



TESTIMONY

December 1, 2015

TESTIMONY REGARDING THE USE OF COUNTY MASS TRANSIT FUNDS FOR LOOP TROLLEY CONSTRUCTION COST OVERRUNS

By Joseph Miller

Testimony Before the Saint Louis County Council

To the Honorable Members of this Council:

My name is Joseph Miller, and I am a policy analyst for the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state and local policy. The ideas presented here are my own. This testimony is intended to summarize research performed by Show-Me Institute analysts and researchers regarding the transportation and development merits of low-speed light rail projects, as well as the efficient revenue collection for transportation-related projects.

The Loop Trolley project is an effort to construct a 2.2 mile vintage streetcar (or trolley) line from the Saint Louis History Museum, located in Saint Louis City, to the intersection of Princeton Avenue and Delmar Boulevard in University City. Recently the *St. Louis Post-Dispatch* reported that the Loop Trolley project had exceeded its original construction cost estimate of \$43 million by \$8.4 million, an increase of about 19%.¹ To ensure that the project can be completed, the Loop Trolley Transportation Development District now seeks aid from Saint Louis County. The specific proposal before this council would:²

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... appropriate funds from the Public Mass Transit Trust Fund, Proposition A transportation sales tax receipts, to the Loop Trolley Transportation Development District (“Loop Trolley TDD”) for the purpose of completing construction of the Loop Trolley project in St. Louis County and the City of St. Louis, as indicated, stating the Loop Trolley TDD has requested an amount of \$3,000,000 from the Proposition A transportation sales tax receipts...

a local match for \$5.4 million in Surface Transportation Program (STP) funds.

Proposition A funds, which are derived from a ½ cent countywide sales tax, are to support public transportation projects in the Saint Louis area. The proposition’s primary purpose was to restore bus service that had been cut in 2009. Other goals include:³

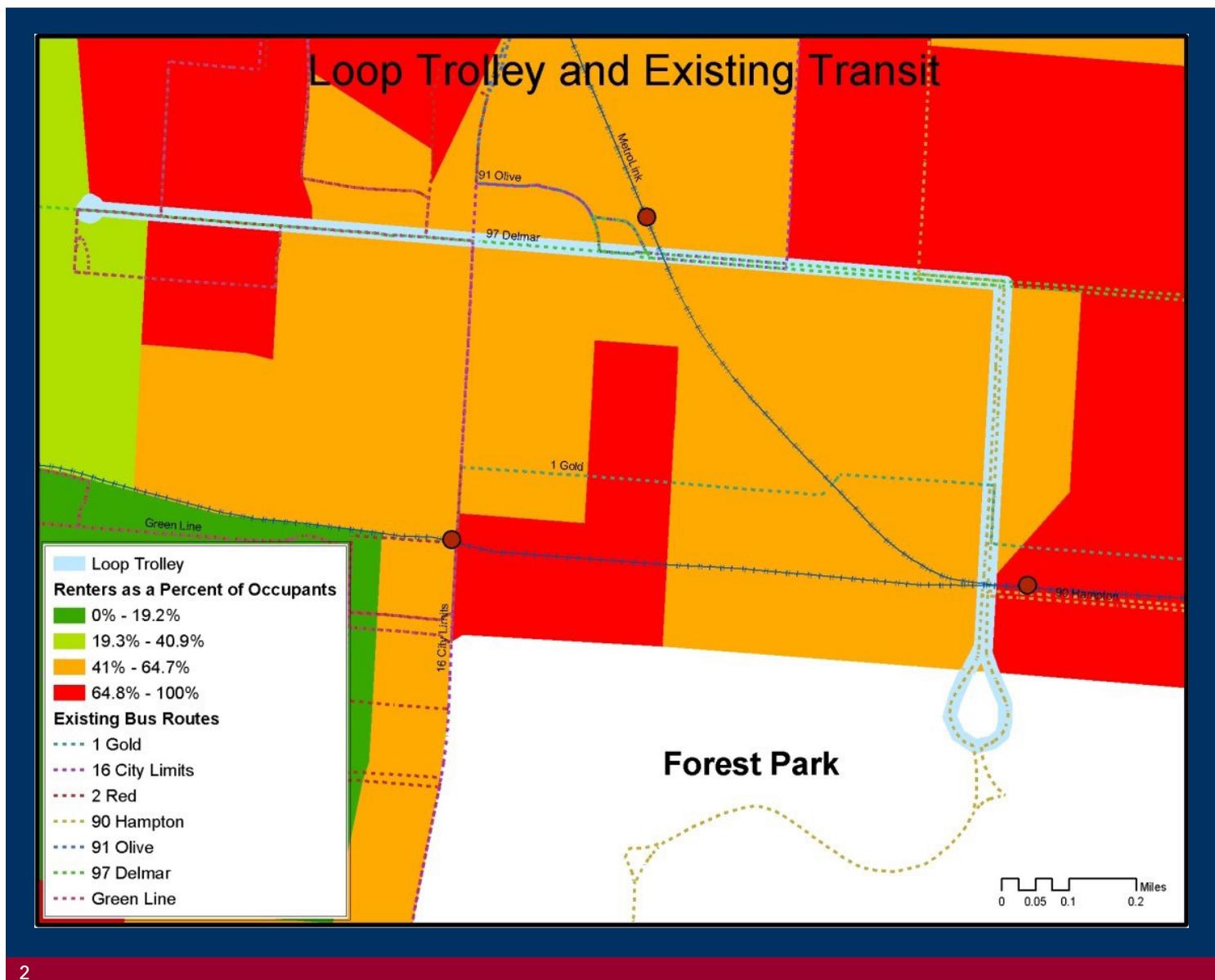
- Increased MetroBus frequency
- Increased MetroLink

