throughout the LAX Corridor and beyond. The disadvantage is that only forty percent of the projected costs of off-site transportation improvements made necessary by this development (such as the widening of the Sepulveda Tunnel) will be paid for by the traffic impact fees. It is expected that additional funds for transit/transportation improvements will be injected by LACTC and State/Federal funds. More specifically, several improvement projects are eligible for Proposition A funding (light rail) and State/Federal funding (Airport Boulevard, Tunnel and Sepulveda Tunnel).

The success of this case study project is in part dependent on market conditions that (optimistically) will yield full occupancy of the new office complex. A soft market for occupancy at the HHC would have devastating impact on build-out date, phasing of development, and generation of assessment fees. However, HHC has the option to spread the fees over a long time span with the tax benefit of depreciation. It is now too soon to measure the success of the ordinance.

The main problem with successful implementation is the lack of coordination with the other jurisdictions. For example, Los Angeles promotes growth activity in land development; Culver City, on the other hand, promotes low growth activities. Although surrounding jurisdictions participated in the planning and review periods, it appears that they now have second thoughts about expected traffic impacts generated as a result of planned development in the LAX Corridor and especially at the Howard Hughes Center site. The perception held by other jurisdictions is that the City of L.A. went ahead anyway with its intentions to allow development that will increase traffic without seriously making provisions to effectively mitigate potential problems. Culver City is one of those jurisdictions currently appealing the approval of the project because of unmitigated impacts that have been discovered at the HHC. Marina del Rey voiced opposition to the mitigation measures proposed for the planned developments at its southern borders. Meanwhile, similar development fee ordinances are pending in the cities of Hawthorne and Manhattan Beach.

The LAX Corridor program is an example of a cooperative review process that is working. Public and citizen organizations, jurisdictions and private industry groups met at the same table to hammer out issues that apply to each entity respectively. The Hughes Corporation has closely cooperated throughout the process with public agency staff as well as the area residents.

The MPO, SCAG, participated early in the LAX Corridor planning process by conducting the LAX Corridor-TSM Study. The effort, which was the first sub-area study ever, was brought about because SCAG's senior management felt that high-traffic areas crossing jurisdictional boundaries warrant their assistance. In the important area of inter-jurisdictional agreements, SCAG has no ordinance authorization and, though it desires intra-jurisdictional cooperation, only "moral-suasion" can be attempted to foster such cooperation. In the phase of monitoring, currently, SCAG is involved with monitoring TSM ordinances that have been adopted to date. The UPC provided assistance during the initial phases, but there has been no determination about who will carry on during the construction and operations phases and long-term monitoring. Under the Coastal Corridor Specific Plan Ordinance, the LADOT will assume these responsibilities within the City.

It can be argued that the LAX Corridor ordinance has evolved as the result of the mounting pressures by Caltrans, SCAG and LADOT for private sector involvement in the sharing of the financial burden for transportation improvements. Similar ordinances have been instituted, or are in the process of being developed, in other cities across the country. The LAX Corridor ordinance is being viewed by local transportation officials as a real breakthrough for current and future facility improvement finance.

Two main conclusions appear to result from this case. First, better opportunities for private sector involvement are tied to those developments that hold promises of expediting construction, or increasing a project's profitability, and second, inter-jurisdictional agreements may be the key ingredient for success of similar schemes.

Transit Privatization

Introduction

Privatization of transit service is in its infancy in the Los Angeles area. Recent events have led all local transit agencies to begin developing policies to address privatization. Two recent developments have led to the current interest. First, the 1980 local transit initiative known as Proposition A made funding available to many local entities to provide transit services. Many of these fund recipients were unable or unwilling to build in-house capabilities to provide the services. Therefore, with the advent of Proposition A funds, contracting with private operators experienced a resurgence. This increased activity by private operators also led to cost and operational experience useful in evaluating the relative merits of the privatization. Because of increased demand, competition among private operators also increased, leading to even more favorable cost results. The second impetus for local privatization policy development was the UMTA "Policy on Private Enterprise Participation." The combination of rising transit costs, decreasing Federal subsidies, Federal demands to consider private operators and favorable local experiences have brought all agencies to the consideration of privatization.

SCAG and LACTC have taken the lead in the encouragement of private operators in the Los Angeles region. However, there are many large and small cities and transit authorities throughout the area that have recognized the advantages of contracting with the private operators. Forty-five of 80 services in Los Angeles County are currently contracted to private operators in 63 communities. There are approximately fourteen private operators in the Los Angeles area that provide commuter services. There are many more that provide paratransit type services.

