

# Massachusetts Bay Transportation Authority

## Peer Agency Revenue Sources Comparison Value Capture Mechanisms and Case Studies

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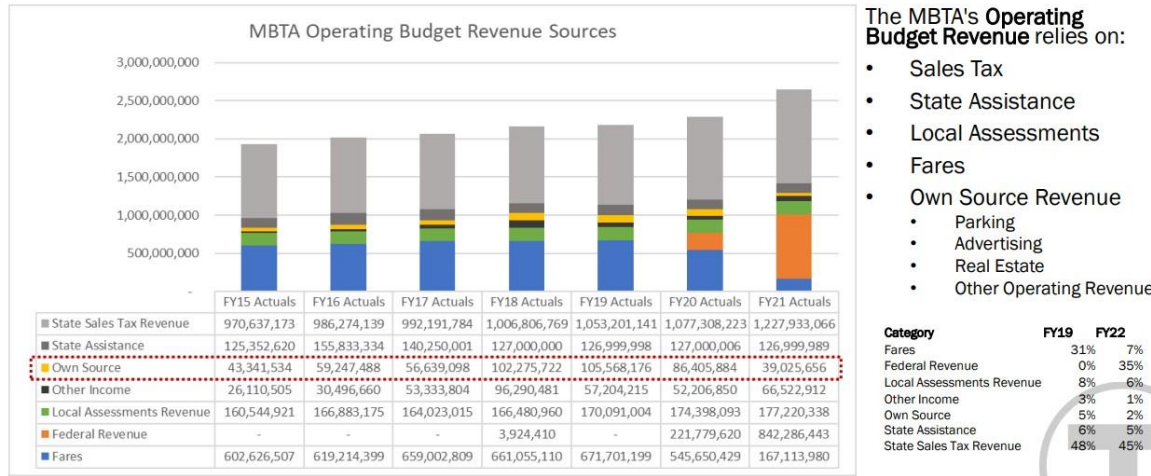
Elizabeth Winters Ronaldson, Chief Commercial Officer

Richard Henderson, Chief Real Estate Officer

September 15, 2022

# Response to Board Request for Information

MBTA Operating Budget Revenue Sources



- Revenue Sources at Domestic and International Peer Agencies
- Value Capture Mechanisms and Case Studies
- Massachusetts Context

