An Avison Young White Paper

JUNE 2015

# Unlocking Generational Aspirations: A Commercial Real Estate Perspective on Public Transit & Transportation Infrastructure Investment in Metro Vancouver

## Table of Contents



## Executive Summary

Residents in the Metro Vancouver region of British Columbia, Canada have had a rare opportunity to decide whether or not to fund the development and expansion of transit and transportation infrastructure – a choice that would be the envy of most metropolitan centres around the globe.

A failure to leverage the high level of accord currently shared by the collection of municipalities, business groups, environmental and labour organizations, and NGOs backing the proposed 10-year investment plan will ultimately represent a missed opportunity that will constrain the performance of the commercial real estate industry and negatively impact the region's economic vitality and growth for decades.

From the perspective of the commercial real estate industry, a stable source of funding dedicated to public transit and transportation infrastructure investment is welcomed and the opportunity to secure such funding should be seized.

We believe that the benefits of such an investment – which is also being promoted in the U.S. and the European Union as a key driver of economic activity and development – are necessary and key to the ongoing economic health of Metro Vancouver. We also believe the demonstrated environmental and health benefits associated with more efficient and extensive public transit and transit-oriented development will build healthier communities and present new opportunities in all property types for not only the commercial real estate industry, but also for an extensive range of related industries and services.

The lesson for Metro Vancouver residents from an international perspective is that such opportunities to fund public transit infrastructure are rare and having a broad coalition supporting such an endeavour is an even more exceptional accomplishment. Metro Vancouver residents should not dismiss this funding plan lightly or allow non-related factors to impact their decision as to whether or not to support the measure.

Area residents were asked in March 2015 to participate in a mail-in non-binding plebiscite that asked if they supported a 0.5% increase to the Provincial Sales Tax (PST) collected within the region to pay a one-third share of a 10-year, $7.5-billion transportation infrastructure investment plan agreed upon by the mayors of the various municipalities that make up Metro Vancouver. This new regional revenue source – dubbed the **Metro Vancouver Congestion Improvement Tax** – would generate $250 million annually and was based on meeting the needs of the historical funding model for transportation infrastructure investment in BC: one-third of the costs covered each by the region, the province and the federal government. A majority of 50% plus one will be considered decisive.

But why is this transit and transportation investment even necessary? One word: congestion. And by all accounts, it is getting worse and strangulating the region with gridlock.

Congestion – characterized as sand in the gears of a city – already costs Metro Vancouver residents $487 million annually and that does not include almost $600 million in lost business revenue and a $340 million reduction in regional GDP.[1] An additional 1.4 million residents are expected by 2041 which, by 2011 estimates, could result in 700,000 more vehicles on the road.[2] By 2045, road congestion costs are predicted to rise to more than $1 billion per year given the projected population growth if governments do nothing. Business revenue will suffer to the tune of more than $1.7 billion with regional GDP taking a $1 billion hit as well.[3] The proposed plan being voted on by Metro Vancouver residents is estimated to reduce that total by one-third.[4] **Transport Canada** had previously estimated in 2006

1. HDR Inc., *Current and Projected Costs of Congestion in Metro Vancouver, Final Report*, February 2015, p. 8.
2. J. Arnold, *Congested and Nowhere to Go: Congestion, Road Infrastructure, and Road Pricing in Metro Vancouver*, BC Business Council, October 2013, p. i.
3. HDR Inc., *Current and Projected Costs of Congestion in Metro Vancouver, Final Report*, February 2015, p. 8-9.
4. C.D. Howe Institute, *Tackling Traffic: The Economic Cost of Congestion in Metro Vancouver*, March 2015, p. 3.

that the economic cost of Metro Vancouver congestion was $927 million annually.[5] While this figure is now considered an overestimate, the point is well taken that Metro Vancouver must do something to alleviate its congestion or face dire economic and environmental consequences.

Metro Vancouver is routinely named as one of Canada's most congested cities and has even challenged notoriously congested U.S. cities[6] such as Los Angeles for the title of worst traffic congestion in North America.[7] And according to **C.D. Howe Institute's** March 2015 report, *Tackling Traffic: The Economic Cost of Congestion in Metro Vancouve*r, the financial costs may in fact be much higher than the estimates provided due to hidden costs not accounted for in the analysis of visible traffic congestion.

Investment in transit and transportation infrastructure has been demonstrated to produce significant benefits in Canada beyond reducing congestion and air pollution, including boosting economic activity and spending, increased labour mobility, increased personal mobility, and public health and safety benefits. Transit investment also has an impact on property by generating "enhanced land accessibility that increases residential and commercial values."[8]

