

TRANSPORTATION IMPACT ZONE POLICY

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Several policies to decrease adverse impacts of transportation facilities are analyzed. The primary purposes of the proposed transportation impact zone policy are to improve social and environmental quality, equity (by reducing uncompensated losses), and technical efficiency of transportation (by expanding ameliorative measures available to transportation agencies). Secondary goals are to internalize costs and increase community acceptance of proposed facilities. The proposed policy involves three strategies: (a) regulation, (b) funds for recipients provided they treat adverse impacts, and (c) unrestricted funds for those damaged. Only noise seemed subject to satisfactory regulation—a two-tiered standard with more stringent standards for new facilities than for those existing and with variances across transportation modes depending on cost-effectiveness. Funds for affected recipients, if they ameliorate adverse impacts, provide an incentive for carrying out certain desired activities such as soundproofing, noise barrier construction, neighborhood planning grants, bikeway and pedway construction, and property acquisition. Unrestricted funds for those damaged are most efficient at increasing equity because they can be used for whatever the individual thinks is best. These funds would be payments for value losses for residential property, loans for short-term losses to small businesses, and for compensation to municipalities for significant (over 2 percent) losses in their total tax base for impact remedies provided outside the right-of-way.

•THE current transportation system represents the final product of a process that contrasted construction and operation costs of particular facility types and locations with the benefits of increased mobility expected to result from those alternative facilities. Only a partial set of transportation costs and benefits have been used: Social and environmental impacts of transportation were largely ignored. Primary attention was devoted to measuring aggregate costs and benefits of transportation; the distribution of those costs and benefits among different population groups was little considered.

The persistence of uncounted costs and benefits in transportation decisions and the relative inattention to distribution have had several consequences. The inattention has resulted in a socially inefficient distribution of transportation facilities. Because the transportation agency was not held accountable for any deterioration in levels of social and environmental quality resulting from its decisions, facilities were sometimes built that overly compromised the community environment. Furthermore, the transportation system's inattention to distributional issues resulted in uncompensated economic losses to particular individuals.

The National Environmental Policy Act of 1969 has made some progress in mitigating these problems. In particular, the act requires that the social and environmental impacts of new transportation facilities be reported on prior to project approval: an attempt to broaden the set of costs and benefits included in the project. It, however, does not provide any means of ameliorating identified impacts. Current transportation legislation largely limits adverse impacts identified with facility design and location changes. Outside the right-of-way action is seriously circumscribed. Neither current transportation legislation nor environmental initiatives provide for programs to reduce uncompensated economic losses associated

with transportation system development. The transportation impact zone (TIZ) policy developed and analyzed in this report is intended to fill this gap: to present a systematic program for promoting outside the right-of-way action to mitigate the adverse impacts of transportation facilities.

POLICY OBJECTIVES

In an attempt to develop a policy to deal more comprehensively with the adverse impacts of transportation facilities, the problem is not finding a mechanism that will work; it is molding an optimal strategy by choosing from the many tools, or combinations of policy components, that have been identified or proposed. These tools differ in terms of both their costs and effectiveness.

Criteria are necessary for choosing among alternative policy components. To have criteria, one must have goals. Much literature on the treatment of the impacts of transportation facilities and possible means of treating them leaves underlying policy objectives unspecified. The first task in choosing among the plethora of available treatment programs is to identify relevant policy objectives.

Three distinct, legitimate goals for any policy initiative in the field of impact zone treatment are (a) improvement of social and environmental quality, (b) elimination of uncompensated economic welfare losses (equity), and (c) improvement of technical efficiency in transportation. Several other derivative objectives will also be served by this policy.

PRIMARY POLICY OBJECTIVES

The improvement of national, social, and environmental quality is an explicit goal of a broad range of public policies; the requirement for environmental impact statements is one example of the pursuit of this objective in transportation. Current legislation, however, does not express the potential public concern over the indirect impacts of transportation facilities. In this TIZ proposal, a series of actions has been identified that would further reduce the adverse impacts of key transportation facilities (including highways with four or more traffic lanes, elevated surface and subsurface facilities for the mass movements of passengers or goods, and airports designed for scheduled passenger service or major general air traffic) by expanding the set of ameliorative actions eligible for funding by transportation agencies.

The TIZ policy initiative is intended to accomplish more than improvement of social and environmental quality of transportation facilities. It will also reduce the uncompensated economic welfare losses currently associated with the development of transportation systems.