There is no organized participation in planning by the private providers in the Los Angeles area. However, policies of the agencies as are described in this case study have led to private operators' awareness of specific opportunities and to their comments on unfair practices which may arise from not allowing free competition for the provision of services.

History and Background

With increased local operating costs, 111 percent increase between 1976 and 1982 for SCRTD (Cox 1984), and dwindling Federal resources, the local operators have had to re-evaluate their available resources and the efficiency of their systems. Locally, additional transit funds were voted into effect in 1980 under the banner of Proposition A. This referendum allowed the increase of the local sales tax by 1/2 percent with the extra funds going back to the local municipalities for transit improvements. The LACTC (which administers the funds) realized very early that many small cities now receiving funds for transit services had no existing transit departments and would not receive enough funds to effectively set up a full operation. Thus, it was necessary to turn to private operators to keep to the spirit of local control over service which Proportion A's Local Return Program requires. From these

experiences in contracting, larger, existing transit systems saw that, in some instances, private operators could provide service at a lower cost. In addition, by using private operators to supplement peak hour needs, they could manage with fewer vehicles, fewer operators and a more streamlined operation.

The barriers to expanded use of privatization have arisen from unfavorable perceptions of the private sector and agency self interests. The private sector has been viewed by many as having failed in the 1960's and 1970's to provide efficient transit service. This stigma still exists, especially in those public agencies that took over systems which were formerly privately owned. However, private ownership of a monopoly and private operators competing for specific services designated by public agencies are very different situations. The latter are much more controllable and can be much more productive (Cox 1984). Other negative perceptions of private operators relate to their profit levels, their often non-union status and their independence. Finally, established transit agencies often feel that privatization leads to an abdication of the duties for which they were originally established (Cox 1985).

Slow adoption of extensive private contract services is the result of a cautious approach, in which public agencies need to be convinced that their negative perceptions are unfounded. As more evidence builds that cost effective contracting can be achieved, these barriers will gradually diminish.

As stated, the first initiative was in response to Proposition A's Local Return Program. When LACTC realized that the local governments could not effectively use their local return shares without contracting, it became necessary to develop a policy to organize the contracting procedures. After local contracting began, SCAG, in its research role, examined the potential for privatization and developed policy recommendations. Eventually SCRTD and the State TC began to lessen their resistance because of the favorable involvement by other agencies, because of pressure from the City of Los Angeles (which wanted certain services to be provided by private sector contract), and because of the need to be responsive to UMTA's Private Participation Policy statement.

Program Description

Since there are several agencies which have policies on privatization in the Los Angeles area, their programs are described by agency.

Los Angeles County Transportation Commission - LACTC has written specific requirements into the guidelines for local community expenditure of the Proposition A Local Return Program funds (LACTC July 1984). The guidelines allow local jurisdictions to use the funds to contract with SCRTD, municipal operators, and/or other public or private service providers. The only limitation is that the contracting be subject to examination for duplication, and competition with existing services. The first statement opens the door to shopping for the best available provider. The limitation opens the process to scrutiny by all possible interested providers (LACTC July 1984). This is accomplished by forwarding proposed project descriptions to existing publicly

funded transit and paratransit operators to determine if there are possible duplication or competition problems. Upon request, privately funded transit and paratransit operators can be added to the review list. Following a 30 day review period, the LACTC issues an authorization to expend funds for the specific project. Thus before a project can have any money spent on it, its existence and details are made known to all of the possible providers. While not insuring private participation, the guidelines provide for two key factors -- knowledge of the improvement and a chance to comment and appeal.

