

Shelby Guizar

From: Jim Scheppke <jscheppke@comcast.net>
Sent: Friday, June 2, 2023 8:38 AM
To: Shelby Guizar
Subject: Written Testimony for the June 6th Planning Commission Meeting
Attachments: Marohn on McGilchrist.pdf

Dear President Griggs and Commissioners:

Thank you for your attention to the McGilchrist Street widening project. In preparation for your June 6th meeting I would commend to you the attached articles that were written about this project by Chuck Marohn, a professional traffic engineer and founder of Strong Towns, a national organization of which I am a member. Marohn takes a hard look at the project from a benefit-cost perspective. He “does the math” and concludes that it is a very poor investment for Salem to make. Keep in mind that when he wrote these articles in the fall of last year, the estimated project cost was only about \$28 million, not \$50 million or more according to the latest estimates.

Thanks again for having a look at this important issue.

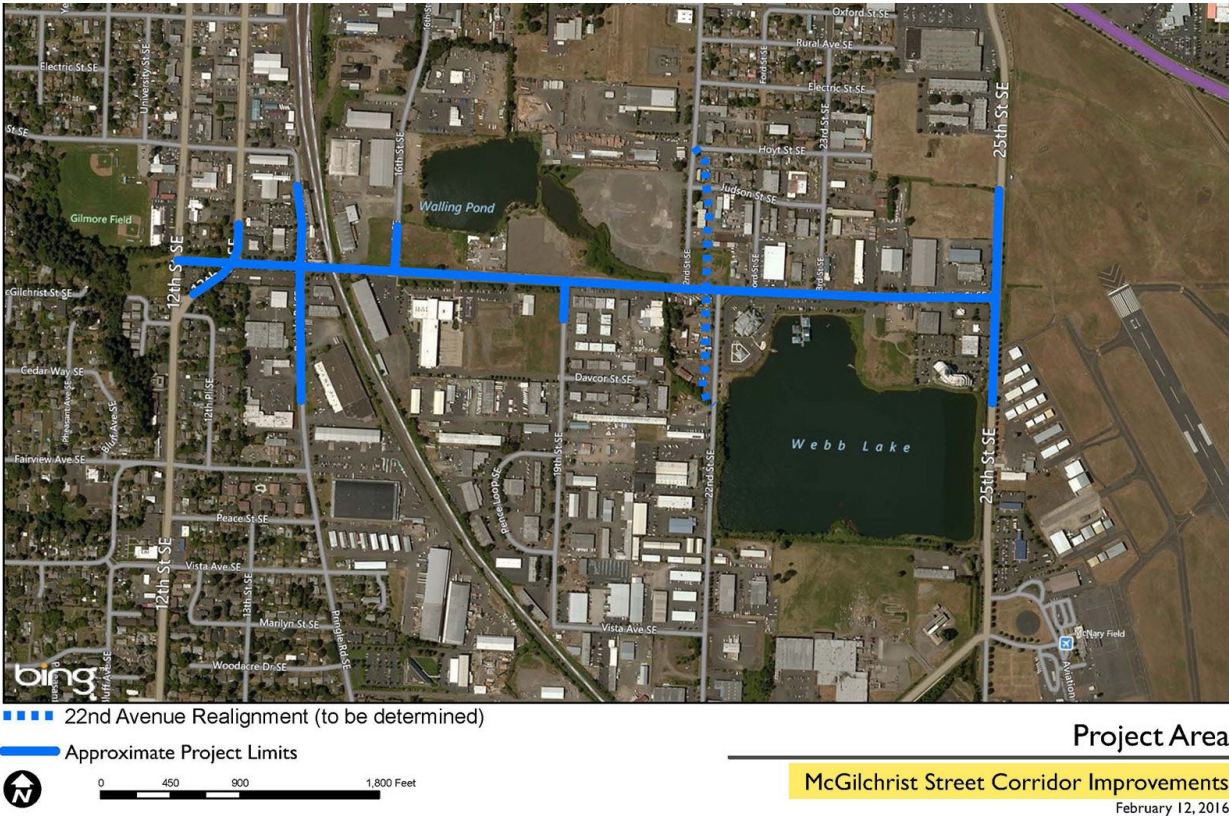
Jim

Jim Scheppke
jscheppke@comcast.net
503-269-1559

That's Not an Improvement

By Chuck Marohn, Professional Traffic Engineer and Founder of Strong Towns

October 10, 2022



(Source: [City of Salem](#).)