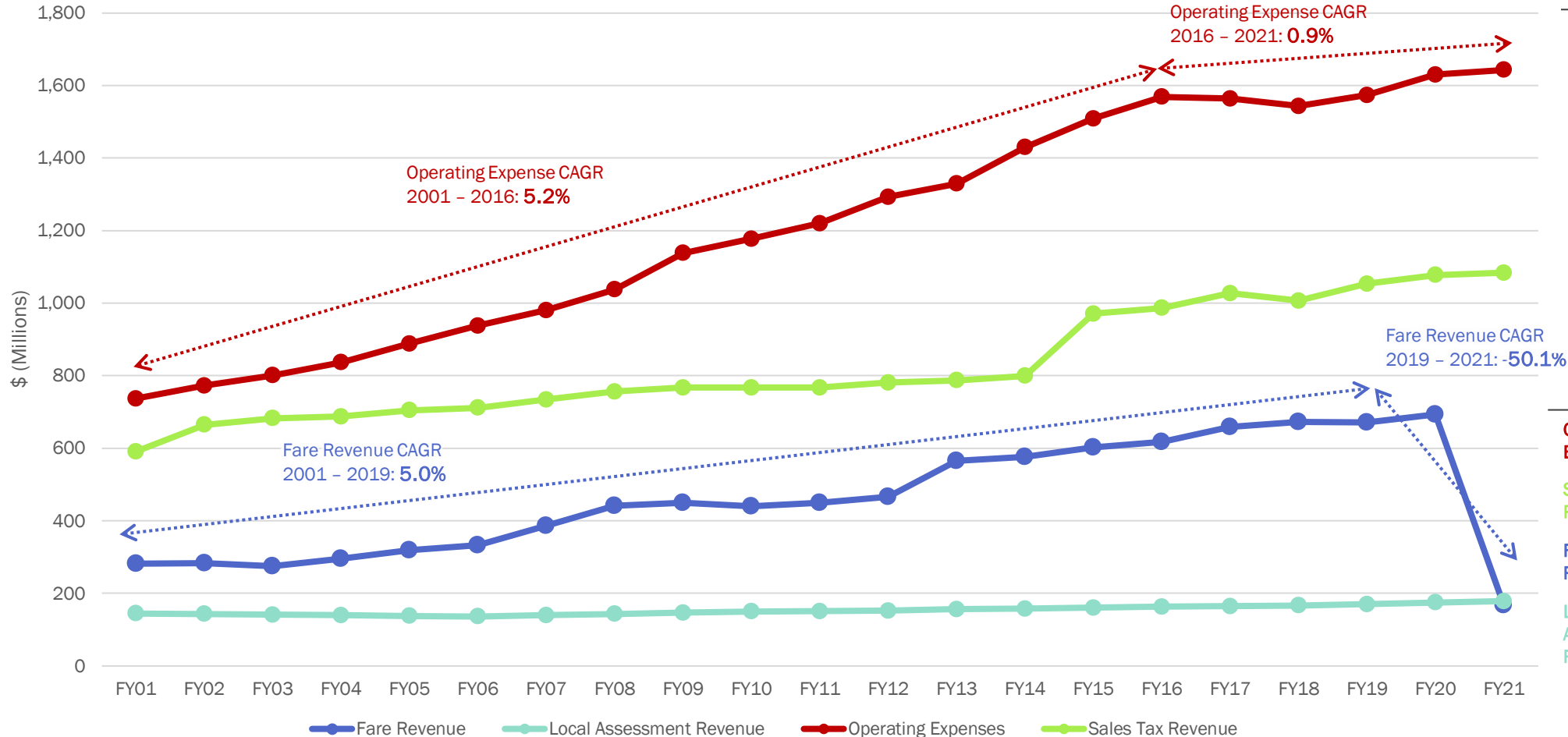


# Revenue Sources Comparison



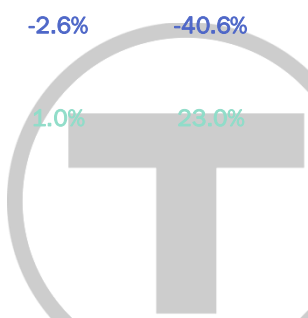
# Local Assessment Revenue, Sales Tax Revenue, Operating Expenses FY2001-2021

