CENTER CITY DIGEST
THE NEWSLETTER OF THE CENTER CITY DISTRICT AND CENTRAL PHILADELPHIA DEVELOPMENT CORPORATION
FALL 2006

Time For Transit

Governor Rendell's Transportation Funding and Reform Commission recently released preliminary ideas on how to provide a full, predictable and permanent source of funding for SEPTA, for the Commonwealth's 70 other transit providers, and for highways and bridges across Pennsylvania. A final report is due in early November, just after the election. Then, if the General Assembly chooses to meet in a "lame duck" session and to take up the issue, there is the chance of a comprehensive resolution. If not, we lurch towards crisis in January.

(To read the interim report, visit ***www.dot.state.pa.us/tfrc****.)*

In June 2006, deferring to the Reform Commission's timetable, SEPTA approved an interim budget with no fare increases, no service cuts and a significant deficit. If the legislature does not take action by the end of November, SEPTA will be almost midway through its fiscal year and will either have to make wrenching cuts to balance its budget or hope that the governor once again "flexes" highway dollars to transit — robbing Peter to pay Paul — and exacerbating tensions between rural and urban areas.

This special issue of Digest *focuses on the critical importance of SEPTA to the competitiveness of Center City and the region. Richard Voith and Beverly Harper, local appointees to the Transportation Funding and Reform Commission, share their insights, as does Joseph McLaughlin, a former lobbyist who helped secure transit funding in the 1990s. Another article puts Philadelphia's issues in a national context.*

All, quite simply, are a call for business and civic leaders to put transportation funding at the center of the region's competitiveness agenda this fall.

Valuing What We Have

Many regions across the United States, choking in congestion and pinched by gas prices, envy our integrated regional transit system and are spending billions to acquire rights-of-way and to build the infrastructure we take for granted.

Each day, on rail lines and bus routes reaching into communities in three surrounding states, 272,000 riders arrive downtown via public transit. In return, Center City, the largest concentrated center of employment in the Commonwealth, generates $13.9 billion in salaries for residents who live throughout the city and across the region.

Downtown is home to 38 million square feet of commercial office space, 10,000 hotel rooms, many of the region's major arts, cultural, historic and entertainment destinations, medical and educational facilities, shops and restaurants. Trains, trolleys, subways and buses bring employees to work, students to schools, and connect residents, visitors and shoppers to amenities and opportunities across the region. Transit also links downtown to the airport and to Amtrak, facilitating high-speed, inter-city travel.

To be sure, Center City would not be competitive without a highway network that brings hundreds of thousands of cars downtown and facilitates regional commerce. But while 84% of downtown office workers own a car, only 19% drive to work; 70% choose transit, many more walk. So take transit out of the equation and the roads entering Center City would be gridlocked by a 40% surge in automobiles; downtown's 52,000 parking spaces would be swamped by an influx of new cars; and the intrinsic walkability of this dense downtown would all but disappear.

Center City's defining character — compact, walkable density, continuous storefronts and rich diversity of architecture — is made possible because we don't have to park everyone's car downtown each day. It's no accident that the most walkable American downtowns, Boston, New York, Portland and San Francisco, also have strong transit systems.

SEPTA also supports many smaller regional employment centers like Conshohocken, Jenkintown and Malvern. It carries city residents to jobs in regional shopping centers like King of Prussia and delivers reverse commuters to suburban office parks.

But while other regions, like Denver, are doing billion dollar bond issues to build new systems, we've taken ours so much


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The competitiveness of Greater Philadelphia depends on a predictable and sustainable source for full funding of public transit. A quality transit system enhances mobility, reduces congestion on our roadways, enables employees to get to work, students to get to school, and residents, visitors and shoppers to enjoy all the amenities of the region.

for granted that we allow it to fall apart. Year after year, we tolerate uncertainty about funding, budget crises, threats of higher fares and reduced service, bare-bones capital improvements and few state-of-the-art technology enhancements. With limited dollars for marketing, there is no targeted outreach to students or to growing young professional and tourist populations with a penchant for transit.