How much hubris does it take for someone to label everything that they do professionally as an “improvement”?

The answer is: a lot. It takes a LOT of hubris, an incredibly inflated sense of self-importance and righteousness.

[Traffic engineers and other engineers who work on municipal infrastructure](#) ubiquitously use the term “[improvement](#)” to describe what they do. *This is a street improvement project. We’re improving the intersection. This project improves the clear zone. And on and on and on. Every project they work on is an improvement project.*

Oh Lord, it’s hard to be humble when you’re constantly improving everything you touch.

Step back and consider other professional pursuits. We don’t witness teachers describe their work as “cognitive improvement projects.” They call what they do teaching and what the student does as learning. We generally assume that education is making lives better (I think it mostly does), but teachers don’t go so far as to talk about their work as always improving everything.


Now, consider doctors. Someone putting a patient on a ventilator or performing an emergency surgery doesn't call it a "breathing improvement" or "a bowel improvement." Instead, they describe accurately what they are doing. It's an intubation or an appendectomy. It might be an improvement for the patient, but it might not. Either way, it doesn't matter, because the term "improvement" is a value statement that can only be made by the patient, not the doctor.

In other words, while the work that teachers and doctors perform undoubtedly serves the public good, they don't inject their own value system into every description of their work. More importantly, they don't default to thinking that everything they do is an "improvement" and, by extension, that all their undertakings should automatically be presented as making the world a better place.

Who does that? Again, what level of hubris—what lack of introspection—does it take to walk around speaking of your work in that way, especially when you serve the public and, [as is obvious to anyone who has been to a public meeting](#), there is a lot of disagreement over whether any particular "improvement" project actually improves things?

Why not just describe what you're proposing in neutral language?

For example, here's a project I've had in my inbox for some time now: the [McGilchrist Street Improvement Project](#) in Salem, Oregon. This was first brought to my attention because the federal government—as part of the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) funding—gave Salem \$13.2 million dollars for *improving* McGillchrist Street, a project expected to cost \$28.4 million.

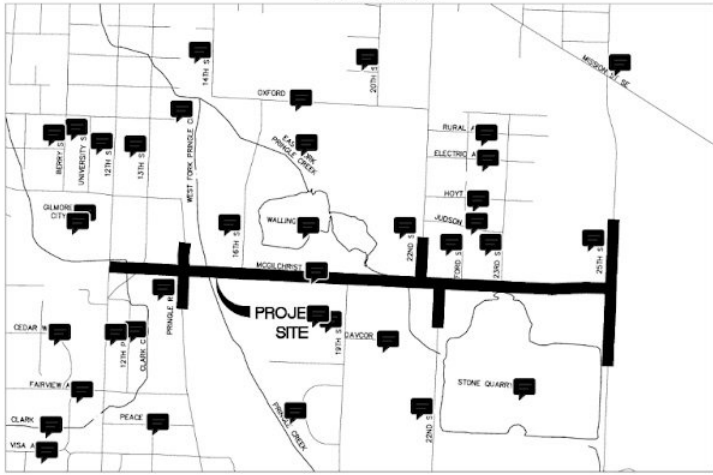


CITY OF SALEM
AT YOUR SERVICE

CITY OF SALEM - DEPARTMENT OF PUBLIC WORKS
555 LIBERTY STREET SE SALEM, OREGON 97301

**MCGILCHRIST ST SE
IMPROVEMENTS (60% DESIGN)**

PLANS FOR CONSTRUCTION OF ROADWAY, STORM DRAINAGE, CULVERT
PNO. 68706



VICINITY MAP

FRANCHISE UTILITY CONTACT

PORTLAND GENERAL ELECTRIC
Mike Young
503-463-4500

CENTURYPipe
John Farris
503-386-4831

SEA NATURAL
Dan Hogg
503-298-4211 EXT. 8188


COMCAST CABLE
John Hennessey
503-584-2794

WATCO
Mark Davidson
503-554-4193

LEVEL 5
Ang Wilson
503-584-1113

FOR YOUR SERVICE

SHEET PREPARED BY:



otak

Professional Engineer
TSS Registration
TSS License # 12121
TSS Exp. 12/31/2018

VERIFY SHEET SIZE
BAR & ONE FOR CONSTRUCTION DRAWING

MCGILCHRIST ST. SE/
CORRIDOR IMPROVEMENTS
12TH ST SE TO 25TH ST SE

JULY 2017

REVISIONS

NO.	DESCRIPTION	DATE	BY

KEY #XXXXX

SYMBOL	CODES

APPROVED:

