Questions and Answers

Questions from Council members related to the Gold Rush Service and the CityLYNX Gold Line Project

Question 1: For the Gold Rush, why would we not charge a fare to avoid service cuts?

The FY14 proposed Gold Rush budget has a funding gap of $150,000 due to reduced private contributions, the closure of federal grants and anticipated reductions in the State Maintenance Assistance Program contribution. A fare could be charged for the Gold Rush but it is estimated to have minimal effect on covering the cost for the following reasons:

- Since the route has a limited service area the fare would be at CATS normal shuttle service fare of 75 cents.
- It is believed that the current corporate sponsors would not continue to sponsor the service resulting in the need for fares to cover an additional $207,000 beyond the existing $150,000 gap.
- Based on transit industry models, ridership would decrease nearly in half because of shifting from a free to paid service further reducing revenue.
- Of the remaining ridership, approximately 63% of those would be riders that currently own a CATS pass or currently pay when riding that stretch of the route. These existing paying customers could choose to ride any of the five plus routes that transverse down the route.
- The remaining new fare paying customers would bring in approximately $60,000 annually.

Question 2: For *CityLYNX Gold Line Phase 1 and 2, what are the plans for fare revenue?*

CityLYNX Gold Line Phase 1:

- During this phase fares would not be charged.

CityLYNX Gold Line Phase 2:

- Plan to charge fares at CATS prevailing rate at the time of operation.
- The fare would be same as the LYNX service which today is $2.00 per trip but would be higher when Phase 2 service starts based on CATS policy requiring fares to increase every two years.

Question 3: *What are the areas of potential development and redevelopment along the CityLYNX Gold Line?*

Figures 1 and 2 below show the expected development opportunity areas along the CityLYNX Gold Line route.

