



Places29 Reality Check Report May 2009

Executive Summary: The Free Enterprise Forum, a privately funded public policy organization located in Central Virginia, has completed a study of the Places29 cost projections. The results of the analysis conclude the use of current year, instead of project year, dollars underestimate the projects costs by over 175 million dollars (40.4%)

The Places29 Framework Master Plan for Albemarle County’s Northern Development Areas (“master plan” or “plan”) establishes a vision for accommodating growth in this part of the County. This master plan covers the Development Areas north of the City of Charlottesville: Neighborhood 1, Neighborhood 2, the Community of Hollymead, and the Community of Piney Mountain.¹

On May 12, 2009 Albemarle County’s Planning Commission confirmed their intent to use current year dollars for calculating the costs associated with Places29. The Free Enterprise Forum has been involved in the Places29 Master Plan since the beginning and has long advocated for the use of project year dollars. In the June, 2008 Metropolitan Planning Organization meeting, Free Enterprise Forum President Neil Williamson raised concerns about the implementation cost figures and asked about the transparency of the three phases of the project²

To better communicate the importance of utilizing project year dollars and to promote transparency, the Free Enterprise Forum internally completed a study of the costs associated with Places29. Free Enterprise Forum Field Officer (and Economist) William Des Rochers completed the tabulations. The base costs were extrapolated from Places29 Technical Memorandum Number 11.

Historically, highway construction costs increase at a different rate than other consumer goods. To properly address this issue, The US Federal Highway Administration publishes an annual report of price trends for Federal-Aid Highway Construction. The

¹ North Development Areas – Framework Master Plan Introduction page 1-1, 1-2

² Metropolitan Planning Organization Minutes, June 18, 2008 Page 7

Free Enterprise Forum completed a trend line analysis to calculate the anticipated increase in highway costs for the next twenty years. The land and utilities costs were escalated using a similar trend line analysis projection based on the US Bureau of Labor Statistics' Consumer Price Index (Historical Series). The annualized escalation charts are attached to this report as Figure A.

Places29 has three classifications of projects, short term (1-5 years), medium term (6-10 years) and long term (11-20 years). The next step is segmenting the projects included in Technical Memorandum #11 into each of these three classifications. Then taking the mid point of each classification, we used the appropriate roadway cost escalator and the Land and utilities escalator to bring the costs into Project Year dollars. This chart is attached to this report as Figure B.

Recognizing the community's proclivity to delay road construction projects, the Free Enterprise Forum used two different start dates for the calculations. The top portion of figure B assumes a 2010 start for the Places29 projects. The lower portion assumes a 2015 start.

It is important to note, all of the calculations are based on trend line analysis of historical inflation data. Economists worldwide are warning of a highly inflationary period following the current recession. Further, the Free Enterprise Forum believes the costs included in Technical Memorandum 11 are deceptively low and do not agree with costs included in previous studies (see Hydraulic/H250 study). Each of these two caveats would increase the project year costs dramatically.

According to our analysis assuming a 2010 start date, the decision by the Albemarle County Planning Commission to use current year dollars instead of Project Year dollars results in Places29 underestimating the cost of their prescribed projects by over \$175 million dollars or 40.4%. If a 2015 start is assumed, the Places29 Current Dollar methodology undercounts by more than \$184 million dollars or 42.3%.

The Free Enterprise Forum is a privately funded public policy organization operating in the City of Charlottesville and the counties of Albemarle, Greene, Fluvanna and Nelson.

Neil Williamson
May 2009

FIGURE A

Year	1987=100	5.5%Growth	FHA Increase	VDOT Increase
1972	38.6			
1973	42.5			
1974	57.9			
1975	58.1			
1976	56.3			
1977	59.8			
1978	70.7			
1979	85.5			
1980	97.2			
1981	94.2			
1982	88.5			
1983	87.6			
1984	92.6			
1985	102.0			
1986	101.1			
1987	100.0			
1988	106.6			
1989	107.7			
1990	108.5			
1991	107.5			
1992	105.1			
1993	108.3			
1994	115.1			
1995	121.9			
1996	120.2			
1997	130.6			
1998	126.9			
1999	136.5			
2000	145.6			
2001	144.8			
2002	147.9			
2003	149.8			
2004	154.4			
2005	183.6			
2006	221.3			
2007	172.4			
2008	175.4	181.8	1.018	
2009	178.4	185.1	1.035	1.018
2010	182.0	188.2	1.056	1.035
2011	185.4	192.0	1.076	1.056

2012	188.5	195.6	1.094	1.076
2013	191.5	198.9	1.111	1.094
2014	194.9	202.1	1.131	1.111
2015	199.0	205.6	1.154	1.131
2016	203.7	209.9	1.182	1.154
2017	208.2	214.9	1.208	1.182
2018	212.4	219.7	1.232	1.208
2019	216.4	224.1	1.256	1.232
2020	220.5	228.3	1.279	1.256
2021	225.1	232.6	1.306	1.279
2022	229.5	237.4	1.331	1.306
2023	233.7	242.1	1.356	1.331
2024	238.2	246.6	1.382	1.356
2025	242.6	251.3	1.407	1.382
2026	246.9	255.9	1.432	1.407
2027	250.9	260.5	1.456	1.432
2028	254.6	264.7	1.477	1.456
2029	258.2	268.6	1.498	1.477
2030	261.8	272.4	1.519	1.498

FIGURE B

Assuming a 2010 Start Date						
Start Year	PLACES29 Estimated Cost Road	REALITY CHECK Estimated Cost Road	PLACES29 Estimated Cost Land/Utilities	REALITY CHECK Estimated Cost Land/Utilities	PLACES29 TOTAL COST	REALITY CHECK TOTAL COST
2010	\$ 15,190,000	\$ 16,611,000	\$ 7,595,000	\$ 8,203,000	\$ 22,785,000	\$ 24,814,000
2015	\$ 88,110,000	\$ 150,522,000	\$ 44,055,000	\$ 51,280,000	\$ 132,165,000	\$ 201,802,000
2020	\$ 187,960,000	\$ 262,079,000	\$ 93,980,000	\$ 124,524,000	\$ 281,940,000	\$ 386,603,000
	\$ 291,260,000	\$ 429,212,000 47.4%	\$ 145,630,000	\$ 184,007,000 26.4%	\$ 436,890,000	\$ 613,219,000 40.4%
Assuming a 2015 Start Date						
Start Year	PLACES29 Estimated Cost Road	REALITY CHECK Estimated Cost Road	PLACES29 Estimated Cost Land/Utilities	REALITY CHECK Estimated Cost Land/Utilities	PLACES29 TOTAL COST	REALITY CHECK TOTAL COST
2015	\$ 15,190,000	\$ 18,348,000	\$ 7,595,000	\$ 8,841,000	\$ 22,785,000	\$ 27,189,000
2020	\$ 88,110,000	\$ 119,444,000	\$ 44,055,000	\$ 56,910,000	\$ 132,165,000	\$ 176,354,000
2025	\$ 187,960,000	\$ 283,455,000	\$ 93,980,000	\$ 134,533,000	\$ 281,940,000	\$ 417,988,000
	\$ 291,260,000	\$ 421,247,000 44.6%	\$ 145,630,000	\$ 200,284,000 37.5%	\$ 436,890,000	\$ 621,531,000 42.3%