Contactless smart fare cards have been introduced in New York; real-time information is at stations in Washington D.C. and Portland, Oregon. In the San Francisco Bay area, email or text messages alert you to delays or allow you to plan your trip via cell phone or PDA. Directly across the river, PATCO is testing a new fare instrument that can be used at both their parking lots and in their stations.

It is not that SEPTA is unaware of what is needed. There is a pass sold at the Independence Visitor Center that allows tourists to ride for a day anywhere on the system for just five dollars. SEPTA has slowly been overhauling its vehicles and building new, customer-friendly facilities. The capital budget for fiscal 2006–2007 itemizes a host of innovations aimed at making the system more accessible, efficient and customer friendly. But in the absence of stable operating funds, SEPTA is perennially forced to curtail marketing and promotion and to divert capital dollars just to keep its trains, trolleys and buses running.

A rare opportunity is now before us to address the financial deficiencies that dog SEPTA — and all public transit and highways in Pennsylvania. The Transportation Funding and Reform Commission, appointed by Governor Rendell, is poised to make its final recommendations on permanent, reliable sources for transit funding that could include new opportunities for financing at the regional level.

What we don't need are more temporary fixes so a mediocre system can limp along. What's required is a compelling new vision for regional transit — increased frequencies, later evening service, good maps and graphics, smart technologies and targeted marketing to attract new customers. We need a performance-based funding system that rewards innovation and ridership growth. We need a transit agency with an entrepreneurial spirit committed to customer service and reducing congestion, and empowered to facilitate smart growth.

A mobilized business community, joined with civic, neighborhood and labor groups, can help the Pennsylvania legislature enhance the competitiveness of Greater Philadelphia. Or we can be content with band-aid solutions and recurring crises that sap innovation and drive customers away at the very moment fuel prices are skyrocketing. The choice is ours.

Paul R. Levy
President

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WMATA Photo by Larry Levine

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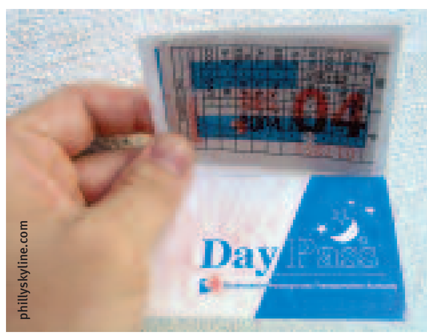

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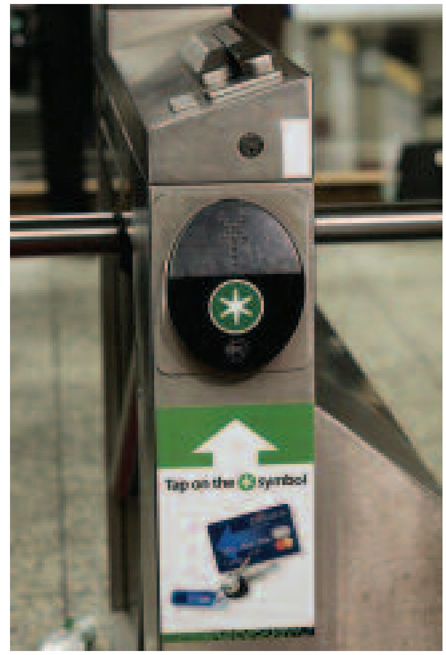

Transit innovations encourage ridership. Real-time information at transit stops has been demonstrated to decrease the perceived time that people wait, even when the frequency of trains has not changed. Real-time information also reduces uncertainty and anxiety about taking public transit and increases confidence in the system. Other improvements, both low- and high-tech, make transit more attractive to riders. Clockwise from top left, a real-time information system at a Washington Metro stop. In New York, a new system is being tested that uses contactless fare instruments, small enough to carry on a key chain, to speed travelers. Here in Philadelphia, SEPTA's $5 day pass is marketed mostly to tourists. CCD, SEPTA and PATCO are investigating creation of a uniform transit mark to clearly identify transit entrances.

What We Can Learn From SEPTA's History

By Joseph P. McLaughlin, Jr.

As we prepare to deal again with SEPTA's finances, two epigrams come to mind: "Those who fail to understand history are doomed to repeat it" and "In crisis there is opportunity." SEPTA's history suggests not only how to resolve the current funding crisis but — perhaps — how to achieve more enduring results.

