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# **Downtown Rail Service Development Impact Assessment**

Prepared for

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## The Impact on the Economy of Commuter Rail

The implementation of commuter rail service has the ability to affect a region in a number of ways. The most immediate beneficiaries are commuters who are able to convert their automobile travel to rail trips, thereby reducing personal frustration experienced each workday as they negotiate clogged roadways. Employers also benefit when workers are able to commute by rail, as predictable travel time translates into a more punctual, rested, and productive employee. A functional commuter rail service also creates opportunities for the entire region to capitalize on the use of commuter rail. By removing their cars from the roadways, rail commuters unintentionally improve the trips of workers who cannot or choose not to use some form of transit. Similarly, their actions also create benefits for industry, since many firms are sensitive to the effects of roadway congestion.

There are regional benefits to the creation of a commuter rail system that go beyond those due to mobility. While it is challenging to establish direct cause and effect, to say that the existence of commuter rail does not contribute to regional economic development would be overly simplistic. Rarely does a single factor drive the performance of a local economy. Sustained economic growth is the product of a variety of factors, such as an educated and skilled workforce, high levels of worker productivity, local policies that are conducive to business, local transportation accessibility and mobility, and a growing national economy, to name a few. A region might grow without one of these factors, but rarely can it sustain growth if it only has one of them. Combined, they create a “basket” of characteristics that makes a region competitive in the regional, national, and global economy. The more factors in the basket, the more competitive a region is likely to be. Commuter rail contributes to this basket by improving accessibility, mobility, and choice within the transportation network, in addition to increasing its reliability. Commuter rail also contributes to the economic growth of a region by supporting the conditions created when similar firms and skilled workers converge within dense areas, called agglomeration. The benefits that commuter rail provides to local efficiencies and the process of agglomeration were demonstrated by a U.S. Federal Transit Administration study, which showed that between 1991 and 1996 metropolitan areas with transit grew faster than those without.

Academic research in the 1990s began to demonstrate the positive economic impacts of agglomeration and its effect on developing a regional labor force that is skilled and educated. More recently, these ideas have become familiar to the general population, through the work of Richard Florida. Florida’s thesis is that skilled and educated workers are concentrated in desirable locations. No longer are these workers attracted to the location of firms as much the firms are attracted to the locations where this skilled and educated labor force reside. These locations tend to be urban areas with a larger component of their workforce employed in “creative” professions, such as scientists, engineers, researchers, writers, artists, teachers, etc. Florida also found that these cities are generally more ethnically diverse and have more tolerant attitudes towards social norms. However, for these populations to create economic growth, creative individuals must interact socially, have access to cultural activities, exchange ideas, switch jobs, and create businesses. Denser urban forms with rapid transportation linkages (i.e. rail transit) often make

these activities easier, as opposed to a sprawling environment that requires residents to drive a car to meet almost every need.

While the impacts described above are real, their measurement is beyond the scope of this study. However, it is possible to evaluate the economic impact of the construction associated with the incremental values attributable to the presence of commuter rail service in the study area. For purposes of this analysis, the incremental gain in appraised value was assumed to be equal to the cost of construction.<sup>3</sup> The following tables detail the total economic impacts of the construction associated with the increase in demand for downtown real estate due to the availability of rail service. As the data shows, by 2013 total increased economic activity will be \$473.6 million, as the ripple effects of injecting \$267.6 million in new construction move through the economy. Similarly, the 2,657 construction jobs estimated for 2013 will be augmented by an additional 1,866 indirect and induced positions, putting total employment impact that year at 4,522 jobs.