MBTA Select Revenues and Operating Expenses, FY2001 - 2021

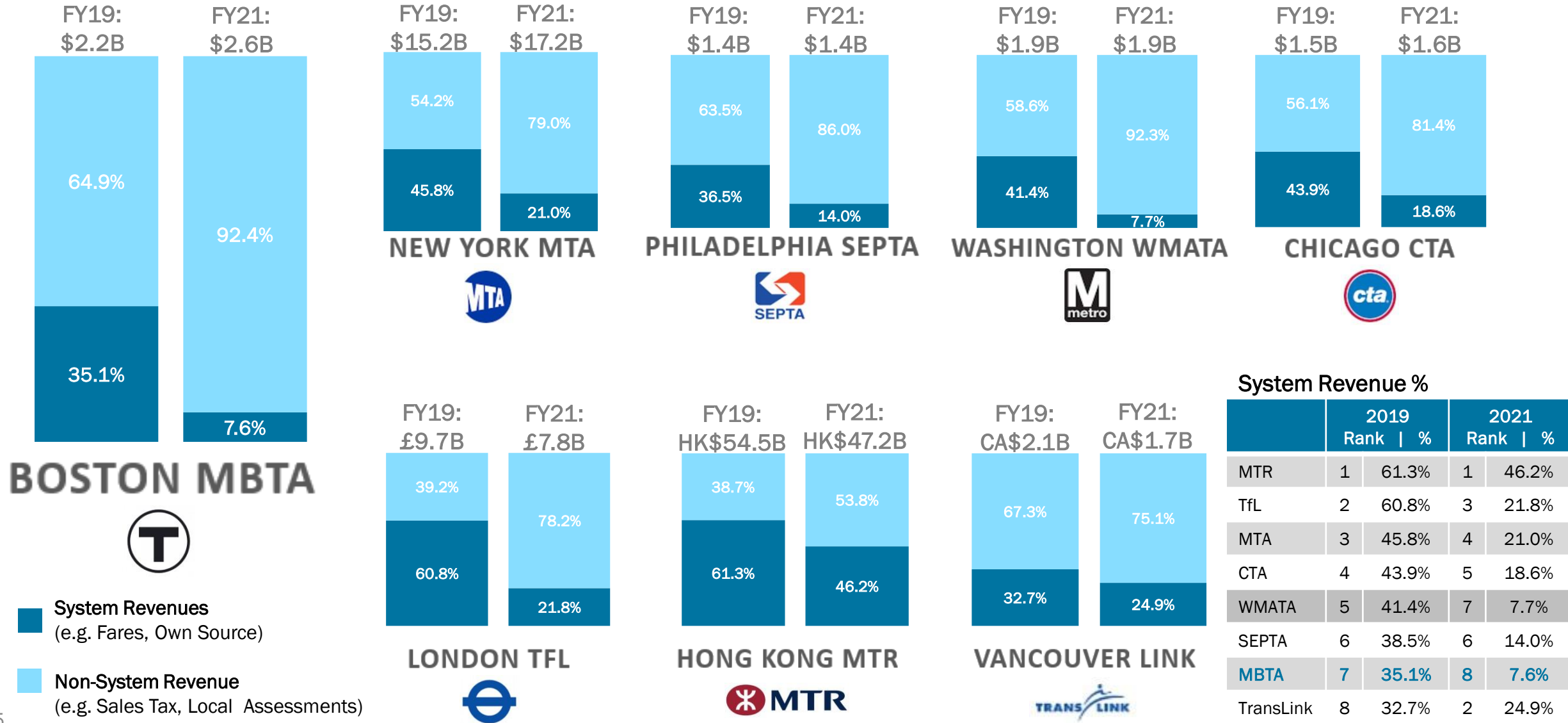


	FY 2001 - 2019	
	CAGR	Total Growth
<b>OPERATING EXPENSES</b>	<b>4.3%</b>	<b>113.5%</b>
<b>SALES TAX REVENUES</b>	<b>3.3%</b>	<b>78.3%</b>
<b>FARE REVENUES</b>	<b>5.0%</b>	<b>138.9%</b>
<b>LOCAL ASSESSMENT REVENUES</b>	<b>0.9%</b>	<b>17.6%</b>

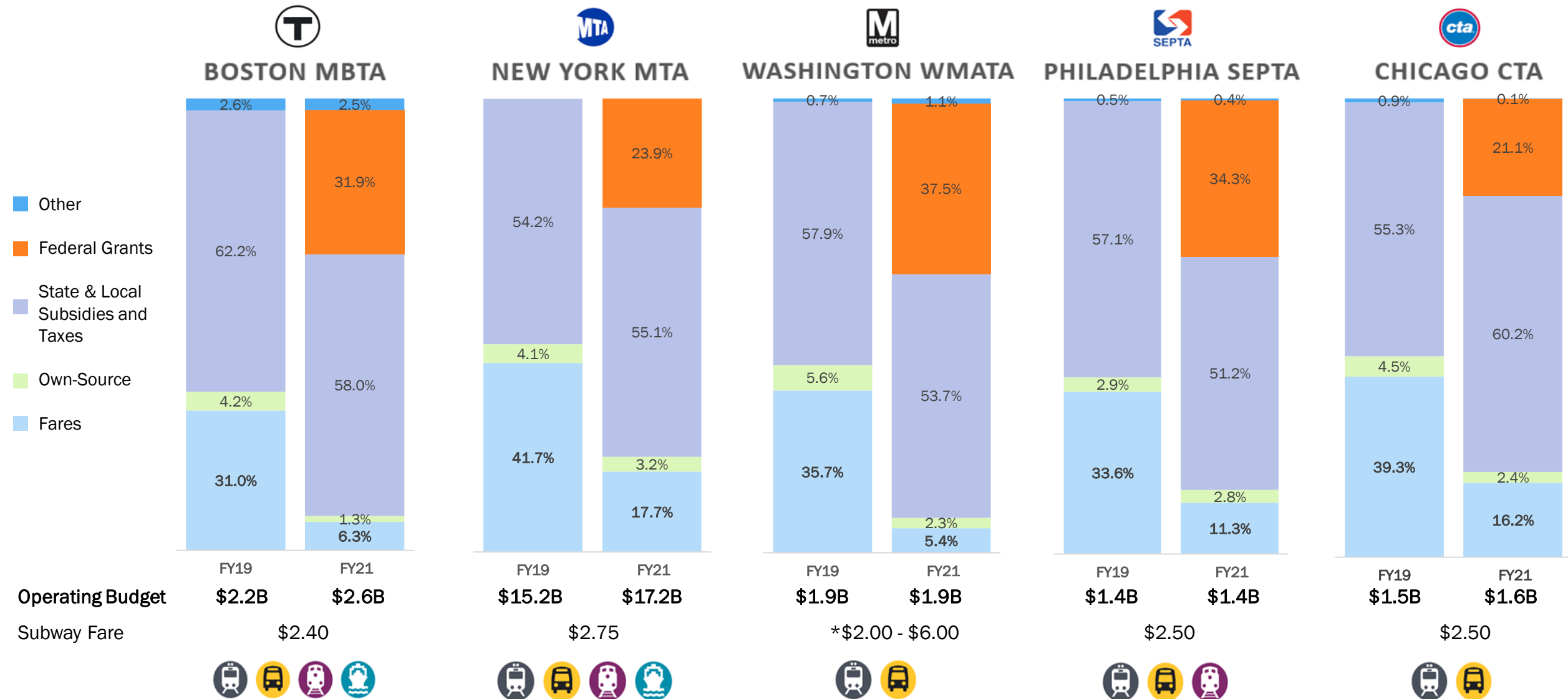
	FY 2001 - 2021	
	CAGR	Total Growth
<b>OPERATING EXPENSES</b>	<b>4.1%</b>	<b>123.0%</b>
<b>SALES TAX REVENUES</b>	<b>3.1%</b>	<b>83.4%</b>
<b>FARE REVENUES</b>	<b>-2.6%</b>	<b>-40.6%</b>
<b>LOCAL ASSESSMENT REVENUES</b>	<b>1.0%</b>	<b>23.0%</b>



