



SMART GROWTH AND REGIONAL COLLABORATION

Memorandum

From: Marc D. Draisen, Executive Director
To: Members of the MBTA Special Panel
Date: March 18, 2015
Subject: Metropolitan Area Planning Council (MAPC) comments

Thank you for undertaking this important work in such a short time frame. As you know, the MBTA is the backbone of the Greater Boston economy, and setting it on a strong and stable path is vital for the hundreds of thousands of residents who rely on the system to get to jobs, classes, medical appointments, and entertainment—approximately 1.3 million trips a day.

MAPC is the regional planning agency serving the people who live and work in 101 cities and towns in the Metropolitan Boston region. Established under MGL Ch. 40B, our mission is to promote smart growth and regional collaboration. We work closely with MassDOT and the MBTA on a wide array of transit planning issues, and we work closely with our cities and towns on land use planning efforts in the vicinity of transit stations and along transit corridors.

MAPC also serves as the Vice Chair of the Boston Metropolitan Planning Organization (MPO), which decides how federal highway and transit funds will be spent. In recent years, the MBTA has advised the Boston MPO that the T should be investing at least an additional \$200 million on state-of-good repair projects beyond the funds available to the T. This persistent delay of routine maintenance and necessary improvements in rails, rolling stock, signals, crossovers, etc. inevitably degrades service and increases the eventual cost of repair. Therefore, the difficulties the T has faced in recent months because of infrastructure and equipment failures during repeated snowstorms came as no surprise to MAPC. The surprise is that this breakdown did not come sooner.

In the past decade, legislative and executive actions have reformed the governance of the MBTA to give more oversight to the Governor (the MassDOT Board and MBTA Board are now the same, with its members all appointed by the Governor, and the MBTA General Manager is also the MassDOT Rail & Transit Administrator). The MBTA has reformed retirement and health care benefits to be more in-line with other state employees. While strides have been made, there are certainly additional reforms that can be undertaken in the areas of governance, operations, and finances. However, no amount of reform will “fix” the MBTA without the investment of considerably more revenue for operations, state-of-good repair maintenance, and significant capital improvements.

Our recommendations are presented below, across several topic areas.

together to identify suitable land available to serve the maintenance needs of the aging bus fleet. The MBTA lacks adequate maintenance capacity generally, but particularly to serve its buses. This limits the number of buses that are reliably in service, and places unrealistic demands on an aging fleet. If land cannot be purchased for this purpose, then surplus state or municipal land should be considered. Consultation, coordination, and – if necessary – negotiation regarding specific parcels between the MBTA and municipal authorities is essential. MAPC is eager to facilitate an ongoing conversation between the T and the members of the Mayors Coalition as one way of encouraging this dialogue.

A final suggestion for operational reforms is to focus on MBTA communication with customers. This communication clearly faltered during the snow crisis, but it needs repair in the best of circumstances. The T should develop and implement more and better ways to communicate with customers over their smart phones in real time; accurate and updated signage regarding train arrival at all platforms; customer-friendly signs in and around stations; and especially signage that assists people with disabilities to navigate the system. More broadly, however, MBTA staff need to be trained in ways to interact more productively with customers and they should be evaluated, at least in part, based on their performance in this regard.

Finances

As you identify reforms to recommend, MAPC strongly urges you to consider revenue. According to an estimate announced at an MBTA Board meeting earlier this month, the MBTA faces a \$6.7 billion gap in what is needed to repair and modernize its assets, resulting from years of underinvestment. On the operations side, the MBTA consistently requires additional state assistance from the state's operating budget to achieve a balanced budget.

The Forward Funding legislation passed in 2000 was crafted to put the MBTA on solid financial ground, but it was based on projections that have not been met. Sales tax revenues had grown at an average rate of 6.5% per year between 1990 and 2000, but from 2000 to 2009 only averaged 1% growth per year, according to the MBTA Advisory Board's "Born Broke" report from 2009. While the MBTA was given a dedicated funding source, it was also given \$3.3 billion in debt commitments, \$1.65 billion of which was debt transferred from the Commonwealth and \$1.7 billion of which was commitments for transit expansions, many of them to off-set the pollution caused by the Big Dig. Additionally, the MBTA's expenses have continued to grow disproportionately, with its energy costs alone having risen 134% between 2000 and 2015.

The Legislature took action in 2013 intended to address this funding gap and passed a bill that would have dedicated an average of \$600 million a year of new revenue to transportation, including capital and operating expenses of the MBTA, over a 5-year period. The legislation raised the gas tax by 3 cents and indexed future increases to inflation. However, this indexing, which was critical to meeting revenue goals in the later years of the plan, was repealed by a ballot question in November 2014. The reduction in revenue resulting from this repeal, in combination with the insufficient growth of sales tax revenue,

and the explosion of costs such as energy, building materials, health care, and contractor bids all contributed to the financial situation we face today – and for the foreseeable future.