In other efforts by the LACTC, the Commission in July of 1985 included private sector goals among its Five-Year Objectives. Beginning in July of 1986, $6 million has been set aside for demonstration projects to involve private contractors. LACTC has stipulated that private substitution of services must be at a cost 25 percent less than the service to be replaced (LACTC May 1985). One recommended action calls for the development of guidelines for the substitution of paratransit services for fixed-route services during times, or in locations, of low demand. This policy is relevant because paratransit services are more often provided by private operators. A key element is the selection of on-street service providers based on competitive market cost factors (MaeKawa 1984). The practice is useful both in reducing the operating cost of providing marginal services (through the use of a lower cost operator) and substituting a more cost-effective type of service. Another recommended action calls for the use of contracted, private transit providers anywhere cost effectiveness can be demonstrated and service quality can be maintained (Richmond 1985). In preliminary estimates of the substitution potential for SCRTD alone, $70 million in existing services were identified for substitution. An estimate was made that a 50 percent savings could be made if all of these targeted services could be effectively substituted (MaeKawa 1984). The City of Carson and the Santa Clarita Valley, in the Los Angeles area, are locally cited examples of areas which have experienced substantial savings by the use of private contractors. In Carson, a fixed route service with small buses is provided at a rate or $17 per hour which is 70 percent lower than the SCRTD rate of $60 per hour. Santa Clarita Valley has been able to provide service at a 50 percent reduction of the SCRTD rate through use of private contractors. Hermosa Beach, Manhattan Beach and Rancho Palos Verdes are other communities in the Los Angeles area which have benefitted from contracting with private providers.

Another LACTC study in July 1984 found there to be potential for more than 40 percent savings by contracting for peak-hour express services with the net result being a high level of service for patrons and reduced subsidies for taxpayers to bear. The goal has become higher service levels for lower cost. Competition between private providers for publicly funded contracts is seen to be the key to successful cost reduction.

LACTC (July 1984) also identified potential problems in private sector contracting:

- If contractors' costs are only slightly lower than those of the public operator, the administrative costs can push the overall expense over the limit.

- o There may not be enough private operators available to foster true competition.

- o Reliability of the operator is important both in service and financing. A contractor that goes bankrupt will cause service interruptions and add to administrative costs for replacement. One that cannot perform the service adequately degrades the public perception of the entire transit operation and may add to the overall cost due to the need for increased supervision.

- o Administrative and financial responsibilities for necessary support services, such as public information, community relations, safety, security, public access and convenience, must be clearly defined.

Southern California Association of Governments - SCAG has also been involved in examining private provider contracting in the Los Angeles area for many years. In 1982, SCAG's Transit Section performed an UMTA-funded study of the use of contracted services in providing commuter and express bus services. The major objective was to be able to call upon private sector resources to handle demand in excess of the public system's capacity during peak periods (SCAG 1982). This would potentially permit the operation of a smaller fleet and reduce operating costs associated with providing those services. The findings of that study (given the prevailing Los Angeles area service rates, operating express services, and other cost modeling assumptions) indicated that private contractors could provide express bus services at one-half the total annual cost. Since the overall farebox recovery rate for those routes was 0.48, the annual public subsidy could be reduced by 97 percent from $5,325,000 to $179,000. Average subsidy per passenger trip would drop from $2.39 to $0.18. Even if those numbers are overly optimistic, they still reflect the potential for tremendous savings to the public. At that time, all public operators were asked to review their commuter/express bus operations to take advantage of the savings potentials and eliminate all barriers to the private sector operators' participation (SCAG 1982).

More recently, in March of 1985, SCAG's Executive Committee approved a policy statement affirming its support for the UMTA Private Enterprise policy of October 22, 1984 (SCAG 1985). The policy orders the development of a resource list including current private providers interested business entities and private sector transit trade and industry groups. Those on the list will be afforded opportunities to comment on service plans and offer service proposals. The policy requires coordination with various SCAG county-level agencies to assure compliance with this policy and incorporate such actions and policies into the TIP and Short Range Transit Plan (SRTP).

Southern California Rapid Transit District - As the largest established public transit agency in the Los Angeles area, SCRTD has experienced the most pressure to accept privatization. In the District's 1985-1986 Short Range Transit Plan, some policy and management objectives were included to bring about improved coordination with the private sector. The mechanisms for accomplishing these objectives are continuing the development and implementation of Benefit Assessment Districts, as well as establishing a regular

series of coordinating meetings with private sector representatives. This is the closest to private representation in transit planning in the Los Angeles area (SCRTD 1985). At the same time SCRTD expressed concern in regard to the potential loss of a unified system. Loss of involvement and control, fragmentation of planning and implementation, and inability to guide and shape transportation development are terms used to characterize the District's concerns. While expressing concerns, the District realizes the need to take a leadership role in providing cost effective services and to avoid "losing" existing services which other agencies may contract as in the Center City Shuttle described in the next section. District officials see labor as the key issue holding them back from a more aggressive privatization stance. The Board of Directors is attempting to determine the proper amount of emphasis to place on contract services in upcoming labor negotiations (SCRTD March 1985).