Even in the case of transportation facilities that have net benefits for the community, many individuals and institutions may suffer real economic welfare losses as a result of the externalities produced by these facilities. These losses will be only partially eliminated by the improvements in community social and environmental quality generated. In many cases, complete elimination of all of the adversely experienced impacts of transportation facilities would be prohibitively expensive. The persistence of differentially distributed adverse effects from transportation facilities, however, violates the principle of equal sacrifice that has long guided the formation of public policy in the area of taxation. Fundamentally, this principle reflects a measure of political agreement: The governmental cost should be defrayed by a system of taxation that requires equal sacrifice from each individual. Although there have been varying interpretations of the equal sacrifice principle in developing schedules of progressive taxation, there has been no disagreement on the basic premise that individuals in equal economic circumstances should be treated equally. When, however, residual externalities persist in constructing and operating transportation facilities, those adversely affected absorb a disproportionate share of the total burden of these facilities. The inequities introduced by this system are particularly severe when the adversely impacted individuals are geographically concentrated. The TIZ proposals will, in addition to improving the social and environmental quality of transportation facilities, also help serve the equity principle of public finance.

Finally, the TIZ policy will promote technical efficiency in transportation. By allowing, as part of project costs, the costs of ameliorating adverse transportation impacts outside the right-of-way, the policy effectively expands the opportunity of transportation planners and increases the total net benefits potentially realizable from transportation facilities. A simple example will help clarify this point. Assume (a) there is a transportation facility that creates total benefits of \$100 and (b) this facility will cost \$70 to build and will create some additional social costs. If no action is taken, these additional social costs, e.g., in property value losses from noise, will equal \$20; therefore, the net social benefit is \$10.

The transportation agency can, however, make some inside the right-of-way design changes: Assume these add \$5 to construction costs and reduce residual social costs to \$10. The net social benefit for this option is \$15 ($\$100 - 75 - 10$). Clearly, this second option is preferred.

The policy proposed provides the planner with still a third option: outside the right-of-way amelioration. In the case described, such action (e.g., soundproofing) might increase project costs to \$75 and reduce residual social impacts to \$5, yielding a net social benefit of \$20. It is in this sense that the TIZ policy provides a means of increasing the range of economic welfare possibilities.

SECONDARY GOALS

There are two additional policy goals that will be, at least indirectly, served by this initiative: allocative efficiency and community acceptance.

Allocative efficiency, in the transportation area, requires only that the full private and social costs and benefits of a project be included in the initial project calculation: Externalities should be internalized. Allocative efficiency does not require that any compensation be paid to adversely impacted individuals or that any action be taken to ameliorate the adverse social and environmental effects of transportation facilities. Strict allocative efficiency requires only that all costs and benefits be counted. Nevertheless, whereas the payment of compensation or physical treatment of impacts is not a necessary condition for the achievement of allocative efficiency, it is a sufficient condition. One way to ensure that all social costs are considered (as is demanded by efficiency) in project calculations is to require that action be taken and funded to reduce those costs. Thus, although this policy was not designed as a direct response to problems of allocative inefficiency, it will nevertheless help to reduce these problems.

Finally, there is a final policy goal implicit in each of the other goals described: encouraging an increase in the level of community support for planned facilities. Neutralizing the community opposition that effectively blocks the introduction of socially worthwhile projects can be soundly based in the principles of public policy. Nevertheless, in developing this policy, the goal of increased community support was addressed only indirectly: Community support for a project will be promoted only to the extent that it is produced as a result of actions taken in other major goals of this policy.

ANALYSIS OF PROGRAM COMPONENTS

There are three basic types of program mechanisms available to any public agency in discharging its legislated mandate: It can regulate, it can make funds available based on certain actions by the recipient, and it can make funds available without restrictions. The TIZ policy proposed uses all three mechanisms to address problems produced by externalities in transportation. The rationale for choosing particular strategies to remedy particular types of adverse impacts and the analysis underlying the choice of administrative structures to implement this policy are discussed.

REGULATION

The federal government can elect to deal with the adverse impacts of key transportation facilities by regulation. For this, the government must be able to develop

standards of social and environmental quality that are unambiguously defined and that may be measured accurately. The level of standards set should reflect a careful and considered judgment of the trade-offs between the public benefit and the public and private cost of meeting the standards. Finally, the government must determine which categories of facilities should be regulated and how the standards should be set for each. Three basic issues for the selection of regulatory mechanisms can, therefore, be identified:

1. Which adverse impacts should be regulated?
2. Which facilities should be subject to regulation?
3. At what level should standards be set for each category of regulated facility?