There is simply no amount of reform that will fill this massive funding gap in both capital and operations. Waiting to invest in the system only exacerbates the system's problems, with assets further deteriorating and necessary but complicated and lengthy procurements pushed off even more into the future. Increased funding for the MBTA is needed, and MAPC supports a menu of options to raise transportation-related funding such as a further increase in the gas tax, RMV fees, tolls on limited access highways (beyond the Mass Pike, bridges, and tunnels), and an exploration of a per-mile user fee. Lawmakers should also explore shifting some of the MBTA's debt back to the Commonwealth, which admittedly requires the Commonwealth to raise additional funds to service that debt. Another additional approach could be dedicating a higher percentage of federal highway funds and/or the state transportation funds to support additional MBTA state-of-good repair needs, although once again, that would probably require that the Commonwealth back-fill with additional resources in order to ensure that necessary roadway and bridge projects are funded.

At the end of the day, additional revenue is needed to address the Commonwealth's multiple transportation needs, which have been long-neglected. The costs of these projects are rising every day, along with the economic and social costs every time the T breaks down, every time a driver turns away from a closed bridge, and every time an accident occurs on an under-maintained roadway.

Fortunately, a few mechanisms exist to help fund the system without depending on an increase in state taxes or fees. We suggest two such mechanisms below. They won't solve the whole problem, but they can be part of the puzzle. Both would help to raise additional funds for MBTA capital expenses, operations, and transit-oriented development (TOD). Neither of these sources would use existing state revenues.

Value Capture

Value Capture is a type of public financing that uses some or all of the value created by public infrastructure to help pay for the capital, debt service, and/or operating costs of that infrastructure. It can also be used to help spur additional development near a transit station or along a transit corridor. This additional development, in turn, can generate more riders for the transit system.

In March 2013 MAPC sponsored a forum to discuss why Value Capture is not often used in Massachusetts as compared to other states. We brought in experts from various parts of the country, and they met with legislative staff in the afternoon after the forum. A few months later, the Legislature created the Value Capture Commission to explore this issue further and to develop recommendations, including possible legislation. The Commission met several times last fall, but has not met since the beginning of the current year. MassDOT chairs the Commission and I am a member.

New public infrastructure investments such as a rail line, subway station, or Bus Rapid Transit (BRT) increase adjacent land values, generating increased values for private landowners and increased tax collections for local government. Improved infrastructure can also increase the potential for development in the vicinity or along a corridor, which can further increase property values, local taxes, and even sales and income taxes collected by state government.

State-level Value Capture strategies such as the Infrastructure Investment Incentive (I-Cubed) Program should be more aggressively pursued and additional strategies should be implemented to collect funds to support MBTA services and capacity improvements. Additionally, municipalities should explore the use of District Improvement Financing (DIF), and pledge a portion of incremental property tax collections to cover a portion of the costs for major capital projects, especially debt payments over time. Such value capture mechanisms are commonly used in much of the country. Chicago used Value Capture to update six of its rapid transit stations, while San Francisco and Washington, D.C. used Value Capture to build new stations on their rapid transit systems.

Value Capture techniques will not pay the entire cost of most projects, but they could make a significant contribution, especially in the MBTA district where property values tend to be higher than in other parts of the state. This in turn would free up a certain portion of capital funds for use in Central or Western Massachusetts, where value capture mechanisms might be less potent.

New development projects close to MBTA transit stations should also support MBTA service as part of the developer mitigation process. While mitigation payments for roadway improvements are a routine and common practice in Massachusetts, the equivalent support for MBTA operations almost never occurs. We believe that mitigation payments for MBTA improvements should become an established practice. Developers commonly site new developments near transit stations, using that proximity as a marketing tool to attract buyers and renters, thus adding riders to the system. It is logical and imperative to establish a way in which developers provide financial assistance to the MBTA in these cases. It is possible that legislation would be necessary to normalize these payments. Payments could come in the form of a temporary or permanent surcharge to property tax assessments.

In a related matter, the MBTA should pursue a strategy to convert MBTA and state-owned surplus land to transit-oriented developments (TODs). Selling or renting land for TOD projects would bring in revenue for the MBTA through the sale or rental of the land, increased ridership from the people who live, work and engage in commerce in the development, and increased state revenues through the new jobs, housing, and economic development.

