Gas Prices Expected to Continue Going up, Up, UP: Gas prices have been far more volatile than at any time in recent history. The per-barrel price of oil on world markets bounced around last year from about $40 to around $140 in only six months! The average price at the pump for unleaded regular gasoline was below $1.70 in December 2008 but rose to $4.09 a gallon in July 2009. A year earlier, in July 2007, the average price per gallon was $2.96, but increased 38% by July 2008. This has made it tough for residents and businesses to estimate their monthly transportation costs. On average, gas prices have been on the rise and this trend is expected to continue.

According to transportation expert Jim Charlier, production of crude oil peaked in the 1970s, and now we’re down to 1940 production levels. While there is still plenty of oil to be had, the cheap oil is gone. Witness BP’s activities in the Gulf Coast, plunging 5,000 feet to the ocean floor, then drilling another 10,000 feet into the bottom of the sea to access the black stuff. The billions that it will cost BP to pay for the devastation created by the latest oil spill doesn’t seem to be very worrisome to the company. We can expect this expense to be added to the overall cost of gasoline in the future.

Another factor affecting gas prices is the emergence of China and India as gas consumers. While the U.S. has had little competition for oil supplies in the past, that situation is quickly changing.

An article in the Financial Times predicted recently that gas prices are likely to spur more Smart Growth — "As energy becomes more expensive, cities will have to be much more compact, easier to navigate by bike and on foot.”

The FHWA suggests that higher gas prices may already be driving people to select better planned neighborhoods, with more mixed land uses and more transit- and pedestrian-friendly travel options. This explains why today, home prices are falling and foreclosures are increasing primarily in those residential neighborhoods where residents have no other choice than to drive.

The Development Industry Responds: Developers and builders are now beginning to respond. Sixty percent of developers in the mid-Atlantic now say they are going to be focusing on producing mixed-use, pedestrian-friendly communities. The survey, conducted by the Strategic Alliance, a group of real estate-related companies, also revealed that more than 63% are re-evaluating projects that were planned pre-recession from a product/layout/density standpoint. In other words, they are looking to develop more compact, mixed-use neighborhoods.

At the same time, the Urban Land Institute continues to tell real estate investors that their best bets are transit-oriented development and walkable, neighborhood markets.

The Role of Transit: The Federal Highway Administration has noted that for every 10% increase in gas prices, there is a 4% increase in transit use. Sure enough, today, transit use all over the U.S. is up by 4%!

This is good news for the economy. University of Missouri-St. Louis researchers Todd Swanstrom, Will Winter, and Laura Wiedlocher, report that every dollar spent on funding transit creates more jobs than spending on roads. Specifically, each billion dollars spent on transit creates 36,108 jobs while spending the same amount on roads provides only 30,319 jobs. That means that by reassigning some federal spending from roads to transit, Congress could boost employment without adding to the deficit.

What’s more, the Feds could create even more jobs by making sure those transit dollars go to operating budgets rather than capital projects. A billion dollars in transit capital projects creates 23,788 jobs, the authors say, but spending a billion dollars on operations such as for bus drivers, generates 41,140 jobs.

To be financially viable, transit depends on compact neighborhoods and communities. It takes densities of at least 7 housing units per acre to support bus service every half hour and 18 to 25 per acre to support light rail.

Compact, Mixed-Use Communities an Asset to the Business Community: Highly acclaimed author Richard Florida has observed that density is a key factor in innovation and economic growth. And, despite advances in communications technology, Florida says, "it applies even more so today: from high-tech firms in Silicon Valley to film producers in Los Angeles and recording studios and record labels in Nashville. There’s no doubt: The geographic concentration of firms, industries, technologies, people, and other economic assets plays a powerful role in innovation and economic growth.”

Density, he says, “makes it easier for people and firms to interact and connect with one another, and it reduces the effort, friction, and energy that’s used to make these connections. Density increases the speed at which new
ideas are conceived and diffused across the economy, accelerating the speed with which new enterprises and new industries are created.”

This is not a new observation. Jane Jacobs showed us early on how the clustering of diverse groups of people, firms, and industries in cities can serve as an engine of innovation and new product development. More recently, Harvard’s Michael Porter has pointed out how clusters of related industries, customers, and suppliers power innovation and growth. Indeed, at an LGC Ahwahnee Conference a decade ago, Doug Henton and Kim Walesh presented a paper that illustrated how the implementation of the Ahwahnee Principles would create a better climate for business growth.

Compact, Mixed-Use Communities Save Local Governments Money: The Sacramento Area Council of Governments and Southern California Association of Governments have computer models that are capable of comparing the economic costs of current land use patterns to those planned under their adopted regional blueprint plans. They have employed this tool to calculate the cost of infrastructure under these scenarios. It is no small chunk of change! If their regional blueprints are implemented as planned, the 6-county Sacramento region will save $16 billion by 2050. In the Los Angeles Region, the amount saved under blueprint is calculated to be $48 billion by 2050.

Sprawling development patterns also cost more to serve, due to added fire and police services and infrastructure and street maintenance. One study by Burchell, et. al. estimated these costs to be twice as much for low density sprawl as for compact development.

A Compact, Mixed-Use Community Is Likely to Have a Stronger Local Economy: Every 10-cent increase in gas prices equates to an additional $14 billion per year out of consumers’ pockets, says Peter Boockvar, an equity strategist at Miller Tabak. But what if all that money, and more, could be kept circulating in local economies? A study often quoted by the Center for Transit-Oriented Development (based on the 2004 figures from the Bureau of Labor Statistics) demonstrates the overall budget expenditures of families living in auto dependent neighborhoods versus those in neighborhoods that are well served by transit. The combined cost of transportation in the former consumes 34% of the family income whereas in the “transit-rich” neighborhood, transportation costs are only 9%. Thus, in transit-rich regions, residents have more discretionary funding for spending at local businesses — for dining out, movies, haircuts, clothing, sports activities and the like.

A soon-to-be released report by Steve Winkelman, Growing Wealthier, provides a birds-eye view of the total economic impact of building communities where residents have an alternative to driving a car. It illustrates that Gross National Product or GNP (often used as an indicator of quality of life) is rising at about the same rate that Vehicle Miles Traveled (VMT) is falling. The same is true whether one looks at the entire country, the State of California, or just the City of Los Angeles. Note: GNP reflects the market value of all goods and services produced in one year by labor and property supplied by residents and is a measure of the economic condition of a country or a region.

Based on the above, it appears that smart growth can play an important role in the overall economic recovery of our nation.

St. Louis, Missouri, Central West End — Compact, mixed-use development at work!

The 20th Anniversary of the Ahwahnee Principles is Coming Up!: Be sure to set aside March 18-20, 2011 for the LGC’s annual conference in Yosemite. This year will be even more special than usual! Among the speakers already confirmed is Michael Freedman, an inspirational urban planner who, during the 1990s, traveled with us throughout California to introduce a new alternative to sprawl development — a way to grow that would make communities even better. We called the concept “livable communities,” a term that was later renamed “Smart Growth.” Stay tuned for more information!

Registration Open for NPSG11! Online registration opens on October 4th for the "Conference of the Year!" For details on the over 100 conference sessions, tours of local model projects, the Achieving Equitable Development pre-conference workshop and other special events, and to REGISTER for the 10th Annual New Partners for Smart Growth Conference in Charlotte, NC, February 3-5, 2011 — visit www.NewPartners.org.

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