vision42 Financing Report

Urbanomics, Inc.
February, 2008

vision42
an auto-free light rail boulevard for 42nd Street

Financing Report

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The **vision42** proposal is a citizens' initiative sponsored by the Institute for Rational Urban Mobility, Inc. (IRUM), a New York City-based not-for-profit corporation concerned with advancing cost-effective transport investments that improve the livability of dense urban places.

This study, one of three technical studies that address key concerns about the feasibility of the **vision42** proposal, was made possible through a generous grant from the New York Community Trust/Community Funds, Inc., John Todd McDowell Environmental Fund.

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Glossary of Terms

I. Executive Summary

A financing plan for the proposed LRT system of **vision42** is based upon the evaluation of two alternative financing methods: tax increment financing (TIF) and a transportation improvement district (TID). The analysis relies upon current estimates of the improvement in existing property values associated with transit access improvements, and the redevelopment potential of specific sites within the proposed 42nd Street benefit district. The benefit district is defined as the area traversed by 42nd Street in Midtown Manhattan, river-to-river, encompassing five blocks north and south.

The capital cost of the LRT system and supporting infrastructure improvements has been projected by Halcrow, Inc. at $411 to $582 million in 2007 dollars *(Cost Estimate Update, February 2008).* This includes a net present value of $60 million savings in capital costs associated with the elimination of bus routes traversing 42nd Street over the 30-year lifespan of the first generation of LRT vehicles. The range of costs reflects alternative assumptions regarding the extent of utility relocation and the choice of propulsion system.

This study examines the principal source of revenue to finance these costs by either imposing a direct charge on property owners in the defined improvement district, or by dedicating incremental taxes generated from increased property values in the benefit district. It shows that either revenue source will cover debt service on bonds to be issued by a special purpose development corporation, and presumably, guaranteed by the New York City Transitional Finance Authority, as follows:

- ***Transit Improvement District (TID) Option:*** Revenues generated by a 5 percent flat surcharge, or 6 to 1 percent graduated surcharge on property tax liability of selected land uses in the proposed **vision42** improvement district would yield $79.9 to $68.8 million in annual revenues in Fiscal Year 2006 dollars by 2012.
- ***Tax Increment Financing (TIF) Option:*** Revenues generated by current tax rates on increased property values of existing and new development in the proposed **vision42** improvement district would yield $55.1 million in annual revenues in Fiscal Year 2006 dollars by 2012.

These recurring revenue sources compare to an annual debt service charge of $36.1 million to $51.1 million, depending upon LRT system option, assuming a conservative 7 percent long term bond rate, a 30-year term and a 10 percent bond administration cost. Given ample revenue resources that reflect the value of existing property and proposed development, as well as transparency and accountability of assessing levies based on existing property tax liability, the TID option is preferred. In a 2012 build year, flat rates could be lowered to 3.5 percent or graduated rates to 5 to 1 percent, given development under construction or proposed, excluding property in the Hudson Yards Financing District.

II. Transportation Financing in the US: Illustrative Sources & Applications

As an element of the Financing Plan for **vision42**, Urbanomics performed a literature review of Tax Increment Financing (TIF) and Transportation Improvement District (TID) applications for light rail systems.

It became clear early on in the review that funding a new light rail or LRT extension is a complex equation, and requires many more elements than just TIF or TID. Based on the experience of other providers, financing requires both the cooperation of many agencies and a mix of Federal, State and local revenue sources, the most common of which follow along with examples of their use.

In New York City however, Federal sources of transportation funding are already tapped out. Even if this were not the case, **vision42** is an unlikely recipient of such funding because the project would likely be considered an upgrade of existing services. Funding for **vision42** would, by necessity, come from local sources. For direct local funding comparison, this portion of the report summarizes the Hudson Yards Financing Plan and the Cushman & Wakefield market demand and revenue forecasts.

A. Federal Revenues

FTA New Starts is a very competitive program with a very comprehensive application form. Following are the key features of the New Starts and Extensions Program (Section 5309):

- Apportioned directly to transit systems;
- Provides the federal share of new fixed guideway projects, including the design and/or construction of new or extensions to existing fixed guideway systems;
- Funding under this program is entirely earmarked by Congress for specific projects in annual appropriations law and/or authorization acts;
- Typically New Start projects require 20 percent non-federal share and executed FTA Full Funding Grant Agreement;
- For non-MTA systems, State provides 50 percent of the non-federal share of capital projects (up to 10% of project cost) through the Omnibus and Transit Purposes appropriation in the State Transportation budget;

Over the six-year period of TEA-21, New York expects to receive approximately $444.3 million in guaranteed funds for New Start projects including: $353.0 million for East Side Access and $60.0 million for Staten Island Ferry terminals;

FTA Small Starts is a new program through SAFETEA-LU (First monies available in FY08.) for programs seeking $75 million or less for a total project cost not to exceed $250 million. Criteria include: a) the preparation of a planning and alternatives analysis; b) justification based on a review of public transportation

supportive land use polices, cost effectiveness and local economic development; and, c) support of local financial commitment.

vision42 will not qualify for Small Starts due to estimated construction costs.

Congestion Mitigation/Air Quality & Transportation Enhancement Funding
(allocated through the Metropolitan Planning Organization (MPO).

The requirements for the Congestion Mitigation Air Quality & Transportation Enhancement Funding (CMAQ) are found in federal code Section 5307 Urbanized Area Formula Program (formerly Section 9):

- Apportionment directly to urbanized areas over 200,000 in population;
- Funds distributed to transit systems ("designated recipients") through each urbanized areas MPO;
- Apportionment to Governors for small urbanized areas (SUZA's) - areas 50,000 to 200,000 in population;
- Funds are allocated by statutory formula:
    - Apportionment to urbanized areas of over 200,000 in population based on multi-tiered formula including:
        - Population and Population Density;
        - Bus Revenue Vehicle Miles;
        - Fixed Guideway Revenue Vehicle Miles;
        - Fixed Guideway Route miles; and
        - Incentive Tier Based on Bus/Fixed Guideway Passenger Miles and Operating Costs.
    - Apportionment to urbanized areas of less than 200,000 in population based on:
        - Population and Population Density only.
- Funds may be used for eligible capital and/or preventive maintenance activities for areas of 200,000 or more in population.
- Funds may be used for eligible capital, preventive maintenance and/or operating purposes for areas of 50,000 to 200,000 in population.
- Federal matching share for capital projects is 80 percent.
- State provides 50 percent of the non-federal share of capital projects (up to 10% of project cost) through the Omnibus and Transit Purposes appropriation in the State Transportation budget.
- Federal matching share for operating projects is 50 percent; State operating funds (STOA) may be used as federal match.

In FFY 2002, NYS received $550.9 million; 17.2 percent of the national 5307 total. **vision42** would very likely rank high in the competition for CMAQ funding due to the air quality benefits to be derived from the pedestrianization of 42nd Street in conjunction with the construction of the light rail.

EDA Public Works Grants:

Public Works Grants (PWG) are a possibility for transit funding although they have not been used for light rail to date. However, use of the PWG would require the EDA accepting areas of the 42nd Street corridor as "distressed".

Public Works and Economic Development investments help support the construction or rehabilitation of essential public infrastructure and facilities necessary to generate or retain private sector jobs and investments, attract private sector capital, and promote regional competitiveness, including investments that expand and upgrade infrastructure to attract new industry, support technology-led development, redevelop brownfield sites and provide eco-industrial development.

B. State Revenues

The case studies examined are not located in New York State, so the corresponding state funding sources are not relevant. The most likely sources of transit funding from available New York State programs are listed below.

Statewide Mass Transportation Operating Assistance (STOA)[1]

The New York State Department of Transportation distributes about $2.4 billion annually in Statewide Mass Transportation Operating Assistance (STOA) and other transportation assistance, to approximately 130 transit operators. New York State transit systems carry nearly one-third of the nation's transit riders and provide nearly one-quarter of transit services nationwide. Over the past five years statewide ridership has increased by about 13 percent; it is estimated that more than 70 percent of these trips are work related.

Program Information

In State Fiscal Year (SFY) 1975-76, the NYS Legislature enacted a permanent, ongoing STOA Program with appropriations from the State's General Fund and administered by the state Commissioner of Transportation (this is the Section 18-b Program). In SFY 1981-82, in response to anticipated continuing operating deficits of state mass transportation systems, the Legislature enacted a series of taxes; portions of these proceeds are deposited within the Mass Transit Operating Assistance (MTOA) fund.

The Mass Transit Operating Assistance fund was created by Section 88-a of State Finance Law and is subdivided into upstate and downstate dedicated tax fund accounts. The downstate account provides funding to transit systems in the 12-

[1] https://www.nysdot.gov/portal/page/portal/divisions/policy-and-strategy/transit-bureau/public-trans-respository/stoarr.pdf

county New York Metropolitan transportation commuter district and consists of revenues from the following sources: a portion of the Petroleum Business Tax (PBT); the MTA Corporate Tax Surcharge; a 1/4 Percent Sales Tax in the MTA region; and the Long Lines Tax. The upstate account provides funding to all transit systems outside the 12-county metropolitan transportation commuter district. A portion of the PBT is the sole dedicated revenue source for the upstate account.

In SFY 2005-06, STOA, and other transportation assistance, funds from all revenue sources accounted for approximately $2.4 billion in operating aid statewide. This level of appropriation was supported by additional general funding upstate and dedicated transportation funding statewide. In addition, a portion of the new non-MTA transit dedicated fund resources was used to enhance operating aid upstate. STOA funds distributed pursuant to the original 18-b provisions of State Transportation Law require a 100 percent local match. In SFY 2005-06, the portion of the total STOA appropriation subject to the required matching provisions remained at $224 million.

The SFY 2005-06 budget also provided $90 million for the Metropolitan Transportation Authority's reduced fare program for New York City school transportation. The City of New York contributed a like amount.

Dedicated Mass Transportation Trust Fund

As part of the multi-year capital and operating financing plans approved in the early 1990's, the Mass Transportation Trust Fund was created in SFY 1993-94 (Section 89-c of the State Finance Law). The fund is financed from the share of PBT revenues allocated to transit as part of the State Dedicated Transportation Trust Fund (a separate fund from the MTOA fund used to finance STOA). This dedicated funding is split 37 percent for the Mass Transportation Trust Fund and 63 percent for the Highway and Bridge Trust Fund. The Mass Transportation Trust Fund is further split 34 percent to the MTA and 3 percent to the non-MTA systems.

STOA Payment Formula

From October to December 2006, payout was $.405 per passenger or $.69 per vehicle mile for both upstate and downstate. Neither area allows discounting.

C. Local Funding Sources

In general, fares cover only 40 percent of operating costs[2] thus other financing options should be considered. A discussion of these options and successful case studies follow.

[2] TCRP Report 89 Financing Capital Investment: A Primer for the Transit Practitioner, TRB, Washington DC 2003

Tax Increment Financing

Tax Increment Financing (TIF) districts collect *ad valorem* revenues from increasing taxes due to benefits accrued from a specific improvement and dedicate them to the operation and upkeep of that improvement. Because the benefit generally is not seen until after the improvement is in operation, it can take several years for sufficient revenue to be collected; thus in most cases reviewed, the agencies involved incorporated TIFs to cover operating costs once a project has been built.

In the case of the Manhattan real estate market however, once the **vision42** plan is approved, speculation may cause earlier development and a subsequent revenue boom. This has been seen recently with the High Line Park development.

Following are examples of successful TIFs.

Prince George's County, MD – Tax Increment District
Since 1979, Tax Increment Districts have been formed in Prince George's County, to fund public improvements within each district. Districts are typically blighted areas with substantial government ownership of properties. To encourage development and pay for infrastructure improvements in each area, the base year assessed value of each property in the district is determined and frozen. Any taxes that arise due to increases in property value are routed into the TID fund, which are earmarked for District public facilities capital projects and infrastructure improvements either outright or to pay for bonds and debt service or, after 2002, convention centers and other tourism-related development.

This example is notable because there has been no legal opposition to this process.

Minnesota – Special Tax District:

Although called a Special Tax District (STD), the diversion of *ad valorem* revenues makes this an example of TIF. In February 2005, a bill was presented to the Minnesota legislature that would allow a Special Tax District to be formed to subsidize operations of the State's light rail system. The special district was defined as commercial/industrial or apartments/non-homestead residential parcels located in whole or in part within 1000 feet of the light rail right-of-way. Revenues are derived from the increase in net tax capacity of the district occurring after certification, given:

- the current tax rate is used, rather than the original;
- computations follow existing statutes;
- annual adjustment is derived from the percent change in the tax capacity of the commercial/industrial parcels, excluding that attributable to improvements;
- NO other TIF is allowed within the STD; and,

- NO abatements are allowed.

Because the STD captures capacity, it would reduce the tax base upon which other taxes, such as school levies, are paid.

Business Improvement Districts

Business Improvement Districts (BID) are formal organizations made up of property owners and commercial tenants dedicated to promoting business development and improving an area's quality of life. BIDs deliver supplemental services such as sanitation and maintenance, public safety and visitor services, marketing and promotional programs, capital improvements, and beautification for the area - all funded by a special assessment paid by property owners within the district. *Creation of and inclusion in the BID is voluntary—businesses must be made to see the benefit of the service or improvement.*

In cases like Miami in 2005, revenues collected from existing BIDs are directed to the new light rail project. In others, such as Sacramento, the BIDs are expanded and only the assessments on the new properties are directed to the transportation improvement.[3]

Special Assessment Districts

Miami (1984-86) - Special Benefit Assessment District

Miami's Metromover downtown circulator was financed in part with a special assessment levied against benefiting downtown properties. [4]. The goal of the district assessment was to raise the $20 million private contribution toward the $148.2 million of overall capital costs. The assessment district replenished the General Fund for an amount equivalent to a pro-rate share of debt service on bonds at a fixed rate over a 15-year period which began in 1984. The levy was per net leasable square foot and adjusted annually to account for new development. The assessment was levied on roughly 700 properties with net leasable space totaling 16.78 million sf of space. Churches and federal buildings were exempt. The assessment was billed and collected as part of the tax bill. The project was initiated in September, 1982; legislation was passed in 1983; ground broke in 1984; the Metromover opened in 1986.

[3] More information on Miami and Sacramento's plans are included in Comprehensive Financing section of this report.

[4] TCRP Research Results Digest October 2002—Number 52. IV.7 Use of Value Capture, p66

Tampa Historic Streetcar "TECO" (2006) – Special Assessment District

This joint effort of the City of Tampa and the Hillsborough Area Regional Transit Authority (HART) funds a 2.3 mile district with 11 stops and an average of 1,082 riders per day.

- 62 percent of capital costs covered by State and Federal funds distributed through the MPO.
- Special assessment (voluntary inclusion) raised $360,000 (14.4%) of $2,501,000 total revenues.
- Advertising provided another $55,000.

Los Angeles – Special Benefit Assessment District (2001)

The Assessment District is approximately 1,205 acres in downtown L.A. and includes 2,671 parcels, of which 1,252 are assessable.

- Residential, publicly- or nonprofit-owned properties are exempt.
- Assessments are levied to equal 1.05 times the annual debt service of the Bonds and/or any amount needed to maintain the reserve account for the bonds at the required level. The amount of the total assessment is adjusted annually, but may not increase by more than 2 percent in any given year.
- Both land and improvements are assessed. Assessments are not to exceed $0.42 psf.
- An Assessment Subsidy Fund to lessen levies is derived from the MTA's reserve account.

Development Fees

Development fees are charged to developers for the right to break ground on improvements to cover the resulting costs of additional capacity requirements for various infrastructure items. These fees have been used in non-transit instances to pay for such things as water and sewer extensions, sidewalks and traffic improvements such as new intersections and traffic calming measures.

San Francisco[5]--Transit Impact Development Fee:

San Francisco utilized a Transit Impact Development Fee (TIDF) to cover operating subsidies and expansion costs, including new stock, employment, and maintenance.

