as opposed to being served by the regional carrier. However, people may see the need for supporting SCRTD if they are convinced that they are now being treated fairly.

To provide accountability, SCRTD is developing a system of area accounts. Operational and ridership data are broken down by census tract, and it can be reaggregated according to any meaningful area definitions, such as planning areas, municipalities, or councilemen's districts. Then it can be related to demographic data, so that political determinations of fair distribution can be made.

Environmental concerns and impending declines in energy resources would seem to point toward significant expansion of transit services in the long run. It is hard to be optimistic about financial support in the short run, however. Any funds that can be made available must be used to improve service, rather than to make up for deficiencies in resource management. A major effort will be made to demonstrate productivity gains to the analysts who tend the purse strings.

Transit operators, however, cannot control all of the important factors. Funding mechanisms have a large impact on service deployment and on productivity. For example, federal operating funds are distributed so as to reflect densities of urbanized areas. Within Los Angeles County, these funds are distributed according to bus-kilometers of service. It is easiest (least costly) to put bus-kilometers in the least dense areas, so that is where most of the federal and state subsidy money has gone. If there is a problem it is not that transit operators are unresponsive to the will of the funding entities, but that they do exactly what they are coerced into doing by the funding mechanisms.

Case Studies on Increasing Transit Revenues: Atlanta

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In 1968, a proposal for public transit in Atlanta was pushed too quickly into referendum and was defeated; at that juncture there was great puzzlement over what would happen to Atlanta. The Chamber of Commerce had sponsored a study that indicated, among other things, that without a major transportation system Atlanta simply might not survive. But getting a transit system in Atlanta was no easy proposition.

Atlanta has an irregular terrain, and there is no rectilinear grid system anywhere in the community. Downtown was at a place called Five Points, and the road network was built from Five Points with practically no parallel streets. Atlanta proper is split between two counties. Its urbanized area probably covers nine counties. The city of Atlanta has a population of probably 500 000; within Fulton County, it is probably 800 000; within De Kalb County, there are 400 000 more people.

In most states it would be possible to form an authority that takes in several counties but not in Georgia, where the concept of a state-authorized local authority is more like a state-authorized local joint venture. When the 1968 proposal, which had involved an ad valorem property tax, was rejected, a number of problems were left unsolved—financial, legal, urban design, and transportation.

The better part of the fall of 1970 was spent taking the 251 members of the Georgia State Legislature to lunch, one at a time, to explain the purpose of public transportation. Once that was done, it was possible to go to the state legislature and ask for a plan to make it possible to have transit in Atlanta. A key meeting was held in the mayor's office one morning; all members of the bodies that appointed the board of directors of the transit authority were invited to discuss what to ask of the legislature. The meeting developed into an acrimonious debate.

The black community in metropolitan Atlanta was clearly opposed to having a sales tax; they favored an income tax, because an income tax meant that much of the black community in Atlanta would pay no tax, while the richer people in the suburbs would pay it. The suburbanites, in turn, countered that to be fiscally responsible there had to be a sales tax. A payroll tax was also considered.

The options were a 1 percent payroll tax, a 0.5 percent sales tax, or a 1 percent income tax. Although those options were the most feasible, 19 other taxes were considered as well. A wheelage tax on vehicles would have brought in about $30/automobile, but there were not that many vehicles in the area. A gasoline tax of about 1 cent/L (4 cents/gal) was expected. An ad valorem tax and value capture were also considered.

As the discussion in the meeting raged back and forth, the mayor asked how many people ride the system. On the basis of this figure, he did a calculation and announced that, for an additional 0.25 percent sales tax, everyone could ride free. He therefore proposed a 0.75 percent sales tax and no fares. For about 3 days nothing happened, but then all the phones began ringing. It seemed that every newspaper in America wanted to know about this exciting proposal. Suddenly, the issue was not whether to build a transit system and whether to take over the private bus operation but what the fare was going to be. The debate on how much to charge for the transit system became an enormous issue; there was no debate on whether to have it.

The black community, which had been violently opposed to the sales tax, suddenly began to realize that a transit fare was far more regressive than a sales tax, and that it was in its vested interest to have the sales tax and free rides, so they argued very strongly for no fare. The suburban contingent from De Kalb County and North Fulton County argued that there absolutely had to be a fare for the sake of fiscal responsibility and proposed a fare of 30 cents. They finally settled on 15 cents, which the mayor accepted with the proviso that there be a flat fare across the region. That eliminated trying to set up zones, which at that time would have been nonsensical.