In October 1985, the Board of Directors adopted a Policy on Privatization. This policy addresses four aspects of privatization:

- Transportation Zones,
- Assuming a role of broker and coordinator of transit services,
- Implementation of UMTA Private Participation Policy,
- Labor union issues relating to subcontracting and service brokering.

Creation of Transportation Zones would place yet another level of transit entity in the Los Angeles transit picture. The zones would be large subareas of the region which would have more autonomous control over transit service and policies. The first zone has been proposed for the San Gabriel Valley in the northwest quadrant of the Los Angeles area. SCRTD will remain neutral on zone formation but provide support for a zone, if formed, to be a complement to the regional system (SCRTD October 1985).

Los Angeles Department of Transportation - Based on the data presented in the SCAG 1982 report described above, LADOT has used private contractors to implement various city shuttle services and park-and-rides which the City provides over and above SCRTD service. They have found their costs to be much lower than SCRTD. However, there has been some controversy over the manner in which the costs are calculated. An example is the Central City Shuttle which provides circulator service in the CBD of Los Angeles. Early in 1985 the LADOT decided to experiment with private sector contracting for the operation of this service in light of the LACTC study which suggested savings of 40 percent were possible. Previously SCRTD operated the service under contract. The initial bids for the service appeared to be $26.35 per service hour as compared to the SCRTD cost of $51.67 for the proposed service. The private contractor showed a 51 percent savings. There was considerable discussion among the three public agencies involving whether the two cost figures were actually comparable. Arguments were made that the private operator had not adequately accounted for capital costs of vehicles and for the additional administrative costs (city employee wages for monitoring the RFP process and the carrier's operational performance and for marketing costs and other activities such as periodic on-board surveys). In the end, 28 different cost

comparisons were made which range from 5 to 60 percent savings (Spivak 1985). The agencies still do not agree on all of the parameters and their combinations for cost comparison. However, there are two clear lessons. First, there is some level of savings in every case by using the private operator. Therefore it is an approach worth investigating. Second, the analysis of whether private contracting is a cost effective alternative is not as simple as comparing two dollar-per-hour estimates. In any contract service, there are still personnel and other costs which the public agency must bear. These costs may or may not be included in a public agency's hourly rate but it is never included in the contractor's price. Accounting for capital costs depends upon amortization methods used, who supplies the vehicles, whether they are comparable vehicles, and how the vehicles are paid for.

Evaluation and Discussion

Several studies and the results of actual operating experiences in the Los Angeles area show the benefits that can be derived through the use of both substitution of services and contracting with private sector operators. Operating costs can be reduced (potentially by substantial amounts), subsidies can be reduced or even eliminated for certain services, and levels of service can even be increased. Competitive procurement for these operating services can keep the costs at a relatively low level for a long period of time. Provision of quality services at a reasonable price is essential in the transit industry. Experiences in the Los Angeles area are showing that private contracting can produce cost savings, if properly administered and evaluated.

There are some disadvantages as well. Potential labor problems exist any time major changes to a transit operation are contemplated. In many cases, but not all, the lower costs experienced by the private operators are due to their being non-unionized. In the first place, this could cause friction between the unionized and non-unionized operations. In the long run, as more business comes to the private, non-union operators and as individual companies grow, there will be more pressure for them to unionize. Private operators may also be financially unstable. Instances of operators declaring bankruptcy and interrupting service exist. Certain operators have substantially underbid contract services and then were unable subsequently to perform as stated. While there can be performance bonds and contract measures to protect the contracting agency, default in any way causes added administrative costs and public relations problems. The City of Redondo Beach, which was promised a subsidy-free shuttle service, is now reviewing a request for subsidy.

While SCRTD has been precluded from engaging in service contracting because of provisions in its labor agreements, Proposition A funds available to cities and counties in the area have led them to experiment successfully with private contracting as a desirable and/or necessary means to rapidly implement service increases. Cost reductions of as much as 50 percent have been achieved during the last three years by private contracting. However, there is no agreement as to how to measure this success in the Los Angeles area. Quoted hourly rates do not always provide an equitable basis for comparison. There are always administrative costs experienced by the contracting agency which must

be adequately included in any cost comparison. Comparable accounting for capital costs of vehicles is another controversial issue between SCRTD and LACTC. If there has been any failure involved, it lies primarily in the failure to get the concept more widely used throughout the area. There seems to be a failure to convince SCRTD fully of the merits. Some of that difficulty may be the result of the perceived erosion of power, control or authority which the SCRTD directors may feel.