The fee is paid by developers of new projects based upon the proposed development's:

[5] Transit Cooperative Research Program

- Marginal effect on transit ridership of the new downtown office space, and
- Marginal cost to transit agency per square foot of development to serve this ridership

San Francisco structured the TIDF to withstand legal challenges. The area is clearly defined and mapped and studies were performed and are on record to support the resulting fee structure.

In this case, it is assumed that existing services are sufficient for existing workers and the strain on the system will come from new development. In San Francisco, it was found that office development generated many more trips than any other commercial or residential use, and thus gained disproportionately from transit improvements.[6] Subsequently, the fee applies only to NEW office development because of the estimated impacts of increased ridership during peak periods.

The one time payment, covering the cost of providing services over the 45-year useful life of an office building, is considered a development fee. Each year, the fee is recalculated based upon actual operating and capital revenues and expenditures in light of new development. However, the fee was capped at $5psf. It has remained at $5 since the inception of the program.

Payment is due upon 50 percent occupancy of the net rentable area or issuance of the first temporary permit or the final certificate of occupancy—whichever comes first. It is possible for the developer to pay in installments with interest, but most pay up front.

If payment is not timely, a lien is put on the property. In addition, San Francisco's TIDF ordinance allows for foreclosure or denial of other permits for noncompliant properties.

If a portion of the building is converted from office space, a proportionate part of the TIDF is returned.

Legal challenges were filed against the City and County regarding discrimination (office alone, new development alone), double taxation and level of impact. According to the Transit Cooperative Research Program, all of these cases were dismissed largely due to the studies that preceded the creation of the TIDF. However, it should be noted that these lawsuits held up the collection of fees for six (6) years.

[6] Russ Building Partnership v. City and County of San Francisco (1987)

Sales Tax

Santa Clara Valley Transportation Authority:

Along with a successful New Starts application for capital costs, operating revenues initially came from a $0.005 sales tax increase through the midpoint of construction (2005). A new VTA sales tax of $0.0025 has been enacted for the next 30 years to cover the costs of any new construction.

Payroll Tax

France

French cities are at the forefront of the effort to create modern light rail systems. They have also taken the opportunity to combine the new mode of transit with pedestrianization of city centers and the reconfiguration of bus routes to be complementary, not competing[7]. Semaly and FaberMaunsell concluded the reasons for the overall success of the French light rails are "money, commitment and planning."

The organization and financing of urban public transportation in France is the responsibility of local government. A municipality either has an Urban Transport Organization Authority (UTOA) or is a member of a group of municipalities with a common authority. The UTOA is responsible for the building and financing of transit infrastructure and is funded by a special tax (applied in the early 1980s) in cities of 30,000 or more residents, paid by employers of more than 9 persons, set at 1.75 percent of wages. The primary example of this follows.

Nantes, a city of 250,000 in the Loire region, began restoring its light rail system or "tramway" in 1985, creating the first of twenty modern light rails in France.

Thirty percent of the funding for the Nantes light rail came from the UTOA contribution. The rest was derived from municipal contributions to SIMAN (the city's UTOA) and government grants for rolling stock and loans.

Multi-modal Partnering and Funding

Colorado's T-Rex Project

Colorado's Department of Transportation has incorporated light rail transit into a larger transportation project known as "T-Rex" to tap other potential revenue sources. The project involves reconstructing and widening 14 miles of I-25 and four miles of I-225. The light rail portion is 19 miles in length, grade separated and

[7] Mike Knutton in International Railway Journal, March, 2005, referencing Semaly and FaberMaunsell for a British public transport authority.

double tracked with 13 stations and park-and-ride facilities. Completed in 2006, the full project cost 3 percent less than its estimated price of $1.67 billion.

Highway elements were financed through bonding of future federal allocations, while transit elements were funded through bonding from sales tax revenues, FTA funds, and local jurisdiction matching funds.

Advertising/Sponsorship/Naming Rights

The Metropolitan Transportation Authority has advertisements papering each of its diverse holdings: advertising posters cover stations, train cars, buses, bus kiosks and subway station signage. Corporate sponsorship and naming rights are also in the fore—from stadiums to turnpikes to bridges—with very few attractions opposing it. Even Amtrak is considering using sponsorship to fund the potential re-opening of the Pioneer Route from Chicago to Seattle.

The following are successful examples of sponsorship sales.

Portland Light Rail

Private investors: Bechtel Enterprises paid $28 million of the $125 million light rail extension to the airport because they wished to develop a 120-acre mixed use TOD called Cascade Station at the entrance to the airport[8].

Other Examples

The **Pride of Baltimore II** sailing vessel, used to promote Maryland tourism and history up and down the East Coast, receives corporate sponsorship of up to $10,000 per day at each of its ports of call.[9]

The Golden Gate Bridge is not changing its name; however the Bridge Authority is considering allowing corporate sponsorship of everything from trash receptacles to signage and picnic tables for $3-4 million per year. The money would go to preservation projects.

Museums and Convention Centers

Tampa Museum for the Arts[10]: The asking prices for naming privileges are as follows:

Whole Museum:	$10 million
Terrace:	$3.5 million
Storage rooms	
Elevators	$100,000 each
Kitchens	

[8] TCRP Research Results Digest October 2002—Number 52. IV.7 Use of Value Capture, pp67-68
[9] The Daily Record, Baltimore, MD 4/25/2007
[10] The Tampa Tribune, FL 11/27/2007

Fifteen of 46 possible areas have been sold.

The Glazer Children's Museum was named after a $5 million donation from the family that owns the Tampa Bay Buccaneers.

The Cincinnati Convention Center was renamed the Duke Energy Center after a $9 million donation from the Duke Energy Company.

Milwaukee's Convention Center was renamed Midwest Center after Midwest Airlines agreed to pay $9.5 million over 15 years.

Sporting Venues

Sporting sponsorship brings in the highest revenues by far. Nationwide Insurance purchased the naming rights to NASCAR's Busch Series for $84 million for 26 years—initial reports said that NASCAR was looking for $30 million a year. Meanwhile the first run "Nextel Cup Series" is valued at $70 million per year from the communications company.[11]

The Mets' Ballpark will be called "Citi Field" in a $20 million per annum deal with Citibank.[12]

Amigo Energy has purchased the right to have its logo on the jerseys of the Houston Dynamo soccer team for the next four years at the price of $7.5 million. The deal also includes advertising rights on stadium signage, hospitality and title sponsorship of pre-game festivals and one major match.[13] Other soccer jersey sponsors include Comex and Herbalife who sponsor Chivas USA for $2 million and LA Galaxy for $4-$5 million, respectively.

D. Comprehensive Financing Strategies

Following are details on comprehensive strategies for light rail and street cars, which incorporate federal, state, local and private funding.

Sacramento Point West Streetcar District Study

The Point West Streetcar proposal is of particular interest because it was sponsored by a private organization, the Sacramento Transportation Management Association (TMA), which funded the study because it sees an opportunity to extend the existing streetcar line in order to give a somewhat blighted suburban area an urban center.

[11] The Columbus Dispatch, Ohio 10/04/2007
[12] The New York Times, 10/01/2007
[13] Business Wire, New York. 08/16/2007

The TMA proposed using a mix of all of the above financing methods for capital funding. A description of the local funding sources to cover operating expenses follow.

1) Fares
2) Employer/Educational Institution sponsored passes (investment on their part to defray costs of parking)
3) Ancillary Advertising and Sponsorship rights, including everything from posters on and within cars to vendor rights
4) Tax Increment Financing:
    a. According to California law, there is a "blight" recovery criteria involved.
    b. An alternative exists that would allow for an existing redevelopment TIF area to be expanded.
5) Business Improvement District: TMA proposes to expand existing BIDs to cover entire area. New BID taxes would apply to the newly included areas only.
6) Special Assessment District: would have more flexibility, but properties must be specifically benefited by the improvements.
7) Infrastructure Financing Districts: special assessment district program available under California law specifically for infrastructure improvements.

Local Funding Sources in Miami (2005)

The Miami Streetcar project proposes the construction of a street car line connecting Government Center, the Miami Design District and the Civic Center/Health District. The 10.6 mile line would operate on existing roadways between current activity centers and redevelopment areas. Functioning primarily as a short-trip circulator, the Streetcar Project differs from the existing Metrorail and Metromover light rails that provide services for longer distance commuter trips without frequent stops.

Planned potential funding sources for the Streetcar include:

1) Funding in lieu of bus service
2) Increases in metered parking costs
3) TIF: incremental increases in *ad valorem* tax to be used for operating funds as they take time to appear
    a. Structure: 95 percent of *ad valorem* tax revenues to project
    b. Challenge: pre-existence of other TIF/Community Development Districts
4) Business Improvement District: Additional amount of *ad valorem* revenue from each property within the BID
5) Special Assessments: Assessment proportional to the benefits derived from services
    a. Based on
        i. floorspace

ii. land area
iii. frontage
iv. proximity
v. development intensity

b. Possible Structure:
i. $100-$150 per front foot (double track) or $50-$75 (single track)
ii. $0.50 psf lot area
iii. $0.25 psf floorspace

Portland Streetcar Loop (2007)

The 2007 Streetcar Loop is a 3.3 mile/18 stop extension of Westside Streetcar Line, part of Portland's extensive light rail system. Funding sources to be utilized include:

1) Small Starts ($75 million of $152 million total)
2) State of Oregon ($25 million)
3) Local Improvement District, contingent on getting financial capital commitments, with a maximum assessment of $15 million to be structured as follows:
   a. Structure Zone A: within 1 block
      i. Industrial: reduced by 67 percent
      ii. Owner occupied residential: reduced by 50 percent
   b. Rest of area, @ 50 percent of Zone A
   c. Previously taxed properties are not included

E. Special Issues

Agency Cooperation and Stakeholder Support

Establishing a comprehensive strategy involves the support and cooperation of many agencies and stakeholders. Generating support and cooperation for a capital project, even one with obvious benefits, takes careful planning and outreach.

In the case of the Sacramento Point West Streetcar District, key aspects of TMA's approach are an implementation strategy and marketing plan that are well underway. Partnerships have been established with County, City and State agencies, the local MPO and the Chambers of Commerce as well as transportation agencies and advocate groups.

Their marketing strategy has two simple components:

Connecting:
- Pedestrians are the first-class passengers.
- Short-trip urban travel is the intent.
- Activities and destinations are linked.

Shaping:
- Redevelopment is enhanced.
- Commercial active uses are reinforced.
- Public/private investment is maximized.

This strategy has been crucial to attaining the local support necessary to move forward.

Pre-Existing BIDS & Special Assessment Districts

In the literature, many providers stated that pre-existing special districts, including SADs, TIFs and BIDs, made attaining consensus on the application of new *ad valorem* taxes more complicated. The **vision42** District core contains large portions of four BIDs: Times Square, Bryant Park, Fashion Center and Grand Central Partnership. It also overlaps the Fifth Avenue BID for a single block of 5th Avenue between 46th and 47th Streets and is bordered by the 47th Street/Diamond District BID. Businesses within these districts already pay assessments for area improvements. Their support of and cooperation with the **vision42** plan is crucial.

The **vision42** Benefits District study area also includes portions of the Hudson Yards Financing District, which will fund Hudson Yards and the Number 7 Subway Extension. A summary of that financing plan follows.

III. New York City: Hudson Yards/Number 7 Subway Extension

A. Hudson Yards/7 Subway Extension Financing

Financing Plan

The Hudson Yards/7 Subway Extension is being paid for by 2007 Series A Revenue Bonds, put forth by the Hudson Yards Financing Corporation, which was established by New York City to manage project revenues and expenditures. The overall project is expected to cost $2.1 billion and consists of:

1) Extension of the 7 line: extending the tracks to 34th and 11th and constructing a shell station[14] at 42nd and 10th, the opening of which is

[14] As of January 23, 2008, the plan for constructing the shell station is under review due to rising construction costs.

NOT included in the current financing plan. Expected to be completed in 2013.

2) System of Parks/Open Space: Open space system in the project area, including the construction of a boulevard between 10th and 11th Avenues
3) Acquisition of development rights from the Triborough Bridge and Tunnel Authority ($200 million)
4) Property acquisition ($700 million)

The initial bond sale was in the amount of $1.425 billion. Beginning in 2011, the Corporation will be able to offer Senior Bonds for another $1 billion with the potential for an additional $500 million.

While the City will put up $3 billion to cover the interest on the bonds, City monies may not be used to cover the principal. Revenues to cover the principal will be derived from a project area of 45 square blocks, to be known as the Hudson Yards Financing District. This area is roughly bounded by 42nd Street, 9th Avenue, 31st Street and 12th Avenue. The Javits Center is excluded from the project area.

Revenue Sources

Revenues of the Corporation will be derived from:

1) Payments in Lieu of Real Property (PILOTs) and Mortgage Taxes (PILMRTs) as determined by agreements between individual developers and the Industrial Development Agency (IDA), the Metropolitan Transportation Authority (MTA), the Port Authority of New York and New Jersey (PANYNJ), or the Convention Center Development Corporation (CCDC) for properties relating to the Javits Marshalling Yard.
2) Payments by the City equal to real property taxes or PILOTs received by the City on new developments
3) Payments from the sale of TDRs (air rights) purchased by the Corporation from TBTA (limited to the $200 million original purchase and the interest on that amount)
4) Payments by property owners pursuant to zoning resolution to obtain additional density (Development fees)

Development Incentives

In order to encourage development and achieve these revenues, the City is offering the following incentives.

Uniform Tax Exemption Policy (UTEPs): Property owners will be exempt from, or pay greatly reduced, taxes

- Years 1-19: Discount. The annual rate increase will be the lesser of 3 percent or the actual increase in assessed value.
- Year 20+: Amount payable is the City Property tax.

IDA PILOTs: 35 year terms with potential for an additional 64 years
Exemption of up to 100% of sales taxes on construction and tenant improvement materials.

B. Hudson Yards Development and Revenue Projections

Development projections prepared by Cushman and Wakefield were modeled in two ways, a "Base scenario" assuming steady economic growth and a more conservative "Cyclical scenario", assuming rises and falls in market demand. Both forecasts are contingent upon the infrastructure improvements in the Hudson Yards Development Plan, namely the extension of the #7 line and the creation of the boulevard between 10th and 11th Avenues.

Table 1. Development Forecasts of Hudson Yards Finance District

Development Type	Millions of Square Feet (Cyclical and Base)
Total	40.9-45
Office	24-25.7
Residential	13.4-15.6
Hotel	2.1-2.3
Retail	1.3-1.4

Source: Cushman & Wakefield, Hudson Yards Demand and and Development Study, 2006

It should be noted that the Cushman & Wakefield study focused on 18 large scale office and residential sites, and does not include major developments such as Moynihan Station and Madison Square Garden, the Port Authority Bus Terminal or the Western Rail Yard[15].

Recurring Revenues

The **Office Demand** Base year scenario puts demand at 29 million square feet. The projections, however, were run only on 14 major sites with good office potential, thus limiting office growth to 25.7 million square feet.

Revenues from office properties would stem from:

UTEP/PILOTs: 15-year discounts on property taxes ranging from 15 percent to 40 percent based upon both timing and location. The first developments to break ground would receive a 40 percent discount, with 25 percent for the second wave of developments and 15 percent for the final wave. Discounts are also highest for those properties farthest from 8th Avenue.

[15] The Cushman and Wakefield Revenue Forecasting is based upon the 19 January 2005 Zoning Amendment for the Special Hudson Yards District. The Western Rail Yard was not added to the study area until 2006.

Under the Base scenario, PILOTs revenues would total $20.9 Billion with $13.7 million in the first year of completed development, 2012 and $1.2 Billion in the final year of the forecast, 2050. Under the Cyclical scenario the revenues would total $18.4 billion, with $5.7 million in the first year and $1.1 billion in the end year of the forecast.

Residential forecasts include a factor to mitigate for replacement of existing units. Demand in the Financing District is expected to be 15.6 msf or 15,972 units under the Base scenario and 13.4 msf or 13,765 units under the Cyclical.