It took the financial collapse of private transit operations in the 1960s to give birth to SEPTA. The system then struggled for more than two decades without dedicated public funding. Its fares put a strain on poor and working-class riders, and limited frequencies made it hard to attract car owners. Public subsidies required annual and therefore uncertain appropriations from seven governments — in Washington D.C., Harrisburg and the region's five counties. Unmet capital needs were a safety threat; indeed, four people were killed when 60-year-old railcars crashed on the Market-Frankford line in 1990.

SEPTA's financial problems have been compounded by political conflict. With federal operating subsidies dying and Philadelphia's city government facing insolvency in 1991, Mayor W. Wilson Goode asked City Council to raise the highest wage tax in the nation and to withhold the city's annual $45 million contribution to SEPTA unless the city also received state authorization to impose a sales tax. Suburban leaders cited the non-resident wage tax and Delaware's lack of a sales tax (used in other regions to support transit) as political constraints on their ability to help.

SEPTA itself was in disarray. Its chairman had stepped down amid allegations of patronage and spending abuses. A nationally recruited and highly touted general manager resigned within a few weeks, citing lack of political support.

Fortunately, business leaders decided SEPTA was worth fighting for. Greater Philadelphia First (predecessor of today's CEO Council for Growth), helped SEPTA recruit credible new leaders: Chairman Clayton Undercoffler and General Manager Louis Gambaccini. GPF also paid for studies to document SEPTA's economic benefits, polling to

(continued, page 4)

Time for A Change: The Work of the Governor's Transportation Funding and Reform Commission

By Beverly A. Harper and Richard Voith

Pennsylvanians have an unprecedented opportunity to reform the way we plan, deliver and fund transportation in the Commonwealth. The Governor's Transportation Funding and Reform Commission (TFRC) has just released preliminary proposals to improve the way we fund transportation, tying funding to performance and initiating incentives for efficiency. These proposals include reforms for the way we construct highways, keep our bridges in good repair and transform our transit agencies into efficient delivery systems that are responsive to and integrated with community goals. People throughout the state, legislators and funders should expect efficiency and 21st-century information in the way we plan and deliver transportation systems. These systems are worth billions of dollars, and are essential to the economic competitiveness and quality of life in the Commonwealth.

The TFRC is a bipartisan group of nine commissioners who have been appointed by the governor. The commission is charged with assessing the magnitude of the transportation funding crisis and identifying reform measures and funding sources to address current and future needs of both our highway and transit systems.

Over the past 18 months, the commission has absorbed technical information, listened to experts and involved citizens in the discussion of ideas and strategies to both end the crises and chart a path for Pennsylvania's transportation future.

As two Philadelphia members of the Commission, we've had the enlightening experience of seeing this issue from a statewide perspective. In addition to focusing on Southeastern Pennsylvania and Allegheny County, where transit systems carry 300 million and 70 million annual passengers respectively, we've looked at five other smaller transit systems that carry another 30 million Pennsylvanians each year.

We have reviewed data on the current state of the almost 40,000 miles of state-owned highways, about the same amount as New York, New Jersey and all of New England combined are responsible for! The cost of repairing and constructing new highways has increased an average of 35% each year over the past two years because of inflation in the construction industry. There are also 25,000 state-owned bridges over eight feet in length and 25% are structurally deficient.

(continued, page 4)

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SPECIAL TRANSPORTATION ISSUE

J.B. Abbott

Joseph P. McLaughlin *(continued)*

help design a statewide legislative strategy and newspaper and television advertising to dramatize the need for dedicated funding.

Jack Miller, chairman of Provident Mutual, and the Reverend Bill Moore, past president of Philadelphia's Black Clergy, co-chaired a vigorous regional coalition that included representatives of labor, consumers, environmentalists, riders and advocates for the poor. In Harrisburg, the regional coalition joined more than 40 other transit systems and the state's effective highway lobby to seek balanced transportation funding.