As with any innovation, institutional inertia is the greatest obstacle. When faced with potential labor and UMTA compliance problems, when competing agencies are called upon to cooperate, when the prospect of increased administration costs are viewed, when the need to screen the financial and operational capabilities of potential contractors are considered, and when the need for additional operational supervision exists, any agency will begin to question whether the privatization effort will be worthwhile. Another problem is the prospect of needing to re-evaluate the entire transit agency. What should be its mix of services? Which are cost effective? Which are obligatory for social or comprehensive network reasons? What is the best mix of funding? In the Los Angeles area there are so many possible agencies and funding sources that it is very difficult to sort out which agency should be responsible for what and what the original legislative intent was for each of the agencies. While the topic at first seems simple - provide good service at a lower cost -- there are fundamental issues with which many responsible agencies will want to grapple. Until such thorough re-examination is conducted, however, the agencies can still realize cost savings on individual new services through private operator contracting.

Implications for Future Planning and Implementation - It is clear that the prospects for privatization require some introspection on the part of all transit agencies to rediscover their purpose and the means to achieving that purpose. Extensive switch to privatization can mean a major restructuring of the way in which some transit agencies are organized. It seems that the Suburban Bus Board in Chicago may be on its way to such a new form for both cost and political reasons. This re-examination needs to be built into the planning process. Each agency should do it for itself and the MPO should do it for the region. As LACTC has indicated, the planning process also needs to include the private operators. This is essential to inform the operators about the upcoming activities for their planning purposes and for the transit agencies to become more aware of the nature and capabilities of the various available operators. If the objectives and policy statements of the SCAG and the LACTC are followed, no service change or initiation will take place without at least considering private operators. When an internal re-evaluation of all programs is completed with full consideration of private contracting, then the optimum level of privatization can be determined.

Lessons and Transferability - There are many aspects of this case which are unique to Los Angeles. The multiplicity of possible transit providing agencies, the various special transit funds, and the availability of a large pool of qualified private sector operators have helped privatization gain a strong foothold in the area. The key factor is competition between the potential contractors which will keep costs low. The second important factor is a sufficient level of communication so that the public agencies are aware

of the available private operator capabilities. The private operators must have an established record of reliability and administrative skills. Finally, a methodology for uniform cost comparisons must be developed so that all local entities view the relative merits in the same framework. The MPO should be able to assist with this process on a local level. The primary lesson from Los Angeles is that privatization can be very effective. The main questions for other regions should be how much privatization should any given agency have and in what areas and types of service should it be used. These are not easy questions to address fully. Private contracting is especially appropriate when private operators are available and when they can provide cost and/or service benefits to the transit agency. There are caveats. The cautions mentioned several times about capabilities and availability of operators, insuring a wide enough cost difference to offset any additional administrative or supervisory costs, and labor considerations are important. They should not be viewed as deterrents but guidelines for better implementation of service.

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List of Contacts

Chicago

Bill Grams, Executive Director, Northwest Municipal Conference, 10 South Emerson, Mt. Prospect, Illinois 60056, (312)253-6330.

Joseph F. Ligas, Deputy, Operations Planning, Chicago Area Transportation Study, 300 West Adams, Chicago, Illinois 60606, (312)793-3456.

Florence Boone, Mayor of Glencoe, Illinois; Chairman of Suburban Bus Board.

Ed Christopher, Transportation Planning, Chicago Area Transportation Study.

Tom Dabareiner, Transportation Planner, Northwest Municipal Conference.

Joe DiJohn, Executive Director, Suburban Bus Division.

Peter Elliot, Transportation Planning, Chicago Area Transportation Study.

John McCarthy, Metropolitan Transportation Association, MPO Work Program Committee Representative.

Melinda Metzger, Transportation Planning, Suburban Bus Division.

Dave Miller, President, Metro Transportation Group, Inc.

Jerilyn Netnim, President, Blue Cab Company, President, Metropolitan Transportation Association.

Joan Schroder, Strategic Planning, Regional Transportation Authority.

Mike Silverman, President, Heights Cleaners and Draperies, Chairman, Transportation Study Advisory Committee.