frequency

- Passenger facility improvements in fare collection, etc.
- MetroLink expansion
- Bus rapid transit improvements

Voters were told that Proposition A funds would go to projects that would improve transportation, provide savings to users, and reduce congestion.⁴

This \$3 million would be used as



The Loop Trolley’s merits as a public transportation project are limited at best. The Loop Trolley’s route would serve one of the best-served transit corridors in Saint Louis City and County. The trolley’s footprint is intersected by seven MetroBus routes and passes within a few meters of two MetroLink stations. No part of the current route is unserved by transit, as the map of the Loop Trolley’s routes (see previous page) demonstrates.⁵

The project’s slow speed and limited range compare poorly to readily accessible bus and light rail options in the area, and its antique trolley cars are easily outmatched in terms of speed and range by both buses and the MetroLink (see the table below).

These factors suggest that the Loop Trolley will be a redundant, if not inferior, public transportation option for nearly all conceivable transit trips. As for other factors, such as congestion mitigation, even the Loop Trolley’s own environmental impact study stated that,

“The Build Alternative would not result in any direct congestion or safety impacts.”⁹

The Loop Trolley may increase transportation options between the Saint Louis History Museum and the Delmar Loop neighborhood, but building a low-speed light rail line is not cost effective compared to providing additional regular bus service. While the total capital costs of the Loop Trolley will exceed \$51

million, the high-end estimated cost of purchasing two buses to run along the same route is only about \$1.4 million.¹⁰ Even assuming those buses were replaced every 7 years and trollies require no replacement (or major repairs) for 30 years, the Loop Trolley would be 10 times as expensive as adding buses.

The stronger case for the Loop Trolley, and for streetcars in general, is that they may spur development. This is a generally accepted view even among streetcar/trolley proponents, including the main backers of the Loop Trolley.¹¹ Whether or not streetcars actually create new development is a matter of debate. Streetcar projects are often coupled with large, publicly subsidized, urban regeneration projects that may be the causal factor for development in cities where streetcars have been completed.¹² As a review in the *Economist* put it:

The relationship between streetcars and development is not clear, say researchers funded by the Federal Transit Administration (FTA). In cities where streetcars have led to urban renewal, they are part of larger, heavily subsidised development plans, with changes in zoning, improvements to streets and other upgrades. And while streetcars are cheaper than other rail projects, they are still costly to build and maintain. Operating expenses are more than twice those for buses, according to data from the FTA, and capital costs are hefty.