# Peer Agency Revenue for Operations Breakdown















# Peer Revenues for Operations by Category: Covid Impact



\*depends on distance and time of day

# Peer Agency Non-System Revenue Streams Comparison

	 BOSTON	 NEW YORK	 WASHINGTON	 PHILADELPHIA	 CHICAGO	 LOS ANGELES	 SEATTLE	 PORTLAND	 LONDON	 VANCOUVER	 TORONTO	 HONG KONG
Sales Tax	✓			✓	✓	✓	✓					
Payroll Tax		✓						✓				
Vehicle Sales Tax				✓				✓				
Vehicle Rental Tax		✓		✓			✓					
For-Hire Vehicle Surcharge		✓			✓							
Vehicle License Fees		✓		✓			✓		✓			
Gas Tax		✓								✓	✓	
Tolls		✓		✓		✓				✓		
Congestion Charges									✓			
Traffic Violations				✓					✓			
Jurisdictional Charges	✓		✓									
Real Estate Transaction Tax		✓			✓							
Property Tax							✓			✓	✓	

7 \*Revenue source list reflects agency budgets and may not be fully comprehensive if revenue streams are immaterial and not separately identified

# Sources of Operating Budget Revenues

## Existing Sources of MBTA Operating Budget Revenues

- Fares
- Own Source Revenues
  - Advertising, Parking, Real Estate
- Dedicated Sales Tax
- Local Government Assessments

## Additional Key Revenue Sources that support other Transportation Authorities

- Vehicle-Related Fees
  - Vehicle Sales, Vehicle Rental, For-Hire Vehicle Surcharge (TNCs), Violations
- Road Usage Fees
  - Gas Tax, Tolls, Congestion Charges
- Value Capture
  - Transit Tax Increment Financing, Special Assessment, Developer Impact Fee, Direct Property Development





# Examples of Vehicle-Related Fees that Support Transit

## Vehicle Rental Tax

SoundTransit – Seattle, WA



0.8% tax on rental cars within SoundTransit district.

## Vehicle Sales Tax

SEPTA – Philadelphia, PA



Statewide 6 – 8% Vehicle Sales Tax collections for state transit agencies. SEPTA will receive a portion of statewide revenues, anticipated to be approximately 40 – 45% of transit agency share.