Selection of Impacts To Be Regulated

Three criteria were identified for the selection of impacts that could appropriately be regulated: (a) significance, (b) measurability, and (c) accountability. These criteria were applied to the full range of impacts produced by transportation facilities in an attempt to identify those impacts susceptible to regulation.

In an earlier review of transportation facilities (1), 11 dimensions of social and environmental quality effects were identified: noise, air pollution, water pollution, vibration, electromagnetic interference, light, accessibility, neighborhood disruption, crime, safety, and aesthetics. Of these, only noise, air pollution, water pollution, accessibility, neighborhood disruption, crime, safety, and aesthetics were significant enough to warrant concern for at least one major facility category.

Review of these impacts in terms of their suitability for regulation found that only noise, air pollution, and crime lent themselves to reliable measurement. Of these, only noise satisfied the remaining criterion of accountability within the current state of the art.

Thus, careful analysis suggested that for the purposes of this policy only noise should be subject to regulation. The remaining transportation impacts were dealt with through the other policy mechanisms.

What Kind of Regulation?

Once it was found that only noise was appropriate for regulation, the kind of regulation needed had to be determined.

Highways, airports, and public transit were potential sources of significant noise, and thus, all are covered by the regulatory provisions of this policy.

The key issue in the choice of facilities for regulation lies in the distinction between the regulation of new facility development and the regulation of both new and old facilities. The case for regulating new facilities only has some appeal because regulation, through internalization of costs, may exert a beneficial influence on route or site selection. This can only be effective in the case of facilities still in the planning phase. Furthermore, it may be much cheaper to meet the standards at new facilities than at existing facilities.

The case for regulating existing as well as new facilities is not without some merit because regulation is intended as a means of achieving health and welfare goals (the concern is with the individual and not with the source). Thus, in that noise abatement is viewed as a preeminent objective, the regulation of existing facilities may still be appropriate.

A related issue arises when one tries to determine whether or not standards should be uniform across modes. Intermodal differences in the costs of noise abatement argue for a differentiation in permissible noise levels across modes. Equity considerations suggest that individuals subjected to equal noise levels should be compensated equally regardless of whether the noise is produced by an airport or a highway.

Both the problem of new versus old facilities and cross-modal distinctions have been resolved in the proposed policy through a two-tiered standard.

The Secretary of Transportation is required by the proposed policy to establish a minimum health standard for noise, which is applicable to all facilities; this standard

is to be uniform across modes and across vintages of facilities. The requirement that a single lower bound standard be applied uniformly across facilities reflects the minimum health and safety nature of the standard. Uniformity is required because the costs to impacted individuals of exceeding the health standards are gross.

Under the proposed policy, the Secretary of Transportation is further required to establish a second tier of more stringent noise standards applicable only to proposed facilities and varying across modes according to cost variance.

There is one final issue that must be addressed in establishing federal transportation noise standards. Should standards be absolute or keyed to the type of land use under exposure? In the TIZ policy, the latter approach is used (e.g., a noise compatibility standard, similar in principle to the California noise law). It designates a maximum level of noise to which individuals living in the area may be subjected; if no one lives in the area, no regulatory action is required.

The use of a standard keyed to land use appears to be particularly appropriate for noise. Unlike air pollution and water pollution, noise has little effect on the overall ecosystem; it primarily affects the health of individuals. Thus, the absence of overriding ecological considerations makes the tying of standards to people affected most sensible.

TIED ASSISTANCE PAYMENTS

During the last 30 years, enormous growth has occurred in the federal grant-in-aid system, not only in transportation but also in education, health care, welfare, urban renewal, waste treatment, water supply, low-income housing, and so on. Generally, the categorical grant system serves federal policy objectives by reducing the cost to state and local government agencies associated with developing public facilities or providing public services. In short, it provides an incentive for carrying out certain desired activities.

Use of assistance payments tied to certain activities is particularly relevant to the treatment of transportation impacts. Transportation facilities are subsidized by the federal government through formula matching grants. Because expenses are incurred in treating areas impacted by those facilities, they should be included in project costs on the same basis as construction and other costs incurred within the right-of-way. This argument (internalization of costs) applies primarily to new facilities, inasmuch as cost internalization serves little allocative purpose for existing facilities.

