



Value Capture Strategies to Fund a Streetcar Line in the Strip District and Lawrenceville

A study by the Pittsburgh Community
Reinvestment Group

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Executive Summary

Once the workhorse of Pittsburgh transit, the streetcar has been nonexistent here since the early 1990s when the Port Authority discontinued its Drake line. Largely seen by some as the “worst of both worlds” – meaning, stuck in traffic and unable to get around road obstructions like a poorly parked car, buses took over in most neighborhoods and light rail replaced streetcars in Beechview, Allentown, and parts of Mt. Washington.

However, streetcars have been making a comeback as community development-oriented transportation in cities ranging from Portland, OR to Salt Lake City and Dallas with success and excitement. Pittsburgh planners and advocates have begun to look at how such systems could be built in this city, in neighborhoods that grew up around the streetcar and already have the fabric that so many other cities are trying to mimic with new construction. Additionally, and perhaps most importantly, many are trying to figure out how to pay for such systems in the face of increasingly constrained state and federal transit budgets and ever-fiercer competition between regions for scarce public funds.

PCRG’s GoBurgh Initiative, which advocates for sufficient transit resources and a reconnection of our transit assets to its communities via transit-oriented develop and new system investments, undertook a funding study using value capture strategies to determine whether or not Pittsburgh could fund a Downtown, Strip District, and Lawrenceville streetcar circulator without relying on state or federal processes. As detailed in this report, utilizing property value appreciation alone and no new taxes, a streetcar district could generate between \$83 and \$137 million over a 20-year period depending on economic conditions. The Urban Redevelopment Authority’s Allegheny Riverfront Vision estimated a reasonable capital cost for this line of \$25 million per mile, \$62 million in total – well within the range of even poor economic conditions within the corridor over the 20-year period.

While encouraging, this report does not get into the details of design along the line. US systems have ranged in cost from \$3 million/mile to as high as \$70 million/mile. Costs vary widely based upon single- or double-track, whether or not a full rebuild of the street and sidewalks were included, and whether streetface improvements are also a part of that. These are also things to consider as the City further investigates a streetcar via its Strip District mobility study and the Green Boulevard process and are beyond the scope of this report.

Also beyond the scope at time of publishing is the life cycle cost of a streetcar line. GoBurgh continues to investigate this and will report at a later date.

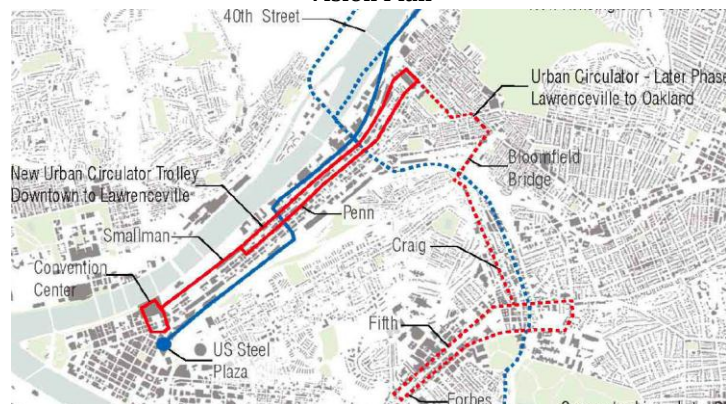
What is clear, however, is that constructing a new streetcar line is fiscally feasible without reliance on state or federal funds. This, in turn, means that Pittsburgh is not reliant upon state or federal processes – an added bonus as these could add potentially millions to the cost and prolong actual construction by years – even possibly a decade.

Introduction

Streetcars have gained popularity in recent years for a number of reasons. This low-cost fixed guideway system, first re-introduced to the United States by Portland Streetcar, has been a catalyst for revitalization in many cities. The lines vary in length and complexity, but generally a 3-mile system that connects neighborhoods and destinations is the norm. While streetcars do provide a higher level of service than rubber wheeled vehicles, it should be noted that streetcars do not replace faster modes like light rail. Rather, it is a community development tool that moves between business and residential districts. Design of the system, for vehicle selection to cart way amenities and connections, is important. For example, streetcar signal prioritization ensures that vehicles move efficiently and tactile changes to the pavement let drivers know whether or not they've parked partially in the right of way. Finally, station design and connections that integrate it into the urban fabric, rather than physically separate it, are key to attractiveness and thus use.

The URA's Allegheny Riverfront Vision Plan proposed a new urban circulator streetcar from Downtown to Lawrenceville, including a potential Extension Phase connecting

Figure 1. Proposed Streetcar Route
Perkins Eastman Architects, 2010, Allegheny Riverfront Vision Plan



Oakland to Lawrenceville. The proposal is a 2.5 mile long (5 mile round trip) fixed route system, possibly between 10th and 40th Streets.¹

The plan estimated the capital cost to be \$25 million per mile, approximately \$62.5 million in total. This report examines the methods for financing the capital cost of the proposed streetcar with a special focus on value capture strategies.

Streetcar Funding Strategies

To date, while many systems have received federal funds for projects, no dedicated federal grant exists for streetcars. To understand what the best financing strategy for building and operating a streetcar system might be, this report examined eight recently built US systems². The eight sites have been studied from both a capital and operating cost perspective.

¹ Perkins Eastman Architects, 2010, Allegheny Riverfront Vision Plan, City of Pittsburgh, www.pittsburghpa.gov/allegHENYriverfront.

² All the information was collected between January and February 2012.