## For-Hire Vehicle Surcharge

CTA – Chicago, IL



City of Chicago only: \$98 per month charge per taxi. \$1.25 per ride surcharge for rideshare vehicles (plus additional surcharge for downtown area and airport trips). Allocation to transit varies by year, historically between 30 – 40%.

## Traffic Violation Fines

TfL – London, UK



Fines for driving or parking in designated BRT lanes and evading Central London Congestion Charge payments; £160 per infraction.



# Examples of Road Usage Fees Charges that Support Transit

## Gas Tax

MTA – New York, NY



0.75 cents per gallon for gas within the MTA district dedicated to MTA. A portion of total New York state gas tax revenues is also appropriated to state transit agencies annually. Baseline 33 cents per gallon total, approximately 8 – 10 cents per gallon to state transit agencies.

## Congestion Charge

TfL – London, UK



£15 charge for vehicles traveling through areas of London during peak travel times; revenues flow to TfL.

## Tolls

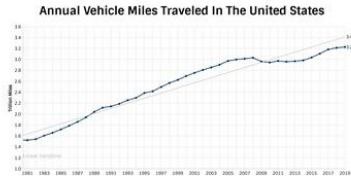
Northern Virginia  
Transportation Commission



Portion of toll revenues from I-66 and I-395/95 corridors are appropriated for transit projects based on agency project submissions. I-66 and I-395/95 managed lane Public-private partnership.

## Vehicle Use Fees

Vehicle Miles Traveled fees, a standard vehicle use charge, have not yet been implemented in the US, but could substitute/supplement the gas tax as EV adoption increases.



# Value Capture Mechanisms and Case Studies



# Value Capture for Transit

## What is Value Capture?

- Public financing strategy that recovers a portion of the **value created by a public improvement** to help pay for that public improvement
- Typically takes the form of **public-private partnerships**, where revenues generated by private development (e.g. taxes or fees) are used to leverage public investment
- Value capture tools for transit can include Tax Increment Financing, Joint Development, Developer Impact Fees and Special Assessment Districts

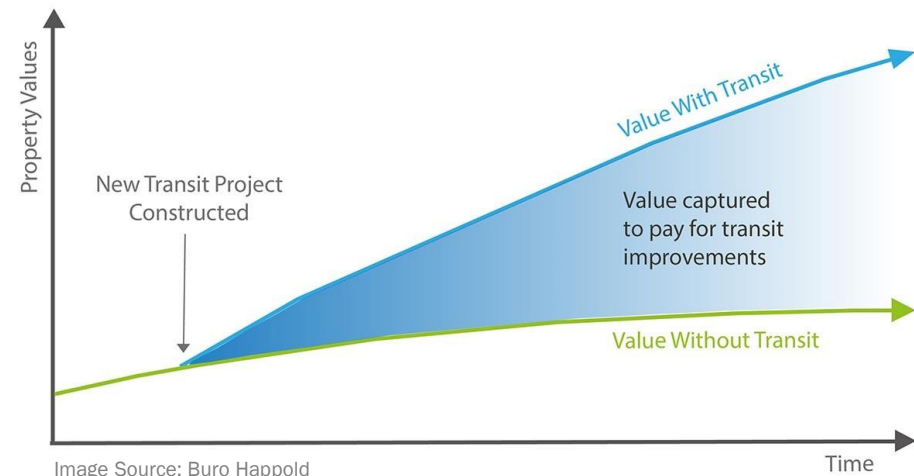
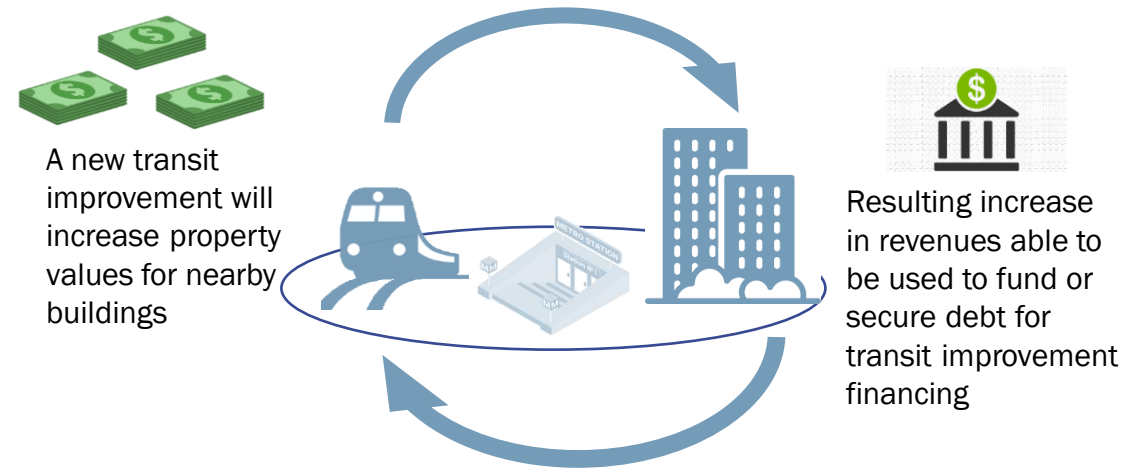


