To Mary Conway, PE

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Subject Streetcars and economic development

M e m o r a n d u m

You asked for a review of how U.S. and Canadian cities are using streetcar projects to support and intensify downtown retail and development, and how those efforts compare with bus shuttles and other transit circulators. . These economic development issues are a key factor behind the proposal we are developing for Miami.

Background:

Prior to World War II, most North American cities, including a lot of small and medium-sized ones (Miami, then a smaller city, among them) were served by streetcar systems. These systems were a principal means of transportation for both office and industrial commuters, and provided circulation and connection to downtown retail, entertainment, sports and civic destinations. They provided both ***connection*** and ***circulation*** – connecting residents with downtown destinations and local circulation within and among downtown districts

They were also typically constructed as private ventures or as what we would now call public-private partnerships involving land development companies, electric utilities and expansion-minded city governments.

In the postwar era, there was a dramatic transition: in the space of two decades, almost all of these systems were junked. This sweeping change was hastened by several factors, especially:

- The flight to suburbia, supported by federal housing policies, the construction of the interstate highway system, and a booming postwar economy, coupled with racial and other cultural factors;

- The condition (run down after years of deferred maintenance and investment), and location (often running down the middle of streets with passengers boarding and de-boarding onto the street surface) of the streetcar lines which reinforced the perception that they were obsolete in the automobile age. The development-oriented genesis of many streetcar lines was ironically, part of their undoing. Having served their principal purpose of supporting a development scheme, often in the form of “streetcar suburb” residential development, they were easily left behind by development interests after the lots they accessed were sold and developed.

- The successful effort by National City Lines, a shell corporation created by General Motors, Standard Oil and Firestone Tires that systematically bought and closed streetcar systems, replacing them with GM buses. National City Lines was perfectly timed and capitalized to buy up often weak and failing streetcar companies. The company was eventually investigated by the Justice Department and fined $5000 for conducting a "commercial conspiracy."

The Light Rail Revolution:

In the intervening fifty years, many North American cities have implemented light rail projects, with universal success in terms of ridership. These systems are usually designed to carry large volumes of suburban commutes to downtowns, and are often aligned parallel to major highway corridors. In many cases, especially Portland, Denver, and Dallas, these light rail lines have also sparked major new investment in downtown office, housing and retail projects. Some specifics:

- Twenty years ago, Portland's central business district was a typical tired downtown, with fading retail and rising office vacancy rates, compared to suburban office parks. Today, light rail carries 50,000 passengers a day to a downtown rated as one of the most livable in America. Office vacancy rates are lower than suburban ones, and rents are higher; the best retail in the region is in Portland's downtown. Over $2 billion of development has been constructed in station areas.
- In Dallas, the opening of the DART light rail line sparked a real estate renaissance, with a premium being paid for property along the line. "Many investors have come to look at proximity to the DART light rail stop as offering a competitive advantage for their properties," said Jeff Stone, senior managing director of Holliday Fenoglio Fowler LP. Over $1.3 billion in development has been completed.
- Denver's LoDo (Lower Downtown) has emerged as one of the country's most successful new urban neighborhoods, using a new light rail line, the Lower Platte River and a downtown baseball stadium, along with a successful bus shuttle along 16th Street, to anchor a booming new neighborhood.

These cities and others have realized the benefits of connection: in an era when capital and talent are mobile, quality of life is the most durable economic strategy. A livable, sustainable community…a world class city…needs to provide world class transportation, and light rail has been a very effective strategy in reaching this goal.

Despite light rail's many virtues, it is not a transit panacea.

- The projects are often built with separated trackways, often difficult to fit into a lively urban streetscape.

- To keep average speed up (a necessity if the project is going to move suburban commuters or shoppers many miles to reach the CBD), stops are often a half-mile or more apart.

- Cost is substantial, usually falling in the range of $45-75 million per mile; since federal funding will typically cover no more than 50% of the capital cost of these projects, this high cost is a challenge for many communities.

- Construction disruption is also an issue: digging up downtown streets for a period of many months can threaten the viability of local businesses.

From a downtown point of view, even a successful light rail project restores only half of the functions of the old streetcar lines: connection. They serve as excellent connectors, speeding large numbers of people to and from the downtown area. They work less well as circulators. Because of their scale, high cost, and infrequent stop spacing, light rail lines can't function very well as a downtown circulator…that's not their design purpose.

The other extreme: Bus "Trolleys"

In a number of U.S. cities, an attempt has been made to restore the downtown circulation function through bus shuttles, in some cases buses that are styled to look like antique trolleys. These have been only partially successful. The theory in many cases was that tourists would use these buses to circulate from hotels and convention centers to shopping areas, and that residents would park-and-shop or connect to regional rail systems for commuting. These systems have generally not panned out in meeting these goals, for several reasons:

- A bus is a bus – Despite the trolley-like decoration, people can still detect a diesel bus, and rightly or wrongly, many middle and upper-income Americans avoid riding buses. So, the trolley circulators have not attracted what transit planners call choice riders.