Table 1: Streetcar systems studied (by system size)

Large Size (≥ 3 miles)	Medium Size (1~3 miles)	Small Size (≤ 1 mile)
Little Rock, AR	Dallas, TX	Savannah, GA
Memphis, TN	Kenosha, WI	
Portland, OR		
Seattle, WA		
Tampa, FL		

Below are some key findings:

1. Most systems received federal funds. Savannah, whose fare-free system is fully funded through a \$1.5 million city general fund allocation and parking revenue, is the exception.
2. Various federal funding tools were used including CMAQ, Section 5307, Section 5309, TSCP, STP, TEA 21, HUD, TIGER I, Interstate Substitution Funds, and Congressional earmarks³. Section 5309 appears to be the most popular federal funding resource for streetcars, followed by CMAQ.
3. Raising operating funds through selling naming rights is a common practice, though systems typically do not depend on it. Tampa, Little Rock, and Seattle sold naming rights to partly fund operating costs. Dallas is considering selling naming rights. Tampa created a 3-tier sponsorship arrangement where contributions range from \$75,000 to \$1 million. The revenue goes into an endowment created for the streetcar.
4. Value capture strategies are not yet used in all cities. Usually only one such tool is used to finance the line. Portland is an exception, where both tax increment financing (TIF) and a business improvement district (BID) were used.
5. Systems using value capture strategies tend to be less dependent on federal funding. This could result in a lower capital cost for projects, as certain federal processes can require numerous steps and studies to be eligible for funding.
6. All examined streetcars are in states with some level of public-private partnership (P3) legislation. Further, the majority of them are in states with broad enabling P3 legislations.⁴ Pennsylvania has just passed its version of P3 legislation.
7. Parking revenue is a popular local funding source for streetcars and other transit assets. Baltimore's Charm City Circulator, operated by Veolia Transportation, is an example.

³ CMAQ: Congestion Mitigation and Air Quality Improvement Program; Section 5307: Urbanized Area Formula Program; Section 5309: New Start Program; TSCP: Transportation, Community, and System Preservation Program; STP: Surface Transportation Program; TEA 21: Transportation Equity Act for the 21st Century; HUD: Department of Housing and Urban Development

⁴ Legislation expired in 2009 in Texas; Arkansas and Tennessee have limited legislation in place. Source: National Conference of State Legislatures, 2011, Public-Private Partnerships: Legislative Status, <http://www.ncsl.org/issues-research/transport/public-private-partnerships-for-transportation.aspx>

Table 2: Streetcar Funding Mechanisms from Examined Cities⁵

	Memphis, TN	Seattle, WA	Portland, OR	Dallas, TX	Little Rock, AR	Tampa, FL	Kenosha, WI	Savannah, GA
Value Capture	TIF		✓				✓	
	BID		✓	✓			✓	
	Impact Fee							
	JD							
Federal Grants	CMAQ	✓	✓			✓	✓	
	Section 5307	✓				✓		
	Section 5309	✓	✓			✓	✓	
	TSCP					✓		
	STP		✓			✓		
	TEA 21					✓		
	Congressional Earmark		✓					
	Interstate Substitution Funds	✓						
	TIGER I				✓			
	HUD			✓				
Naming Rights		✓			✓	✓		
Capital Cost	\$103,000,000	\$185,000,000	\$103,150,000	\$48,600,000	\$27,200,000	\$57,628,744	\$4,000,000	\$2,500,000
Operating Cost	\$4,900,000	\$7,000,000	\$5,500,000	NIL	\$500,000	\$1,400,000	NIL	\$200,000
% of Federal Fund	80%	10%	6.70%	53%	8%	NIL	NIL	0%
Route Miles	7	3.9	3.6	3.6	3	2.34	2	1
Capital Cost per track mile	\$14,714,286	\$47,435,897	\$28,652,778	\$13,500,000	\$9,066,667	\$24,627,668	\$2,000,000	\$2,500,000

Value Capture Strategies

Value capture is a market-based mechanism that captures the value of benefits generated by newly-built infrastructure. However, it is difficult to accurately measure this value as some benefits can be intangible and hard to monetize. Different studies have attempted to capture these in different ways. Example measurements are savings in commute cost and monetized value of total saved wait times. Capturing the increased property value, as a method to measure the benefits, appears to be well-received as property value is the point where the public sector can attract the private sector's interest and one of the more easily quantifiable benefits. The underlying assumption is that most of these benefits will be reflected in land value increase, resulting in increased assessed valuation and ultimately increased real estate tax revenue.

This report looks at the two most common mechanisms to measure and capture increasing or increased property value - assessment district and tax increment financing - and determines what might be the best fit for the study area.

Assessment District

The assessment district approach assesses commercial and residential parcels located within a certain geographic area in order to finance various enhanced services such as street cleaning, events, security, and marketing. Sometimes the funds can be used on police and transportation services. Business improvement districts (BIDs), special assessment