Figure 1

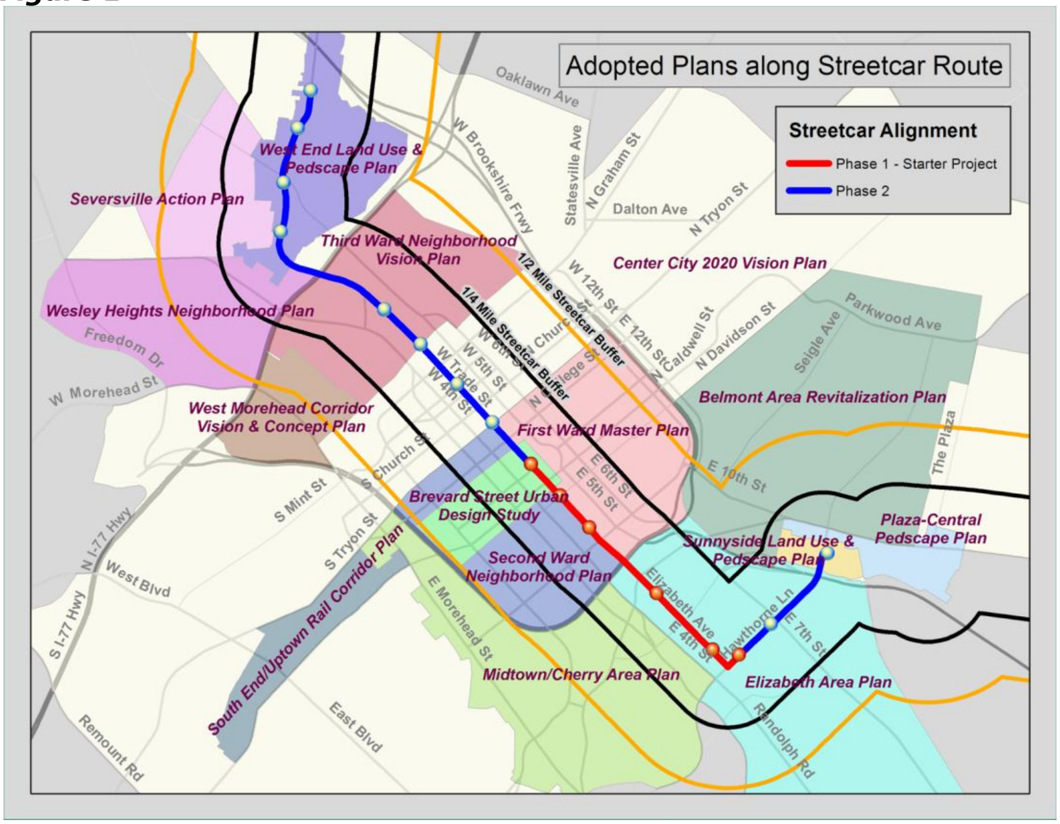
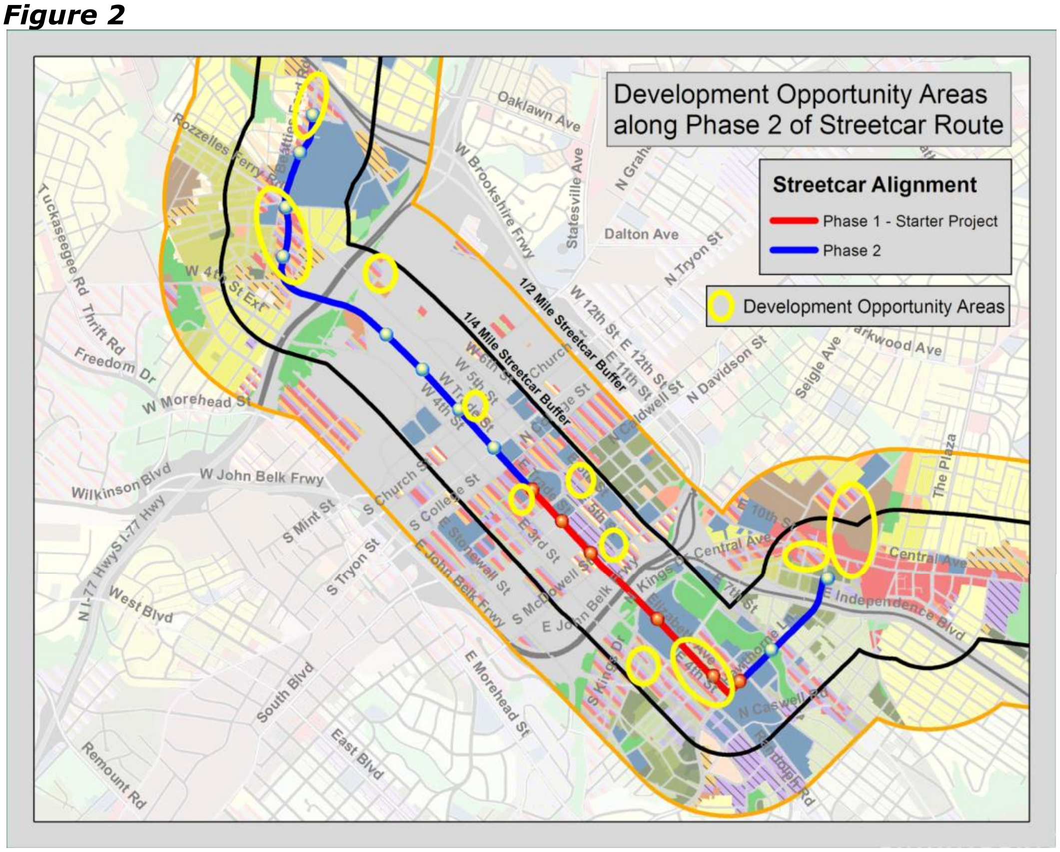


Figure 2



Question 4: *What are the operating revenue assumptions for the CityLYNX Gold Line? Are there sufficient funding sources identified to cover the projected operating costs?*

Annual operating cost in the first year of operation for the CityLYNX Gold Line Phase 2 is estimated to be $3.3 million to support vehicle operations, basic equipment maintenance, and safety and security.

