

# THE BOND BUYER

## N.Y. Streetcar Backers Persist Amid Open Questions

Paul Burton

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In the face of local skepticism and open questions about national infrastructure funding, New York streetcar advocates are touting a proposed 16-mile Brooklyn-Queens link.

A crowd of about 200 persons heard pep talks Tuesday night at Brooklyn Law School from a Pacific Northwest congressman and a former Budapest transit chief, among others.

"This is New York. What happens here matters internationally," said U.S. Rep. Earl Blumenauer, D-Ore., long an advocate for supporting alternatives to driving. "If you do it successfully, you can galvanize the streetcar movement we've been working on for the past 25 years.

"Screw it up and maybe you'll kill it."

Several cities have revived streetcar service in recent years. New York Mayor Bill de Blasio, in his 2016 State of the City address, called for the north-south trolley with an initial estimated cost of \$2.5 billion for purchase and installation of the system. Maintenance would cost roughly \$30 million per year, according to estimates.

"The project is still in flux," said Adam Giambrone, the city's director of the Brooklyn-Queens Connector project, and former president of the Toronto Transport Commission.

The city, said de Blasio, could raise capital through a nascent nonprofit that could issue tax-exempt bonds. The mayor expects the city to pay off this debt through so-called value capture, or harnessing a percentage of the increase in values of existing and new development along the corridor.

Supporters call the streetcar line more cost-effective than, say, the \$4.5 billion first phase of the Metropolitan Transportation Authority's Second Avenue subway line, which opened only four stations. They also cite existing outer-borough business clustering that reflects subway service of yesteryear.

"It's something else that needs to be part of the mix here in New York," said Tom Wright, president of the Regional Plan Association, a transportation think tank that sponsored Tuesday's event.

The so-called BQX route would link Astoria in Queens to Sunset Park in Brooklyn, with stops roughly a half-mile apart. According to Giambrone, the route would link short but strategically vital hops, such as Astoria to the east-west No. 7 subway line and downtown Brooklyn to the Navy Yard.

It would run along a dedicated corridor and connect up to 13 New York City Housing Authority developments, 10 ferry landings, 30 bus routes, 15 subway lines, 116 Citi Bike stations and six Long Island Rail Road lines.

Supporters say the streetcar line would help plug outer-borough transportation gaps – Queens, for instance, has no north-south subway service -- and could bind several "innovation clusters," including the Navy Yard and Army Terminal in Brooklyn, and the Cornell Tech campus on Roosevelt Island through a ferry connection.

City officials, meanwhile, see the streetcar as one component in a series of initiatives designed to reach new neighborhoods as five-borough demographics change, and counter the overcrowding that has beset traditional bus and subway commuters.

"We are a victim of our own successes and our transportation is bursting at the seams," Eric Beaton, senior director of transit development the city's Department of Transportation, said at a City Council transportation committee hearing last month.

Other moves include expansion of ferry service and the CitiBike bicycle rental service, both across the five boroughs; a further buildup of faster select bus service; and planning for alternative transportation when the MTA closes the L line subway tunnel between Manhattan and Brooklyn to repair damage from Hurricane Sandy.

The city's DOT is conducting a transit needs assessment of citywide bus-rapid connections and expects to report to the City Council by September.

Bond-financed streetcar networks now operate in Portland, Ore., and Tampa, Fla., among other places.

"Every one of these streetcar projects around the country is unique," said Blumenauer. "Every one uses a mix of funding sources and different development approaches."

For example, Omaha's City council is considering several revenue streams to support borrowing that would help finance a proposed \$156 million streetcar system, while Miami Beach, Fla., has put a 35-year public-private partnership with an Alstom subsidiary on hold pending more information about President Trump's infrastructure financing plan.

San Diego, where 53 miles of light rail already form the backbone of the regional transit system, intends to finance a \$2.2 billion light-rail project with a \$1 billion, multiyear federal transit grant considered the largest ever for a southern California transportation project. A dedicated, countywide 0.5% sales tax will match the pledge from the Federal Transit Administration's capital investment grant program.

State and municipal issuers are awaiting more information from the new administration. Trump, while campaigning last year, called for \$1 trillion to improve infrastructure nationwide, but has not announced specifics since taking office.

"Any action remains to be seen and we believe that infrastructure and regional economic financing is expected to be left to state and local governments," said Bank of America Merrill Lynch.

According to Loop Capital Markets, results of the tax credit approach Trump has hinted at could be ineffective from a macroeconomic perspective.

"While some projects will get done, there is too much money chasing too few projects that meet the needs of P3 investors," Loop said in a commentary. "While the tax credits may prove to be an enticing feature, the problem the market is facing is one of too much capital chasing too few projects. Enticing more capital via tax credits will not correct that problem."

Blumenauer, a former Portland, Ore., commissioner of public works, was a driving force behind Portland's 16-year-old system. The seven miles of streetcar lines in the central city are distinct from the region's 60 miles of high-capacity light rail service.

And as a congressman, Blumenauer helped secure millions in funds for the streetcar system's loop expansion in 2015.

"We know Portland's kind of goofy ... you know, Brooklyn West," he said. "We have lots of beards and brewpubs. But look at places like Cincinnati, Atlanta ... Kansas City [Mo.], maybe not exactly at the forefront of urban planning. There are innovative projects taking place there.

"There's a \$200 million bond in Houston, for God's sake, for bike paths."

New York skeptics, some of whom see a streetcar line as a bells-and-whistles political trophy, question whether it could generate enough revenue through large-scale real estate development as did the Hudson Yards project in midtown Manhattan, which included the extension of the MTA's No. 7 subway line 1.5 miles westward from Times Square.

Blumenauer estimated Portland's system generated roughly \$6 billion over 20 years. "Some of it would have happened anyway, but not as quickly and not in the same places," he said.

Other New York variables include land acquisition and the role of the state-run MTA. While intended as separate from the MTA, the project's linkage to critical subway and bus connections would be vital to its success.

"In Budapest, streetcars are everywhere and all stops connect to subways," Dávid Vitézy, the director of the Hungarian Transport Museum and former chief executive of Budapest Trams.

In a [2014 commentary](#), libertarian think tank Cato Institute argued that Portland's system is no model for other cities. Cato cited high cost per mile; flat ridership; street repair neglect through funding diversion; rail-line wear; and huge subsidies for transit-oriented development.

"Since Portland began offering subsidies, developers have built scores of four- and five-story apartment buildings, often with ground-floor shops," said Cato. "Though planners call these 'transit-oriented developments,' they aren't really any more transit-oriented than anything else in Portland."

Blumenauer acknowledged the risks in streetcar planning and urged New Yorkers to flesh out all details.

"A lot of these projects have too many bells and whistles. They become over-engineered," he said. "[Also,] Other agencies see a revenue stream and then you have a piggybacked procurement, such as a utility relocation."

Blumenauer, however, believes traditional parking patterns are unsustainable.

"It's not wise to spend large amounts of money on that kind of infrastructure," he said. "If we had more parking garages I would bet that a number of them would not be able to support the bond interest rates before the bonds are paid off, because the patterns are changing."