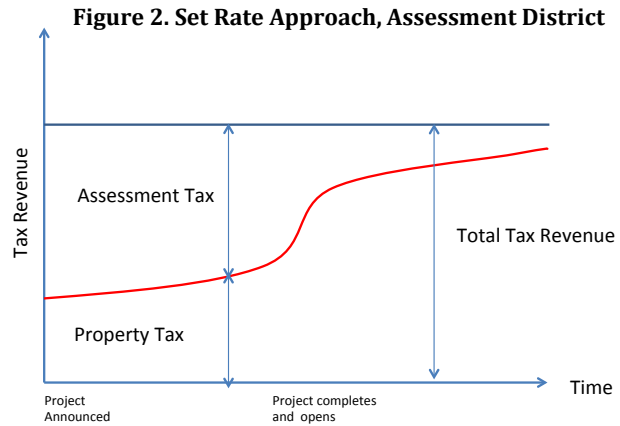
⁵ Source: Portland Streetcar Development Oriented Transit, 2008, www.portlandstreetcar.org/pdf/development_200804_report.pdf; Reconnecting America, Tampa Streetcar Funding Source Pie, <http://www.reconnectingamerica.org/assets/Uploads/Tampa-Streetcar-Funding-Source-Pies.pdf>; Ethan Melone, Rail Transit Manager, Seattle Department of Transportation; Sean Brandon, Director, Department of Mobility and Parking Services, Savannah; John Lancaster, AICP, Manager of Planning, Memphis Area Transit Authority; Jay Cline and Tom Shelton, North Central Texas Council of Governments; Marcia Mejia, Communications, Hillsborough Area Regional Transit Authority.

districts (SADs), and local improvement districts (LIDs) are all recognized as assessment districts.

Assessment districts have become more prevalent in transportation financing as more property owners come to realize that transportation can drive more people and, thus, opportunities to the area. Pittsburgh Downtown Partnership (PDP) manages the Pittsburgh Downtown Business Improvement District (BID) and provides cleaning, safety, marketing, housing and transportation services in the Golden Triangle. Likewise, in Tampa, FL, the streetcar was partially funded through a special assessment district.

Funds can be collected in two ways. Set cash contribution requires an agreement of paying a certain percentage of assessed value of private property in the area into the district. Funds are usually collected before or during the construction. Set tax rate sets up a supplemental rate adding to the current property tax.

This rate will decrease over time to reflect the actual property value increase while the total tax rate stays the same (See Figure 2).

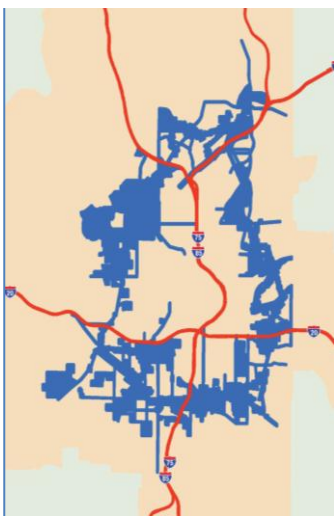


No matter which method is adopted, the majority of the existing property owners should reach an agreement on building the assessment district. Overall, it is easier to implement assessment districts when property owners view the idea of “taxing ourselves” in order to improve transit – or any other neighborhood asset, for that matter - as beneficial.

Tax Increment Financing

Tax increment financing (TIF) is used by government agencies to finance needed infrastructure and supporting services. TIFs use future anticipated increases in property tax revenue to finance current infrastructure needs. It is assumed that the up-front infrastructure investment will increase land value and bring secondary benefits to this area. Property owners pay more real estate tax as their property values increase and the incremental tax revenue over the original base revenue can be bonded up-front to finance the needs within the district.

Figure 3. Atlanta Beltline Tax Allocation District



TIFs are often created by local jurisdictions with the purpose of redeveloping a certain area. Transit may not be the funding priority unless transit-oriented development becomes the main redevelopment goal. Pennsylvania transit agencies cannot create TIF districts but can work in conjunction with

municipalities looking to use TIF to enhance existing transit or bring new transit to an area. In Pittsburgh, the use of TIF has proved to be successful. Between 60 and 90 percent of the tax increment pays off the debt. By 2008, 14 TIF projects in Pittsburgh had created 12,225 jobs.⁶

Georgia's version of TIF is the Tax Allocation District (TAD), and Georgia uses the terms TAD and TIF interchangeably. TAD is being used on the Atlanta BeltLine project. While the majority of TIF districts follow political and jurisdictional boundaries, the BeltLine TAD district is a buffer zone that follows its entire route (See Figure 3). Most of the parcels within the TAD are either abandoned or underused. The projected revenue is approximately \$1.7 billion for a 25-year period. The revenue of the TAD-based bond will be used in "land acquisition, multi-use trails, green space, transit and transportation improvements, and affordable workforce housing and Atlanta Public Schools projects."⁷

Transit Revitalization Investment Districts – Transit-Focused TIFs

In 2005, Pennsylvania created a district-based increment financing mechanism. Called Transit Revitalization Investment District (TRID), and similar to TIF, the legislation gives local governments the opportunity to capture value around transit stations slated for development. Jurisdictions work with transit agencies to create TRID districts around to promote transit oriented development (TOD). Unlike TIF, which has largely been used in a site-specific way in Pennsylvania, TRID focuses at the district level – involving multiple parcels in the value capture mechanism and potentially multiple municipalities.

Structurally, TRID is different from TIF in two key ways:

1. It does not require that land in the district be declared blighted by the taxing bodies, and;
2. It does not have a cap on assessed value like TIF, important in Pennsylvania because a municipality cannot have more than 10% of its assessed land value in a TIF district at any given time.

Further, TRID also differs from other district-based TIF strategies around the country in its explicit emphases on transit and TOD and the requirement of comprehensive, community-based planning.⁸

⁶ Bonnie Pfister, 2008, Tax-Increment Financing Successful, City Data Indicate, Pittsburgh Tribune-Review, www.pittsburghlive.com/x/pittsburghtrib/business/s_568155.html

⁷ Atlanta Beltline, www.beltline.org, Achieved on Mar 17, 2012. More information about Atlanta Beltline TIF can be found in the appendix.