SHEET TITLE

COVER

G-01

SHEET X OF XX

60% PRELIMINARY PLANS 3
NOT FOR CONSTRUCTION

Like me, you could be excused for assuming that McGilchrist is one of Salem's most important streets, that it must carry a tremendous volume of traffic between key development areas, that it is somehow critical to the future of Salem and the region. You probably would not have guessed (I certainly didn't) that it is a one-mile stretch of nondescript industrial road that currently serves 3,600 vehicle trips per day, mostly people going to line dance at the [Honky Tonk Bar and Grill](#) or rent a porta potty from [Honey Bucket](#).



McGilchrist Street in Salem, OR. (Source: Google Maps.)

We're rebuilding our infrastructure with sustainability! And with equity! At \$28.4 million, with \$13.2 of that from a supposedly competitive federal grant, it makes you wonder what RAISE projects didn't make the cut.

Think I'm exaggerating? Here's [McGilchrist on Google Maps](#); check it out for yourself. And [here's the obligatory benefit-cost propaganda document](#) complete with traffic projections (see page 25).

Let's be clear: This is a terrible project. Almost \$8,000 per current trip. That's absurd. And just looking at the local part of this investment, how much does the Salem tax base need to increase from this project to justify the city spending \$15.2 million? A heck of a lot more than the \$19.4 million their ridiculous benefit-cost analysis optimistically estimates.

If all of that optimistic increase happens immediately (it won't), and they tax 2% of that property value each year (they tax less than that), Salem will bring in \$388,000 per year in additional taxes from new development due to the project. Forget the fact that their [day-to-day maintenance costs](#) increase after they expand the street, and forget that they have a bigger and more expensive street now that they someday have to reconstruct—forget those small details. At \$388,000 per year, it will take them 39 years to recoup the money they are

putting into this project. That's ignoring any time value of money or interest, discounting, or opportunity cost.

In other words, in the most optimistic development scenario, the "improved" McGilchrist Street is going to fall apart and will have to be reconstructed before the city of Salem recoups their part of the expenditure.

So, is that an improvement? To me, it's stupidity; a mindless waste of public resources in pursuit of what, I don't know. [It is projects like this that are driving cities into insolvency](#), robbing them of capacity and distracting them from pursuing public investments that will generate greater prosperity. This project hurts Salem. Why is this called an improvement? And why is the federal government using sustainability and equity funds on a project like this?

If the project engineers are going to be honest to themselves and the public, they would refrain from projecting their own values when they give professional advice and input on projects like this. They would call it what it is: not an "improvement project," but a ["street-widening project."](#)

When they describe it, they wouldn't say that it is improving commutes, improving drainage, or improving pedestrian safety. I don't think it accomplishes any of those things, at least not long term, and that's not even pondering the lack of any real financial analysis and impact evaluation. Either way, they can't assert any of those things because they are value statements, and we should not accept an engineer's values with our engineers' advice.

Call it the McGilchrist Street-Widening, Drainage Reconstruction, Sidewalk, Bike Lane, and Traffic Signal Construction Project.

Just don't call it an improvement project, because that's not an improvement.

McGilchrist Still Isn't an Improvement, but Here's the Math

By Chuck Marohn, Professional Traffic Engineer and Founder of Strong Towns

November 2, 2022



McGilchrist Street in Salem, OR. (Source: Google Maps.)

I received a little bit of pushback from official circles on the article I wrote last month about McGilchrist Street in Salem, Oregon ([“That’s Not an Improvement”](#)). It is rarely my intention to attack or embarrass individuals; mine is generally a critique of the system. In this instance, the system from top to bottom—from Transportation Secretary Buttigieg to the local traffic engineer—is prioritizing a ridiculous project, and they are using the standard trope of calling it an “improvement,” despite it not being anything of the sort.

The main technical objection was to my assertion that it will take the city at least 39 years to recoup the money they are spending on the project. I have been asked to provide some better proof for this argument, which is kind of funny because the math is so easy.

The real objection is not about my math but to the question itself. “How long will this take to pay back” is not a line of inquiry transportation officials and advocates ever ask or ponder. They assume a nearly instant and positive payback window on their “improvements,” and so

assertions to the contrary seem de-facto ludicrous. This is how far out of touch with reality transportation professions are.

