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Will Real Estate Developers Build Our Mass Transit?

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Over at the *Atlantic*, they're running a series called "The Future of the City." It includes some lighthearted testimonials on U.S. metropolitan staples like Chicago, Portland, and Minneapolis, but there are also worthwhile features on topics like the urban neighborhoods' partial immunity from the Great Recession.

In his piece "Here Comes the Neighborhood," real estate developer Christopher Leinberger (who also wrote the lauded 2008 piece "The Next Slums?") brings up a point that's infrequently mentioned, but definitely important in the discussion of the long slow death of suburbs and the urban renaissance: "Two-thirds of all households today consist of singles, childless couples, or empty-nesters, and that proportion will rise over the next 20 years. All of these groups tend to prefer walkable urban housing." He also offers an interesting solution to the "who will fund much-needed public transit?" debate that's plaguing growing urban areas:

This problem has a solution, one that could be borrowed from U.S. history, and that might help our economy get up more quickly off its knees: What if developers and property owners build the transportation infrastructure themselves?

In the early 20th century, every town of more than 5,000 people was served by streetcars, even though real household income was one-third what it is today. By 1920, metropolitan Los Angeles had the longest street-railway network in the world. Atlanta’s rail system was accessible to nearly all residents. Until 1950, our grandparents and great-grandparents did not need a car to get around, since they could rely upon various forms of rail transit. A hundred years ago, the average household spent only 5 percent of its income on transportation.

How did the country afford that extensive rail system? Real-estate developers, sometimes aided by electric utilities, not only built the systems but paid rent to the cities for the rights-of-way.

Looking back at history, it’s somewhat remarkable how drastically attitudes about private funding of public transit have shifted. According to Leinberger:

When [Senator Francis Newlands from Nevada] Newlands got into the rail-transit business, he wasn’t drawn by the profit potential of streetcars. He was a real-estate developer, and he owned 1,700 acres between Dupont Circle and suburban Chevy Chase in Maryland, land served by his streetcar line. The Rock Creek Railway did not make any money, but it was essential to attracting buyers to Newlands’s housing developments. In essence, Newlands subsidized the railway with the profits from his land development. He and other developers of the time understood that *transportation drives development*—and that development has to subsidize transportation.

After the Second World War, federally funded highways slowly supplanted this system, creating a windfall for a new batch of developers. One Polish-refugee-turned-real-estate-developer, Nathan Shapell, who owned a large tract of land outside Los Angeles, was approached in the 1960s by the California highway department about the possibility of building a freeway through his property. Shapell was delighted at the prospect—and immediately offered as much land as needed, for free. He also offered to pay for an interchange to get customers to his land.

Needless to say, it would be difficult, if not impossible, to revert modern attitudes fast enough to see recession-worn real estate developers rushing to build new commuter train lines and streetcars. But the idea has merit, particularly when you consider that residents, not developers, may be the ones driving the change. Right now, most states already have laws that permit local voters to create “special-assessment districts,” allowing property owners to vote in a payment for infrastructure upgrades by charging themselves, either in the form of temporarily higher property taxes or onetime fees. Still, these increases are totally voluntary, and depend entirely on the collective views of the taxpayers — which means the key is making sure that homeowners understand the principle behind the increase: that better public transit in a neighborhood means higher property values. Until then, it’s just a nice idea.