⁸ Center for Transit-Oriented Development, 2011, Transit Revitalization Investment Districts: Opportunities and Challenges for Implementation, PP.1, <http://www.reconnectingamerica.org/resource-center/browse-research/2011/transit-revitalization-investment-districts-opportunities-and-challenges-for-implementation/>

Feasibility of TIF for Streetcar Financing

Given the political challenges of implementing assessment districts, and the existence of a NID already within the study area, this report will use property value increment tools (TIF vs. TRID) to examine the feasibility of funding the estimated capital and potentially operating costs. This report will project the potential revenue over a 20 year period based on historic assessed property value increases from 2002 to 2012.

The following three criteria will be evaluated:

1. Pittsburgh's capacity to add a new TIF district;
2. Blight designation eligibility;
3. Can the study area generate enough revenue to cover a significant amount of the streetcar's capital and possibly operating costs, and;
4. TIF's feasibility from a political perspective.

A total of 4,252 parcels within Strip District, Lower Lawrenceville, and Central Lawrenceville will be studied since these are the most impacted by the proposed streetcar. The 2002 and 2012 assessment data was provided by County of Allegheny Office of Property Assessments. The evaluated parcels were selected by GIS tools through geographic boundaries. Figure 4 shows the study area and respective parcels.

TIF Capacity

As mentioned earlier, no more than 10% of the city's tax base can be within the TIF areas. Currently, approximately 9% has been designated as such. The remaining 1% of the current tax base (\$66.7 billion in assessed value) is \$666.7 billion. The proposed study area should not exceed this amount.

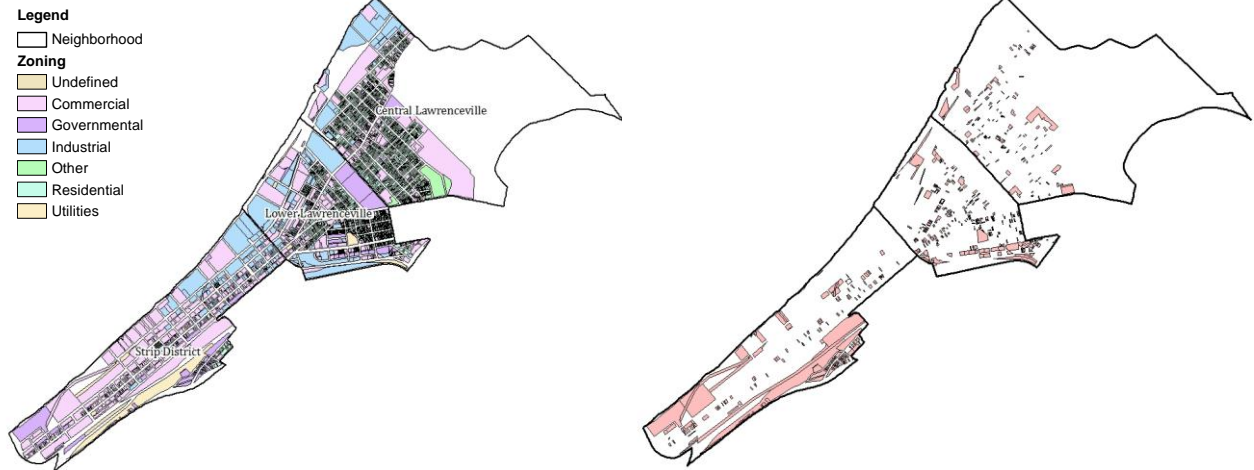
Blight Eligibility

As of January, 2012, 24.17% of the study area was vacant with the majority located in Strip District. The vacant land value is \$51 million and accounts for 37% of the total assessed value.⁹ 1,045 parcels, 24.58% of the total, are low value land (building value less than land value). While Allegheny County's blight designation requirements are far looser than this assessment, the study area appears to be blighted.¹⁰

⁹ The vacant parallel data was obtained from PNCIS on Mar 2, 2012. <http://www.ucsur.pitt.edu/pncis.php>

¹⁰ See Section 6930.2 (a)(1) wherein an area is defined as blighted if any one of the following conditions exist: "(i) the unsafe, unsanitary, inadequate or overcrowded conditions of the area; (ii) inadequate planning of the area or excessive land coverage by the buildings thereon; (iii) the lack of proper light and air and open space; (iv) the defective design and arrangement of the buildings; (v) faulty streets or lot layout; (vi) economically or socially undesirable land uses."

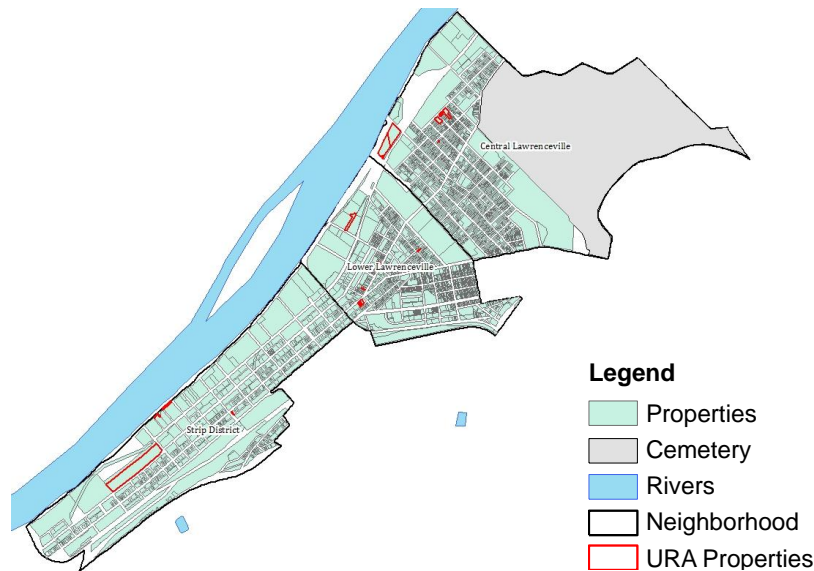
Figure 4. Property Zoning and Vacant Parcels within the Study Area