The city of Salem is [projected to spend \\$15.2 million](#) on the McGilchrist Street “Improvement” Project (the remaining \$13.2 million is coming from Sustainability and Equity funding from the federal government).

In their [benefit-cost document](#) for the project—which is a combination of propaganda, fraud, and professional malpractice—they assert that property values will increase by the precise amount of \$19,349,783 as a result of these “improvements.” (Pro Tip: Whenever someone projects something within a complex system and comes up with such a precise number, it is a tell that they don’t know what they are doing—they’re merely going through the calculations without any critical thinking. A more credible answer here is \$19 million.)

That sounds good; Salem spends \$15.2 million and gets \$19 million in new tax base. Seems like a win.

Let’s pretend the \$19 million number isn’t fiction (it is fiction, and I’ll explain why later). And let’s pretend that the \$19 million in increased valuation magically appears overnight once the McGilchrist Street “Improvement” Project is complete (again, a fictional assumption). The question then becomes: How much of that \$19 million does the city of Salem capture?

In the original article, I assumed that the city’s annual tax rate was 2%, acknowledging it’s probably less but trying to make the project look better, in the absence of detailed knowledge. I’ve now been told it is less. It’s 1.34%.

At 1.34%, a tax base increase of \$19,349,783 will create an annual amount of tax revenue of \$259,287. (How’s that for precision?) That’s basic multiplication.

At this point, just take the project cost (\$15.2 million) and divide it by the annual tax revenue (\$260,000) and you come up with 58 years (19 years more than my original rough estimate). That’s almost two lifetimes to recoup what is being spent by the city here, completely ignoring the federal government’s contribution. Is any additional analysis necessary to show this is a ridiculous project? I don’t think so.

Let’s get a little more complicated, just to satisfy the technical people. That \$260,000 won’t entirely go toward paying off this investment, will it? Don’t we assume that a project like this is going to pay for other things, like police and fire protection, parks, housing, and other economic development initiatives? In other words, isn’t Salem “improving” McGilchrist so everyone’s lives also improve? One would assume so. Salem isn’t just investing in McGilchrist so that people can drive around more.

If half the money from this new tax base expansion went to paying for the project and the other half went to other government functions, well now the payback window expands to 108 years. Again, what are we talking about? These numbers are crazy.

What if we recognize that Salem, along with the rest of us, now live in an environment that suddenly has a real cost of capital. Salem is spending money today (\$15.2 million) and then projecting, as a return, annual payments of \$260,000 from the increased tax base. If we have to discount that future capital by some amount—let's not be crazy, we can just say 4%—then how many years will it take to recoup the investment? Would you believe me if I said “infinity”?

What is 4% of \$15.2 million? It's \$608,000. That's the annual interest on a \$15.2-million bond. It's 2.3 times the revenue the city is expecting from property value increases. The valuation they expect doesn't even cover the interest on a \$15.2-million bond. Even if Salem taxes people and pays cash instead of taking on debt, they never recoup that investment. With even modest discounting and rosy projections of the future economy, the payback window is infinity.

So, the conclusion I took away in the first article, and is even more true now with better data, is that nobody in Salem is doing even basic math here. Nothing I've done so far is difficult or mentally taxing. The math is not being done, not because it is difficult, but rather because nobody is interested in the answer. The obsession is building more capacity, getting a federal grant, and making an “improvement” and everything else is ignored, even the obvious.