Image Source: Buro Happold

# Transit Tax Increment Financing

## Overview

- Tax Increment Financing (TIF) is a tool primarily used to leverage future property tax revenues from new development to support infrastructure development in a defined area.
- The typical TIF structure has been adapted for transit-only use by establishing TIF boundary as the area immediately adjacent to the transit improvements to capture all nearby revenue growth for new and existing properties.

## Example: CTA Red and Purple Modernization Project, Phase I

- \$1.5B project including rail upgrades, station reconstruction and new junction flyover on a 5.6-mile segment of rail corridor.
- Incremental revenues from Transit TIF boundary a half-mile around entire corridor used both on pay-as-you-go basis and to secure a \$0.6B federal TIFIA loan.



Image Source: Streetsblog Chicago



# California Special Assessment Districts

## Overview

- California Special Assessment Districts (“Mello-Roos Districts”) are intended to generate value from residential property owners within a specific district to support public improvements.
- Mello-Roos assessments are additional levies on new and existing residential property. Tax amount may be based upon home square footage, frontage area, parcel size or other factors. Assessments typically do not exceed 1.0% - 1.5% of a home’s market value.
- Establishing Mello-Roos District requires two-thirds approval of property owners.

## Example: San Francisco Transbay Terminal

- 140-acre Mello-Roos district surrounding the terminal generated approximately \$200M for \$1.6B project

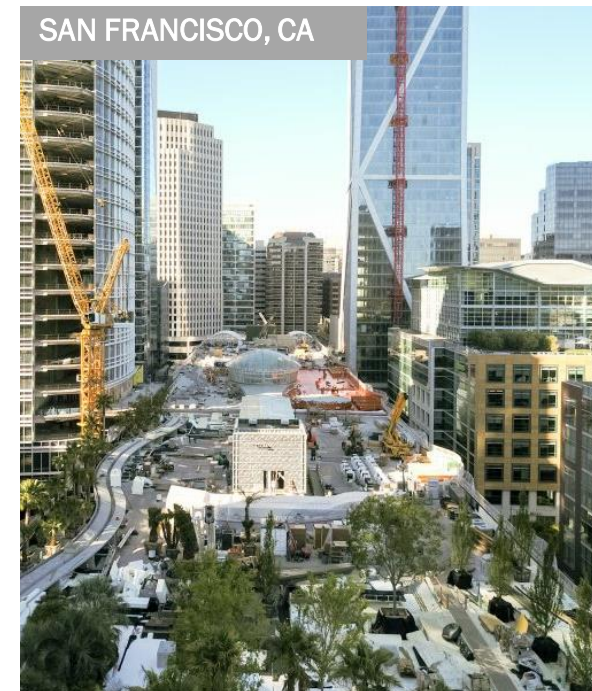
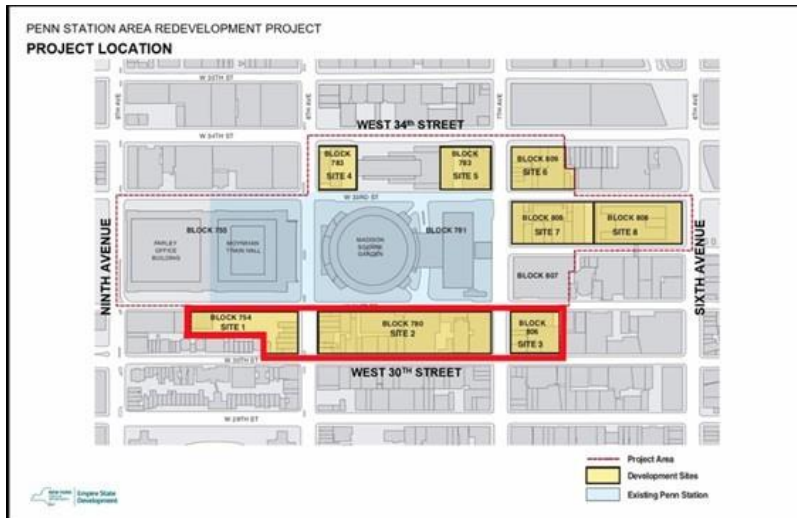