Taxing Opportunities in Tax-Exempt and Government Owned Parcels

The Urban Redevelopment Authority (URA) is actively involved in acquiring and selling underutilized city parcels. URA owned parcels are listed as tax exempt and government owned parcels. This report assumes that, once redeveloped, these parcels return to the tax rolls and generate revenue for the taxing bodies and the streetcar. We assume this growth rate to be the same as that of the study area, detailed later in this report. These parcels are shown on in Figure 5. ¹¹

Figure 5. URA Owned Properties in the Study Area



¹¹ Besides URA parcels, some parcels belong to the City of Pittsburgh, Pittsburgh Public Schools, and religious organizations are also listed as tax exempted and government owned. Due to information availability, these parcels are not analyzed in this report.

Property Value Growth in the Past Decade

The comparison between the 2002 and 2012 assessments reveals a solid study area-wide average annual rate of 5.76% in property value. Government, industrial, and utilities parcels grew by the average rate however the much lower rate of .38% for commercial parcels stands out. Other parcels, mainly owned by Children’s Hospital and UPMC, showed rapid growth. The total number of these parcels decreases while the total current assessed value for particular parcels grew as much as 10 times between the 2002 and 2012 assessments. Though land use varies, the three neighborhoods maintained a near similar growth rate.

Table 3. Assessment Value Growth from 2002 to 2012 by Property Type

Type	Number of Parcels	2002 Assessed Property Value	Number of Parcels	2012 Assessed Property Value	Average Annual Growth Rate
Commercial	828	\$624,485,002	856	\$648,782,061	0.38%
Government	161	\$76,080,200	145	\$131,293,700	5.61%
Industrial	184	\$51,691,050	226	\$93,117,700	6.06%
Residential	3,019	\$101,056,850	2,987	\$234,558,630	8.79%
Utilities	26	\$2,199,050	32	\$4,219,600	6.73%
Other	33	\$46,333,700	6	\$469,851,800	26.07%
Total	4,251	\$901,845,852	4,252	\$1,581,823,491	5.76%

Table 4. Assessment Value Growth from 2002 to 2012 by Neighborhood

Neighborhood	2002 Assessed Value	2012 Assessed Value	Average Annual Growth Rate
Strip District	\$321,606,300	\$576,577,391	6.01%
Lower Lawrenceville	\$104,931,570	\$189,671,500	6.10%
Central Lawrenceville	\$444,266,808	\$730,973,300	5.11%

Assumptions and Projections

According to the Allegheny River Vision, the estimated capital cost of the streetcar is \$25 million per mile, or \$62.5 million in total. Information collected from the eight systems studied showed an average cost of \$17.8 million.¹² \$25 million per mile is a reasonable, if conservative, estimate based upon this data. Our projection examines whether the study area can generate sufficient revenue to cover the capital cost of the project and provide ongoing operating cost support.

Below are some assumptions:

1. The current combined property tax rate for the city, county, and Pittsburgh Public Schools is 30.41 mills. The report’s projection assumes no change in tax rates over the 20 years.

¹² The standard deviation is \$15.3 million as the capital cost varies a lot by streetcar types.

2. Though the average annual growth rate for assessed property value is 5.76%, this report assumes that growth will be slower over the study period. Thus, a multiplier of .8 will be used to discount the growth rate. The report also assumes that the area will maintain the same growth rate over 20 years.
3. To address fluctuations in the economy and the cost of money over the 20-year period, discount rates of 3% and 7% are used in calculating the present value of projected revenue.
4. County, municipality, and school district may allocate tax fund in different ways. This report assumes that the three taxing bodies allocate 60% of the total TIF revenue to the streetcar project, based upon historical precedent.

Only taxable parcels will be evaluated in the analysis (see Table 5). As discussed above, URA parcels are included as they may return to the tax rolls during the 20-year period. In total, 4,014 parcels assessed at \$861 million will be studied for projection.

Table 5. Structure of Frozen Assessment Value

Parcels	Number of Parcels	2012 Assessed Property Value
Commercial	793	\$505,366,692
Government	4	\$33,700
Industrial	223	\$92,895,234
Residential	2,962	\$233,760,630
Utilities	10	\$1,340,900
Other	1	\$4,792,500
URA	21	\$23,437,300
Total	4,014	\$861,626,956

**Table 6: Projection of TIF Tax Revenue
3% Discount Rate**

Frozen Assessment	\$861,626,956
Annual Growth Rate	4.60%
Millage	30.41
Interest Rate	3%

	2012	2013	2014	2015	2016
Assessment Value	\$901,261,796	\$942,719,839	\$986,084,951	\$1,031,444,859	\$1,078,891,322
Value Increment	\$39,634,840	\$81,092,883	\$124,457,995	\$169,817,903	\$217,264,366
Tax Increment	\$1,205,295	\$2,466,035	\$3,784,768	\$5,164,162	\$6,607,009

	2017	2018	2019	2020	2021
Assessment Value	\$1,128,520,323	\$1,180,432,258	\$1,234,732,142	\$1,291,529,821	\$1,350,940,192
Value Increment	\$266,893,367	\$318,805,302	\$373,105,186	\$429,902,865	\$489,313,236
Tax Increment	\$8,116,227	\$9,694,869	\$11,346,129	\$13,073,346	\$14,880,016