The choice of a 15-cent fare turned out to be a great

disadvantage. The polls showed that the blacks did not believe they would really ever get a transit ride for 15 cents. Meanwhile, the white community did not believe it either; it would be too irresponsible. All of the polls showed there would have been about 85 percent support in the black community for a 25-cent fare. As it was, there was considerable doubt as to whether the referendum could pass. In fact, the issue was won by 50.01 percent in the white community and 50.01 percent in the black community with an overall margin of 467 votes.

In the state legislature, the vote was for a 1 percent sales tax and free fare. Since transit puts up all the money, the final decision was for a 1 percent sales tax and a 15-cent user charge. That raised about $4 million/month, only slightly less than what it is generating today. In 15 years, it is estimated that it will raise $944 million for the transit property. Much of that goes into the operating subsidy, of course. Another large part is used to fund the building of the rapid transit system or to pay the interest on the money borrowed to keep the program moving; 22.5 km (14 miles) of the system is under construction.

Transit in Atlanta needed a great deal of planning from the outset: A legal plan, because the law was bad and had to be changed; a financial plan to raise the money; a transit design plan for a rapid transit system and the bus system; a political plan and an informational plan; and an equally important urban design plan. The building of a major transit system in Atlanta seemed an opportunity to do more than just haul people to work. It could help make the city work. Its impact could be used to benefit the community and its citizens. The notion of public benefit of this sort raises the question of value capture: Who is going to benefit and under what conditions and how? There is an enormous opportunity for value capture by the Metropolitan Atlanta Rapid Transit Authority (MARTA) as the rapid transit system is built.

MARTA is building four types of stations. One is the downtown station that people walk out of into the central business district. At the other end of the line, out at the perimeter highway, there is an enormous parking lot so that people can get on transit to go to town. In between, there are two types of stations. One is for the older residential communities that have a few neighborhood shops. The building of transit stations permitted the reversal of falling property values and could help to stop the decline of places like Decatur. The fourth type of station is called a community center station; it is not located in relation to anything that is already there but to what could be done in the future. This was done particularly in the western area of Atlanta, where there was no development.

In value capture, a small piece of land is bought with public funds, and it is then used for the development of something and sold off. It permits some profit, but it is also a gamble, a bet on development. For example, the property value of the Mission Street station in San Francisco has probably declined (not in terms of real dollars, but in terms of constant dollars) from what it was when it was built. On the other hand, the concept of value capture in San Francisco at the Embarcadero station worked.

It Atlanta, MARTA's greatest value-capture opportunity may be generated by a station called Indian Creek Road. This station is in the middle of a 4000-automobile parking lot at the end of the perimeter highway, where three roads enter it. The station serves an enormous part of the Atlanta area that is basically undeveloped today, and it has a perimeter highway running north and south. You can get to that site in an automobile more easily than you can get to any other site, but there is nothing in the area it is being built in. Suddenly a land boom is taking place, and the value of the houses in the Indian Creek area has increased by $3000-$5000/house, simply because of their accessibility to the transit station. These values can be caputred for the community and, in fact, are being captured in terms of an increased ad valorem tax base, which benefits the community.

Most states, like Georgia, prohibit the transit authority from buying real estate it cannot prove it absolutely needs for transit. MARTA, then, apparently has no value-capture opportunity. However, it could, for instance, buy a flat lot covering 10 hm^2 (25 acres) for a 4000-automobile parking lot and, as land values go up, cover 2 hm^2 (5 acres) four stories high and sell off 2 hm^2, or 8 hm^2 (20 acres), for high-rise office buildings and build complexes adjacent to the transit station. But MARTA cannot plan such a thing, because the state law says it cannot.

Value capture provides a great opportunity. It is also very dangerous to tinker with. But taxes have a similar risk component. If taxes are increased, the value for the property owners is reduced and, since they are in there for a profit, they may leave.

Urban design was the key to the building of the Atlanta system. The building of the transit system was far more than just that. It was the building of a new way of life and a higher quality of life; it rebuilt metropolitan Atlanta. It was attempting to meet many goals. Value capture, if it occurred, should go to the entire community; therefore the decision was made, openly and candidly and early on, that under no condition would there be any attempt to extract profit out of the building of something associated with transit. If property values increased, the community could gain in terms of higher ad valorem property taxes. Transit would gain from an urban design plan that would ultimately improve ridership on the transit system. The decision was to use transit to benefit the city and to use value capture for its citizens.