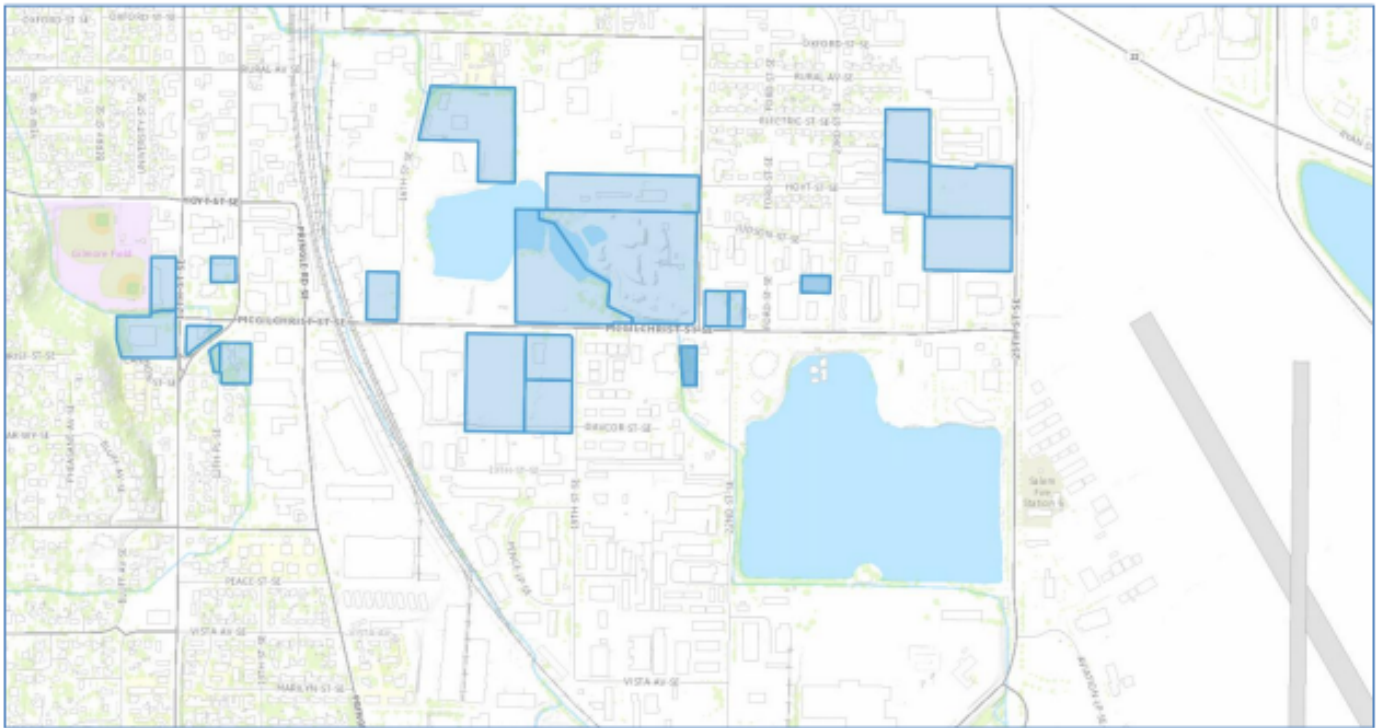
That's actually how human nature works. This only proves that engineers, transportation officials, and project advocates are human.

We overcome the shortfalls of human reasoning by recognizing our own shortcomings and then imposing some rigor on ourselves and the way we go about doing things. Most people outside of the transportation professions assume that is what a benefit-cost analysis is supposed to do: remove the human element and perform a dry and technical analysis looking at just the numbers.

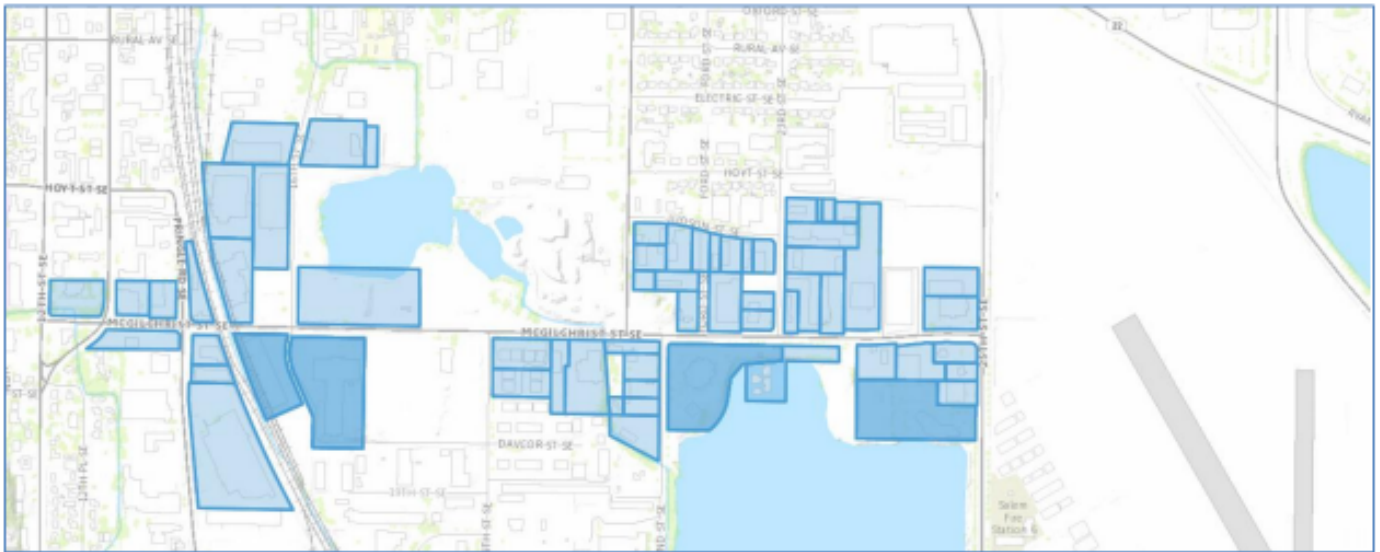
I called the McGilchrist Street benefit-cost document “a combination of propaganda, fraud, and professional malpractice.” I've written extensively about how this is standard industry practice (see: [Shreveport I-49](#), or the [Staples Overpass](#)), but let me just focus on the \$19,349,783 in property valuation this particular report suggests will occur.