	2022	2023	2024	2025	2026
Assessment Value	\$1,413,083,441	\$1,478,085,279	\$1,546,077,202	\$1,617,196,754	\$1,691,587,804
Value Increment	\$551,456,485	\$616,458,323	\$684,450,246	\$755,569,798	\$829,960,848
Tax Increment	\$16,769,792	\$18,746,498	\$20,814,132	\$22,976,878	\$25,239,109

	2027	2028	2029	2030	2031
Assessment Value	\$1,769,400,843	\$1,850,793,282	\$1,935,929,773	\$2,024,982,543	\$2,118,131,740
Value Increment	\$907,773,887	\$989,166,326	\$1,074,302,817	\$1,163,355,587	\$1,256,504,784
Tax Increment	\$27,605,404	\$30,080,548	\$32,669,549	\$35,377,643	\$38,210,310

Present Value of Total TIF Revenue	\$228,724,890
Disposable TIF Revenue	\$137,234,934

**Table 7. Projection of TIF Tax Revenue
7% Discount Rate**

Frozen Assessment	\$861,626,956
Annual Growth Rate	4.60%
Millage	30.41
Interest Rate	7%

	2012	2013	2014	2015	2016
Assessment Value	\$901,261,796	\$942,719,839	\$986,084,951	\$1,031,444,859	\$1,078,891,322
Value Increment	\$39,634,840	\$81,092,883	\$124,457,995	\$169,817,903	\$217,264,366
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Tax Increment	\$16,769,792	\$18,746,498	\$20,814,132	\$22,976,878	\$25,239,109

	2027	2028	2029	2030	2031
Assessment Value	\$1,769,400,843	\$1,850,793,282	\$1,935,929,773	\$2,024,982,543	\$2,118,131,740
Value Increment	\$907,773,887	\$989,166,326	\$1,074,302,817	\$1,163,355,587	\$1,256,504,784
Tax Increment	\$27,605,404	\$30,080,548	\$32,669,549	\$35,377,643	\$38,210,310

Present Value of Total TIF Revenue	\$138,927,291
Disposable TIF Revenue	\$83,356,375

Conclusions

TIF vs. TRID

The study area does not fully qualify for the three criteria to establish a TIF district. While the study area does appear to be blighted due to low average property value, the total value of the study area exceeds the city's current TIF capacity. Further, TIF is becoming increasingly controversial due to certain uses in areas that some interests do not see as blighted, and for projects whose need for it is also questionable by those interests. For these reasons, TRID is most likely the best approach. The added bonus is that TRID requires a community input process for the subsequent study, giving the city and its residents more opportunities to better ensure that the streetcar best meets their needs and to buy into the project.

Streetcar Financing Feasibility

The projected present value of total disposable revenue on the conservative end (7% discount rate) is approximately \$83 million at an annual assessed property value growth rate of 4.6%. This revenue will be able to cover the total estimated capital cost and possibly pay for ongoing operating costs, at least in part.

Variations in Capital Costs

The total estimated capital cost depends on what type of streetcar system is to be built. Costs have ranged from \$2 to \$70 million per mile depending on how elaborate the system is, whether or not underground utilities had to be relocated, and how involved the construction was (building removal, excavation, tunnels, etc.). It is worth noting, however, that the higher costs of streetcars often incorporate many additional capital projects such as streetface and/or facade improvements while the lower cost systems provide very few amenities. The Allegheny River Vision's estimate seems reasonable though conservative based upon our survey, however a careful estimate should be made before proceeding.

Other possible revenue sources not explored in this report

Below is a brief survey of other possible funding streams for both capital and operating costs:

1. Structured parking in the district is in increasing demand. However, garages like the Cork Factory and the Grant Street Transportation Center never reach full capacity – especially on weekends. At \$20,000 per space bare minimum capital cost, additional parking seems like an excessive expense particularly if the community prioritizes a new transit asset. One option that should be explored with developers is a requirement that half as much proposed parking is actually provided, and the city and developer split the revenue from this. For example, if a 200 space structure is halved to 100, the city would receive \$1 million and the developer \$1 million.

2. Parking revenue from public assets should also be explored. This is a popular mechanism and, as mentioned previously, Baltimore's Charm City Circulator utilizes parking revenue to pay for operation. According to the Pittsburgh Parking Authority's 2008 annual report, \$33 million in revenue was collected from structured and on-street parking. A 5% increase in rates, across the board, could result in \$1.6 million annually – potentially enough to cover the streetcar's operating costs.
3. Finally, residential permit parking should be expanded. Again, from the 2008 annual report, PPA collected approximately \$250,000 from its RPP program. PCRG believes that this program should be expanded city-wide and enforced as a general policy to raise vital funds for the city and to put car ownership on a more equal footing with transit. A portion of this revenue should also go toward streetcar operations.

Appendix I

Tampa Streetcar Funding Strategy Case Study¹³

In 1996, Hillsborough Area Regional Transit formed a partnership with the city of Tampa and the community to develop its first streetcar line, called TECO. The line was 2.34 miles long with 11 stations and located strategically to connect hotels, the convention center, cruise terminals, the aquarium, parking facilities, residences, and other entertainment destinations. The goal was to preserve the historic character of the area and to spur the current and potential economic development. Other objectives included provision of transit accessibility, improvement of air quality, better intermodal connections, and so forth. The system was put into use in 2002. In Dec 2010, the system opened a 1/3-mile extension to better connect tourist, entertainment, and business districts.