Image Source: SF High-Rises

# Exemptions and Public-Private Partnerships

## Overview

- Leverage **exemptions from local zoning** to construct dense developments on stations and publicly-owned parcels
- Enter directly into **Public-Private Partnerships** with adjacent landowners to maximize benefits of transit-oriented development



## Example: New York's Penn Station

- State has created a special district within Manhattan that is exempt from City zoning (build higher and denser)
- State is incentivizing development of adjacent parcels as part of the overall re-development of Penn Station
- State compensates the City for the pre-development tax revenue and State will realize the upside in incremental local tax revenue generated (State takes on risk/upside)
- MTA will receive district revenues to pay for redevelopment and expansion of Penn Station with other transit agencies



# Direct Property Development

## Overview

- Transit agency takes direct role in property development around transit improvements to capitalize on synergy between value of new transportation asset and real estate development
- Tool promotes transit-oriented economic development in targeted area and allows for transit agencies reaping the benefits
- Agency could function as developer or partner with private developer, which typically takes the form of ground lease, air rights or revenue sharing on agency-owned land

## Example: Hong Kong MTR

- Rail + Property Development Model used to fund both stations and rail line extensions
- Hong Kong Government either grants or negotiates sale of property development rights on publicly-owned land to MTR. The **agency then develops the land and uses sale profits and lease revenues to pay for transit improvements.** MTR generates over 60% of revenue from property development along rail lines.
- Over 40 projects and 13M square feet have been developed to date





# Developer Impact Fee

## Overview

- **One-time revenue** from new commercial development linked to expected impact on transit system. Fees used to support increased transit resources.
- Revenue source is conditional on new development. The resulting volatility means impact fees can't be financed against.

## Example: TriMET, Portland Street Car

- System development charge based on square footage and dwelling units; charge varies by use
- Generates approximately \$5 – 10M annually, dependent upon number and type of new developments completed each year.



Image Source: Portland Streetcar



# Analogous Value Capture Mechanisms in Massachusetts

Mechanism	Definition	Example
<b>District Improvement Financing (DIF)</b>	City or Town designates area (contiguous or non-contiguous) parcel where incremental real estate taxes from development help finance direct expenses and/or debt for infrastructure supporting the district	Taunton- Myles Standish Industrial Park Expansion. A portion of the incremental tax stream was set aside to pay for roadways and utilities serving the new development sites
<b>Development Impact Fees</b>	Municipality requires property owners undertaking development to pay into a fund dedicated to area transit improvements	Cambridge– Kendall Square Transit Enhancement Program (KSTEP) pools funding from development to pay for area transit improvements
<b>Massachusetts Environmental Policy Act (MEPA)</b>	Process and mechanism by which a development or project's environmental impact is assessed, and mitigation to address the impact is identified and required by the State	Everett/Boston -- Encore Casino made improvements to Sullivan Station busway and provided operating subsidy for additional OL service
<b>Joint Development</b>	Development on MBTA-owned land or air rights through partnership with a developer via ground lease or sale	Boston—various projects including Mattapan Square and Ashmont Stations, South Station Air Rights, Back Bay Station,

# MBTA Context: Value Capture

## Powers the MBTA Employs Now

- Developer Contributions
- Joint Development
- Exemption from Local Zoning

## Legislative Authorization Sought

- Public Private Partnership Development

## Additional Concepts for Discussion

*with Legislative Authorization, and/or Partnership with Municipal Governments*

- District Improvement Financing (DIF)
- Development Impact Fee
- Local Zoning carve out for Transit Oriented Development



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# Discussion