Table (27)  
**The Economic Impact of Construction  
 Attributable to Downtown Rail**

<b>Output</b>	<b>Direct</b>	<b>Indirect &amp; Induced</b>	<b>Total</b>
2004	\$0	\$0	\$0
2005	\$0	\$0	\$0
2006	\$3,772,660	\$2,894,013	\$6,666,673
2007	\$10,175,880	\$7,809,971	\$17,985,851
2008	\$79,728,733	\$61,391,124	\$141,119,857
2009	\$48,509,258	\$37,352,129	\$85,861,387
2010	\$142,029,922	\$109,363,040	\$251,392,962
2011	\$180,622,976	\$139,079,692	\$319,702,668
2012	\$226,098,724	\$174,096,017	\$400,194,741
2013	\$267,568,214	\$205,987,866	\$473,556,080

  

<b>Employment</b>	<b>Direct</b>	<b>Indirect &amp; Induced</b>	<b>Total</b>
2004	0	0	0
2005	0	0	0
2006	43	30	74
2007	114	80	194
2008	875	614	1,489
2009	521	366	887
2010	1,495	1,050	2,545
2011	1,864	1,309	3,173
2012	2,288	1,607	3,895
2013	2,657	1,866	4,522

Source: Texas Perspectives, Inc.

Prepared by Texas Perspective, Inc.

TXP tables.xls

<sup>3</sup> This is likely to be a highly conservative assumption, as confidentiality concerns often lead to an understatement of actual construction costs

Beyond the construction-driven economic impacts, the downtown tax base will also be enhanced by the implementation of commuter rail in the study area. As outlined above, the current property tax base of study area is \$840.0 million, with a significant addition in the near term due to projects under construction and in the planning stages. Furthermore, the overall economic growth of the region will stimulate demand for additional downtown real estate, pushing the total projected appraised value of the study area to \$1.66 billion in 2013, almost doubling the current tax base. Rail will enhance the values even further; as the forecast is for the relevant total property value to reach \$1.92 billion in 2013 with the addition of the downtown stations, an incremental gain of \$267.6 million over the baseline forecast. This clearly has implications for local taxing jurisdictions, as enhanced values translate into enhanced property tax revenue. The following table provides an estimate of the incremental property tax gain in 2013 for each relevant jurisdiction, using 2003 tax rates as a basis of calculation.<sup>4</sup>

Table (28)  
**Property Tax Impact in 2013**

Incremental Value Due to Rail	\$267,568,214
City of Austin	\$1,318,576
Travis County	\$1,315,900
AISD	\$4,324,892
Austin Community College	\$206,295

*Source: Texas Perspectives, Inc.*

*Prepared by Texas Perspectives, Inc.*

*TXP tables.xls*

Increased activity will also have a positive impact on retail trade, as more downtown residents, central city jobs, and greater connectivity with outlying areas will translate into greater local sales tax revenue. The current level of taxable retail sales in the study area was estimated from data provided by the Comptroller's Office and a review of current land use patterns, and the baseline forecast was driven by the expected changes in underlying property values. The incremental gain associated with the presence of rail was also estimated using underlying property values, based on the fact that appraised values of commercial property are essentially a function of income. The following table provides annual detail. By 2013, both the City of Austin and Capital Metro can expect to realize just over \$400,000 in additional sales tax revenue due to the presence of downtown rail.<sup>5</sup>

<sup>4</sup> These estimates do not reflect possible changes in tax rates, nor the creation of the hospital district.

<sup>5</sup> It is possible that some portion of this increased sales tax activity in the near term will be due to shifting of demand from elsewhere in the City of Austin and the Capital Metro service area, making the initial net gain somewhat smaller. However, that impact likely would be short-lived, as the market adjusts over time.

Table (29)  
**Sales Tax Impact**

	<b>Baseline Taxable Sales Forecast</b>	<b>Taxable Sales Forecast with Rail</b>	<b>Incremental Gain</b>	<b>City of Austin Sales Tax Revenue</b>	<b>Capital Metro Sales Tax Revenue</b>
2004	\$130,414,314	\$130,414,314	\$0	\$0	\$0
2005	\$150,249,858	\$150,249,858	\$0	\$0	\$0
2006	\$163,427,254	\$164,012,949	\$585,696	\$5,857	\$5,857
2007	\$178,511,847	\$180,091,626	\$1,579,779	\$15,798	\$15,798
2008	\$190,466,249	\$202,843,926	\$12,377,677	\$123,777	\$123,777
2009	\$213,485,965	\$221,016,901	\$7,530,935	\$75,309	\$75,309
2010	\$217,369,769	\$239,419,543	\$22,049,774	\$220,498	\$220,498
2011	\$230,209,048	\$258,250,292	\$28,041,245	\$280,412	\$280,412
2012	\$243,274,740	\$278,375,976	\$35,101,236	\$351,012	\$351,012
2013	\$256,975,782	\$298,515,047	\$41,539,265	\$415,393	\$415,393