However, it is possible that the aesthetic appeal of the trolley will draw people to the Delmar Loop, and more businesses to the area around the tracks, regardless of its transportation merits. If this were to be the case, it would mean that the Loop Trolley’s primary effect is not improved transportation, nor are its main beneficiaries the public transportation users of Saint Louis City and County. Rather, it would mainly create aesthetic appeal and benefit local property owners and Delmar Loop visitors. It is therefore a questionable use of limited regional transportation dollars.

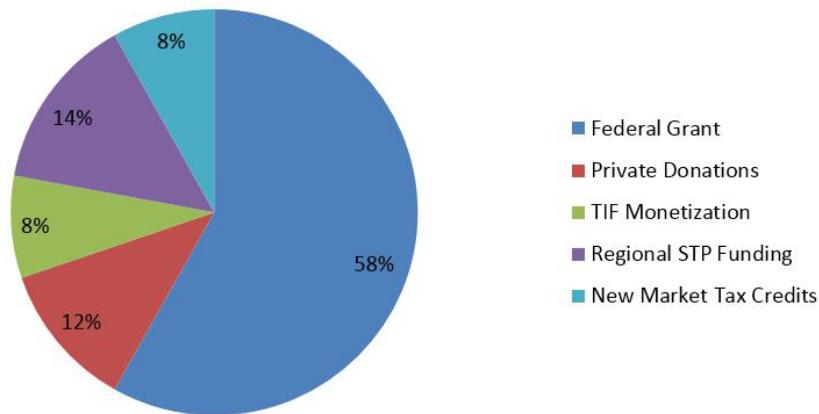
In its original budget, the Loop Trolley derived the majority of its funding from the federal government and regional STP funds.¹³ (see chart on page 4)

Unlike the proposal before this council, the original funding plan called on the Loop Trolley Transportation Development District (TDD) and Great River Greenways to cover the local match for federal STP dollars. The remaining funding for capital expenses was to be covered by tax credits, private donations, and city tax dollars diverted through TIF monetization.

As Saint Louis County is currently exploring improvements to its bus system, including bus rapid transit, any decision to use dedicated county transit funding on the Loop Trolley, which it does not currently use, should take into account the opportunity costs of depriving other projects of support.¹⁴ The grant that Saint Louis County is being asked to match is a federal

	Speed (mph)	Route Length (miles)
Loop Trolley	10–15 ⁶	2.2
MetroBus	13.7 ⁷	14.6 ⁸
MetroLink	24.7	46

Capital Funding for Loop Trolley - Initial Budget



STP grant, which the county would have little trouble obtaining for other, more worthy purposes. In fact, the county has received 96 STP-S grants for projects to be undertaken over the next four years, mostly for local street improvements.

Given both the development goals and likely beneficiaries of the project, it may be more appropriate that property owners within the Loop Trolley's footprint and trolley users increase their financial commitment to the project to cover the \$3 million match for federal funds. For instance, the existing TDD only employs a 1% sales tax, which is mainly planned to fund operating costs for the trolley.¹⁵ The TDD could implement an additional property tax in the district to help pay for cost overruns. Business owners in the Loop Trolley area could also create community improvement districts (CIDs), which could raise property taxes to fund the shortfall in the Loop Trolley project. The use of micro taxing districts like TDDs and CIDs does

have drawbacks, especially with regard to transparency and accountability. Using TDDs and CIDs makes it easier for local interests to increase taxes (usually sales taxes) for favored projects, with potential taxpayers strategically cut out of the voting district. However, in this case a TDD already exists and charges a sales tax, and the trolley project it funds is already under construction. Therefore, while avoiding use of a TDD may have been better from the offset of the project, the existing TDD might be the best option for handling the current cost overruns.