The way they came up with this ridiculously precise number is to identify all the properties that were vacant (Map of Group 1) and then all the properties that were developed (Map of Group 2) and assume that the former would quickly develop to the intensity and per-acre valuation of the latter once McGilchrist is “improved.”

Map of Group 1 Tax Lots (vacant and part vacant parcels) along Corridor



Map of Group 2 Tax Lots (developed parcels) in proximity to Corridor



In other words, those large lots are going to become as valuable as those small lots *on a per acre basis* once the project is completed. Anyone who has been here at Strong Towns for any appreciable period knows why that's absurd. Can we look at [Taco John's?](#) [Walmart?](#) Any number of [analyses that Urban3 has done?](#)

If this is going to happen, then some other things must be true that nobody is talking about. For example, once the McGilchrist Street project is completed, [Woodard RV Repair](#) is expected

to redevelop into something more fine-grained and financially productive. The same with [RPD Services](#), a truck repair company. They will either need to relocate or find a way (and a reason) to take their expansive storage and convert it to something with a higher and better use. Why does anyone expect that to occur?

The report suggests that the same thing will need to happen to the properties where [P3 Health Partners](#), [Salem Health](#), and [Salem Dental](#) now sit. All of these buildings are apparently assumed to be quickly demolished or reworked to make way for something more financially productive in order for the city to realize the additional tax revenue they are counting on as the benefit of the project. That's not going to happen, no matter how magical the "improvements" to McGilchrist Street are.

On these last three properties, I don't think anyone actually expects them to be torn down or redeveloped. I suspect what happened is that the buildings were recently built but that wasn't yet reflected on the tax rolls when the city pulled the data and did the propaganda analysis for the benefit-cost report. And, since nobody in the process is interested in the actual answer to the math question—they just want to get federal money to build more stuff— they didn't realize that the redevelopment they were banking on had already happened, even without the "improvements" they covet.



Salem Dental, "Now Accepting New Patients." (Source: [Google Maps](#).)

If the obsession here was the financial health and prosperity of the community, Salem would be asking a different set of questions. How do we grow the tax base without substantially increasing our costs? What is our actual return on investment? What are the most profitable public investments we can make?

For that last question, the very last answer in the queue is “spending \$15.2 million on McGilchrist Street.” That project is a financial loser for the city, and all the fake reports and federal grants won’t change that reality. Salem grows poorer following this approach, as do all cities that [obsessively chase transportation funding without doing basic math on their projects](#).

McGilchrist Street is not an “improvement” project. It’s a sad diversion from the great walking, biking, and incremental, neighborhood-focused projects Salem has been working on, and leading on, for years. Whatever process produced this project as a priority is a festering problem that needs to be addressed.



[Charles Marohn](#)

Charles Marohn—known as “Chuck” to friends and colleagues—is the founder and president of Strong Towns. He is a land use planner and civil engineer with decades of experience. He holds a bachelor’s degree in civil engineering and a Master of Urban and Regional Planning, both from the University of Minnesota.

Marohn is the author of [Strong Towns: A Bottom-Up Revolution to Rebuild American Prosperity](#) (Wiley, 2019) and [Confessions of a Recovering Engineer: Transportation for a Strong Town](#) (Wiley 2021). He hosts the [Strong Towns Podcast](#) and is a primary writer for Strong Towns’ web content. He has presented Strong Towns concepts in hundreds of cities and towns across North America.