TIZ policy uses tied assistance programs in two ways. First, they are used as a method for defraying the costs of complying with federal noise regulations at the state level. Thus, certain actions taken outside the right-of-way to achieve noise regulation are made eligible for federal funds. Second, several adverse social and environmental impacts exist that are not susceptible to regulation but that are still sufficiently significant to warrant concern. The incentives provided to localities by federal matching contributions provide the only real measure of dealing with these impacts.

Assistance Payments for Noise Abatement

There are four abatement methods that can be exercised outside the highway or public transit right-of-way or outside the airport boundary: These actions are designed

1. To reduce exterior noise levels for a given pattern of land use (construction of berms, absorbing barriers, etc.);
2. To reduce interior noise levels of structures for given exterior noise levels and a given pattern of land use (soundproofing);
3. To eliminate incompatible land uses (acquisition and demolition of incompatible structures); and
4. To prevent incompatible land use development subsequent to facility development (preemptive land use acquisition, condemnation of development rights, zoning, etc.).

In the TIZ policy, actions taken to achieve compliance with federal noise regulations in any of the four ways listed are allowed as part of normal project costs. The choice among techniques is discretionary; the optimal choice of noise abatement method varies across facilities for cost reasons and in response to variations in local law and policy.

Reflected in the allowable costs provided by TIZ policy is the view that all activities undertaken to achieve higher levels of noise compatibility must be made eligible for federal grants-in-aid on the same basis. Failure to do this would effectively distort the prices that a state or local agency faces and would result in an overuse of techniques for which grants are available. An inefficient use of abatement techniques would therefore be promoted.

Assistance Payments for Impacts Other Than Noise

Noise is by no means the only, or the most important, adverse impact of key transportation facilities, and although other impacts do not lend themselves to federal regulation, actions designed to deal with those other impacts can be made eligible for computing the federal matching contribution.

In determining which additional impacts should be dealt with by means of assistance payments, the key issue is accountability. If it is not possible to determine the extent to which the transportation facility is or is not accountable for experienced levels of social and environmental quality impacts, it is not appropriate to use transportation use charges for treating those impacts. Indeed, such use would be a direct violation of the antidiversion provisions of trust fund legislation. Of the seven social and environmental impacts significantly important to warrant concern (not including noise), only accessibility, neighborhood disruption, and aesthetics passed the test of accountability.

The aesthetic impacts of highway development are currently dealt with in the Highway Beautification Act of 1965. The aesthetic impacts of highways seem to be of much greater importance than those of airports or public transit facilities. There is little opportunity in any grant for outside the right-of-way aesthetic improvements for public transit or airport facilities. Aesthetic questions relate far more to rural than to urban environments where most airports and all public transit facilities are located. For these reasons, assistance payments for aesthetic improvements beyond those already provided for in the 1965 act did not seem particularly necessary.

Although neighborhood disruption is hard to define with any precision and impossible to measure, it is significant as an impact of transportation facility development and must correctly be addressed in the environmental impact statement for all new developments. It is extremely difficult, however, to identify a set of discrete activities that can be undertaken to offset or ameliorate those disruptive efforts. For this reason, the TIZ policy suggests that neighborhood disruption be treated by making special corridor or sector planning grants available to the appropriate areawide planning agency; e.g., in those cases in which the environmental impact statement finds that significant neighborhood disruption will result from facility development and generation. Corridor or sector planning grants are not permitted under this policy in those instances in which neighborhood disruption is trivial because this would constitute an unwarranted burden on the trust funds.

Accessibility within a neighborhood may be threatened by a new transportation facility, either by the physical division of the community by the facility or by increased traffic volumes on feeder roads. Access disruption may be particularly severe in communities with high levels of pedestrian dependence. Where it can be demonstrated that such a threat exists (2) and where investments outside the right-of-way can be shown to offer compensatory improvements in local access, the policy includes such investments as part of eligible project costs, e.g., the construction of pedestrian walkways, street widening, and so on.

Thus, in the policy, the transportation project costs eligible for federal funding have been expanded to include costs of outside the right-of-way noise abatement, selective planning grants to minimize neighborhood disruption, and investments designed to minimize local access disruption.