Funding for operations of the CityLYNX Gold Line will be provided from a variety of sources including ridership fares, advertising, naming rights, and potentially some form of property-based value capture revenue from sources such as Tax Increment Financing (TIF) districts, Special Assessment Districts (SADs), or Municipal Service Districts (MSDs). The potential funding sources below would be sufficient to cover the projected operating costs.

- Staff estimates fare revenue of approximately $1.1 million per year, to be collected for the combined Phase 1 and 2 four-mile route at the same rate as for the LYNX service.
- A new Municipal Service District (MSD) could also be created to support annual operating costs. According to the BAE Economic Development Update Study of the CityLYNX Gold Line, a new MSD encompassing properties within ¼ mile of the four-mile CityLYNX Gold Line Phase 1 and 2 corridor could generate annual revenues of approximately $1.2 million from a 2.0 cent (per $100 valuation) property tax.
- Other potential sources of revenue to support the annual operating costs include a reallocation of a portion of the annual allocation to the Business Corridor Revitalization program ($750,000), Naming Rights ($200,000), and advertising ($93,000).

Additional funding will also be required to build a capital maintenance reserve to perform regular vehicle overhauls every five years and mid-life vehicle overhauls every 15 years. A revenue source will need to be identified and established to provide approximately $2.7 million every five years for the regular vehicle overhauls, and approximately $6.6 million every fifteen years for the mid-life overhauls. In the fifteen years between Year 5 and Year 20 of operations of the CityLYNX Gold Line, approximately $14.8 million will be required to support the capital maintenance reserve.

Staff believes an appropriate source of revenue to build and maintain the capital maintenance reserve would be to establish a Synthetic Tax Increment Financing (STIF) district encompassing properties within ¼ mile of the four-mile CityLYNX Gold Line Phase 1 and 2 corridor. According to the BAE Economic Development Update Study of the CityLYNX Gold Line, this STIF district could generate sufficient revenues to support the capital maintenance reserve, and the timing of the five and fifteen year vehicle overhauls would allow time for the STIF district to build sufficient revenues to cover those costs.

Question 5: *What is the potential debt capacity from BAE-estimated annual revenues derived from Municipal Service District (MSD) and Tax Increment Financing (TIF) districts along the 4-mile CityLYNX Gold Line Corridor?*

- If the revenues are received as laid out in the BAE study, TIF and MSD revenues along the ¼ mile Gold Line corridor could provide between $20 -$39 million of debt capacity.
- As discussed in page 10 of the BAE study, the report cannot state with certainty when those revenues may occur between 2015 and 2035. Therefore, some additional source of funding for capital would need to be identified in order to support any delay in the receipt of value capture revenues.

- BAE has made representation to staff that a portion of development associated with the Gold Line is growth that has been redistributed along the East/West corridor from other parts of the city. City wide growth is already projected in the General Fund forecast and the debt capacity for the proposed CIP. Gold Line value capture could negatively impact projections.

<u>Question 6:</u> *What are the estimated number of jobs that will be created by the CityLYNX Gold Line?*

In May 2013, City Council asked staff to provide a report on the employment impacts of the CityLYNX Gold Line, similar to the employment impact estimates made for CIP projects under discussion by the Economic Development Committee and the Transportation and Planning Committee in February and March. The analysis was conducted by a team led by Michael Gallis and assisted by Frank Warren of Kimley-Horn and Associates, Inc. The final report from the Gallis Team will be provided to City Council upon its completion. A summary of the scope and major conclusions from the report is shown below.

