

Testimony of Richard H. Bradley, Executive Director,

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Before the DC Council Committee of the Whole Roundtable

Regarding DC Office of Planning Streetcar Master Land Use Plan Phase I

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Good morning, Chairman Brown and Councilmembers. I am Rich Bradley, Executive Director of the Downtown Business Improvement District.

Director Tregoning and her staff at the Office of Planning are to be congratulated on the Streetcar Master Land Use Plan Phase I. It builds upon our Comprehensive Plan which already identifies the streetcar as part of the city's future and fifteen years of city and regional planning. This study makes the case that streetcar can advance the economic, environmental and social goals of the city and it will generate enough fiscal value to help pay for the system. While it is not a financing plan for streetcar, the study does show that the increases in real estate values and new development associated with streetcar will produce new tax revenues that can be harnessed to provide the financing for the DC Streetcar system.

Translating this potential fiscal impact into a financing plan is difficult work. The Office of Planning has done a great service to the city by moving in this direction.

There is more to be done to craft a successful financing plan.

Experience in other cities has demonstrated that there are incremental increases in property values associated with the introduction streetcar. The methodology used in this study to assess those impacts appears to be sound. We agree that the robust increases in taxes projected in the study implies that the benefits from real estate value increases on existing property and from new development could potentially fund up to 40% to 60% of the cost of a \$1.5 billion Streetcar system. Tax increment financing (TIF) is a good way to capture this upside. In addition, preliminary discussions with several property owners indicate that special assessment districts can be created to provide a modest percentage of the funding for the construction of the Streetcar system.

What we don't know are the assumptions that went into the study's analysis of each of the 34 sub-areas. The city needs to be transparent in its projections for increased value and tax revenues in the Streetcar Plan to assure community and developer buy-in. The basis for the pace of increase in values of existing property should be made publicly available. The assumptions for increased tax revenues (both commercial and residential property, individual and sales taxes) should be publicly disclosed as well. An example of where more transparency in assumptions is needed is the study's projections for K Street. The incremental increase K Street property values seem optimistic which highlights the need for a

clear understanding of the study's underlying real estate assumptions. At the same time, the city should proceed with Phase Two of the Streetcar Land Use Study in order to engage the public in a dialogue on up-zoning in appropriate areas along the proposed Streetcar corridor.

The study identifies a variety of other tools to finance the streetcar. We suggest that the discussion about financing streetcar be broadened to include the role of general obligation/income tax bonds going forward. General obligation/income tax bonds can be considered as the equity down payments that can be made for the city-wide benefits that the study documents will accrue from the streetcar system. The missed opportunity to establish streetcar funding through an H Street NE Streetcar Tax Increment Financing (TIF) district could be recaptured with funding from general obligation/income tax bonds. General obligation/income tax bonds are a far more efficient way to capture increases in personal and commercial income taxes and sales taxes associated with a streetcar system than using TIF districts to do so.

We also think that it will be appropriate to dedicate some of either existing or new taxes to this financing plan. For example, we would suggest dedicating the increases in parking revenues which can be generated by new performance based parking rates or through new and more efficient management of parking operations.

The study cites business improvement districts (BIDs) as a potential funding mechanism for streetcar. We'd like to correct that thinking. BIDs are unique special assessment districts with their own set of area-specific objectives, not funding mechanisms for city-wide infrastructure investments.

In summary, we believe we can start today with a discussion of a sound financing plan for a DC Streetcar system that is made up of the following:

1. General Obligation/Income Tax Bonds
2. TIF Bonds
3. Special Assessment Districts
4. Other Dedicated Existing or New Taxes (such as a modest increase in the DC sales tax)

Private sector participation in financing is tied to private sector participation in planning and governance of the streetcar system. It is critical that we have a blueprint for the streetcar system if we are to be successful in our endeavors.

The route system plan is good and should be finalized in the near future with some modifications. The Office of Planning study identified refinements that should be considered for the system plan and there are undoubtedly other worthy refinements that will emerge that should be evaluated. However, it is important to realize that private capital probably has already started to organize around the system plan.

We appreciate the opportunity to be part of the Council's roundtable today and I look forward to our discussion.