Source: Texas Perspectives, Inc.

Prepared by Texas Perspectives, Inc.

TXP tables.xls

## Summary and Conclusions

The preceding data and analysis show that the extension of a fixed guideway circulator system into and through downtown Austin will have a significant impact on downtown property values. Specifically, the analysis focuses on an 80-block area on the south end of downtown through which a proposed rail circulator system would run on either 3<sup>rd</sup> or 4<sup>th</sup> street, from the Austin Convention Center west to the Seaholm Power Plant. The circulator system would operate on 15-minute intervals and would connect with (or be an extension of) the proposed Capital Metro northwest rail line, which begins in Leander and runs through north and east Austin and terminates at the Convention Center.

The impact of this proposed rail service extension can be evaluated based on the increased accessibility that is offered to properties within walking distance (1/4 mile) from the proposed station locations. A literature review conducted for this study shows substantial and measurable impacts on property values within walking distance from a rail station. The evaluation methodology follows three steps. First, current land use and property values for the 80-block rail corridor study area were determined. Second, projects that were under construction in January 2004 or planned to start in the next two years were identified and ascribed values. Third, a baseline forecast of expected office and multifamily absorption was prepared, without considering the impact of a rail circulator system. Then, finally, an absorption forecast was prepared that takes into account the potential impact of the rail circulator system.

The results show that currently there is a substantial base of \$840 million in assessed value in the study area, including 22.5 blocks that are owned by the city, county and state and are tax exempt. There are also several projects under construction or planned that, taken together, will add at least \$328 million in assessed value. In addition, the baseline (no circulator rail) forecast for new office and apartment construction will add another \$487 million in assessed value, due to increases in occupancy and new construction. Finally, the impact of the rail will add another \$268 million in assessed value, mostly from new construction.

These results show a substantial growth in the tax base of the study area and overall a 16.1% increase in assessed value as a result of adding a fixed guideway circulator system into and through downtown.

Table (30)

## Comparison of Values With New Construction & Rail Influence Rail Corridor Study Area

Year	Current Base Value	Base Plus Value of Projects Under Construction	Base, Under Const. Plus Value of Future Office and Multifamily	Base, Under Const. Plus Value of Future Office and Multifamily and Rail Influence
2004	\$840,041,942	\$840,041,942	\$840,041,942	\$840,041,942
2005	\$840,041,942	\$967,809,274	\$967,809,274	\$967,809,274
2006	\$840,041,942	\$1,005,273,409	\$1,052,689,257	\$1,056,461,917
2007	\$840,041,942	\$1,043,238,776	\$1,149,854,137	\$1,160,030,017
2008	\$840,041,942	\$1,118,096,276	\$1,226,856,412	\$1,306,585,145
2009	\$840,041,942	\$1,168,096,276	\$1,375,134,054	\$1,423,643,312
2010	\$840,041,942	\$1,168,096,276	\$1,400,150,927	\$1,542,180,849
2011	\$840,041,942	\$1,168,096,276	\$1,482,852,986	\$1,663,475,962
2012	\$840,041,942	\$1,168,096,276	\$1,567,013,454	\$1,793,112,178
2013	\$840,041,942	\$1,168,096,276	\$1,655,266,415	\$1,922,834,629

Source: Travis Central Appraisal District, 2004 Tax Roll; City of Austin Emerging Projects  
Prepared by Capitol Market Research, August 2004

New Development.xls