UNTIED PAYMENTS

Implementation of regulatory and tied assistance provisions of the TIZ policy will result in a substantial reduction in the adverse impacts of transportation facilities. Nevertheless, some residual adverse impacts will remain. In particular, regulatory and tied assistance programs are directed toward amelioration only of noise, neighborhood disruption, and local accessibility; other transportation impacts are not directly addressed. Moreover, even these impacts will be, of necessity, incompletely remedied. Thus, some uncompensated economic welfare losses from transportation facilities may still persist. In TIZ policy, untied or unconditional compensation payments are used as a device to reduce these losses.

Note that payments made without restriction on the recipient are appropriate only because the underlying policy objective is to increase the recipient's economic welfare. If the policy objective were exclusively to improve some aspect of social or environmental quality, the payment should always be conditioned on the recipient taking appropriate action. Thus, the inclusion of an untied payment provision in the proposed policy reflects the belief that adverse transportation effects exist, which cannot be entirely remedied through direct regulation or tied assistance, and that the economic losses generated by these impacts should be reduced to promote equity.

There are three categories of potential claimants on compensation funds:

1. Owners or occupants of residential property subjected to adverse transportation impacts,
2. Owners of commercial property that declines in value or renters of commercial property who suffer business losses, and
3. Municipalities that suffer losses in tax revenues without offsetting reductions in the cost of municipal services.

The design of a cash payment program to compensate any one or more of these potentially injured groups is not without its difficulties. These relate principally to the identification of injured parties and the determination of the cash payments required to compensate them.

Compensation to Owners or Occupants of Residential Property

Compensation to owners or occupants of residential property is the most important category in terms of the legitimacy and magnitude of potential claims. Residential property is often at least somewhat incompatible with transportation facilities; empirical evidence, though fragmentary and to some extent conflicting, suggests that under some circumstances serious economic welfare losses may accrue to this group.

There are two basic approaches to compensating for transportation impacts on residential property. The first simply ties a cash payment to specified reductions in one or another dimension of environmental quality. This approach encompasses formula arrangements (i.e., dollars for decibels) as well as less structured arrangements such as time-limited easements. A second would tie cash payments to measured or estimated changes in residential property values.

Cash payments linked to an environmental quality measurement is perhaps the simpler of the two to administer; it has, however, several serious flaws. First, the determination of the trade-off concerning environmental quality is necessarily arbitrary: Is \$100 or \$1,000 paid per 1 percent increase in area noise levels? Second, such a scheme cannot embrace those impacts that do not lend themselves to reliable measurement; yet it is toward those precise impacts that cash payments are most appropriately directed. Finally, in those cases in which a facility confers offsetting benefits, such as improved mobility or employment opportunities, cash payments linked to environmental quality measures may lead to substantial overcompensation and inequity among individuals who differ with respect to the level of offsetting benefits.

In the TIZ policy compensation payments to individual owners of residential property are determined by the property value losses that accrue as a result of the facility. Thus, based on the extent that an individual's property depreciates in value as a result of the construction and operation of a transportation facility, the government will

absorb some part of this loss (the proposed property value loss compensation is essentially equivalent to the payments for "injurious affection" currently available in Great Britain under the Land Compensation Act of 1973).

Keying compensation payments directly to property value losses avoids most of the problems implicit in the dollars for decibels approach, without simultaneously introducing other unmanageable problems. First, the property value approach is considerably less arbitrary than the general environmental quality approach in deciding the money due for certain physical impacts. Second, changes in property values resulting from the development and operation of new transportation facilities reflect not one or two measurable impacts but all the impacts of transportation, including some which would be impossible to assess in any other way. Therefore, the method of cash payments for property value loss, which compensates only for net effects of transportation impacts, avoids the problem of selective overcompensation implicit in cash payments linked to an environmental quality measurement.

TIZ policy, inasmuch as it focuses on property values as a basis for compensation, does not do much for renting occupants directly; however, this is not considered to be a serious problem. Most leases are considerably shorter than the planning period of transportation facilities. In that the net impact of the new facility on the value to renters is negative, this should be reflected in rental prices. In short, the normal operation of supply and demand in the housing market should by itself compensate renters.

The proposed policy limits eligibility both temporally and spatially by carefully defining an impact zone. Only those individuals who owned impacted property before the introduction of the transportation facility are eligible for pavements. Once a facility is introduced into an area, property values will adjust to reflect the impact of that facility; thus, individuals who purchase homes in the impacted area after the facility is introduced will already have been implicitly compensated by the market through the reduction in the price they must pay for that home. In short, if an individual with full knowledge chooses to purchase a home next to a highway, the government is in no way obligated to compensate that individual for having made that choice.

