



Taxpayer costs racking up for controversial Milwaukee streetcar project

By Adam Tobias

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MILWAUKEE, Wis. — It's hard for Milwaukee Alderman Robert Donovan to imagine the proposed \$64.6 million streetcar rail system in the city's downtown could become an even worse deal for taxpayers.

It just did.

The Wisconsin Public Service Commission on Wednesday ruled the city of Milwaukee — not private companies and their customers — must pay a projected [\\$20 million](#)^[2] to relocate underground utilities to accommodate the streetcar project that Donovan says is a boondoggle.

The city is expected to appeal the PSC's decision.

“This has been a screw-up from Day 1,” Donovan told Wisconsin Reporter. “I cannot believe that the Milwaukee Common Council would be so irresponsible to put an additional \$20 million on the backs of the taxpayers of Milwaukee for something as foolish as this.”

The city already has earmarked \$54.9 million in federal aid and \$9.7 million from a tax increment financing district to fund the construction of the 2.1-mile streetcar track.

Two of three PSC commissioners determined that because of the state's [Act 20](#)^[3], Milwaukee cannot require a utility company to pay for relocating its facilities for an urban rail transit system.

Donovan long has argued Milwaukee would be better served reallocating the money for the streetcar project to road repairs and developing a hybrid transportation service to shuttle riders to suburban industrial and business park job centers.

Donovan and transit experts contend that [public transportation, and streetcars in particular, rarely give taxpayers a return on their investment.](#)^[4]

In his [assessment](#) ^[5] of the Milwaukee streetcar plan, Cato Institute senior fellow Randal O'Toole estimates fares will cover about 22 percent of the \$2.65 million in yearly operating costs.

The entire Milwaukee County Transit System, operating on an annual budget of about \$160 million, loses about \$18 million every year, [according to budget documents](#) ^[6]. That loss is paid through the county tax levy.

“It’s a monumental waste of taxpayer money,” said Orville Seymer, field coordinator for Citizens for Responsible Government in Milwaukee.

Seymer questions the need for a streetcar track along routes already covered by county transit system buses through the city. Rubber-tired trolleys also are available downtown that run more cheaply and efficiently than streetcars, Seymer said.

Seymer anticipates the streetcars likely will poach and steal revenue from the bus and trolley systems.

Mayor Tom Barrett and other proponents, however, tout the streetcars as a valuable tool in stimulating economic development, providing access to jobs and protecting the environment.

“While there are obvious transportation and environmental benefits, I see the streetcar as an investment in growing Milwaukee,” [Barrett told ThirdCoastDaily.com](#). ^[7] “When we build the Milwaukee Streetcar, we are laying the foundation for new business and residential development and the growth of our tax base.”

O'Toole counters in his report that Portland, Ore., which launched a streetcar system in 2001, got billions in new development by giving developers nearly \$1 billion in subsidies, tax breaks and other incentives.

“When Portland built a light-rail line and offered developers no subsidies, it got no new transit-oriented developments along the line,” O'Toole said. “When Portland offered developers subsidies without a light rail or streetcar, it got plenty of new development. The subsidies, not the rail lines, spurred the development.”

Donovan said he sees a similar situation with Milwaukee if the streetcar project proceeds as planned. He said local public officials cannot depend on the federal and state government to substantially fund operating and maintenance expenses.

“Sadly, the community, I believe, if this moves forward, will be paying for it for decades and decades to come,” Donovan said.

URLs in this post:

[2] \$20 million: http://www.bizjournals.com/milwaukee/blog/real_estate/2014/04/city-of-milwaukee-expects-20m-more-needed-for.html?ana=tw

[3] Act 20: <http://docs.legis.wisconsin.gov/2013/related/acts/20>

[4] public transportation, and streetcars in particular, rarely give taxpayers a return on their investment.: <http://jacksonville.com/news/metro/2012-05-18/story/public-transit-not-profitable-enterprise-exemplified-first-coast-systems>

[5] assessment: <http://object.cato.org/sites/cato.org/files/articles/streetcarscam-otoole.pdf>

[6] according to budget documents: <http://watchdog.org/wp-content/blogs.dir/1/files/2014/04/MC-Transit-budget.png>

[7] Barrett told ThirdCoastDaily.com.: <http://thirdcoastdaily.com/2011/07/13/barrett-says-streetcar-is-an-investment-in-growing-milwaukee/>

[8] atobias@watchdog.org: <mailto:atobias@watchdog.org>