Revenues from these units under the existing TEP 421-a abatements (10-20 year duration) given the Base and Cyclical scenarios are expected to total $14.4 billion or $12.7 billion respectively. The first revenue year (2007) will bring in revenues of $2.1 million under both scenarios; however in the end year of 2050, the annual revenue is expected to be $920.9 million under the Base scenario and $795.5 million under the Cyclical. It should be noted that TEP 421-a expired on December 31, 2007. It is expected that changes to the code will alter the revenue forecasts.

Hotel demand forecasted for the area is contingent upon the Javits Center Expansion[16], new office developments and inflow from surrounding areas. Overall demand under Base and Cyclical forecast conditions are expected to be 2.3 million square feet (3,000 rooms) or 2.1 million square feet (2,900 rooms) respectively.

Revenue does not include contributions from the 1,000 room Javits Center Hotel. It is derived from TEPs comparable to existing midtown conditions—full taxes in 2006 were estimated at $9.67 per square foot.

Under the Base scenario, total revenues to the HYC would total $959.1 million, with $0.5 million in 2007 and $49.3 million in 2050. Under Cyclical conditions, the overall revenues over time would equal $850.8 million, with $0.5 million in 2007 and $44.0 million in 2050.

Retail demand will be driven by the new office workers, residents and Javits' visitors spawned by new development and would total 1.4 million square feet under Base conditions and 1.3 million square feet under Cyclical. Revenues, received from PILOT for retail located in office space and TEP for retail located in residential developments is expected to total $1.1 billion or $1.0 billion over the forecast period under the two scenarios. Base forecasts of revenues indicate that $82,265 would be received in the first year and $69.0 million in 2050. The cyclical scenario forecasts $82,332 in 2007, but $69.3 million in 2050.

[16] As of January 23, 2008 Javits expansion plans are also in jeopardy due to rising construction costs.

Non-Recurring Revenues/Development Fees

Non-recurring revenues will accrue to the HYIC for one-time fees paid at the outset of the development process. The primary sources of non-recurring revenues are additional development rights and the mortgage recording tax.

Additional Development Rights include Transferred Development Rights or air rights (TDR) and District Improvement Bonus (DIB) as allowed by the revised zoning code. TDR estimates of revenue are based on midtown comparables, whereas the DIB was set at $100 per square foot in 2005 and has increased to $109.36 per square foot in 2007, using the Bureau of Economic Analysis' Consumer Price Index (inflation) which is applied annually. Revenues from development rights are expected to total some 13 million square feet of additional space, resulting in revenues of $1.2 billion under the Base scenario and $1.3 billion under the Cyclical. The Cyclical scenario assumes that some developments will happen at later dates and thus will benefit from inflated rates.

The HYIC has a 50 percent interest in the 26 acre Eastern Rail Yard (ERY) TDR, which was purchased for $200 million from TBTA. However, HYIC will only see a return of the initial investment plus any interest that has accrued; all other proceeds will go directly to MTA. ERY air rights are expected to be purchased at an equivalent rate.

According to the zoning code, the Hudson Yard Special District allows increases to FAR not only for District Improvement Bonus (DIB) "contributions" for commercial buildings, but also for Inclusionary Housing Bonus (IHB) contributions for permanent affordable housing in residential developments. There are two different IHB programs: the Hudson Yards IHB program, which covers large portions of the HYD south of 41st Street, or the area of the sites assessed in the C&W report; the Clinton IHB program is for the portions of the study area north of 41st Street, not included in the district.

Hudson Yards IHB Program

The as-of-right FAR for the District is 6.5. The increases in FAR are allowed in 2 increments of in tandem DIB and IHB FAR (5:6 sf ratio) determined by the minimum percentage of residential floorspace of affordable housing.

The initial 2.5 FAR increment (6.5-9.0) is allowable for DIB and IHB bonuses in tandem of 1.14 FAR and 1.36 FAR respectively. The DIB of 1.14 FAR is in exchange for a direct contribution of the current amount per square foot. The IHB of 1.36 FAR is provided given that:

- 10 percent of residential floor area is permanently affordable @ 80 percent of AMI; or
- 5 percent of residential floor area is permanently affordable @ 80 percent of AMI and 7.5 percent of residential floor area is permanently affordable @ 125 percent of AMI; or

- 5 percent of residential floor area is permanently affordable @ 80 percent of AMI and 10 percent of residential floor area is permanently affordable @ 175 percent of AMI.

The maximum 5.5 FAR increment (6.5-12.0) is allowable for DIB and IHB bonuses in tandem of 2.5 FAR and 3 FAR respectively. The DIB of 2.5 FAR is in exchange for a direct contribution of the current amount per square foot. The IHB of 3 FAR is provided given that:

- 20 percent of residential floor area is permanently affordable @ 80 percent of AMI; or
- 10 percent of residential floor area is permanently affordable @ 80 percent of AMI and 15 percent of residential floor area is permanently affordable @ 125 percent of AMI; or
- 10 percent of residential floor area is permanently affordable @ 80 percent of AMI and 20 percent of residential floor area is permanently affordable @ 175 percent of AMI.

Clinton IHB Program

The Clinton IHB Program is available in the 42nd Street Corridor and provides up to 2.0 additional FAR. Additional square footage must include 1.0 SF of affordable space for every 2.0-4.0 sf of bonus space depending upon the type of construction (new, rehabilitation, or preserved.)

The Clinton IHB can be used in conjunction with a 42nd St Corridor Theater Bonus, which can provide up to 3.0 additional FAR for the blocks bounded by 41st and 42nd streets from 11th Avenue to Dyer Avenue, assuming that 1.0sf of performing arts space is included for every 3.0sf of bonus space. The Theater Bonus is only available after taking full advantage of the Clinton IHB Program.

The **Mortgage Recording Tax (MRT)** of 2.75 percent under UTEP goes to HYIC as PILOMRT. These monies will accrue before construction, so it can be assumed that completion of the development will lag 2 years behind payment for residential projects and 3 years behind payment for commercial.

IV. vision42*:* Transit Benefit Improvement District

The area that would most benefit from creation of a light rail system on a pedestrianized 42nd Street would extend river-to-river from 37th Street to 47th Street in Midtown Manhattan, or from five blocks north and south of the light rail alignment. Proximity to the light rail would determine the level of benefit—those blocks closest to 42nd Street would accumulate the greatest return from the capital investment. Map 1 portrays the Transit Benefit Improvement District, shaded by gradient of economic benefit. Map 2 identifies the relationship of the District to the Hudson Yards Financing District, a portion of which is overlapping.

V. vision42*:* Demand for Office, Other Commercial & Residential Property in Manhattan, 2005-2035

By 2007, the New York City economy had finally recovered the peak job levels of 2000 and the losses sustained by a national recession and the attack on the World Trade Center. Throughout the 2000-2007 period, the Gross City Product of New York rose significantly, productivity expanded, and the City's property markets benefited by a robust pace of new construction, rising rents and asking prices, and escalating property values. Although recovery was widespread in all boroughs of the City, Manhattan property markets excelled, stimulated in part by the interest of foreign buyers.

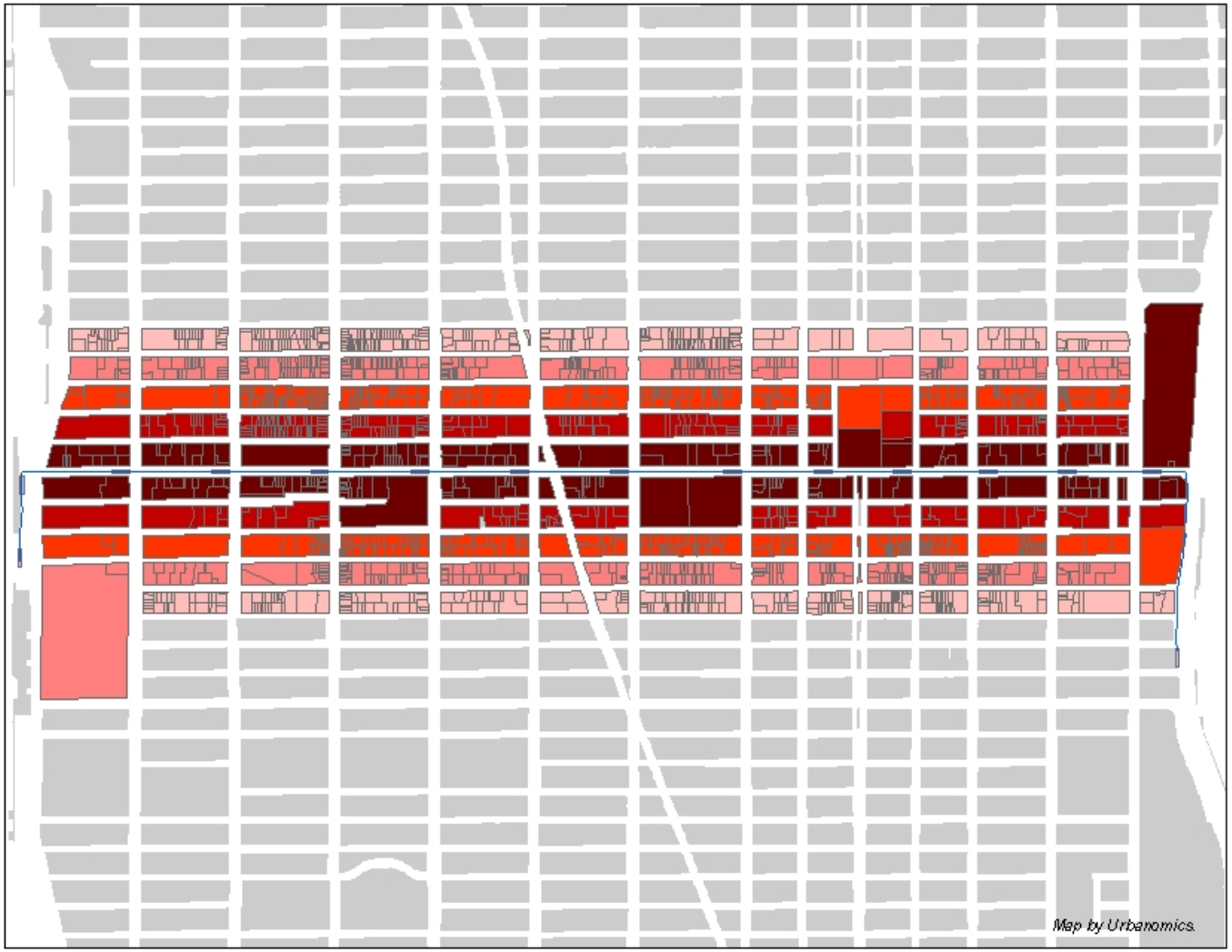
At present, we face a slowdown in the national and regional economy -- owing to the turmoil in global credit markets, the decline in housing prices and new starts, a steep rise in mortgage delinquencies, soaring energy and commodity prices, and the spillover effects of major shocks and dislocations in the economy. Public sector efforts to stimulate the economy, as well as strengths in our export and technology sectors, suggest a lower chance of a national recession. New York will likely see a decline in financial services employment, but major job losses won't occur here without a steep recession, And, it would take major job losses to have a severe impact on Manhattan's real estate market.

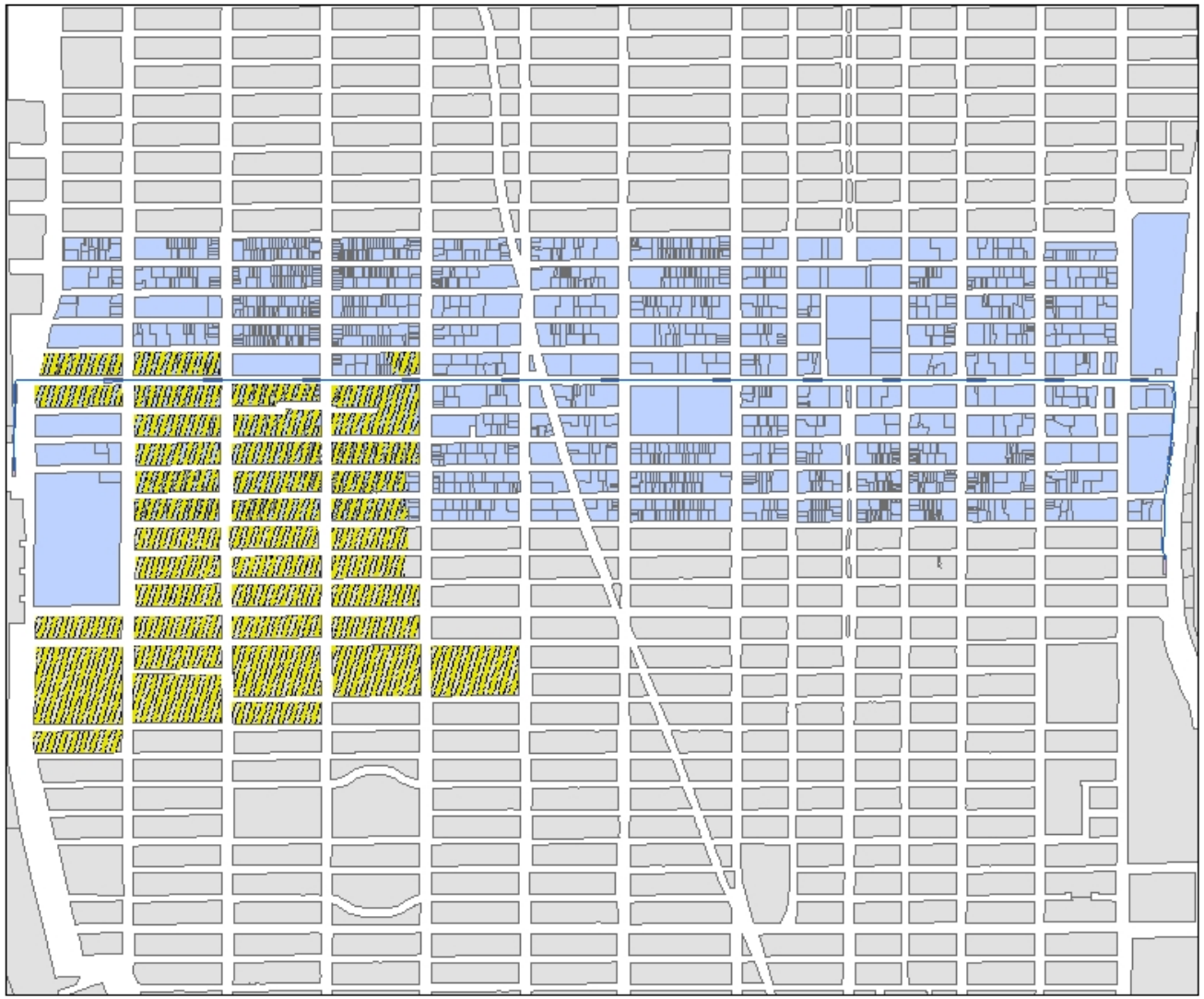
Office Space

The Manhattan Central Business District (CBD) contains 360 million square feet of office space, 96.5 million square feet of which are located within the proposed transit benefit improvement district. As such, the **vision42** district is a major component of the Midtown Manhattan office market, offering a full spectrum of office space ranging from the Class A towers of Times Square, Fifth Avenue and the Grand Central TDR district, to Class B structures of mid-blocks and Midtown's periphery. Map 3 depicts the prominence of office development in the District.

Given the peak 2.5 million job level reached and recovered in Manhattan in 2000 and 2007, relatively little office development has occurred since 1990, contributing to a current lack of supply. According to Cushman & Wakefield, all available office space of 22.2 million square feet (msf) is at its lowest level in nearly seven years, for an overall vacancy rate of 5.7 percent. Rents have consequently risen to unprecedented levels of $65 per square foot (psf), or by 28.7 percent. In Midtown Manhattan, only 10.6 msf of Class A space is currently available and asking rents have reached $85 psf on average, with more than 40 deals reputedly signed above $125 psf.[17]

[17] Cushman & Wakefield, *Marketbeat: Manhattan Office Market,* 4Q07.