Limiting eligible recipients of compensation funds to individuals who owned residential property before the inception of the facility suggests a second eligibility limit. Only transportation facilities for which federal aid applications have not yet been submitted will be responsible for paying compensation. In the case of existing facilities, the convoluted history of property transfers makes the identification of preproject landowners far too difficult.

Compensation will be paid only once and must be requested after the facility is in operation but before 2 years has elapsed from the opening of the facility. The single compensation payment is designed to reduce administrative load and avoid perverse double counting. The requirement that compensation payments be delayed until after the facility is in operation is to avoid the payment of short-term property value losses generated by construction impacts. Finally, the 2-year limit on compensation claims is designed to reduce administrative load and to minimize problems of calculating land inflation over long periods.

TIZ policy further circumscribes eligibility for compensation payments spatially. When the facility in question is constructed, the transportation agency responsible will provide noise contours. These contours will be used to define an impact zone within which homeowners are eligible for compensation. Under this provision noise is being used as a proxy for the whole range of anticipated impacts; this provision assumes that residential areas most severely impacted by noise will simultaneously be most severely impacted by other, less easily measured, impacts. Thus, even though geographical eligibility is being keyed to noise effects, the compensation program itself goes far beyond simple loss payments based on noise impacts.

Compensation to Owners or Renters of Commercial Property

The impact of transportation facilities may also appear in changes in the value of units of commercial property and reductions in the earnings of (usually small)

businesses. Inasmuch as commercial losses may extend well into the period in which the transportation facility is in full operation, the problem of who to compensate is potentially significant.

There are other questions about the propriety of compensating for the impact of transportation facilities on commercial asset values. Generally, the overall impact of new transportation facility development on commercial values is significantly positive. In those instances where individual businesses are hurt, the evidence suggests that this is the result of changed traffic patterns and not of reduced environmental quality. It is not clear that public agencies should be made liable for commercial losses resulting from the improvement of transportation facilities when they have no current means of appropriating the benefits. Furthermore, in most cases where losses exist, they are incurred not close to the new facility but at a distance and in an area in which traffic flows have been reduced.

It can be argued that although locational decisions are critical in the success or failure of single commercial enterprises, the outcome of these decisions is a normal business risk. If this is true, it would not only be of doubtful value to compensate for losses, but it would also reduce the incentives for making sensible and cautious decisions about future location. However, businesses experiencing losses may be eligible for income tax rebates.

The TIZ policy does not provide blanket coverage for all impacted businesses. The policy does, however, provide for minor coverage for a special class of impacted businesses. In particular, certain small businesses in the area surrounding the facility may suffer temporary increased costs or revenue losses from the social and environmental effects of a new facility. This situation is particularly common during the construction phase of the project. A real economic loss is imposed by small firms that drop out of the area because they have no capital in reserve to see them through temporary disruptions. (Clearly, this problem would not exist if capital markets were perfect; they are not.)

TIZ policy deals with this temporary disruption problem by providing short-run loans to impacted small businesses. Eligibility for these short-run loans is seriously circumscribed. In particular, only businesses within the impact zone, as defined by modal agencies under the residential compensation plan, are eligible. Moreover, loans are available only to small business concerns, as defined by the Small Business Administration. Finally, the burden of proof in demonstrating a transportation-related profit loss is on the business and requires

1. Demonstrating a difference in profit rates during the study period and the average profit rate experienced by the business during the 5 years before facility construction.

2. Showing, through comparisons with similar businesses in the region, that this profit differential does not simply reflect trends exogenous to the facility. The maximum loan available would be equal to the 1-year profit loss demonstrated. Claims must be made before the end of the first year of facility operation.

Compensation to Municipalities

Regulatory and tied assistance provisions of the TIZ policy will, in some cases, require the condemnation and demolition of taxable property outside the right-of-way. Because municipalities cannot effect immediate offsetting reductions in the costs of services (1), there is a negative impact on the taxpayer.

It is frequently argued that the long-run effect of new transportation facilities is to increase municipal tax revenues; however, this increase in property values is realized over a significant time period, but the loss of revenues from condemned property is immediate. This temporary loss may devolve an extraordinary burden in rural towns with already limited tax bases.

TIZ policy provides a time-limited (3-year) payment to municipalities for revenues lost. The payment is available only for large tax losses: 2 or more percent of the taxable town property must be taken. Thus, this provision is designed to deal primarily with extraordinary losses.

REFERENCES

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