- The employment projections contained in the Gallis Report are based on the development projections in the Economic Development Update Study completed by Bay Area Economics (BAE) in May 2013.
- The analysis in the Gallis Report is concerned with the permanent employment created by the office, retail and hotel development within this corridor. It does not address the temporary jobs that would be created by the construction phase of the CityLYNX Gold Line or buildings in the corridor. While significant residential development would occur due to the CityLYNX Gold Line, this development generates primarily temporary construction jobs, and does not directly generate the permanent jobs that would be accounted for in this analysis.
- The 2013 BAE Update Study focused on the 4-mile corridor comprising the CityLYNX Gold Line Phases 1 and 2, which were divided into segments referred to as Uptown Phase 1 and Midtown Phase 1 - which are funded and currently under construction, and Uptown Phase 2, Midtown Phase 2, and West Phase 2 - which are currently being considered for funding by City Council.
- The permanent employment generated by each of these CityLYNX Gold Line segments has been calculated along with a description of the market conditions in each corridor segment. Totals for employment for both the Phase 1 segments and the Phase 2 segments will be included in the report. Employment for the proposed segments beyond Phases 1 and Phase 2 was not calculated. Thus the total employment for the CityLYNX Gold Line contained in the Gallis Report reflects the total for Phase 1 and Phase 2 only.
- In the 2013 BAE Update Study, the increment of increase in office development due to CityLYNX Gold Line in the Uptown Phase 2 and Midtown Phase 2 segments is significant. In the Uptown Phase 2 segment, office space would increase 68.5% due to CityLYNX Gold Line. In the Midtown Phase 2 segment, office square feet would increase 63.1%.
- The amount of office space due to CityLYNX Gold Line Phase 2 is projected to be in the 60+ percent range.

The table below shows the projected number of permanent jobs expected by 2035 that would be generated by the office, retail, and hotel development projected by BAE to occur in each of the CityLYNX Gold Line segments.

CityLYNX Gold Line Phase 1 and 2 - Jobs Impacts by 2035				
	Office	**Retail**	**Hotel**	**Total**
Uptown Phase 1	**2,087**	**118**	**25**	**2,230**
Midtown Phase 1	**622**	**197**	**31**	**850**
Phase 1 Total	**2,709**	**315**	**56**	**3,080**
Uptown Phase 2	**1,057**	**44**	**17**	**1,118**
West Phase 2	**129**	**14**	**28**	**172**
Midtown Phase 2	**44**	**4**	**15**	**62**
Phase 2 Total	**1,230**	**62**	**60**	**1,352**
Total CityLYNX Gold Line (Phase 1 and 2)	**3,939**	**377**	**116**	**4,432**

The Gallis Team also looked at the CityLYNX Gold Line's potential synergy with other investments, similar to the work they did for the other proposed CIP projects. Their review concluded that:

- The most important synergy generated by CityLYNX Gold Line will be created by extending the impact of the commercial, residential, institutional and sports development in the center city into the surrounding communities.
- The synergy will act in two directions, the first being the accessibility of the center city amenities from the surrounding neighborhoods and increasing the accessibility of the Center City to a greater residential marketshed.
- The impact of CityLYNX Gold Line on development on the corridor will be significantly expanded by its connection to, and function as a local distributer for the LYNX Blue Line and its extension to UNCC.
- In the future, the CityLYNX Gold Line will act as a critical link between the Blue Line station at the Transit Center on East Trade, the Red Line, and the proposed high-speed rail Gateway Station on West Trade St.

CityLYNX Gold Line – Q&A

Explain the timeline of the Council action and the TIGER V grant application.

The notification of the opportunity for the TIGER V grant came with a tight timeframe. It was not realized until agenda review that the grant authorizations were on the same agenda as the Gold Line.

City staff was notified of the TIGER V grant guidelines on April 29. At that point, staff was reviewing the Gold Line project and did not yet know if the project was moving forward. At the May 13th presentation of the Gold Line we mentioned the possibility of a TIGER grant but did not communicate the specific June 3rd deadline, mainly because we had not focused on it. Over the course of May, staff compiled information in preparation for the TIGER grant submittal. In addition to the Blue Line project and collaboration with the state on the I-77, we seized this as the first opportunity to advance the Gold Line. It is only coincidental that consideration of the Gold Line and the TIGER V grant are on the same agenda.

Do the recommended projects compete with one another? What are the chances that one potentially wins out over the other, or will both prevail in your opinion?

The main competition is against other projects nationally. Which types of projects will compete best is hard to discern, which is why some cities submit multiple projects up to the maximum permitted of three. Presumably, three projects are permitted so that the agency has a better menu of options. It is staff's assessment that submitting three projects gives Charlotte the best chance of getting something. Holland and Knight confirmed that this is a common strategy.