Map 1
VISION42
Benefit District
by Gradient
Legend
LRT Alignment
LRT Station Platforms
District Gradients
1
2
3
4
5
Map by Urbanomics



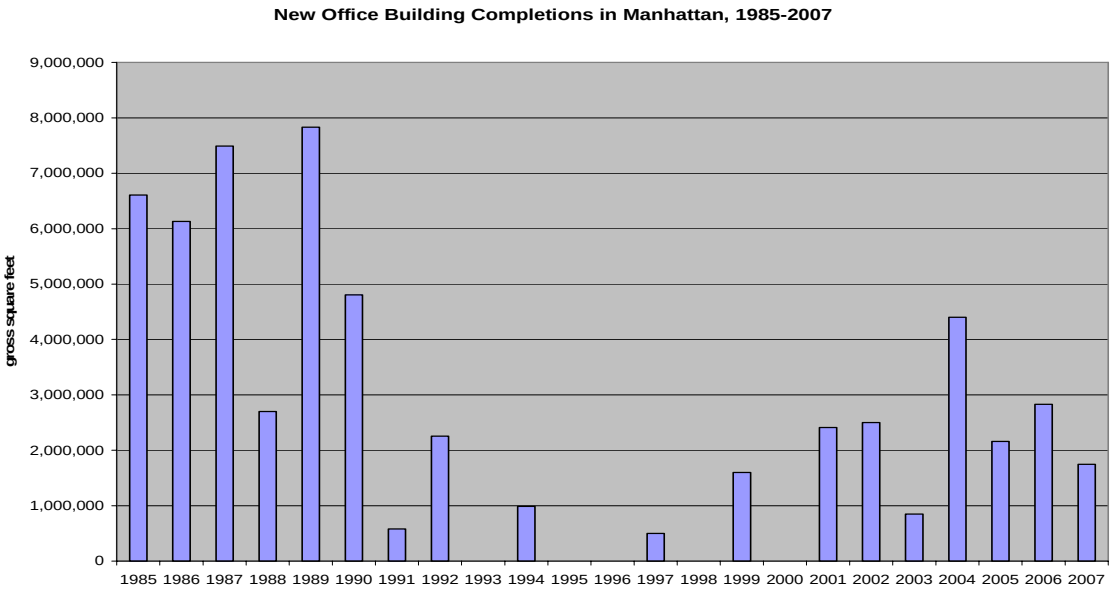
Map 2

VISION42

Study Area and Hudson Yards Financing District

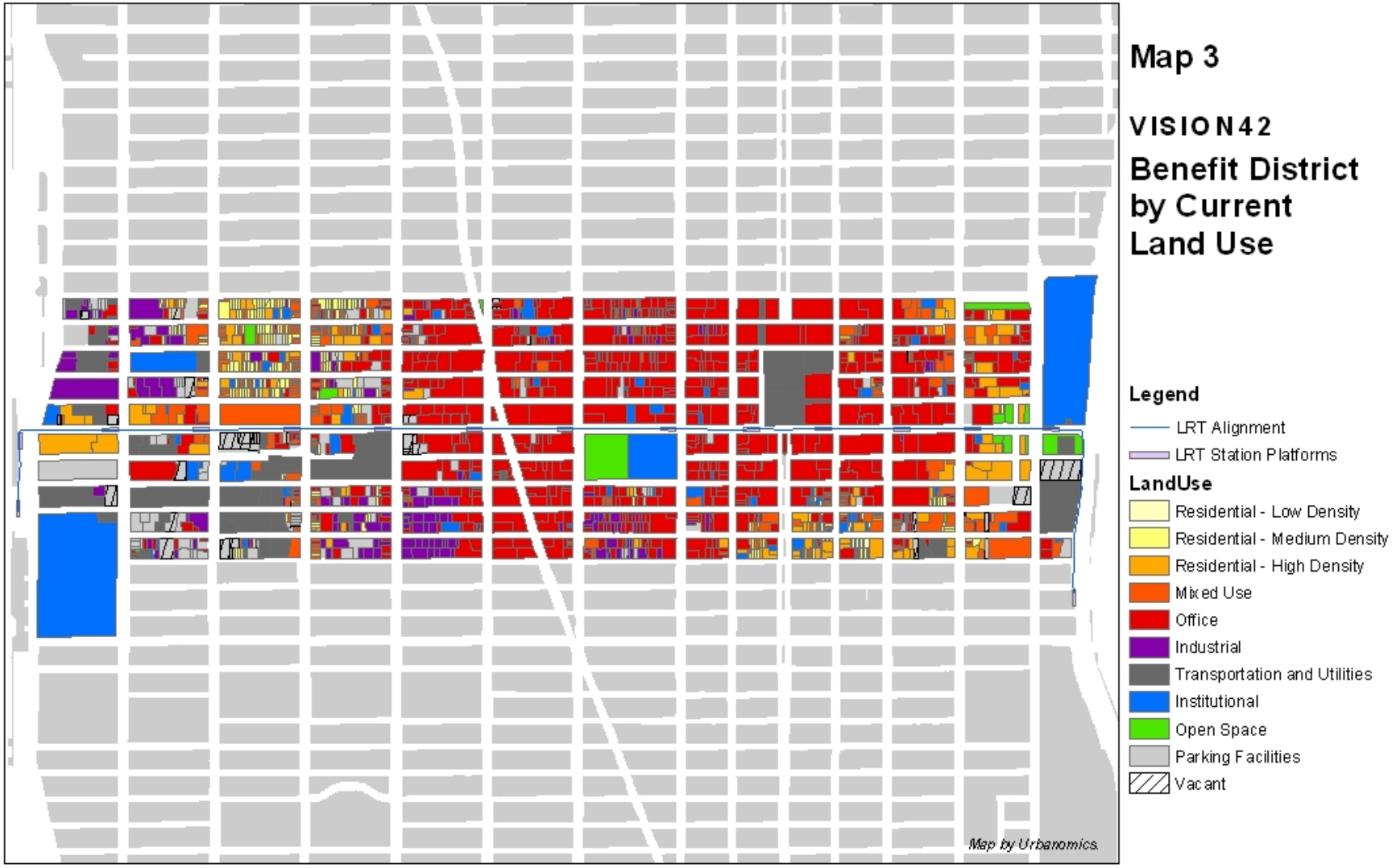
Legend

- V42 Study Area
- Hudson Yards Financing District
- LRT_Align
- LRT_Station_Platforms



Over the next three years, minimal new construction is expected to come on line, with less than 10 msf of completions in the Manhattan CBD. Absent a recession, Cushman & Wakefield anticipates the office vacancy rate may decline to roughly 4 percent, while overall rents could rise to nearly $80 psf by 2009. Major office development must thus await construction of the Hudson Yards and Lower Manhattan projects, totaling more than 35 msf with many office sites anticipated well past 2010 for completion.

In the proposed transit benefit district, numerous office developments are currently under construction or proposed, as the accompanying Map 4 shows for office and other commercial developments. Table 2 identifies the office sites and divides them between near term and long term developments, with all Hudson Yards sites slated for long term development.


Map 3
VISION42
Benefit District by Current Land Use
Legend
LRT Alignment
LRT Station Platforms
LandUse
Residential - Low Density
Residential - Medium Density
Residential - High Density
Mixed Use
Office
Industrial
Transportation and Utilities
Institutional
Open Space
Parking Facilities
Vacant
Map by Urbanomics

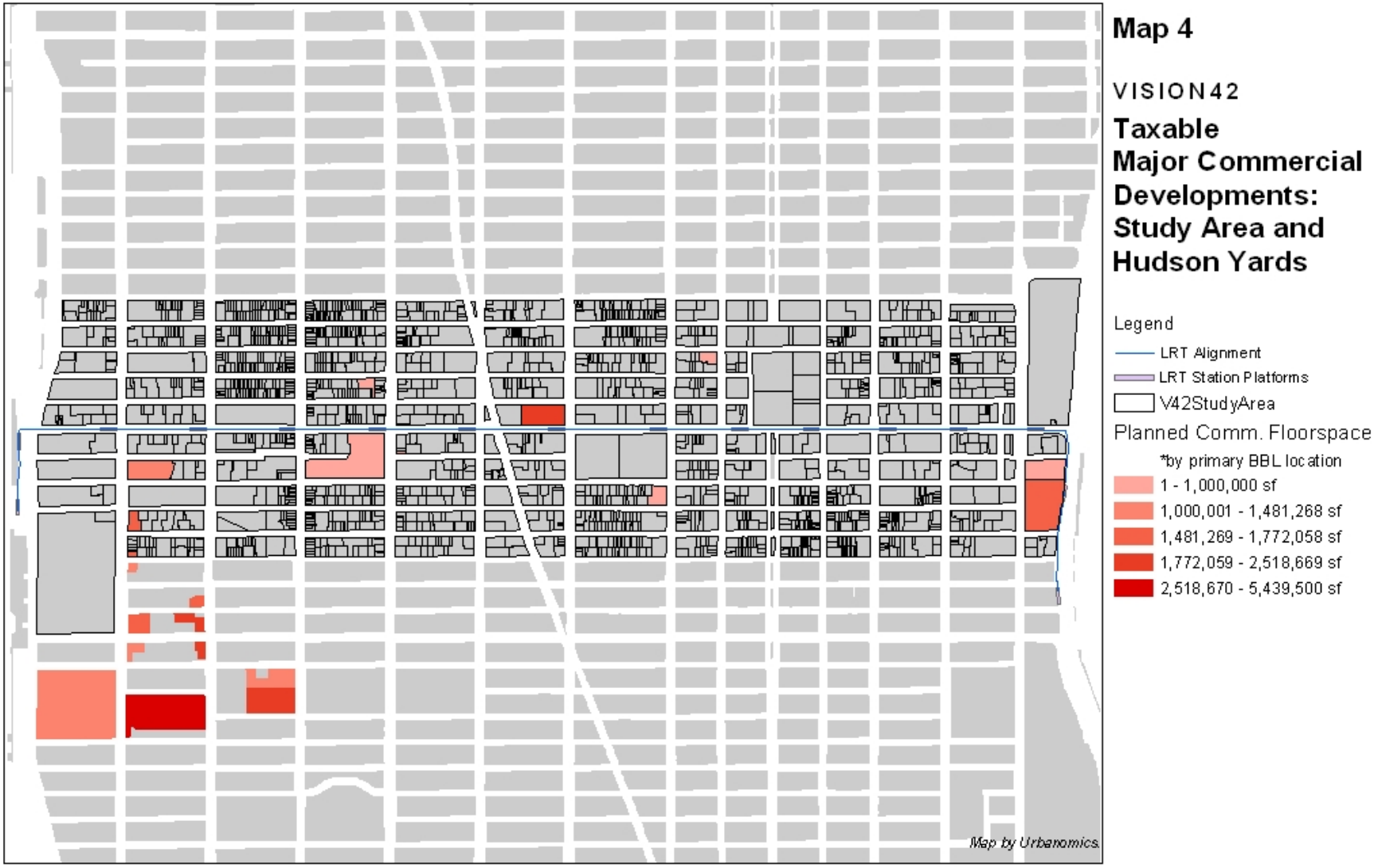

Map 4
VISION42
Taxable Major Commercial Developments: Study Area and Hudson Yards
Legend
LRT Alignment
LRT Station Platforms
V42StudyArea
Planned Comm. Floorspace
*by primary BBL location
1 - 1,000,000 sf
1,000,001 - 1,481,268 sf
1,481,269 - 1,772,058 sf
1,772,059 - 2,518,669 sf
2,518,670 - 5,439,500 sf
Map by Urbanomics

Table 2. Development Forecasts for Office Space in Transit Benefit District

Development	*Gross square feet*	*Completion*
Near Term, Not in Hudson Yards		
1 Bryant Park	2,200,000	2008
11 Times Square (640 8th Ave)	1,000,000	2008
United Nations (42nd & 1st Ave)	750,000	2010
HSBC Extension (5th & 40th St)	189,000	2010
350 Madison	23,500	2010
Con Edison site	1,532,437	2011
Total Near Term	**5,694,937**	
Long Term, in Hudson Yards		
Atop Port Authority Bus Terminal	399,769	2012+
HY Site 729A (Farley Corridor)	2,152,752	2012+
HY Site 729B (Farley Corridor)	1,351,396	2012+
HY Site 702/704 AB (Eastern Rail Yard)	5,278,652	2012+
HY Site 705A (Four Corners)	1,437,466	2012+
HY Site 705B (Four Corners)	2,444,191	2012+
HY Site 706A (Four Corners)	1,677,510	2012+
HY Site 706B (Four Corners)	2,105,559	2012+
HY Site 679C (Marshalling Yard)	1,392,984	2012+
HY Site 707B (Mid-Block Boulevard)	1,719,657	2012+
HY Site 708A (Mid-Block Boulevard)	1,391,741	2012+
HY Site 709A (Mid-Block Boulevard)	1,538,387	2012+
HY Site 710A (Mid-Block Boulevard)	1,552,281	2012+
HY Site 1069A (Mid-Block Boulevard)	1,299,285	2012+
Total Long Term	**25,740,630**	

Source: Urbanomics

Near term developments account for roughly two-thirds of the CBD completions by 2011 and a majority share of Manhattan's long term office construction. Upon completion, they would expand the existing stock of the transit benefit district to some 102 msf of office space in the near term, and to nearly 128 msf in the long term. With relatively few vacant or soft sites available for office development in the district , and with strong demand for occupancy evident in Midtown's low vacancy rate, it can be expected that the proposed district's office inventory will only improve in market value and rental revenues.

Growth in office-type employment will be a significant, if not exclusive, factor in the future demand for office space in Manhattan. Forecasts of job growth have been prepared by the New York Metropolitan Transportation Council (NYMTC) and Moody's *Economy.com*. These forecasts concur in a strong long term outlook for office-type employment that secures the future of the office property market of the transit benefit district.

As the following table shows for a 15-year period to 2025, both forecasts anticipate roughly 2.5 million nonfarm jobs in Manhattan by 2010, or a payroll employment equivalent to the 2000/2007 peak. However, NYMTC estimates 1.225 million office jobs (300 gross square feet per worker and 94% occupancy), compared to 972.7 thousand by *Economy.com.* Although the latter forecast anticipates one hundred thousand more new jobs will be created between 2010 and 2015, both forecasts agree that office-type employment will add roughly 125,000 to 140,000 jobs over the 15-year period. At gross occupancy rates in evidence today, this forecast would entail a demand for 37.5 to 42.0 msf of new office space.

Table 3. Employment Forecasts for Office Industries in Manhattan, 2010-2025

Manhattan	***2010***	***2025***	***Net Chge***	***Ave Annual %***
NYMTC Forecasts				
Total Nonfarm Employment (000s)	2,503.7	2,697.8	194.1	0.5%
Office Industries Employment (000s)	1,225.0	1,350.0	125.0	0.6%
Economy.com **Forecasts**				
Total Nonfarm Employment (000s)	2,452.6	2,751.9	299.3	0.8%
Office Industries Employment (000s)	972.7	1,112.8	140.1	0.9%

Source: Urbanomics, NYMTC, Economy.com

Other Commercial Space

The Manhattan Central Business District (CBD) contains some 245 msf of other commercial floorspace, consisting of retail stores, hotels, theaters, garages and other non-office uses. The proposed transit benefit improvement district accounts for 46.1 msf or 19 percent of the CBD's other commercial space. As such, it represents slightly over one quarter of total floorspace, including office and residential in the district. 42nd Street is especially prominent as a commercial corridor with 126 active retailers, 7 hotels with direct entrances that total 3,933 rooms, and 16 legitimate theaters with 6,738 seats.

