

Palo Alto Grade Separation Financing White Paper

The Economics of Land Use



presented to

Palo Alto City Council Rail Committee Meeting

presented by

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Presentation Overview

- Purpose and Context
- Project Cost Scenarios
- Types of Funding & Financing Considered
 - Voter Approved Taxes
 - Value Capture Tool
 - Other Local Sources (not quantified)
 - Regional Funding (e.g., Measure B)
 - State and Federal Funding



Study Purpose and Context

Purpose

Preliminary consideration (and quantification where possible) of potential grade separation funding and financing to inform the planning process

Qualifications and Limitations

- Projections based on readily available information and generic assumptions
- Some sources may be politically infeasible and/or mutually exclusive
- Funding landscape is subject to change based on economic, political, legal, and other factors.



Preliminary Project Cost Scenarios

Option	Total Estimated Cost Range	
	Low	High
1a: Open Trench, City Limit to City Limit	\$2,400,000,000	\$2,900,000,000
1b: Cut & Cover Tunnel, City Limit to City Limit	\$3,300,000,000	\$4,000,000,000
1c: Twin Deep Bored Tunnels	\$2,800,000,000	\$3,400,000,000
2a: Open Trench, Under Meadow and Charleston (2% Grade)	\$750,000,000	\$1,000,000,000
2b: Open Trench, Under Charleston Only (2% Grade)	\$500,000,000	\$700,000,000
Individual Grade Separations		
Churchill lowered under Caltrain and Alma	\$98,000,000	\$200,000,000
Meadow lowered under Caltrain and Alma	\$93,000,000	\$156,000,000
Charleston lowered under Caltrain and Alma	<u>\$111,000,000</u>	<u>\$167,000,000</u>
Subtotal	\$302,000,000	\$523,000,000



Local Taxes Requiring Voter Approval

- **General Tax:** The revenues from a General Tax are expended at the discretion of the local government's governing body on any programs or services. Requires a simple majority (50% +1).
- **Special Tax:** The revenue from special tax are dedicated to a specific purpose as defined in the ballot initiative. Requires super-majority (66% +1)
- **"A/B Strategy":** General purpose tax measures accompanied by an advisory measure indicating the recommended use for the funds.



Voter Approved Tax – Preliminary Quantification

Funding Source / Mechanism	Funding Potential		Key Assumptions	
	Low	High	Low	High
Property Tax Bond	\$143,000,000	\$713,000,000	.05% Increase	.25% Increase
Parcel Tax	\$22,480,000	\$44,950,000	\$50 / Unit or 1,000 Sqft.	\$100 / Unit or 1,000 Sqft.
Add-on Sales / Use Tax	\$23,730,000	\$59,330,000	.10% Increase	.25% Increase
Transient Occupancy Tax	\$15,980,000	\$47,930,000	1% Increase	3% Increase
Property Transfer Tax	\$10,840,000	\$32,510,000	.05% Increase	.15% Increase
Utility Users Tax	\$24,940,000	\$74,810,000	1% Increase	3% Increase
Business License Tax	\$8,510,000	\$34,050,000	\$10 / private sector job	\$40 / private sector job