Backed by this coalition and relentless *Inquirer* editorials, the region's bipartisan legislative delegation helped enact $200 million in new transit funding (SEPTA's share was $140 million). Because these revenues were dedicated by law, SEPTA was able to borrow hundreds of millions more and embark on a long-overdue modernization of its infrastructure and equipment.

In 1996, opportunity knocked again when state highways faced a funding shortfall. A similar regional and statewide effort helped boost transit's small slice of the statewide sales tax as part of a balanced transportation package. But additional revenues for SEPTA didn't materialize because the legislature deregulated electricity, triggering a steep decline in transit's largest dedicated revenue source, a tax on public utility property. Since then, lagging appropriations and rising energy and health care costs have more than offset gains in efficiency and riders.

Without action in Harrisburg, SEPTA will run out of operating dollars early next year. Without adequate matching dollars, it cannot maximize federal capital dollars and make improvements to attract new riders as auto fuel costs rise.

Here are history's lessons: First, once federal operating subsidies ended, SEPTA became even more dependent on the state. But because most Pennsylvanians realize only indirect benefits from transit (less pollution, congestion, sprawl, etc.), funding transit is a hard sell politically and must be linked with funding for roads. Second, crises dramatize transit's importance and present opportunities to make progress. Third, our region is capable of effective, coordinated and bipartisan political action, particularly when business leaders aggressively use their resources and back a broader coalition of civic, labor and consumer groups. And fourth, although the state must be a key player, the system's long-range capital needs — which dwarf those of other regions — may ultimately require additional regional revenue sources, as well. Otherwise, we may see this tale unfold again.

Joseph P. McLaughlin, Jr., is an assistant dean and senior research fellow at Temple University. He served as a lobbyist for SEPTA and business leaders in the dedicated funding efforts of the 1990s.

Beverly A. Harper and Richard Voith *(continued)*

We calculated what it would cost to bring these systems up to a state of good repair as well as the additional expenditures necessary to enhance mobility. The bottom line is simple: the funding needs for highways and transit are enormous, and there is no silver bullet that will allow us to invest in transportation infrastructure and services without increasing funding.

While one of the key goals of the commission is to propose an approach to funding, we have focused as well on the reform component of our charge. The commissioners developed a set of principles to guide our recommendations: 1) While the state cannot be the only source of transportation financing, it must fund the core transit, highway and bridge systems and work to keep them in a state of good repair. 2) Efficiencies should be rewarded, with straightforward, market-based financial incentives embedded in the public funding system. 3) Local municipalities must have more flexibility and incentives. 4) Financing at the regional and local levels should be encouraged. 5) The state funding should reward smart planning that integrates transportation, land use and economic development.

The Transportation Funding and Reform Commission recently released an interim report detailing funding and reform options. After a period of public hearings in September (see page 5), the TFRC will issue its final report and recommendations. For these recommendations to come to fruition and for our transportation systems and communities to reach their potential, everyone, including the governor, state legislators, regional planning agencies, local governments and statewide organizations, will have to work together.

We are at a critical juncture. To avoid another round of stopgap funding and dysfunctional conflicts between transit and highway interests, we need a comprehensive approach to funding transportation accross the Commonwealth.

Both Beverly Harper, president, Portfolio Associates, Inc., and Richard Voith, principal, Econsult Corporation, serve as commissioners on the Governor's Transportation Funding and Reform Commission.

Lessons From Other Cities

Philadelphia is not the only city with a history of recurring transit crises.

As big cities across the country began to decline in the 1950s, losing market share to their auto-oriented suburbs, private transit agencies were going bankrupt and transferring failing systems to new public authorities.

By the mid-1970s, only eight American cities (plus a few minor tourist examples like the short Seattle World's Fair Monorail and LA's Angels Flight) had any urban or regional rail public transportation: New York, Chicago, Philadelphia, Boston, Pittsburgh, Cleveland, San Francisco and New Orleans.

But since 1975, seven of those eight cities have added extensions or new lines and all continue to expand their systems. Philadelphia has the dubious and unique distinction of having *less* rail public transit today.

Certainly, there have been major improvements to our regional public transit infrastructure: The city-built Center City Commuter Tunnel and Airport Rail Line opened in 1984-85, and the New Jersey Transit River Line from Camden to Trenton opened in 2004.