The demand for retail and hotel space in the transit benefit district responds to the growth in office employment, new residents, business visitors, leisure visitors from elsewhere, and foreign tourists. Rising tourism, a weak dollar, and the growing presence of European and Asian retailers in New York have all contributed to a vibrant retail market. According to the Real Estate Board of New York (REBNY), asking rents of prime retail space in Manhattan rose 26 percent over the year to average $133 psf in 2007. The Broadway shopping corridor between 42nd and 47th Streets experienced the sharpest demand, with rents rising 106 percent to $797 psf, while the 42nd Street corridor between Sixth

and Eighth Avenues recorded a 55 percent climb, year-over-year to average asking rents of $488 psf in 2007.

As an indication that retail market growth is contributing to the City's economic resilience, ground floor space in new office and residential developments is being pre-leased several years in advance, and substantial new retail space is proposed for development in the transit benefit district. As the following table shows, including a scaled-back expansion of the Javits Convention Center which is located in the Hudson Yards district, 303,535 square feet of new commercial development are expected in the near term, and 784,356 square feet are proposed in the long term for Hudson Yards sites in the transit district.

Table 4. Development Forecasts for Other Commercial Space in the Transit Benefit District

Development	***Gross square feet***	***Completion***
Near Term, not in Hudson Yards		
Harwood (306 W 44th)	12,432	2010
Con Edison site	191,103	2010
Near Term, in Hudson Yards		
Javits Convention Center Expansion	100,000	2012
Total Near Term	**303,535**	
Long Term, in Hudson Yards		
Atop Port Authority Bus Terminal	12,182	2012+
HY Site 729A (Farley Corridor)	65,598	2012+
HY Site 729B (Farley Corridor)	41,179	2012+
HY Site 702/704 AB (Eastern Rail Yard)	160,848	2012+
HY Site 705A (Four Corners)	43,802	2012+
HY Site 705B (Four Corners)	74,478	2012+
HY Site 706A (Four Corners)	51,116	2012+
HY Site 706B (Four Corners)	64,160	2012+
HY Site 679C (Marshalling Yard)	42,446	2012+
HY Site 707B (Mid-Block Boulevard)	52,401	2012+
HY Site 708A (Mid-Block Boulevard)	42,378	2012+
HY Site 709A (Mid-Block Boulevard)	46,877	2012+
HY Site 710A (Mid-Block Boulevard)	47,300	2012+
HY Site 1069A (Mid-Block Boulevard)	39,591	2012+
Total Long Term	**784,356**	

Source: Urbanomics

Given the strength of new leasing and asking retail rents, as well as the volume of proposed new, largely retail development, the commercial property market in the transit benefit district appears solid and financially viable. Retail trade, leisure and hospitality services are not forecasted to grow in employment terms in New York City over the 2010-2025 period, as the following table shows. However, Manhattan's retail and hotel properties are a showcase for new products and evolving services that address the demands of regional, national and global

markets. The Manhattan retail forecasts of *Economy.com* support this contention by projecting a 1.9 percent average annual increase in retail sales over the 2010-2025 period, resulting in nearly half again the aggregate sales as volume increases from $48.5 billion to $70.2 billion.

Table 5. Employment and Retail Sales Forecasts for Other Commercial Activities in New York City, 2010-2025

	2010	***2025***	***Net Chge***	***Ave Annual %***
NYMTC: New York City				
Total Nonfarm Employment (000s)	3,844.6	4,202.4	357.8	0.6%
Retail Trade (000s)	297.2	273.6	-23.6	-0.5%
Leisure & Hospitality Services (000s)	317.6	315.2	-2.4	0.0%
Economy.com: Manhattan				
Retail Sales ($000,000)	$48,489.6	$70,173.8	$21,684.2	1.9%

Source: NYMTC & Economy.com
Note: Industry-specific employment forecasts are not available for Manhattan

Residential Space

The Manhattan Central Business District (CBD) contains 293 million square feet of residential floorspace, 25.9 million of which is located in the proposed transit benefit district. Whereas, residential property accounts for roughly one third of all floorspace in the CBD as a whole, in the district it represents merely 15 percent of total. Medium density walk-ups are the most prevalent residential structures, but most new development is taking the form of high rise condo and rental apartment buildings. All told, some 700 parcels in the district are in residential usage.

The growing demand for residential space in Manhattan is evident in the recent history of building permit authorizations. Between 2005 and 2008, 94,279 housing units were authorized for construction in New York City, a record level of new development unmatched in thirty years. Of this, permits granted new construction of 26,803 housing units in Manhattan during the three years. While the volume of new construction is expected to taper off in the near term, with recent restrictions in credit markets and rising foreclosures, the Manhattan housing market is less likely to be impacted than housing in the outer boroughs.

Demand is strong, in part because foreign buyers account for fully 34 percent of Manhattan real estate transactions. With each successive year, strong demand and the escalating cost of land and new construction have increased the average sales price of a Manhattan unit. According to REBNY, as of 3rd Quarter

2007, Manhattan prices for all housing types have increased 17 percent over the prior year and averaged $1.33 million per unit.[18]

The housing market of the proposed transit district has shared in this increase. Current listings on REBNY's *Residential*NYC.com place recent condo sales of new units in the Times Square/west 42nd street area in the $1.2 to $1.6 million range, and rentals in the $5,800 to $7,500 monthly range.[19] Table 6 identifies four housing projects with 5,479 units that are proposed for construction in the district in the near term, while another 3,711 units have been identified for Hudson Yards sites in the long term. Map 5 identifies the location of the proposed housing development.

Table 6. Development Forecasts for Residential Space in the Transit Benefit District

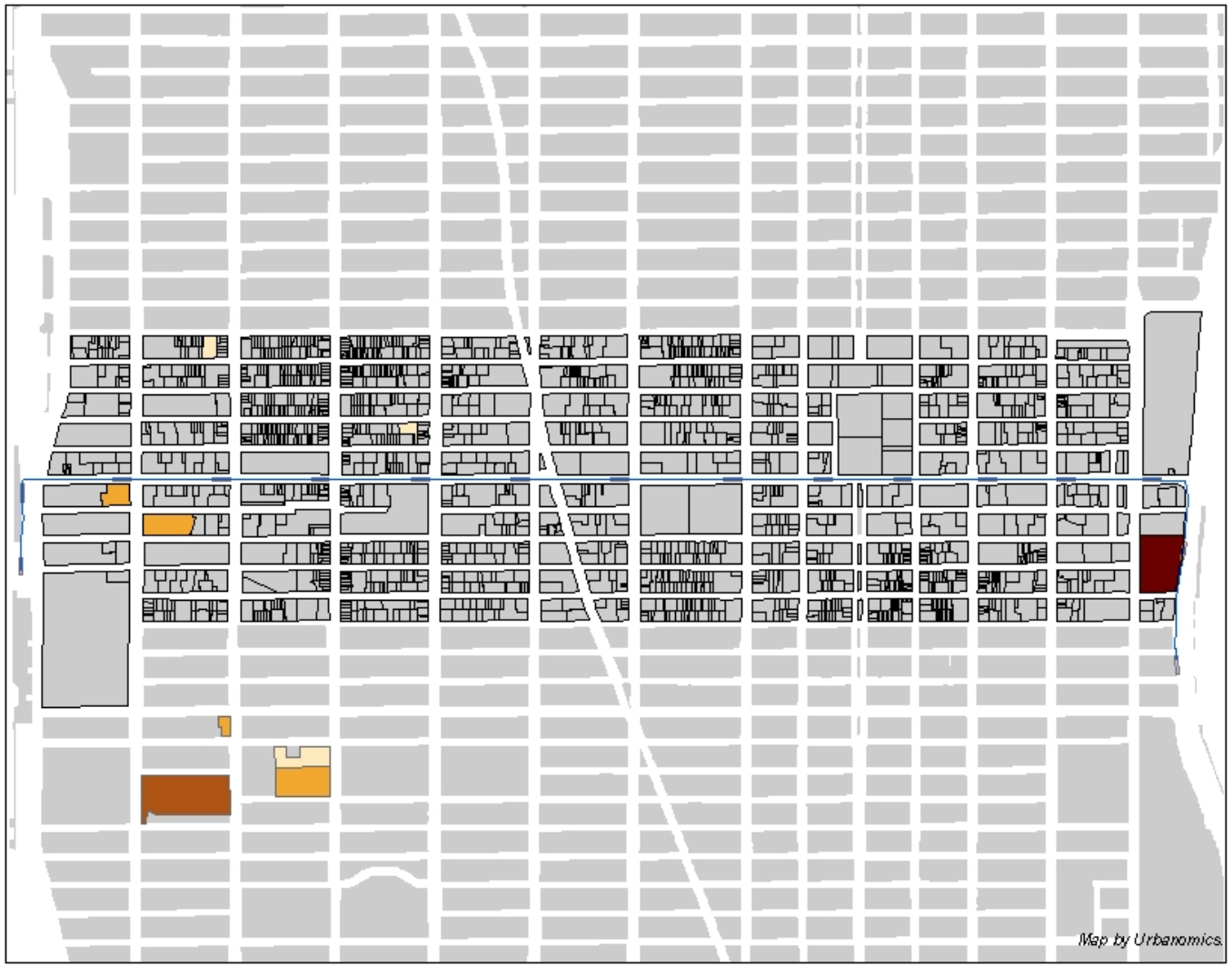
Development	***Housing Units***	***Completion***
Near Term, Not in Hudson Yards		
River Place 2 (42nd St & 12th Ave)	921	2009
Harwood (306 W. 44th)	241	2010
Clinton Mews 1 (511 W. 46th St)	151	2010
Con Edison site	4,166	2010
Total Near Term	**5,479**	
Long Term, in Hudson Yards		
HY Site 729A (Farley Corridor)	657	2012+
HY Site 729B (Farley Corridor)	413	2012+
HY Site 702/704 AB (Eastern Rail Yard)	1,457	2012+
HY Site 705B (Four Corners)	546	2012+
HY Site 1069A (Mid-Block Boulevard)	638	2012+
Total Long Term	**3,711**	

Source: Urbanomics

Long term forecasts of population growth and household formation in Manhattan underwrite the need for more housing development. According to NYMTC and *Economy.com,* the resident population of Manhattan will likely grow by 58.9 t0 114.8 thousand persons over the 15 years from 2010 to 2025. At the faster rate of growth foreseen by NYMTC, some 33.9 thousand new households will seek housing in Manhattan during the period. Assuming an average vacancy rate of 6 percent in new housing, some 36,000 new units will be needed. Additional units will be required to replace those demolished, converted, or outmoded. While this pace of development is consistent with a slowdown in Manhattan construction, it nonetheless represents continued

[18] Real Estate Board of New York, *New York City Home Sale Prices Jump 20 Percent in Last Year,* November 6, 2007

[19] ResidentialNYC.com is an exclusive listing of sale and rental residential real estate listings available to the public through a website maintained by the Real Estate Board of New York.



Map 5

VISION42

Major Residential Development: Study Area and Hudson Yards

Legend

- LRT Alignment
- LRT Station Platforms
- V42StudyArea

Planned Residential Units

*by primary BBL location

- 1 - 413
- 414 - 921
- 922 - 1,457
- 1,458 - 4,166

activity in Manhattan's housing market and a basis for stable if not enhanced property values.

Table 7. Population and Household Formation in Manhattan, 2010-2025

	2010	*2025*	*Net Chge*	*Ave Annual %*
NYMTC Forecasts				
Population (000)	1,662.9	1,777.7	114.8	0.4%
Households (000)	745.9	779.8	33.9	0.3%
Average Household Size	2.14	2.18	0.04	0.1%
Economy.com Forecasts				
Population (000)	1,642.0	1,701.0	58.9	0.2%

Source: NYMTC & Economy.com

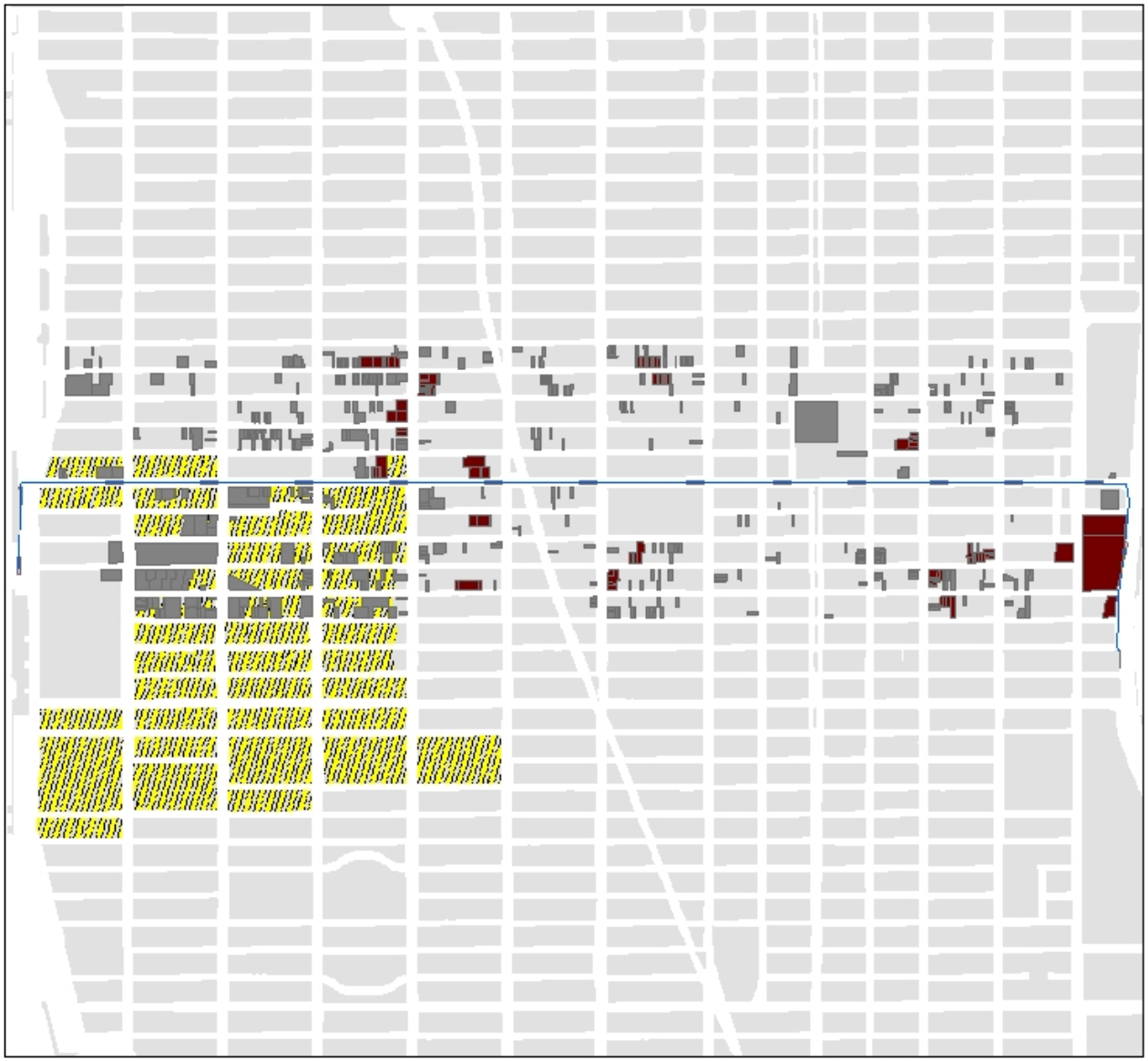
Soft Sites

As the preceding analysis has shown, the proposed transit benefit district is an intensely developed area, yet one with some potential for future growth. Map 6 identifies soft sites and assemblages in the district comprised of vacant parcels, parking uses and buildings constructed in 1930 or earlier with less than 60 percent of allowable FAR (permissible floorspace). Historic landmarks and buildings in historic districts are excluded. With the exception of the Con Edison site and the unused FAR of the Grand Central TDR, the district sites located in the Hudson Yards Financing District present the most potential for redevelopment. Elsewhere throughout the transit benefit district, most soft sites and assemblages are small and zoned for commercial development. Of these, the largest concentration exists between Eighth and Ninth Avenues, from 42nd to 47th Streets.