Selling the land for “top dollar” at the time of sale is not necessarily the best deal for the T. Leasing land should be considered, and the long-term addition of new riders to the system should be evaluated as well. For example, while selling a parcel for parking may bring in quick payment, leasing the land for apartment development may generate thousands of riders paying MBTA fares indefinitely.

Quality, mixed-use TOD is a win-win and should be pursued aggressively, always in consultation with the local authorities.

Regional Transportation Ballot Initiatives

Legislators have filed a bill (SD1357 and HD862) that would enable a municipality, or a group of municipalities as a district, to raise additional local money dedicated to transportation projects or operations via ballot questions. A supplement to other revenue, these funds would give voters a more direct role in the transportation funding process and show a clearer correlation between revenue and transportation projects. In the wide range of states that allow these initiatives, roughly 70-80% pass. Often, they are backed by a coalition of localities, businesses, and community groups. Such initiatives are often used to fund the local transit systems, and the MBTA – along with its cities and towns – should have the ability to fund capital or operational improvements through this mechanism.

In 2014, for example, municipalities in West Virginia renewed a two year property tax levy to fund the Mid Ohio Valley Transit Authority, Alameda County in California doubled its transportation sales tax from half a penny to a full penny for 30 years, and Clayton County in Georgia instituted a one cent sales tax to join the Metropolitan Atlanta Rapid Transit Authority.² Municipalities in the MBTA region pay relatively lower amounts in assessments than their counterparts in other parts of the country. While these cities and towns are generally constrained by Proposition 2 ½ from raising additional revenue on a year-to-year basis, regional transportation ballot initiatives would enable increased local support without harming the ability to pay for other crucial local services.

Funding raised for regional projects via ballot initiative would not by itself close our transportation infrastructure funding gap, but this framework could be an important tool. It would give municipalities both more control over and more of a stake in the projects in their region. MassINC, which has advocated allowing local and regional ballot initiatives to fund transportation, found little opposition in a 2012 and 2013 poll. In September 2012, 73 percent strongly or somewhat agreed that “the state should allow the residents of each region to hold a vote to raise taxes on themselves to pay for projects they care about.” In February 2013, 75 percent strongly or somewhat supported the idea of “giving cities and towns and regional planning agencies the authority to place transportation funding measures for their specific area on the ballot for voters to approve or reject.”

Expansion

Lastly, we would like to comment on the issue of MBTA expansion. Much attention has been paid lately to the notion that the MBTA has expanded too fast for its own good, and that expansion should be halted for a period of time. MAPC strongly disagrees with both of these assertions.

The MBTA is the economic engine of Metro Boston. Our region is changing and growing, adding both jobs and population. Most of the very expensive and significant expansions of

² <http://www.cfte.org/elections/past>

the MBTA are over two decades in the rear view mirror. These expansions moved the Orange Line to the west and extended the Red Line both to the south and north. Indeed, it would be hard to imagine Metro Boston today with the Orange Line chugging along on the old rickety, elevated structure and the Red Line running only from Harvard to Ashmont. The region would be far poorer in jobs, homes, and tax revenue if we had decided against those critical improvements.

Since those projects, expansion along the MBTA has been much more modest. The Assembly Square station on the Orange Line, completed last year, was the first new station on the subway system in 27 years. The Silver Line, as a BRT system, is less expensive than “fixed guideway” transit, and the only recent addition to the commuter rail system is the Greenbush Line. A modest extension of the Green Line is just beginning, but that is heavily subsidized by federal dollars.

Meanwhile our competitors in New York City, Los Angeles, Denver, Dallas, Atlanta, Salt Lake City, and even in poorer communities such as Baltimore, are expanding their transit systems rapidly, responding to changing markets and tastes and recognizing that transit builds economic growth, which in turn generates local and state tax revenue. Often such improvements take a decade or more to plan, design, and fund. If we “pause” now, we will lose valuable time, set projects back by years, and reduce our ability to compete for federal transit dollars. We will also delay or lose the opportunity for growth and development around transit stations, and reduce our ability to attract new riders – and the fares they pay.

Finally, some projects that are often called “expansion projects” are really needed improvements and modernization of the existing system. The planned improvements to South Station, along with its expansion to accommodate the commuter rail fleet, are desperately overdue and will only help to make the commuter rail system more reliable.

Therefore, we urge you to embrace reasonable and modest expansion of the system. If you feel the need for a hiatus, please be clear that efforts to improve or enhance the existing system should continue, along with the planning and design of new projects.

Thank you for your consideration of this memorandum. If you have any questions or would like additional information, please do not hesitate to contact me at 617-933-0701 or mdraisen@mapc.org.