Pre-Streetcar Redevelopment Situation

The streetcar concept appeared in Tampa at a time when the first wave of redevelopment was occurring in the central business district (CBD), the Channel District, and historic Ybor City. High-rise office buildings, convention center, the Florida Aquarium, the Ice Palace Hockey arena, hotels, and over 80 entertainment facilities were constructed at that time. The redevelopment was accompanied by increasing need of trips among these locations.

Cost and Funding Mechanism

The capital cost was approximately \$27 million and the operating cost was expected to be \$1.2 million annually. The construction cost was 100% covered by state and federal funding. Operating cost was backed by a unique funding plan involving participation of the private partners. The funding plan included incomes from:

1. Taxes from a new Special Assessment District in downtown Tampa, Ybor City, and the Channel District;
2. An endowment fund by contributions from private sectors for naming rights of the system, streetcars, stations, and so forth;
3. Advertising;
4. Fares

\$700,000 in Congestion Mitigation and Air Quality (CMAQ) funds were to be used during each of the first 3 years of operation in lieu of endowment fund earnings. Graph A1 outlines the proportion and amounts of the various funding sources.

¹³ Information was collected from Tampa's TECO Streetcar Line "The Little Engine That Could", USDOT, <http://fastlane.dot.gov/2011/02/tampas-teco-streetcar-line-may-be-the-little-engine-that-could.html>.

Graph A1. Breakdown of Tampa Streetcar Funding Sources



Federal CMAQ (4x)	\$ 14,334,674.75
Tampa Direct Contribution (Gas Taxes)	\$ 13,863,443.00
Federal 5307 Urbanized Area Formula (6x)	\$ 6,860,993.29
Federal 5309 New Starts/Capital Transit (4x)	\$ 4,994,266.25
Local Land Sale Proceeds	\$ 4,200,000.00
State Intermodal Funds	\$ 3,800,000.00
Federal TSCP	\$ 1,982,615.00
State DDR	\$ 1,200,000.00
State CMAQ	\$ 1,075,000.00
Federal STP	\$ 1,028,125.00
State Urban Transit Capital Funds	\$ 1,007,057.00
HART (Local Transit Agency)	\$ 877,000.00
State DDR	\$ 795,000.00
State Intermodal Funds	\$ 500,000.00
State Fast Track	\$ 435,000.00
State Public Transit Funds	\$ 316,000.00
Local Impact Fees	\$ 255,170.06
Local City Rail Contribution	\$ 66,275.12
Local Port Authority	\$ 38,125.00
TOTAL CAPITAL COST	\$ 57,628,744.47

*(4x): The Number of Grants Received in Specific Category

Public and Private Agreements and Participation Incentives

The Creation of a Non-Profit Corporation

A 501(c)3 nonprofit, Tampa Historic Streetcar, Inc. (tecolinestreetcar.org), was created to administrate the operation of the system. The organization was led by seven board directors, four of whom were from COT and three of whom were from HART.

Building the Special Assessment District

The first step was to determine the property values with representatives from the three districts and the groups Tampa Downtown Partnership and the Ybor City Development Corporation. Based on the evaluation, it was determined that a millage rate of .00033 mill would generate the \$400,000 needed to fund 1/3 of the operating cost after CMAQ funding was to discontinued 3 years after the line opened. HART and COT made presentations to both organizations who then polled their members to determine whether sufficient support for the additional tax existed, which it did provided it went to operating the line.

In April 2000, the City of Tampa to issue a notice of intent to create this new assessment district covering 300 acres, following a public hearing in August 2000.

The Endowment Fund

Tampa's mayor started a marketing campaign for the endowment October, 1997 and sponsorship was divided into three levels, shown in Table A1 along with those who signed up to those levels.

Table A1. Tampa Streetcar Sponsor Levels

Sponsorship Type	Amount	Sponsor(s)
System	\$1 million	Tampa Electric Company
Streetcar	\$250,000/vehicle	SunTrust Bank, Time Warner Communications
Station	\$75,000-\$100,000/station, depending upon location	Tampa Port Authority, Carmine's Restaurant, Tampa and Ybor City Street Railway Society, Household Finance

P3 Leaders

The partnership built between the Hillsborough Area Regional Transit (HART) and the City of Tampa played an important role in making the public-private partnership happen. On the private side, two organizations, the Tampa Downtown Partnership and the Ybor City Development Corporation were collaborating with both public agencies and businesses to create the Special Assessment District.

Results/Value created

On October 20, 2003, the system was reported to carry 420,000 riders in its first year of operation, 20% over expectations (Smatlak). The system is currently carrying 1,200 riders per day.

Even before the extension opened, it was already stimulating economic growth. From condominiums to hotels to entertainment centers, the TECO Streetcar Line has generated more than \$1 billion in economic investment in total, including over 2,000 new housing units along the line.

According to the Tampa Downtown Partnership, more than \$800 million in new, privately funded construction projects were recently completed, under construction, or have been approved within two blocks of the streetcar line since its inception (Smatlak; Smatlak)

Appendix II

Atlanta Beltline Value Capture Case Study¹⁴

Atlanta is widely known for its gridlock and suburban sprawl. Over the last few decades, growth in region's low-density suburbs has extended greater metropolitan Atlanta's reach nearly to Chattanooga, TN. The average Atlanta commuter spends 127 minutes on the road every day or more than 10.5 hours each week. This growth pattern has resulted in unbalanced development and congested roads, and has strained the region's economy and quality of life. Absent a plan to manage future growth, traffic gridlock will only get worse as the region is expected to gain 3 million people and 1.6 million jobs by 2040.