VI. vision42 District: Determination of Real Estate Tax Revenues

Financing a public capital investment by levying taxes, surcharges or fees upon the user or direct beneficiary requires viable financial and market conditions, such that the added fiscal burden need not result in a loss of business or a decline in market values. The foregoing assessment of real estate demand in Manhattan and the proposed transit benefit district assuages that issue by demonstrating sound existing conditions and a reasonable level of future growth.

Determination of the necessary revenues to finance a LRT investment thus reflects the demand for funds – the proposed cost of investment – and the supply of resources – the property value and tax liability of the beneficiary district under existing and likely future conditions. The following analysis pursues this approach by identifying, in Table 8, the bond financing debt service requirements of alternative LRT options, priced in 2007 dollars by Halcrow, Inc.



Map 6

VISION42

Benefit District
Soft Sites Analysis

Soft sites include vacant parcels, parking uses and buildings constructed in 1930 or earlier at less than 60% allowable FAR. Historic Landmarks and buildings in historic districts are excluded.

Legend

- LRT_Align
- LRT_Station_Platforms
- Soft Sites
- Assemblages
- HYFinancingDistrict

Table 8: Bond Financing Debt Service Requirements by Alternative LRT Options
(sold at 7% over 30 years, assuming 10% bond administration costs)

	2007		***2007 Price Level Financing***				
			Monthly				
LRT Option	***Price Level ($M)***	***Debt***	***Int Rate***	***Term***	***Payment***	***Annual Payment***	***Annual Payment w/Bond Admin***
Catenary System	$568.5	$568,536,133	0.58%	360	$3,782,485	$45,389,821	$49,928,803
Self-Propelled System	$582.3	$582,305,136	0.58%	360	$3,874,091	$46,489,087	$51,137,996
Self-Propelled System with Minimum Utility Work	$411.3	$411,252,546	0.58%	360	$2,736,073	$32,832,881	$36,116,170

Source: ***Urbanomics, Inc & Halcrow, Inc***

Assuming a conservative 7 percent long term bond rate and a 30-year term, consistent with assumptions for financing the #7 Subway extension, the monthly debt service requirements for funding development of the proposed LRT range from $3.8 million for a catenary system to $3.9 million for a self-propelled system. With minimum utility work, construction of a self-propelled system could be funded with monthly debt service of $2.7 million. Given a 10 percent bond administration cost, these monthly debt service payments translate into annual financing costs for the three alternatives that range from $36.1 to $51.1 million.

The revenue stream that is needed to finance an LRT alternative, as well as to pay interest on project bonds, could be generated by one of two alternative financing methods: a transportation improvement district (TID) assessment or tax increment financing (TIF). Given the extent of existing development in the proposed transit benefit improvement district, even exclusive of the Hudson Yards Financing District overlap, and the market value of existing and pending property development, there are adequate taxable resources. As Table 9

Table 9. Transit Benefit District Existing Land Use Value and Tax Liability by Tax Class

	FY 2006 in $000,000			
Beneficiary Land Use by Tax Class:	***Full Value***	***Assessed Value***	***Taxable Value***	***Tax Liability***
Residential	**$2,254.9**	**$805.2**	**$585.1**	**$72.6**
Low Density Res (#1)	$8.6	$3.1	$2.9	$0.5
Medium Density Res (#2)	$246.9	$88.2	$82.0	$10.2
High Density Res (#2)	$1,999.3	$714.0	$500.2	$62.0
Utility (#3)	**$401.2**	**$143.3**	**$20.6**	**$2.5**
Non Residential (#4)	**$38,625.2**	**$13,793.0**	**$9,960.5**	**$1,126.1**
Mixed Use	$2,622.2	$936.4	$699.0	$79.0
Industrial	$1,009.0	$360.3	$329.2	$37.2
Parking	$234.3	$83.7	$65.3	$7.4
Commercial and Office	$2,237.0	$798.8	$603.8	$68.3
Hotels	$2,710.1	$967.8	$597.1	$67.5
Institutional	$2,767.3	$988.2	$25.7	$2.9
Theaters	$188.4	$67.3	$33.7	$3.8
Commercial	$1,101.6	$393.4	$292.6	$33.1
Office	$25,254.1	$9,018.2	$7,276.7	$822.7
Parks	$361.6	$129.1	$0.3	$0.0
Vacant	$109.4	$39.1	$29.7	$3.4
Not Specified	$30.2	$10.8	$7.2	$0.8
Total	**$41,281.3**	**$14,741.6**	**$10,566.2**	**$1,201.3**

Source: ***Urbanomics, Inc*** **Note:** Based upon NYC PLUTO, FY 2006

shows for Fiscal Year 2006, the assessed value of all property in the district amounts to $14.7 billion, with a taxable value of $10.6 billion and a tax liability of $1.2 billion. At current equalization rates, established by the New York State Office of Real Property Services, the market value of all 1,871 parcels, including land and improvements, would be $41.3 billion in current dollars. Some 398 existing office developments alone have a market value of $25.3 billion.

Thus, an annual debt service charge of $36.1 to $51.1 million would represent only a 3 to 4 percent increment on existing tax liability. The following analysis investigates the alternative funding approaches to evaluate the most equitable and least onerous approach.

A. Transit Improvement District (TID) Assessment

In a transit improvement district (TID), the principal source of revenue to finance a transportation improvement consists of a direct charge or assessment on existing property owners. Special assessments are statutorily authorized levies on land, or land and improvements, that a municipality can impose to recoup benefits conferred by provision of a new public improvement, such as a sewer installation, a sidewalk construction, or a new or expanded transportation system. Strictly speaking, special assessments are not property taxes which assume no specific return to taxpayers. Rather, the assessment assumes that a government provided improvement enhances the value of beneficiary properties, in a definable and disproportionate manner, through unearned effort on their part. Special assessments are therefore a means of recovering a portion or all of the unearned increment in value.

Several prerequisites must be met before an assessment can be levied. The improvement must be acknowledged to be of a public nature, not a private project; the assessed property in the district to be charged for the improvement must be demonstrated to benefit; the amount of levy must be determined; and the property owners or registered voters of the district must be allowed to reject or accept the proposal, generally through a local election.[20] Courts have allowed municipalities to determine district boundaries by official discretion, using largely common sense rules of judgment. In the case of transit improvements, it is generally accepted that a quarter mile radius around a station encompasses the area of property benefit. With regard to the amount of levy, a practical approach is acceptable because imposition of an assessment effectively must precede installation of an improvement, and thereby empirical measurement of a benefit.

For the proposed transit benefit improvement district, two measures of the assessment levy will be adopted for purposes of comparison: the first as a prescribed percent of prevailing property taxes, and the second in relation to current assessments of business improvement districts in the area.

[20] Under the California Majority Protest Act, a special assessment proposal will be defeated by objection of the owners of more than one-half of the area of the property to be assessed.

The process of estimation entailed utilization of Fiscal Year 2006 property tax records of the City of New York on a parcel-specific basis cross-tabulated by land use and building class in the *PLUTO* records of the New York City Department of City Planning. As a demonstration of the TID assessment, four discrete building classes were chosen: walk-up apartments, office buildings, retail/commercial, and vacant lots. For each building class, the value attributes (full value, assessed value, taxable value) and tax liability of each parcel were assigned to the appropriate gradient of the district based on the parcel's physical location. Total value and tax liability were assigned, as well as land value and liability, separate from improvement. Parcels located in the Hudson Yards Financing District were appropriately noted.

Table 10 shows the results for recurring revenues in 2007 dollars based upon the standard TID approach and an alternative approach adopted by the City of Los Angeles. Under the standard approach, a special assessment equivalent to a 5 percent surcharge on tax liability of all taxable parcels in the district would annually yield $500,000 from walk-ups, $41,140,000 from office buildings, $5,070,000 from retail/commercial structures, and $170,000 from vacant lots, for a total of $46,880,000 in recurring revenues. Extension to all residential development of primarily a high-rise nature would adequately fund annual debt service needs. Note should be taken that this approach is not applied to tax exempt properties or to other non-residential uses.

In acknowledgment of the fact that transit benefits decline with increasing property distance from a transit station, the standard approach re-estimates the assessment yield by applying a declining percent surcharge on tax liability across the district gradients. If parcels in Gradient 1, the 42nd Street corridor, were levied 6 percent on their current tax liability, and parcels in Gradients 2 through 5 a declining 5 to 2 percent surcharge, then the collective yield would be $310,000 from walk-ups, $34,490,000 from office buildings, $3,670,000 from retail/commercial structures, and $170,000 from vacant lots, for a total of $38,640,000 in recurring revenues (see Map 7). Should all parcels in the Hudson Yards Financing District be exempt from the special assessment, the yield would be $38,140,000 annually, or sufficient to fund debt service on a self-propelled system with minimum utility work, without assessing other residential or non-residential uses.

Lastly, Table 10 shows the recurring revenue results of an alternative approach applied by Los Angeles for funding the first stage of Metro Rail. In this case, it was generally agreed that property that would be assessed should be the type of property for which accessibility of people is of value. Therefore, Los Angeles included commercial office space, retail and wholesale space, hotels and motels, property occupied by labor-intensive industry, and residences. In addition, vacant lots were identified as potentially those properties that would experience the greatest value increases. A major concern in determining the assessment was the issue of highest and best use of property. Because many beneficiary parcels may not meet this standard, or because property not in

Table 10: Summary of Transit Benefit Improvement District (TID) Assessment by Alternative Approaches

(recurring revenues in 2007 $)

					Standard Approach: ($M)		Los Angeles Approach: ($M)			
	FY 2006 in $000,000				Flat Or Decreasing Rate:		Land or Imprvmt			
Illustrative Beneficiary Land Use	***Full Value***	***Assessed Value***	***Taxable Value***	***Tax Liability***	***Benefit Surcharge***	***Benefit Assessment***	***Benefit Surcharge***	***Benefit Assessment***	***PSF Land***	***PSF Bldg***
Walk-up Apartments	$243.3	$86.9	$80.7	$10.0	**5%**	**$0.50**				
Gradient 1	$5.7	$2.0	$1.7	$0.2	*6%*	$0.01	*6%*	$0.01	$0.00	$0.16
Gradient 2	$30.0	$10.7	$10.0	$1.2	*5%*	$0.06	*5%*	$0.04	$0.43	$0.16
Gradient 3	$46.7	$16.7	$16.4	$2.0	*4%*	$0.08	*4%*	$0.06	$0.41	$0.15
Gradient 4	$66.3	$23.7	$22.8	$2.8	*3%*	$0.08	*3%*	$0.06	$0.32	$0.12
Gradient 5	$94.6	$33.8	$29.9	$3.7	*2%*	$0.07	*2%*	$0.05	$0.19	$0.06
Sum of Gradients	$243.3	$86.9	$80.7	$10.0		**$0.31**		**$0.21**	**$0.31**	**$0.11**
In HYFD	*$21.4*	*$7.6*	*$7.0*	*$0.9*		*$0.03*		*$0.02*		
Office Buildings	$25,254.1	$9,018.2	$7,276.7	$822.7	**5%**	**$41.14**				
Gradient 1	$7,853.7	$2,804.5	$1,652.2	$186.8	*6%*	$11.21	*6%*	$7.56	$3.42	$0.40
Gradient 2	$5,459.4	$1,949.5	$1,761.6	$199.2	*5%*	$9.96	*5%*	$6.69	$4.86	$0.37
Gradient 3	$4,621.9	$1,650.5	$1,538.6	$173.9	*4%*	$6.96	*4%*	$4.25	$3.11	$0.24
Gradient 4	$2,857.3	$1,020.3	$985.0	$111.4	*3%*	$3.34	*3%*	$2.07	$1.62	$0.02
Gradient 5	$4,461.9	$1,593.3	$1,339.5	$151.4	*2%*	$3.03	*2%*	$2.02	$1.26	$0.01
Sum of Gradients	$25,254.1	$9,018.2	$7,276.7	$822.7		**$34.49**		**$22.60**	**$2.76**	**$0.29**
In HYFD	$129.2	$46.1	$46.1	$5.2		$0.31		$0.21		
Retail/Commercial	$3,338.7	$1,192.2	$896.5	$101.4	**5%**	**$5.07**				
Gradient 1	$681.8	$243.5	$168.3	$19.0	*6%*	$1.14	*6%*	$0.69	$4.85	$0.28

Gradient 2	$339.9	$121.4	$48.6	$5.5	*5%*	$0.27	*5%*	$0.19	$0.41	$0.13
Gradient 3	$572.9	$204.6	$129.8	$14.7	*4%*	$0.59	*4%*	$0.40	$1.95	$0.15
Gradient 4	$1,150.9	$411.0	$373.0	$42.2	*3%*	$1.27	*3%*	$0.90	$0.87	$0.15
Gradient 5	$593.1	$211.8	$176.7	$20.0	*2%*	$0.40	*2%*	$0.29	$0.63	$0.19
Sum of Gradients	$3,338.7	$1,192.2	$896.5	$101.4		**$3.67**		**$2.47**	**$1.33**	**$0.17**
In HYFD	*$79.9*	*$28.5*	*$26.8*	*$3.0*		*$0.14*		*$0.09*		
Vacant Lots	$116.5	$41.6	$32.3	$3.6	**5%**	**$0.17**				
Gradient 1	$55.6	$19.9	$14.3	$1.6	*6%*	$0.10	*6%*	$0.10	$0.74	$0.00
Gradient 2	$23.3	$8.3	$7.4	$0.8	*5%*	$0.04	*5%*	$0.04	$0.33	$0.00
Gradient 3	$12.3	$4.4	$4.4	$0.5	*4%*	$0.02	*4%*	$0.02	$0.33	$0.00
Gradient 4	$9.3	$3.3	$2.0	$0.2	*3%*	$0.01	*3%*	$0.01	$0.15	$0.00
Gradient 5	$16.0	$5.7	$4.3	$0.5	*2%*	$0.01	*2%*	$0.01	$0.09	$0.00
Sum of Gradients	$116.5	$41.6	$32.3	$3.6		**$0.17**		**$0.17**	**$0.37**	**$0.00**
In HYFD	*$36.8*	*$13.1*	*$6.6*	*$0.7*		*$0.02*		*$0.02*		

Source: ***Urbanomics, Inc***
Note: Based upon NYC PLUTO, FY 2006


Map 7
VISION42
TID Method:
Benefit District
Surcharge by
Gradient of Select
Property Types
LRT Alignment
LRT Station Platform
V42StudyArea
Estimated Surcharge
No Charge
$1 - $50,000
$50,001 - $100,000
$100,001 - $200,000
$200,001 - $500,000
$500,001 - $750,000
$750,001 - $1,000,000
$1,000,001 - $1,101,487
Map by Urbanomics

conformity with current zoning could be redeveloped, it was decided to assess the maximum of land or improvement, based on current use. The Los Angeles approach also had the requirement of reviewing assessments upon change in property ownership, or whenever a permit was approved for occupancy of redeveloped space, in a further attempt to reflect the highest and best use.

Assuming the standard graduated rate that decreases as distance from transit stations increases, application of the Los Angeles approach to the four building classes in the **vision42** district yields the following revenue results: $210,000 from walk-ups, $22,600,000 from office buildings, $2,470,000 from retail/commercial structures, and $170,000 from vacant lots, for a total of $25,450,000 in recurring revenues. Excluding parcels in the Hudson Yards Financing District would reduce the yield to $25,110,000 per annum. While admittedly less remunerative than a combined levy on land and improvements, the floorspace results are comparable to current assessments of Business Improvement Districts (BID) in the **vision42** district. Expressed on a square foot basis per unit of floorspace, the walk-up levy would amount to $0.11 psf, the office levy to $0.29 psf, and the retail/commercial levy to $0.17 psf on average. By comparison, the Grand Central Alliance charges $0.1617 for the Grand Central area, while the Bryant Park BID levies $0.1364. Higher assessments on land are consistent with an approach to encourage redevelopment of vacant or underdeveloped parcels.