However, since 1977, SEPTA has cut its city light rail system in half and has curtailed rail service at the outer ends of six of its 13 commuter rail lines. These transit cutbacks have occurred while the regional highway system has become increasingly congested, commute times have lengthened and our metropolitan area remains in "non-attainment" status under the Clean Air Act.

During the same years, other regions have been reinvesting aggressively in rail. Since 1975, about 20 American cities have reintroduced trolley/light rail systems, with many more now under construction or in design/planning. Seven cities have opened new heavy rail/rapid transit lines (San Francisco/Oakland, Washington, Atlanta, Baltimore, Miami, Los Angeles and San Juan, PR) and since the 1980s, several new cities, including Dallas, Los Angeles and Miami, have inaugurated commuter rail service. The Denver metro area recently approved a multi-billion dollar bond issue to finance a whole new transit system, creating a regional framework for smart growth.

This region recently learned the critical importance of quality transit in preparing

Energy-efficient trolleys and electric buses operate in only a few Philadelphia neighborhoods and further cuts could be proposed.

an Olympic bid. To be in the running, every venue had to be accessible by public transit because that is how the International Olympic Committee expects visitors to get to the games.

Philadelphia can either stand by, watching SEPTA deal with recurring budget uncertainties by making further cutbacks and reducing levels of service. Or we can insist that to be competitive, not just in 2016 or 2020, but *today*, the legislature must provide a reliable and secure source of funding for both transit and roads.

TRANSPORTATION ISSUE

What You Can Do

The Governor's Transportation Funding and Reform Commission (TFRC) released its recommendations in late August and will hold a public hearing on **Friday, September 15** from 10:30 a.m. to 1:30 p.m. at the Delaware Valley Regional Planning Commission, located in the ACP Building, 190 N. Independence Mall West. The Greater Philadelphia Chamber of Commerce, the Pennsylvania Economy League, and CCD/CPDC are all coordinating their testimony at this event.

On **November 7**, Pennsylvanians will elect a governor and a new legislature to take office in January. In the week that follows, the Governor's Transportation and Reform Commission is expected to release its final recommendations.

The time between Election Day and the end of the legislative session in December offers a brief window of opportunity for lawmakers to provide a reliable and permanent source of funding for public transit and highways in Pennsylvania.

Contact your state senators and representatives now, as well as the governor's office, to let them know that the Philadelphia region cannot afford more delays and temporary fixes. Before the New Year, Pennsylvania needs adequate, permanent and dedicated transportation funding.

To find your state legislators and their contact information, visit ***www.legis.state.pa.us****. To read the TFRC interim report, visit* ***www.dot.state.pa.us/tfrc****.*

Predictable funding will keep the system running; a more entrepreneurial approach can improve the quality of service and increase ridership.

