



Streetcar system a losing proposition

By: Richard Slife - January 16, 2013

Our elected officials have been mesmerized by feel-good stories about a streetcar that voters do not want. Officials are so focused on providing funds for construction that voters cannot stop, they have not bothered to look at the future costs of operation. Every entrepreneur knows that prior to investing his capital he wants to see an assessment of the expected return on his investment. But then entrepreneurs are investing their money.

City Council bowed to pressure from the business community and voted to eliminate the special assessment district included in the 2011 ordinance committing the city to the streetcar project. This provision was designed to raise \$15 million from the property owners who would benefit from the increased property values produced by the streetcar, and who had already received \$17.5 million in tax incentives.

The value that property owners place on the streetcar can be measured by their reaction to this special assessment district. As WOAI reported, "Wording on a city memo reads 'private sector support amongst downtown businesses does not exist at this time.'" Randall O'Toole of the CATO Institute pointed out in his policy brief, "The Streetcar Fantasy," that "streetcars do not produce transit oriented development." The development is there because of tax incentives.

Since no elected official has asked about the impact of the streetcar on VIA's future financial health, the South Texas Alliance for Progress has provided the council with an analysis. VIA's 2011 financial statement documents 75 percent of VIA's bus operating costs are covered by tax subsidies, and VIA still had to reduce its reserves by \$13.9 million to balance the books. VIA's bus operations are not financially viable with the current subsidy, and residents can look for VIA to plead for more tax dollars in the future.

It is on this financially sick organization officials plan to overlay the streetcar. In "The Streetcar Fantasy," O'Toole documents "transit agencies spend anywhere from 2 to 8 times as much moving passengers one mile by streetcar as by bus."

VIA's financial analysis indicates the streetcar will lose \$22.7 million in the first five years with the yearly loss increasing each year after the start up year. But there is another cost transit advocates hide: infrastructure repairs. Cities with older rail systems typically spend \$1 on major repairs for every \$2 they spend on operations. So as the system ages costs will increase

Absent a thorough five-year pro forma financial assessment, one can only conclude that VIA will need a massive increase in tax subsidies. But our officials have turned a blind eye to this issue.

What will it take for our leaders to realize the streetcar is a reprise of the Alamodome? Back then politicians also focused on the good news and did not consider future costs of operation that still suck up tax dollars. San Antonio has an effective bus system and politicians should not jeopardize its operation by bolting a streetcar system onto it.

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