B. Tax Increment Financing (TIF)

Tax increment financing represents another method of value capture employed by municipalities to defray the cost of public works investment. As the mechanism to fund the #7 subway extension, it is securely rooted in New York practice. The provision of fixed rail provides a permanent benefit to surrounding properties and guarantees operation of a system not subject to short term change. Because benefits are likely to decline with increasing distance from the alignment, a gradient of added value is appropriate for equitable assessment. Moreover, only a portion of added value should be recovered in value capture.

A prior study of the economic impacts of **vision42** estimated the financial benefit of improved transit access for real property in the proposed transit district, both from the standpoint of enhanced property values and the potential for increased operating revenues.[21] The results were based upon a value capture model developed for the FTA by Regional Plan Association, utilizing New York City land values and characteristics of the New York City transit system.[22] Model equations were reapplied to property-specific land values in Fiscal Year 2006 tax rolls of the district to re-estimate the property value benefit for walk-up apartment buildings, office buildings, retail/commercial structures, and vacant land parcels. Table 11 presents the economic and fiscal impacts by gradient.

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[21] Urbanomics, *The Anticipated Economic Impacts of Introducing Light Rail to New York City's 42nd Street,* March 31, 2005.
[22] Regional Plan Association, *Land Value and Transit Access,* 1990.

As Table 11 shows, medium density residential development of the district has a current property value of $243.3 million with a tax liability of $10.0 million. Less than 10 percent of the walk-up apartment parcels are located in the Hudson Yards overlap. The improved transit access of the LRT system would increase property land value by $8.5 million, or 3.5 percent of full value. At current tax liability, the rise in property value of walk-ups would yield $350,000 more in recurring taxes, or, alternatively, a 3 percent annual value capture of the land value increase would generate $260,000 (see Map 8).

Office buildings, by contrast, have a current property value of $25.25 billion and a tax liability of $823 million. The land value increase from improved transit access would amount to $1 billion, or 4 percent of full value, and the recurring tax liability of the land value increase, some $31.4 million. Alternatively, an annual value capture of 3 percent of the land value increase would generate $30.6 million.

Retail/commercial and vacant parcels would also increase in land value with enhanced transit access. Although less responsive than office buildings to such improvements, under current tax liability they would generate $1 million and $0.9 million respectively in added taxes each year. If their land value increase were directly captured at the rate of 3 percent per annum, they would collectively add $2 million to tax generation annually.

C. Proposed Development TID & TIF Financing

By 2012, as previously discussed, six new office developments will be completed, as well as three commercial structures and four residential buildings. With the exception of the United Nations office building and the Javits Convention Center expansion, we assume that each of these structures will be taxable in the manner of comparable uses in the same gradient. Table 12 presents an estimate of tax liability and potential TID/TIF funding based upon the prevailing tax relationships by gradient. It assumes $1200 per square foot of completed space for full value and 1,000 square feet per dwelling unit. Both the United Nations and the Javits Convention Center developments are excluded because of their tax exempt status.

As the table shows, with three significant office sites pending completion of nearly five million square feet, the aggregate increase in office building full value is expected to reach $5.9 billion, for a tax liability of $193 million under constant Fiscal Year 2006 tax rates. Corresponding increases in commercial development will contribute $244 million to full value and $7 million in expected tax liability. The development of some 5,500 new housing units will exceed the property value increase of new offices, adding $6.6 billion in full value and $270 million in tax liability.

TABLE 11: TAXABLE VALUE CAPTURE BY GRADIENT: TAX INCREMENT FINANCING FROM ILLUSTRATIVE USES

(recurring revenues in 2007 $)

	FY 2006 in $000,000				*TIF Revenue Based on Property Value Increases*			
					FY 2006 Estimate in $000,000			
Illustrative Beneficiary Land Use	***Full Value***	***Assessed Value***	***Taxable Value***	***Tax Liability***	**Land Value Increase**	**% Increase of Full Value**	**@ Current Tax Liability**	**@ 3% Value Capture**
Walk-up Apartments	$243.3	$86.9	$80.7	$10.0				
Gradient 1	$5.7	$2.0	$1.7	$0.2	$0.1	1.83%	$0.00	$0.00
Gradient 2	$30.0	$10.7	$10.0	$1.2	$1.3	4.50%	$0.06	$0.04
Gradient 3	$46.7	$16.7	$16.4	$2.0	$1.5	3.27%	$0.07	$0.05
Gradient 4	$66.3	$23.7	$22.8	$2.8	$2.2	3.37%	$0.10	$0.07
Gradient 5	$94.6	$33.8	$29.9	$3.7	$3.3	3.51%	$0.13	$0.10
Sum of Gradients	$243.3	$86.9	$80.7	$10.0	$8.5	3.51%	$0.35	$0.26
In HYFD	*$21.4*	*$7.6*	*$7.0*	*$0.9*	*$0.72*	*3.37%*	*$0.03*	*$0.02*
Office Buildings	$25,254.1	$9,018.2	$7,276.7	$822.7				
Gradient 1	$7,853.7	$2,804.5	$1,652.2	$186.8	$449.4	5.72%	$10.69	$13.48
Gradient 2	$5,459.4	$1,949.5	$1,761.6	$199.2	$159.0	2.91%	$5.80	$4.77
Gradient 3	$4,621.9	$1,650.5	$1,538.6	$173.9	$72.5	1.57%	$2.73	$2.18
Gradient 4	$2,857.3	$1,020.3	$985.0	$111.4	$143.5	5.02%	$5.59	$4.31
Gradient 5	$4,461.9	$1,593.3	$1,339.5	$151.4	$194.8	4.37%	$6.61	$5.84
Sum of Gradients	$25,254.1	$9,018.2	$7,276.7	$822.7	$1,019.2	4.04%	$31.42	$30.58
In HYFD	*$129.2*	*$59.0*	*$46.1*	*$5.2*	*$26.8*	*20.73%*	*$1.08*	*$0.80*
Retail/Commercial	$3,338.7	$1,192.2	$896.5	$101.4				
Gradient 1	$681.8	$243.5	$168.3	$19.0	$0.4	0.05%	$0.01	$0.01
Gradient 2	$339.9	$121.4	$48.6	$5.5	$20.6	6.07%	$0.33	$0.62
Gradient 3	$572.9	$204.6	$129.8	$14.7	$0.7	0.13%	$0.02	$0.02
Gradient 4	$1,150.9	$411.0	$373.0	$42.2	$17.6	1.53%	$0.65	$0.53
Gradient 5	$593.1	$211.8	$176.7	$20.0	$0.6	0.10%	$0.02	$0.02
Sum of Gradients	$3,338.7	$1,192.2	$896.5	$101.4	$39.9	1.20%	$1.03	$1.20
In HYFD	*$79.9*	*$28.5*	*$26.8*	*$3.0*	*$1.3*	*1.59%*	*$0.05*	*$0.04*

Vacant Lots	$116.5	$41.6	$32.3	$3.6				
Gradient 1	$55.6	$19.9	$14.3	$1.6	$2.4	4.28%	$0.07	$0.07
Gradient 2	$23.3	$8.3	$7.4	$0.8	$12.5	53.68%	$0.45	$0.38
Gradient 3	$12.3	$4.4	$4.4	$0.5	$1.2	9.79%	$0.05	$0.04
Gradient 4	$9.3	$3.3	$2.0	$0.2	$2.3	24.91%	$0.06	$0.07
Gradient 5	$16.0	$5.7	$4.3	$0.5	$8.2	51.53%	$0.25	$0.25
Sum of Gradients	$116.5	$41.6	$32.3	$3.6	$26.7	22.88%	$0.87	$0.80
In HYFD	*$36.8*	*$13.1*	*$6.6*	*$0.7*	*$7.3*	*19.84%*	*$0.15*	*$0.22*

Source: ***Urbanomics, Inc*** **Note:** Based upon NYC PLUTO, FY 2006


Map 8
VISION42
TIF Method: 3% Value Capture of Land Value Increase for Select Properties
LRT Alignment
LRT Station Platforms
V42StudyArea
No Increase/Other Prop Type
$1 - $49,999
$50,000 - $99,999
$100,000 - $249,999
$250,000 - $499,999
$500,000 - $999,999
$1,000,000 - $1,499,999
$1,500,000 - $3,322,606
Map by Urbanomics

Table 12: Proposed Development to 2012: Estimated Tax Liability and Potential TID/TIF Financing Options

(recurring revenues in millions of 2007$)

		Based on Gradient Relationships & FY 2006 Tax Rates				*TID*		*TIF*	
Gradient @ Rate	**Proposed Development to 2012**	**Full Value**	**Assessed Value**	**Taxable Value**	**Tax Liability**	**@Flat 5%**	**Grad Rate**	**@Tax Liability***	**@3%FV**
	Offices	**$5,933.9**	**$2,119.0**	**$1,709.8**	**$193.3**	**$9.7**	**$10.8**	**$7.3**	**$8.3**
1 @ 6%	1 Bryant Park	$2,640.0	$942.7	$760.7	$86.0	$4.3	$5.2	$3.6	$4.5
1 @ 6%	11 Times Square (640 8th Ave)	$1,200.0	$428.5	$345.8	$39.1	$2.0	$2.3	$1.6	$2.1
3 @ 4%	HSBC Extension (5th & 40th St)	$226.8	$81.0	$65.4	$7.4	$0.4	$0.3	$0.1	$0.1
3 @ 4%	350 Madison	$28.2	$10.1	$8.1	$0.9	$0.0	$0.0	$0.0	$0.0
2 @ 5%	Con Edison site	$1,838.9	$656.7	$529.9	$59.9	$3.0	$3.0	$2.0	$1.6
	Other Commercial	**$244.2**	**$87.2**	**$65.6**	**$7.4**	**$0.4**	**$0.4**	**$0.2**	**$0.4**
2 @ 5%	Harwood (306 W 44th)	$14.9	$5.3	$4.0	$0.5	$0.0	$0.0	$0.0	$0.0
2 @ 5%	Con Edison site	$229.3	$81.9	$61.6	$7.0	$0.3	$0.3	$0.2	$0.4
	Residential	**$6,574.8**	**$2,347.9**	**$2,180.6**	**$270.3**	**$13.5**	**$11.7**	**$8.6**	**$6.1**
1 @ 6%	River Place 2 (42nd St & 12th Ave)	$1,105.2	$394.7	$366.5	$45.4	$2.3	$2.7	$0.8	$0.6
2 @ 5%	Harwood (306 W. 44th)	$289.2	$103.3	$95.9	$11.9	$0.6	$0.6	$0.5	$0.4
5 @ 2%	Clinton Mews 1 (511 W. 46th St)	$181.2	$64.7	$60.1	$7.4	$0.4	$0.1	$0.2	$0.2
3 @ 4%	Con Edison site	$4,999.2	$1,785.2	$1,658.0	$205.5	$10.3	$8.2	$7.1	$4.9
	Total	**$12,753.0**	**$4,554.1**	**$3,956.0**	**$471.0**	**$23.6**	**$22.9**	**$16.2**	**$14.9**

Source: Urbanomics ***Note:*** * @ incremental land value of gradient x current tax rate

Under a TID assessment, at the flat rate of 5 percent of tax liability, the annual yield in additional revenues for LRT financing would be $23.6 million. At the graduated rate that decreases by gradient, the TID yield would be marginally smaller, at $22.9 million. On a TIF basis, assuming each new property experiences an incremental increase in land value because of transit access, based upon the prevailing relationship of comparable land uses in the same gradient, the annual yield would be somewhat less, or $16.2 million for all new taxable development. A flat 3 percent value capture of the incremental land value would result in annual payments of $14.9 million, $8.3 million of which would be generated by the new office developments.

VII. vision42 District: Financing Plan

Depending upon the chosen option, the annual debt service requirement of the proposed LRT system will range from $36.1 million to $51.1 million. As the previous analyses have shown for four selected uses that receive maximum accessibility benefits for pedestrians, the TID approach which incorporates existing and new development would yield adequate annual revenues to retire the full debt service of the most costly LRT option, under either a flat or graduated rate of levy, excluding overlap parcels of the Hudson Yards. Without extension to other land uses and incorporation of low and high rise housing levies, the TIF approach would be adequate for only the least costly self-propelled system that would have minimum utility work.

Table 13 presents a consolidated view of all land uses in the district, net of the Hudson Yards overlap, under 2012 conditions and assumes that mixed uses, hotels and parking also benefit from improved transit access. Industrial, institutional, theaters, parks, transportation and utility uses would be exempt from any levy. The table further assumes that benefits to medium density residential apply in the same manner to all residential development as well as to mixed uses, and that hotels experience the average land value increase of all retail/commercial uses, and parking, that of vacant land uses.

As the table shows, under these assumptions, both TID and TIF financing methods would generate adequate recurring revenues to finance all three LRT options. In fact, the TID's flat rate of 5 percent, or graduated rate of 6 to 2 percent, could be lowered to roughly 3.5 percent, and the graduated rate to roughly 5 to 1 percent per annum. Doing so would yield revenues consistent with the TIF approach that is estimated to yield $55.1 million annually by applying current tax rates to the land value increase generated by improved transit access. This tax value is also equivalent to a 3 percent direct capture of the increased full property value per annum.

Because of the empirical issues of accurately estimating property value increases associated with the development of a new transportation system, both before and after opening the system, the more feasible financing approach would appear to be the establishment of a transit benefit improvement district.

Table 13: SUMMARY OF TAXABLE LAND VALUE INCREASE, ALL USES EXCLUDING HUDSON YARDS OVERLAP & INCLUDING PROPOSED NEW DEVELOPMENT

(recurring revenues in millions of 2007$)

	FY 2006 in $000,000				*TID Revenue*		*TIF Revenue Based on Property Value Increases*		
					FY 2006 Estimate in $000,000				
								Alternative Captures	
Beneficiary Land Use	***Full Value***	***Assessed Value***	***Taxable Value***	***Tax Liability***	**@ Flat Rate of 5%**	**@ Graduated Rate**	**Land Value Increase**	***@ Current Tax Liability***	**@ 3% of Full Value**
Residential	**$8,332.6**	**$2,975.6**	**$2,708.9**	**$335.9**	**$16.8**	**$14.4**	**$264.8**	**$10.9**	**$7.9**
Low Density Res	$8.6	$3.1	$2.9	$0.5	$0.0	$0.0	$0.3	$0.0	$0.0
Medium Density Res	$221.9	$79.3	$73.7	$9.1	$0.5	$0.3	$7.8	$0.3	$0.2
High Density Res	$1,527.2	$545.4	$451.7	$56.0	$2.8	$2.4	$53.6	$2.0	$1.6
Proposed New Hsg	$6,574.8	$2,347.9	$2,180.6	$270.3	$13.5	$11.7	$203.1	$8.6	$6.1
Utility	**$61.4**	**$21.9**	**$9.5**	**$1.2**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Non Residential	**$43,880.1**	**$15,656.7**	**$11,516.8**	**$1,302.1**	**$63.1**	**$54.4**	**$1,497.3**	**$44.2**	**$45.1**
Mixed Use	$2,338.7	$835.1	$645.3	$73.0	$3.7	$2.6	$82.1	$2.6	$2.5
Industrial	$853.2	$304.7	$281.9	$31.9	$0.0	$0.0	$0.0	$0.0	$0.0
Parking	$178.0	$63.6	$45.5	$5.1	$0.3	$0.3	$40.7	$1.2	$1.2
Retail/Commercial	$3,258.7	$1,163.7	$869.6	$98.4	$4.9	$3.5	$38.6	$1.0	$1.2
Hotels	$2,676.9	$955.9	$585.3	$66.2	$3.3	$2.5	$32.0	$0.8	$1.0
Institutional	$2,645.1	$944.6	$19.0	$2.1	$0.0	$0.0	$0.0	$0.0	$0.0
Theaters	$162.1	$57.9	$32.8	$3.7	$0.0	$0.0	$0.0	$0.0	$0.0
Office	$25,124.9	$8,959.2	$7,230.6	$817.5	$40.8	$34.2	$992.4	$30.3	$29.8
Parks	$361.0	$128.9	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Vacant	$79.7	$28.5	$25.7	$2.9	$0.1	$0.1	$19.4	$0.7	$0.6
Not Specified	$23.6	$8.4	$5.6	$0.6	$0.0	$0.0	$0.0	$0.0	$0.0
Proposed New Office & Commercial	$6,178.2	$2,206.2	$1,775.4	$200.7	$10.0	$11.2	$292.1	$7.6	$8.8
Total	**$52,274.1**	**$18,654.2**	**$14,235.2**	**$1,639.2**	**$79.9**	**$68.8**	**$1,762.1**	**$55.1**	**$53.0**

Source: ***Urbanomics, Inc*** **Note: Assumes land value increases based on Table 12 for selected uses**

For the **vision42** initiative, this would entail the following steps:

- Formation of a Transit Benefit Assessment Task Force, to specify the district boundaries and determine the rate structure on a theoretical and empirical basis.