Recognizing that Atlanta's economic future was dependent on counteracting sprawl and reducing congestion, in 2005 the Atlanta City Council, Fulton County Board of Commissioners, and Atlanta Public School Board of Education approved the Atlanta BeltLine Redevelopment Plan - a comprehensive redevelopment and mobility project that will build a network of public parks, multi-use trails, workforce housing and transit. The BeltLine will increase the overall health and livability of the entire region over the next several decades, by targeting growth to infill areas in the south and west near transit and open space. The \$2.8 billion BeltLine is the most ambitious public works project in the city's history and one of the largest and most comprehensive urban redevelopment efforts underway in the United States. It will connect people with place – specifically, Atlanta's urban core.

The \$2.8 billion budget will build:

1. A 22-mile rail transit loop, using mostly abandoned rail lines, through 45 neighborhoods surrounding Atlanta's urban core, with anticipated daily ridership of 73,000;
2. A 33-mile network of multi-use trails;
3. Nearly 1,300 acres of new parks and green space that will increase Atlanta's total green by nearly 40 percent, and;
4. Over 5,600 new units of affordable workforce housing.

In total, the 6,545 acres - approximately 7% of the city's land area - will create more than 29,000 new housing units, 30,000 new permanent jobs, 48,000 temporary construction jobs, 5.3 million sq. ft. of office space, over 1.3 million sq. ft. of retail space, and 5.2 million sq. ft. of industrial space.

The project is funded through philanthropic, local, state, and federal public sources including a \$1.7 billion in Tax Allocation District (TAD) dollars. Created in 2005 as part of the redevelopment plan, the 6,500 acre BeltLine TAD is the primary local source of funding for the project and operates similarly to a TIF district.

¹⁴ Value Capture Case Studies: Atlanta Beltline is written by Chrissy Mancini Nichols, 2012, Metropolitan Planning Council, <http://www.metroplanning.org/news-events/article/6357>.

Atlanta BeltLine Inc., in partnership with the City of Atlanta, is the entity tasked with managing, securing funding and implementing the Atlanta BeltLine. Spending of BeltLine TAD bonds is approved by the Atlanta City Council, who approved the Atlanta BeltLine Redevelopment Plan with extensive community engagement and input. The redevelopment plan outlines the 25-year vision for the project. In July 2006, Atlanta City Council approved the BeltLine Five-Year Work Plan, including priorities, goals, organizational structure, and a \$427 million budget for the project's first five years.

As part of the Community Engagement Framework authorized by the BeltLine legislation, the Tax Allocation District Advisory Committee (TADAC) was created to advise on how TAD funds are used. This committee is comprised of technical experts and community leaders and is managed through Atlanta BeltLine, Inc. The TADAC makes recommendations to the Atlanta Development Authority and the City on the issuance, allocation and distribution of tax allocation proceeds within the BeltLine development area, monitors the effective and equitable distribution of the BeltLine redevelopment plan, and measures the impact of the BeltLine.

How the Atlanta BeltLine's TAD works

As new development occurs on the BeltLine, spurred by the public investment in transit, open space, and affordable housing, land values will increase generating additional property tax revenue. Beginning in 2005, all of the incremental property tax revenue from that new development goes into the BeltLine TAD fund. It will be used to pay off the principal and interest on the bonds issued to fund BeltLine capital investments over 25 years.

Property taxes in Atlanta are split between the city, Fulton County, and Atlanta Public Schools, who all approved the TAD. They also agreed to continue to receive the same 2005 level of property tax revenue within the BeltLine TAD for the next 25 years, at which point the TAD will expire.

All three taxing bodies stand to benefit from BeltLine TAD which is comprised of underutilized or abandoned industrial parcels that did not generate considerable tax revenue (the TAD boundaries were created to avoid the inclusion of existing single-family homes). When the TAD expires, they will receive the entire tax revenue generated by parcels within the BeltLine TAD, but at a tax base projected to be approximately \$20 billion higher than in 2005, as a result of the redevelopment associated with the BeltLine.

Fund Utilization

The Atlanta BeltLine Redevelopment Plan guides spending of BeltLine TAD bonds. The money will be used to invest in land acquisition, trails, green space, brownfield cleanup, transit, and transportation improvements. The Atlanta City Council requires that 15 percent of TAD bond proceeds are set-aside to capitalize a housing trust fund that will build 5,600 affordable workforce housing units in the corridor. The new affordable housing

units are intended to ensure working families can afford to live near the BeltLine; the units will be marketed to service sector workers, including firefighters, police officers, teachers and nurses. To keep housing costs within reach for middle-class families, the Atlanta Land Trust Collaborative (ALTC) is working to establish community land trusts in the project area. These trusts will keep homes prices attainable by separating the price of homes from the price of the land that are built upon. The trusts buy and hold land permanently, while allowing the homes themselves to be bought and sold by residents with limited incomes.

Schools in the TAD also will benefit directly by the project, with \$10 million for construction of recreational facilities or athletic fields at school sites, subsidized or free transit rides for APS students, and \$150 million for educational programming paid in \$7.5 million installments in years six through 25 of the life of the TAD.

To date, several trails and parks have opened to the public, which will serve to attract new development that will provide the necessary density to support transit. TAD bond proceeds provided \$8.8 million in capital to seed the BeltLine Affordable Housing Trust Fund. Right of way acquisition and transit design and engineering is underway. The first leg of transit is projected to start running by 2015.