Furthermore, the Loop Trolley's fare is projected to be only \$2 per regular passenger (\$1 reduced fare).¹⁶ That is equal to the MetroBus fare and less than the MetroLink fare. The proposed fare could be increased, with anticipated revenue bonded to cover cost overruns. Given the ready availability of other transportation options in the area, there is little justification for providing a heavily subsidized fare on the Loop Trolley

at the expense of county transit funding. If the local area taxes and trolley rider fares cannot be expected to cover the \$3 million match, Saint Louis City and Saint Louis County could also consider funding the shortfall out of their economic development budgets, not their dedicated transportation funding.

To conclude, the Loop Trolley Project has little transportation merit. Its main purpose is local development, not transportation improvement. As such, the project's \$8.4 million cost overruns would be better handled by the direct beneficiaries of the project, such as local property owners and visitors who use the trolley. Using Proposition A funding, passed primarily to improve public transportation in the Saint Louis region, is less justifiable.

Joseph Miller is a policy analyst at the Show-Me Institute

NOTES

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² ST. LOUIS COUNTY COUNCIL. NOVEMBER 17, 2015 ORDER OF BUSINESS. <http://www.stlouisco.com/Portals/8/docs/document%20library/county%20council/agendas/2015/Council%20Agenda%2011-17-15.pdf>

³ City of Clayton Mayor and Board of Aldermen. “A RESOLUTION IN SUPPORT OF ST. LOUIS COUNTY PROPOSITION A TRANSIT SALES TAX.” <http://www.claytonmo.gov/Assets/Agendas+and+Minutes/Board+of+Aldermen/Agendas/2010/03-23-10+BOA+Agenda.pdf>

⁴ Leiser, Ken. “Jobs rely on transit, campaign chief says - On April 6, voters will again be asked to approve a half-cent sales tax for mass transit.” *St. Louis Post-Dispatch (MO)* - February 28, 2010

⁵ Miller, Joseph. “Map Series: II. The Loop Trolley and Existing Transit.” <http://showmeinstitute.org/blog/transportation/map-series-ii-loop-trolley-and-existing-transit>

⁶ Loop Trolley Environmental Assessment. http://looptrolleytdd.org/LT_FINAL%20EA_May_26_11.pdf

⁷ Chung, Payton. “11 Simple Ways to Speed Up Your City’s Buses.” <http://usa.streetsblog.org/2014/04/18/11-simple-ways-to-speed-up-your-citys-buses/>. Data provided by Metro.

⁸ Data provided by Metro

⁹ Loop Trolley Environmental Assessment. http://looptrolleytdd.org/LT_FINAL%20EA_May_26_11.pdf

¹⁰ MacKechnie, Christopher. “How Much Does A Bus Cost to Purchase and Operate?” http://publictransport.about.com/od/Transit_Vehicles/a/How-Much-Does-A-Bus-Cost-To-Purchase-And-Operate.htm

¹¹ Robert Steuteville. “Streetscars still engines of economic development.” <http://bettercities.net/news-opinion/blogs/robert-steuteville/21730/streetscars-still-engines-economic-development>

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¹² The Economist. “Rolling blunder.” <http://www.economist.com/news/united-states/21611123-federal-subsidies-have-inspired-some-silly-transit-projects-rolling-blunder>

¹³ Loop Trolley Environmental Assessment. http://looptrolleytdd.org/LT_FINAL%20EA_May_26_11.pdf

¹⁴ East-West Gateway. “Transportation Improvement Program: 2015-2018.” <http://www.ewgateway.org/pdf/library/trans/tip/FY2015-2018/FY2015-2018-TIP.pdf>

¹⁵ The Loop Trolley. “Loop Trolley construction to begin next month.” <http://www.looptrolley.com/loop-trolley-construction-to-begin-next-month/>

¹⁶ Loop Trolley Prospectus Prepared for the Forest Park Advisory Board Meeting on March 15, 2012. <ftp://64.220.221.46/Loop%20Trolley/Presentations/Prospectus%20March.2.%202012.pdf>

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