PRACTICAL MATTERS

CENTER CITY DIGEST

FALL 2006

INSIDE

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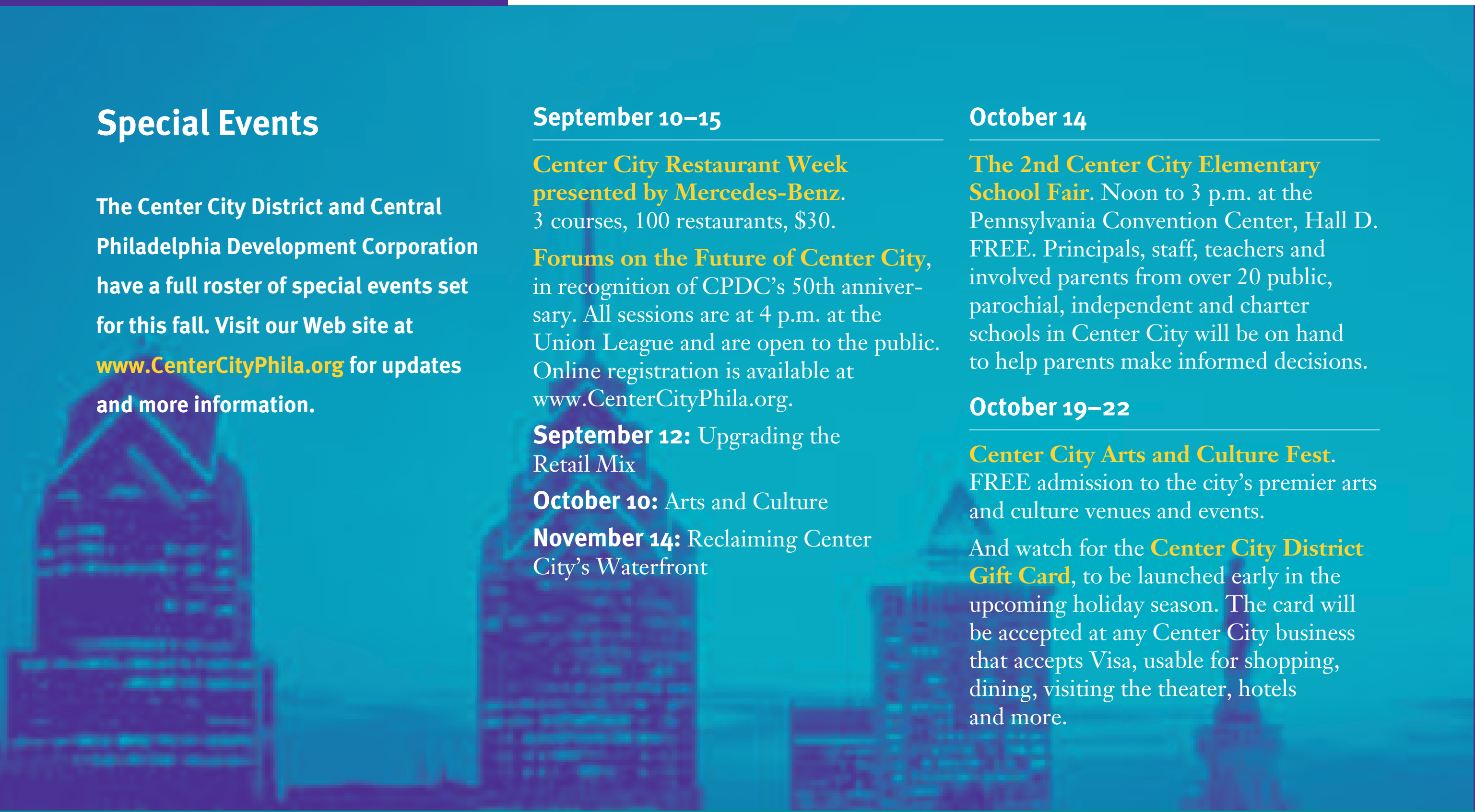

Special Events

The Center City District and Central Philadelphia Development Corporation have a full roster of special events set for this fall. Visit our Web site at www.CenterCityPhila.org for updates and more information.

September 10–15

Center City Restaurant Week presented by Mercedes-Benz. 3 courses, 100 restaurants, $30.

Forums on the Future of Center City, in recognition of CPDC's 50th anniversary. All sessions are at 4 p.m. at the Union League and are open to the public. Online registration is available at www.CenterCityPhila.org.

September 12: Upgrading the Retail Mix

October 10: Arts and Culture

November 14: Reclaiming Center City's Waterfront

October 14

The 2nd Center City Elementary School Fair. Noon to 3 p.m. at the Pennsylvania Convention Center, Hall D. FREE. Principals, staff, teachers and involved parents from over 20 public, parochial, independent and charter schools in Center City will be on hand to help parents make informed decisions.

October 19–22

Center City Arts and Culture Fest. FREE admission to the city's premier arts and culture venues and events.

And watch for the **Center City District Gift Card**, to be launched early in the upcoming holiday season. The card will be accepted at any Center City business that accepts Visa, usable for shopping, dining, visiting the theater, hotels and more.

SPECIAL EVENTS

The *Center City Digest* is a publication of the Center City District (CCD), a private-sector sponsored municipal authority committed to providing supplemental services that make Philadelphia's downtown clean, safe and attractive; and of Central Philadelphia Development Corporation (CPDC) with 50 years of private-sector commitment to the revitalization of downtown Philadelphia. **Editor:** Elise Vider **Designer:** Amy Yenchik

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