Dave Zavatero, Director of Operations Planning, Chicago Area Transportation Study.

Cleveland

Walter T. Olson, Director, Community Capital Investment Strategy, Greater Cleveland Growth Association, 690 Huntington Building, Cleveland, Ohio 44115, (216) 621-3300.

Martin A. Gallito, P.E., District Deputy Director, Ohio Department of Transportation.

Briar Gleisser, Director of Community Development, University Circle, Inc.

Scott Graham, Engineer, County Engineer's Office.

Jerry Justin, Ohio Department of Transportation.

Susan Lajoie, Project Coordinator, The Cleveland Foundation.

Strategy, The Greater Cleveland Growth Association.

Donald S. Plaskett, Executive Assistant to the Mayor, City of Cleveland.

Carleton Schnell, Chairman, Community Capital Investment Strategy.

Franklin E. Sherkow, P.E., Transportation Program Director, Northeast Ohio Areawide Coordinating Agency.

Felix Spittler, Senior Engineer, County Engineer's Office.

John Terango, Acting Dirctor, Greater Cleveland Regional Transit Authority.

Don Yuratovac, Greater Cleveland Regional Transit Authority.

Dallas

Jim Reid, Assistant City Manager, City of Dallas, City Hall, Dallas, Texas 75201, (214)670-5306.

Victor M. Boyer, Manager, Community Affairs.

Phil Cobb, President, Prufrock Restaurants; President, McKinney Avenue Transit Authority; Oak Lawn Transportation Committee.

Mildrex Cox, Director, Department of Transportation, City of Dallas.

Cay Kolb, Member Dallas City Planning Commission.

Michael R. Morris, Assistant Director, Transportation and Energy, North Central Texas Council of Governments.

Jeffrey A. Scherbarth, Assistant Director, Department of Transportation, City of Dallas.

Neal D. Sleeper, Senior Vice President, Commercial Development, Murray Properties of Dallas; President, Oak Lawn Forum.

John W. Van Winkle, Transportation Engineer, Department of Transportation, City of Dallas.

Doug Waskom, Chief Planner, Planning and Development, City of Dallas.

Los Angeles

Gary Spivak, Director of Planning, Southern California Rapid Transit District 425 South Main Street, Los Angeles, California 90013, (213)972-6000.

David Gay, Project Manager, L.A. Planning Department, 5TH Floor City Hall, Los Angeles, California 90012, (213)485-3744.

Alan Bowser, Program Manager, Highway Planning, SCAG.

Dan Butler, Public Transportation Branch, Caltrans.

David Bush, Urban Planning Consultants, California Transportation Coalition.

Wendell Cox, Consultant, Gaithersburg, Maryland, (ex. LACTC Commissioner).

Norman Emerson, SCRTD Board Member, Voit Corporation.

Alan Epstein, Manager of Buildings, Tooley & Company.

David Granis, Councilwoman Pat Russell's Office.

Garland Hagen, Chief Office of Regional Planning (Modal Coordination).

Jerry Hay, Director of Marketing, Tooley & Company.

Kris Hill, Local Assistance Analyst, City of Carson.

Victorio Hoskins, Real Estate Development Officer, LACTC.

Debra Jones, Adminsitrative Assistant, City of Carson.

Calvin Lee, Senior Transportation Engineer, Caltrans.

Alice Lepis, Principal Transportation Engineer, L.A. Department of Transportation.

Michael Lewis, Chief Deputy Supervisor, 1st District County of Los Angeles (ex-member of the SCRTD Board).

Ralph Levy, Supervisor, Programming and Budget, SCAG.

Jim Minuto, Program Manager, Finance, SCAG.

Brad Olson, Infrastructure Engineer (Irvine Spectrum).

Allan Rifkin, Supervising Transportation Planner, LA DOT.

Sharon Robinson-Silvad-El, Environmental Affairs Director, LACTC.

Pat Russell, Councilwoman, 6th District City of Los Angeles.

Dayne Stiles, Director of Community Development, Irvine Company.

Patricia Stizenburger, Urban Planning Consultants, California Transportation Coalition.

Paul Taylor, Executive Director, LACTC.

Roger Teal, Assistant Professor, U.C. Irvine, Dept. of Civil Engineering.

James Williams, Manager of Infrastructure, Tooley & Company.

Bijan Yarjani, Project Manager, SCAG.

Steve Zweibak, Deputy Director of Transportation, SCAG.

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