Note: the MTC has signed a letter in support of the three projects.

As additional background, Dana Fenton wrote in an earlier email the following:

> *First, the transportation needs of the City of Charlotte are much more varied and greater than nearly all other eligible entities. It is also fair to say that the difference between funded and unfunded needs in a City of our size and development is of a much greater magnitude than most other eligible entities. So it is logical that the City would submit more than one application in a round. In TIGER III, for instance, the City submitted projects for the south corridor retrofit (CATS), airport intermodal yard (Airport), and a regional bicycle path network (CDOT). We could have submitted several additional requests.*
>
> *Second, when applying for competitive grants an entity is not just applying for funding in the current grant round. FTA staff is looking at all of the projects as candidates for future grant rounds. FTA staff provides great feedback on every application submitted which can then be used to improve the application in future rounds. So we are not just applying for TIGER V in this case, but also TIGER VI, VII, VIII, etc.*
>
> *Third, the numerous project applications submitted for past TIGER rounds shows that the transportation needs of our nation are grossly underfunded. This is a great way to demonstrate needs that are unmet.*

If the Council did not approve Phase 2 of the Gold Line, does this negate the TIGER grant application related to the Gold Line?

Not necessarily. Our current TIGER grant application related to the Gold Line covers three things: buying 3 modern cars, adjusting the platforms to accommodate the new cars, and adding 0.5 miles of Phase 2 from CTC to Gateway. We could change our application to just focus on Phase 1 cars and modifying platforms, but that would likely make our grant application much less competitive since Phase 1 was mostly funded from a federal Urban Circulator grant (i.e. the feds may not like more federal money on an existing project rather than the next phase). Additionally, our proposed grant application is for $24 million TIGER and $24 million local funds. Therefore, at least $24 million of the $63 million in matching local funds would be required.

What is the funding source for operation of the Gold Line?

Please see Question #4 under Attachment 2 in the Council's agenda book. It does not specifically speak to the entire 10-mile segment, but it does cover Phase 1 and 2. This framework could be applied to the remaining segments. In short, a variety of funding tools are available to be fully assessed and finalized over the estimated five to six years before operational costs are incurred. Most of the tools discussed are related to capturing value from the system. Alternatively, we could simply designate non-property tax general revenues and have all of the increased property values from transit investments go into the general fund.

How will the post-Phase 2 segment of the Gold Line be financed?

The transit-working group has recommended a variety of tools for consideration in completion of all of the other elements in the 2030 transit plan. You will have a presentation on these at the Council dinner on Tuesday night. These tools are relevant to the post Phase 2 construction of the Gold Line as well as the Red Line and Silver Line. Exactly which tools will be most productive for which line is part of the heavy work that has to be done in the coming months and years. The MTC, in endorsing the Gold Line Phase 2, saw our efforts as consistent with their recommendations to be opportunistic in seeking to advance the transit plan at all opportunities.

Among the tools for future use, we are especially interested in pursuing P3 (Public-Private Partnership) options. Considerable work is required on this option with the possible need for legislative changes.

What would the impact be on the proposed tax rate if the funds for the Gold Line were re-directed to the CIP?

Motions to re-direct Gold Line funding to the CIP did not receive five votes in the add/delete budget meeting of the Council. Nonetheless, this question is answered in the Council budget packet on page 42.

Were $63 million added to the CIP funding, the impact would be slightly less than half a penny (0.47 cents) on the tax rate. This would result in saving taxpayers 67 cents per month on the average real estate tax bill.

If the Gold Line were added back to the CIP and financed in the conventional manner with all local funds - as proposed last year - it would add almost a penny to the proposed tax rate: 0.94 cents, increasing the proposed tax rate from 3.17 cents to 4.11 cents. This would impact the average residential taxpayer $1.34 a month.

It is highly unlikely that a less expensive way will be found in the future to implement the Gold Line than what is currently before the Council: 50% federal match with 50% local funds reallocated from non-property tax sources.