Value Capture Tools

Description

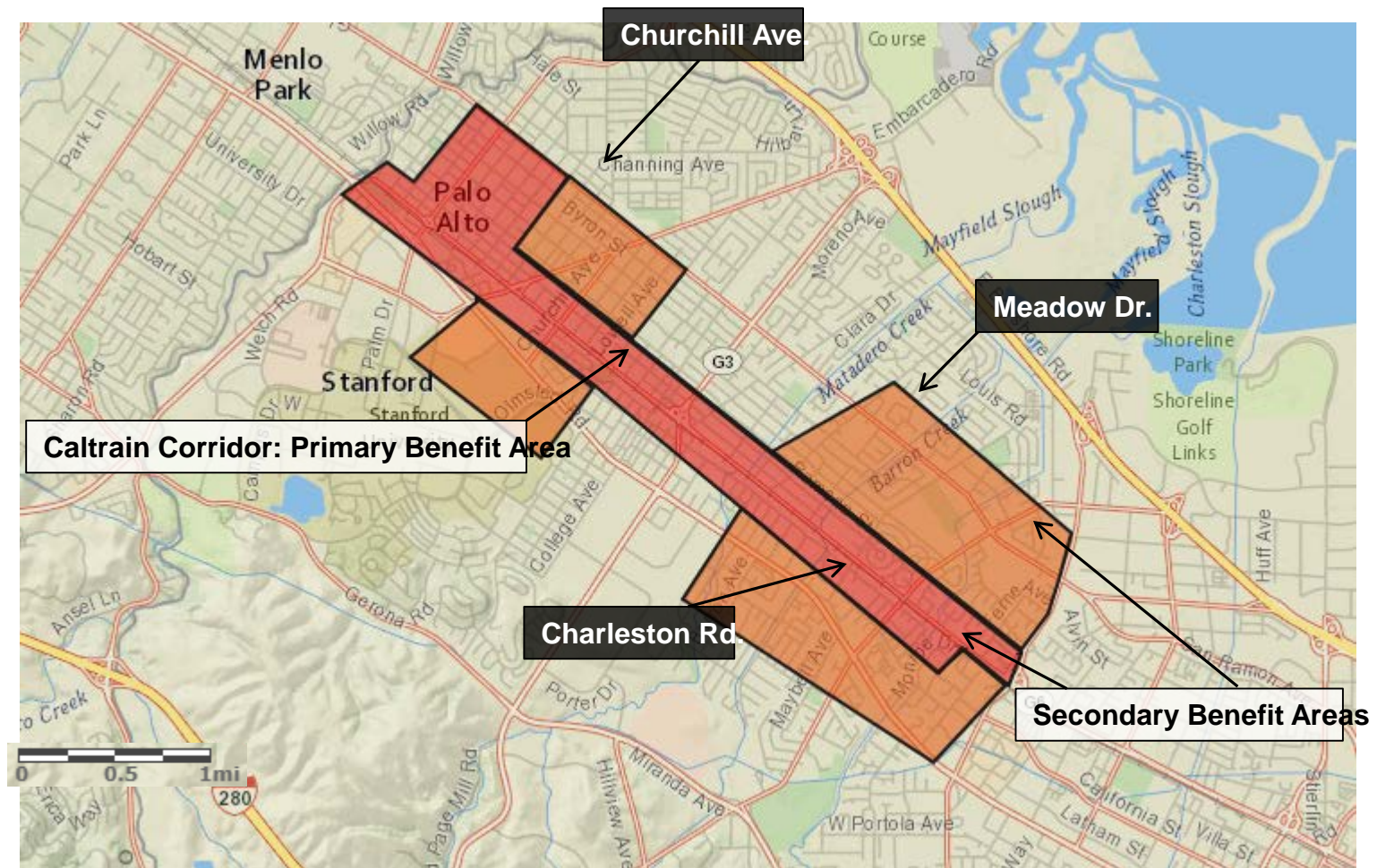
Funding tools and techniques that extract a portion of private sector benefit resulting from new infrastructure, amenities, or development enabled by the public sector.

Potential Grade Separation Benefits

- Improved access and circulation to nearby property owners
- New development opportunities (e.g., “air rights”)
- Reduced sound and visual impacts



Map of Primary Benefit Area(s)



Value Capture Tools -- Preliminary Quantification

Funding Source / Mechanism	Funding Potential		Key Assumptions	
	Low	High	Low	High
Development Agreements, incentive zoning, and/or P3	\$50,000,000	\$235,000,000	500 housing units + 100K commercial sq. ft. <i>(Value Capture = 10% of Finished Market Value)</i>	2,000 housing units + 750K commercial sq. ft.
Enhanced Infrastructure Financing District (EIFD)	\$13,230,000	\$24,200,000	@ 3% Avg. annual increase in AV	@ 5% Avg. annual increase in AV
Mello-Roos Community Facilities District (CFD)	\$11,520,000	\$34,560,000	\$200 / unit or 1K sqft.	\$600 / unit or 1K sqft.
Development Impact Fees	\$14,300,000	\$20,000,000	15 year total	20 year total
Caltrain Fare Surcharge	\$2,460,000	\$9,830,000	\$.25 / departing trip	\$1.00 departing trip



Other Local Sources (not quantified)

- **Local parking fees:** Allocate a portion of future parking fees to grade separation
- **Transportation Network Company Fees:** Registration fee applied to company shuttle and ride share (e.g., Lyft, Uber)
- **Roadway User Fees:** Electronic auto charge on selected access points/lanes (e.g., Alma St.)
- **Utility ROW Fees:** Lease modern utility bank/conduit along Caltrain/Alma St. corridor



Selected Regional, State, or Federal Sources

Funding Source / Mechanism	Description	Funding Potential		Key Assumptions / Factors
		Low	High	
Measure B	Sales tax measure approved by 2/3 ^{rds} Santa Clara County voters in 2016 with \$700 million for grade separation in 3 cities	\$350,000,000	\$395,500,000	30-Year Cumulative Total
Section 190	State funds to local agencies for grade separation projects, total of about \$15 million annually.	\$2,000,000	\$5,000,000	One-Time Funding of 15 years (based on the CPUC priority list)
HSR Authority	The HSRA receives its funding from a variety of sources and has already contributed to grade separation projects	\$155,000,000	\$179,000,000	15-year total based on fair share allocation of projected funding for San Jose to SF



Other State/Federal Sources (not quantified)

- **State Sources/Programs**

- Caltrain Sales Tax Initiative
- State Infrastructure Bank (IBank)
- The Statewide Community Infrastructure Program (SCIP)
- State Road Repair and Accountability Act (SB 1)

- **Federal Sources/Programs**

- Infrastructure For Rebuilding America Grants
- Transportation Investment Generating Economic Recovery (TIGER) grant
- Transportation Infrastructure Finance and Innovation Act (TIFIA) Loans
- The Railroad Rehabilitation & Improvement Financing (RRIF) program



Questions/Discussion