- Still not quite sure where it goes – Tourists have resisted the circulators, despite the fact that they were the target market for many of these programs. For both the reason cited above *and* the concern about routes and schedules, visitors and convention attendees are wary of getting onto the local bus trolley.

- Volume and capacity – With their high floors, single doors and limited size, trolley-style buses carry far fewer passengers than a light rail or streetcar vehicle, and take longer to load and unload.

As a result, bus circulators, even state-of-the art projects like Orlando's Lymmo system, do little more than move the transit-dependent in slightly better style. With very few exceptions (Denver's lavish 16th Street bus mall being the best), they have not had a notable effect on development or the retail environment.

Enter the modern Streetcar:

Starting with Portland's Central City Streetcar project, a "new" transit and development prototype has become available.

The Portland project used modern European tram vehicles to serve a five-mile long loop, running through a somewhat run-down part of an otherwise healthy downtown, going on to serve a large redevelopment site adjacent to the CBD and a dense-close-in neighborhood. Along the way, it connected a large hospital, an urban university campus, performing arts facilities, etc.

This description verges on inaccuracy, however, since it makes the Central City Streetcar sound like a transportation project. It was understood from the beginning as a first and foremost a development tool. It backers, organized as a nonprofit corporation which built and now operates the line, were developers, retailers and property owners, as well as city government.

They have succeeded. This $55 million streetcar line has sparked over $1.2 billion in new development, making it probably the best municipal investment anywhere in recent times. The Pearl District neighborhood, organized along the line on the redevelopment site, is the nation's most successful new urban district.

Ridership has quickly exceeded all projections, and is now running over 6,000 per day, even at the somewhat meager 13-minute frequency now being provided. The character of that ridership is dramatically different from typical bus ridership. To stereotype a bit: it's now common to see software engineers walk out of their $500,000 Pearl District condos and catch the streetcar downtown to shop or to go to their class at Portland State. Their condo would not have existed but for the streetcar, and the streetcar would not have been there but for the condos.

Despite its pathbreaking reputation, the Portland project is not really new, in two senses:

- The idea of a streetcar circulator tied to a now-very-successful redevelopment scheme goes "back to the future" in rediscovering the use of a neighborhood-scale transit project to shape and catalyze a change in the development pattern. This was the concept behind many of the original streetcar lines.

- Most European cities did not discard their urban tram lines in the postwar era. They are still running, modernized and carrying large volumes of passengers, supporting an urban lifestyle that never waned.

Since the Portland project opened in 2001, a number of cities have embarked on similar ventures. Two of them have been completed, in Tampa, Florida and Tacoma, Washington. Both have already seen similarly dramatic results in terms of economic and development impact. Many more are in the planning stage, ranging from large cities like Seattle and Charlotte to some rather small ones like Winston-Salem, North Carolina and Salem, Oregon.

In general, the early feasibility work on these projects is being funded locally. This is both pragmatic (there are not a lot of federal funds available for feasibility studies) and strategic (the Federal Transit Administration is favorably impressed by local initiative). I have generally advised local champions of these projects to avoid the entanglement of federal involvement in early development of these projects, while assisting them in briefing FTA staff on the early stages of the project as it evolves.

Capital funding for engineering design and construction is being raised through a combination of federal funds through FTA and local funding based on the projects' economic impact. A substantial impact on retail sales, property values, or development intensity creates the opportunity to capture a portion of that added value. The mechanisms being used or considered to do this include tax increment financing, local benefit districts, and development impact fees. Other more generalized local revenue sources are also being used, including sales tax increments, parking revenue bonds and other bonding mechanisms.

Properly conceived and designed, a streetcar project generates such a large amount of local economic impact that it's possible to derive a major portion of its capital cost from the economic benefits its creates. For example, it's expected that the South Lake Union streetcar project now being planned in Seattle will raise half its capital cost through a Local Improvement District assessment on benefited properties along and near the line.

On the federal front, I am in continuing conversations with FTA Administrator Jenna Dorn and others in the agency about their role in the funding of these projects. I'm also involved in discussions about the Small Starts provision in the reauthorized transportation bill now being debated in Congress.

Earl Blumenauer, my predecessor as Transportation Commissioner in Portland is now a Congressman; I'm assisting him, other members of the relevant committees and their staffs in their effort to pass specific legislation creating a dedicated streetcar program within FTA. The Administration's proposal takes a different tack, raising the federal share of a Small Starts project up to $75 million and promising less bureaucratic review criteria than those applied to traditional Section 5309 New Starts transit projects. Jenna Dorn is also talking about revising the TIFIA loan program to make it more usable for projects like these.

The bottom line of all this will be, I believe, an enhanced ability of the FTA to fund streetcar projects, probably through some version of an improved Small Starts Program. Meanwhile, as the economic benefits of these projects continue to prove out, local financing mechanisms based on value capture should play a growing role in raising the local matching funds.

So, it's reasonable to expect that communities that go through a feasibility study process and develop a well-founded concept for a streetcar project should be able to go on and implement their plans. Given Portland's, Tampa's and Tacoma's experience, they will reap substantial gains in downtown retail sales, development, and property values.