- Through a public acceptance process, such as a referendum or vote by district property owners, permit implementation of the benefit assessment district at the proposed rate structure.

- Identification of the public agency or private entity that would build and operate the LRT system. This would most likely be the MTA. Fare box revenue would accrue to the operating agency.

- Legal establishment of the **vision42** Light Rail Transit District, a special purpose development corporation with authority to define district boundaries, adopt rates, assess levies.

- Bond issuance and tax levy, ideally guaranteed by the New York City Transitional Finance Authority and typically executed within the first year of legal establishment (assumed to be 2012 in this analysis), for purposes of funding the LRT construction and equipment purchases.

- Thereafter, as new properties come into use and the total assessable floor area of the district increases, the benefit district assessments should be adjusted downwards to equitably distribute the burden at the constant debt service requirement level.

Appendix

Appendix A: New Starts[23] Program Detail from FTA website:

The Federal Transit Administration's (FTA) discretionary New Starts program is the federal government's primary financial resource for supporting locally-planned, implemented, and operated transit "guideway" capital investments. From heavy to light rail, from commuter rail to bus rapid transit systems, the FTA's New Starts program has helped to make possible hundreds of new or extended transit fixed guideway systems across the country. These rail and bus investments, in turn, have improved the mobility of millions of Americans; have helped to reduce congestion and improve air quality in the areas they serve; and have fostered the development of viable, safer, and more livable communities.

The *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU) has authorized $6.6 billion in New Starts funding through fiscal year 2009. $600 million of this funding is set-aside for "Small Starts;" that is, major transit capital projects costing less than $250 million, and requiring less than $75 million in Small Starts resources. While the level of New Starts funding has never been higher, neither has the demand for it. SAFETEA-LU authorizes over 330 projects nationwide to compete for these discretionary federal dollars. Many of these projects are currently in FTA's New Starts pipeline (that is, projects pursuing New Starts funding which are in the preliminary or final design stages of development, or Small Starts projects approved into the single "project development" phase).

SAFETEA-LU directs FTA to evaluate and rate candidate New Starts projects as an input to federal funding decisions and at specific milestones throughout each project's planning and development. SAFETEA-LU further supports a comprehensive planning and project development process which New Starts projects must follow, and which is intended to assist local agencies and decision makers evaluate alternative strategies for addressing transportation problems in specified corridors and select the most appropriate improvement to advance into engineering, design, and construction. Planning and project development for New Starts projects is a continuum of analytical activities carried out as part of metropolitan systems planning and *National Environmental Policy Act of 1969* (NEPA) review processes.

FTA published a Final Rule on Major Capital Investment Projects in 2000 which outlines these New Starts requirements. FTA has also issued guidance on Advancing Major Transit Investments Through Planning and Project Development which provides additional detail on the project development and evaluation processes for fixed guideway transit projects seeking New Starts funding.

On May 22, 2006, FTA issued updated guidance on policies and procedures of the New Starts program. SAFETEA-LU requires this guidance be updated at least every two years. FTA intends to issue updated policy guidance in the spring of

[23] http://www.fta.dot.gov/planning/newstarts/planning_environment_2608.html

2007, which will be preceded by proposed guidance and a public review and comment period. FTA will also publish a new Rule for Major Capital Investment Projects in response to changes specified in SAFETEA-LU to the methods, criteria, and procedures used to evaluate and rate projects proposed for funding under both the New Starts and Small Starts programs. FTA plans to issue the Notice of Proposed Rulemaking in spring 2007, followed by a public comment period.

The following describes the planning, project development, evaluation, and budget recommendation processes for fixed guideway transit projects seeking New Starts funding. Please contact us if you have any comments or suggestions on how to improve this site.

New Starts Criteria

SAFETEA-LU identifies several specific New Starts criteria which the Federal Transit Administration must consider in its approval to advance transit fixed guideway projects through the project development process and enter into a long term financial commitment to implement the proposed investments. The law categorizes these criteria into three broad areas:

1. **Alternatives Analysis and Preliminary Engineering.**

Along with Final Design, these activities constitute the planning and project development process for New Starts investments. All projects seeking discretionary New Starts funding must follow this process, and FTA must approve project entrance into all but the alternatives analysis phase of planning and development. The planning and project development process is the forum for the development and refinement of the project justification and local financial commitment New Starts criteria (see below), and for addressing other planning, environmental, engineering, and design issues and requirements.

2. **Project Justification.**

SAFETEA-LU requires that proposed New Starts projects be justified based on several project justification criteria, including the following:

- Mobility Improvements
- Environmental Benefits;
- Operating Efficiencies;
- Cost Effectiveness; and
- Transit Supportive Land Use Policies and Future Patterns

SAFETEA-LU also continues the TEA-21 requirement of considering "other factors."

SAFETEA-LU further requires that FTA consider in its review the economic development effects of New Starts projects. FTA desires through the rulemaking process to work with the industry on the development of appropriate factors for

measuring the economic development effects of candidate projects, and therefore will not consider economic development explicitly in the FY 2008 evaluation cycle as a specific criteria for evaluation However, FTA does encourage candidate New Starts project sponsors to submit information which they believe demonstrates the economic development impacts of their proposed transit investments as an "other factor."

3. **Local Financial Commitment.**

SAFETEA-LU requires that New Starts project sponsors demonstrate adequate local support for the project, as measured by:

- The proposed share of total project costs from sources other than from the New Starts program, including federal formula and flexible funds and state and local funding;
- The strength of the proposed project's capital financing plan; and
- The ability of the sponsoring agency to fund operation and maintenance of the entire system – existing and planned – as planned once the guideway project is built.

Planning and Project Development Process for New Starts Projects

Projects seeking New Starts funding – like all federally-funded transportation investments in metropolitan areas – must emerge from a locally-driven, *multimodal* corridor planning process, as depicted graphically in this chart.

There are three key phases in the planning and project development process for projects seeking New Starts funding: 1) Alternatives Analysis; 2) Preliminary Engineering; and 3) Final Design. These phases are described below.

1. **Alternatives Analysis**

   To specifically qualify for New Starts funding (49 USC §5309), candidate projects must have resulted from an alternatives analysis study (also known as major investment study or multimodal corridor analysis) which evaluates appropriate modal and alignment options for addressing mobility needs in a given corridor. Alternatives analysis can be viewed as a bridge between systems planning (which identifies regional travel patterns and transportation corridors in need of improvements) and project development (where a project's design is refined sufficiently to complete the NEPA environmental process). The alternatives analysis study is intended to provide information to local officials on the benefits, costs, and impacts of alternative transportation investments developed to address the purpose and need for an improvement in the corridor. Potential local funding sources for implementing and operating the alternatives should be identified and studied, and New Starts criteria should be developed. At local discretion, the alternatives analysis may

include the undertaking of a *Draft Environmental Impact Statement* (DEIS). Involvement of a wide range of stakeholders – including the general public – in the alternative analysis study process is strongly encouraged.

Alternatives analysis is considered complete when a locally preferred alternative (LPA) is selected by local and regional decision makers and adopted by the metropolitan planning organization (MPO) into the financially constrained long range metropolitan transportation plan. At this point, the local project sponsor may submit to FTA the LPA's New Starts project justification and local financial commitment criteria and request FTA's approval to enter into the preliminary engineering phase of project development.

FTA's *Procedures and Technical Methods for Transit Project Planning* provides detailed technical guidance on the alternatives analysis study process. FTA requests the opportunity to review the alternatives analysis study's scope of work, purpose and need, description of alternatives, and technical methodologies and results as they are developed. FTA desires to become involved in these local studies to assist agencies in addressing technical and procedural issues early in the study process (rather than at the end when it may be too late to efficiently solve them) and to gain sufficient understanding of the resulting project to support FTA's decision to advance it into preliminary engineering and, later, final design.

2. **Preliminary Engineering**

During the preliminary engineering phase of project development, local project sponsors refine the design of the proposal, taking into consideration all reasonable design alternatives. Preliminary engineering results in estimates of project costs, benefits, and impacts at a level of detail necessary to complete the NEPA process. The proposed project's New Starts criteria are similarly refined in the preliminary engineering phase of development, project management plans are updated, and local funding sources are committed to the project (if not previously committed).

FTA typically assigns Project Management Oversight contractors to projects undergoing PE to ensure that the engineering effort progresses in accordance with FTA requirements, and that the project sponsor is adequately preparing for the final design stage of development. Preliminary engineering for a New Starts project is considered complete when FTA has issued a *Record of Decision* (ROD) or *Finding of No Significant Impact* (FONSI), as required by NEPA. Projects which complete preliminary engineering and whose sponsors are determined by FTA to have the technical capability to advance further in the project development process must request FTA approval to enter final design and submit updated New Starts criteria for evaluation.

3. **Final Design**

Final design is the last phase of project development, and includes right-of-way acquisition, utility relocation, and the preparation of final construction plans (including construction management plans); detailed specifications, construction cost estimates, and bid documents. The project's financial plan is finalized, and a plan for the collection and analysis of data needed to undertake a "Before and After Study" – which is required of all projects seeking an FFGA – is developed.

Project Justification

SAFETEA-LU's project justification criteria are intended to reflect the broad range of benefits and impacts which may be realized by the implementation of the proposed New Starts transit investment. Project justification criteria are initially developed as part of alternatives analysis and are refined throughout the preliminary engineering and final design phases of project development. FTA periodically issues guidance on the calculation of project justification measures. FTA's New Starts project justification criteria – and the current measures which make up each criterion – are summarized below:

Criteria	Measure(s)
Mobility Improvements	• Hours of Transportation System User Benefits • Low-Income Households Served • Employment Near Stations
Environmental Benefits	• Change in Regional Pollutant Emissions • Change in Regional Energy Consumption • EPA Air Quality Designation
Operating Efficiencies	• Operating Cost per Passenger Mile
Cost Effectiveness	• Incremental Cost per Hour of Transportation System User Benefit
Transit Supportive Land Use and Future Patterns	• Existing Land Use • Transit Supportive Plans and Policies • Performance and Impacts of Policies • Other Land Use Considerations
Other Factors	• Project benefits not reflected by other New Starts criteria

Local Financial Commitment

The local financial commitment criterion is intended to reflect the level of local funding proposed for the project, and the extent to which this local funding is dedicated to, and in place for, the proposed investment. This criterion also addresses the reasonableness of project cost estimates and revenue forecasts; the adequacy of provisions to address unanticipated costs and funding shortfalls; the financial condition of the New Start project sponsor; and how the sponsor will ensure the operation and maintenance of its entire transit system after implementation of the proposed fixed guideway system.

Like the project justification criteria, information which supports the local financial commitment criteria is refined throughout the planning and project development process. Guidance on the development of transit financial plans is available from FTA.

The three measures for local financial commitment include:

Criteria	Measure(s)
Local Financial Commitment	• Stability and Reliability of Capital Financing Plan • Stability and Reliability of Operating Financing Plan • Local Share of Project Costs

New Starts Evaluation and Rating

FTA evaluates and rates New Starts projects for several specific reasons:

1. To approve project entrance into preliminary engineering;
2. To approve project entrance into final design;
3. As an input to development of the US Department of Transportation's annual New Starts budget request. FTA's ratings are included in the *Annual Report on New Starts*, which is submitted to Congress each spring;
4. To execute a full funding grant agreement (FFGA).

In undertaking its evaluation, SAFETEA-LU requires that FTA rate each candidate New Starts project (in preliminary engineering or final design) as either *high, medium-high, medium, medium-low,* or *low*. These overall project ratings are based on ratings assigned by FTA to each of the project justification and local financial commitment criteria and their measures described above.

It is very important to emphasize that project evaluation is an on-going process. FTA evaluation and rating occurs annually in support of budget recommendations presented in the *Annual Report on New Starts* and when

projects request FTA approval to enter into preliminary engineering or final design. Consequently, as proposed New Starts projects proceed through the project development process, information concerning costs, benefits, and impacts is refined and the ratings updated to reflect new information.

FTA Budget Recommendations

FTA's ratings are intended to reflect overall project merit; proposed projects that are rated as either *high, medium-high, medium* have demonstrated significant potential benefits and are therefore eligible for New Starts funding. However, these **project ratings do not translate directly into a funding recommendation or commitment in any given year.** Rather, FTA must also consider the amount of New Starts funding available on an annual basis and the phase of project development of candidate New Starts projects. To be included in FTA's annual budget request, proposed New Starts must also be sufficiently developed for consideration of a federal full funding grant agreement (FFGA) – FTA's funding mechanism for supporting the multi-year capital needs of project construction.

The following general principles are applied when determining annual funding allocations among proposed New Starts projects:

- Any project recommended for new funding commitments should meet the project justification, local financial commitment, and process criteria established by Sections 5309(d) and 5309(e) and be consistent with Executive Order 12893, *Principles for Federal Infrastructure Investments*, issued January 26, 1994.
- Existing FFGA commitments should be honored before any additional funding recommendations are made, to the extent that funds can be obligated for these projects in the coming fiscal year.
- The FFGA and PCGA define the terms of the Federal commitment to a specific project, including funding. Upon completion of an FFGA or PCGA, the Federal funding commitment has been fulfilled. Additional project funding will not be recommended. Any additional costs beyond the scope of the Federal commitment are the responsibility of the grantee, although FTA works closely with grantees to identify and implement strategies for containing capital costs at the level included in the FFGA or PCGA at the time it was executed.
- Funding for initial planning efforts such as alternatives analysis is no longer eligible for Section 5309 funding under SAFETEA-LU, but may be provided through grants under the Section 5303 Metropolitan Planning or Section 5307 Urbanized Area Formula programs; from Title 23 "flexible funding" sources; or from the newly created Section 5339 Alternatives Analysis program.
- Firm funding commitments, embodied in FFGAs or PCGAs, will not be made until projects demonstrate that they are ready for such an agreement, i.e. the project's development and design has progressed to

the point where its scope, costs, benefits, and impacts are considered firm and final.

- Funding should be provided to the most worthy investments to allow them to proceed through the process on a reasonable schedule, to the extent that funds can be obligated to such projects in the upcoming fiscal year. Funding decisions will be based on the results of the project evaluation process and resulting project justification, local financial commitment, and overall project ratings.

Glossary

AMI – Annual Median Income

BBL – Borough, Block & Lot parcel indentification

BID – Business Improvement District

DIB -- District Improvement Bonus

HYIC -- Hudson Yards Infrastructure Corporation

HYFD -- Hudson Yards Financing District

IDA -- Industrial Development Agency

IHB -- Inclusion Housing Bonus

MRT -- Mortgage Recording Tax

UTEP -- Uniform Tax Exemption Policy

EDA – Economic Development Administration

TEP (421-a) – Tax Exemption Policy

TIDF – Transit Impact Development Fee

SAD -- Special Assessment District