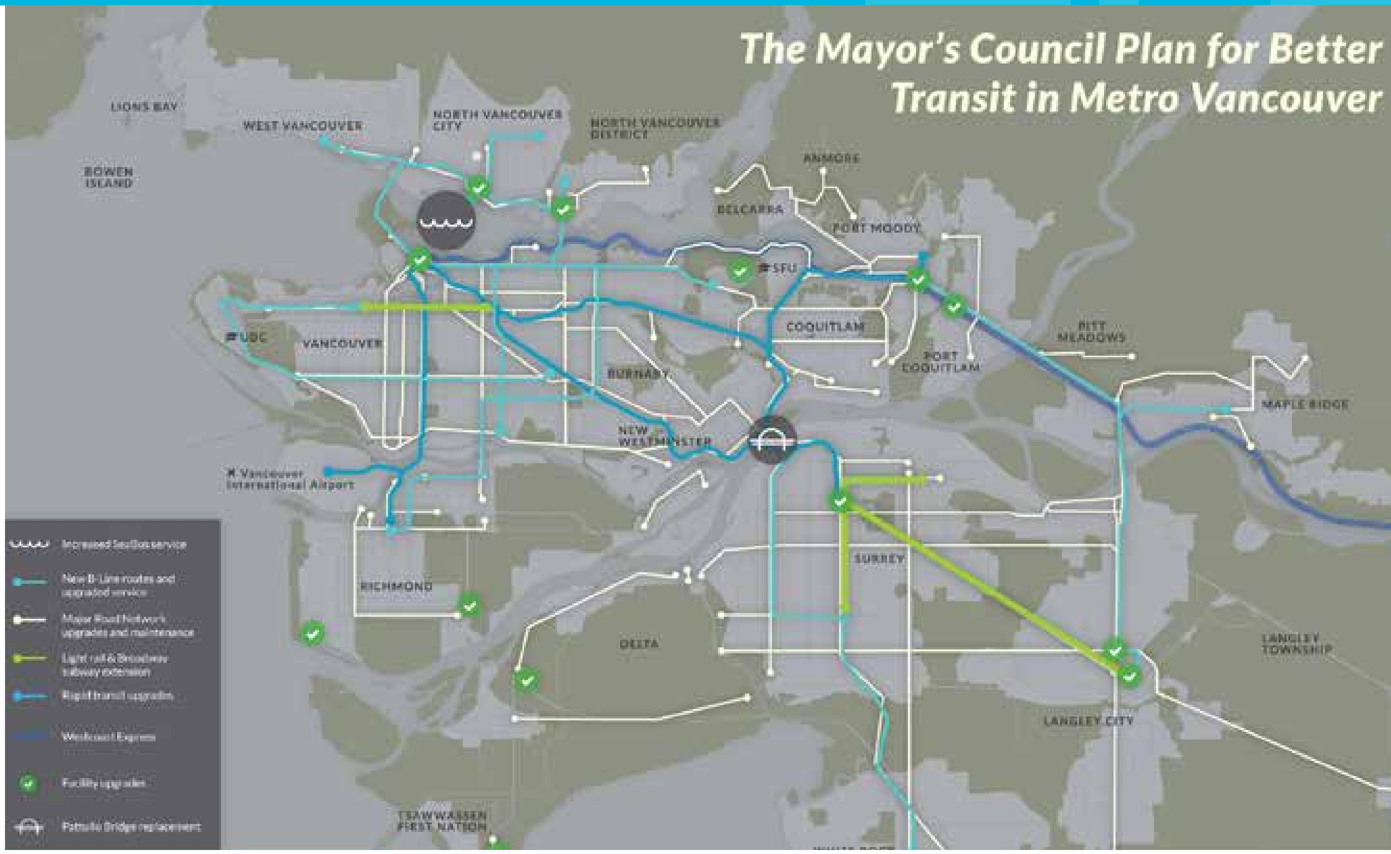
In order to maximize the investment in transit and transportation infrastructure, Metro Vancouver municipalities have been increasingly encouraging transit-oriented development (TOD) for almost a decade. Former Vancouver mayor **Sam Sullivan** announced his "EcoDensity" initiative in 2006, which called for greater density located around transit nodes among other proposals.[9] **Metro Vancouver's** *Regional Growth Strategy* (RGS) was approved in 2011, which called for the development of 'complete communities' designed to support walking, cycling and public transit, and healthy lifestyles.[10] The development industry has also recognized the importance of projects being linked to rapid transit and has contributed millions of dollars in recent years to upgrade old rapid transit stations and build new

ones.[11] An improved public transit system for Metro Vancouver has been a key municipal policy objective during the past decade and may have inadvertantly planted the seeds for the mandated plebiscite put forward by the provinicial government as a means to establish a new source of transit funding moving forward.

This publication will explore the impacts that investment in transit infrastructure may have on the development of Metro Vancouver as well as examine how other jurisdictions approached similar plebiscites and how commercial real estate development was impacted in communities in Canada, the U.S. and Europe.

---

5. Ibid, p. 3.
6. Canadian Press, "Vancouver has worst traffic congestion in country: report," *The Globe and Mail*, March 31, 2015.
7. T. Crawford, "Vancouver edges out Los Angeles for worst traffic congestion in North America: index," *The Vancouver Sun*, November 7, 2013.
8. Canadian Urban Transit Association, *Transit Means Business: The Economic Case for Public Transit in Canada, Issue Paper #5*, 2003, p. 1.
9. Vancouver Sun staff, "'Ecodensity' Mayor Sam's Newest Plan," *The Vancouver Sun*, June 17, 2006.
10. Metro Vancouver, "New regional land use plan for Metro Vancouver approved," press release, July 29, 2011.
11. J. St. Denis, "Transit top of mind for Vancouver businesses as election approaches," *Business in Vancouver,* October 31, 2014.




*Reprinted with permission from the Mayors' Council On Regional Transportation*

# What's at stake? A list of proposed improvements

## TRANSPORTATION PRIORITIES

A list of transportation investments, upgrades and services that are required to keep Metro Vancouver moving:

## ROADS

- **A new 4-lane Pattullo Bridge to replace this aging but vital connection**
- **Maintaining and upgrading the 2,300 lane kilometres of Major Road Network (MRN)** to keep people and goods moving, enhance safety and connect our communities
- **Planned Provincial Massey Bridge**

## EXISTING RAIL TRANSIT

- **Expand capacity of existing rail lines:** more train cars and expanded stations and systems to meet the growing needs on the **Expo, Millennium and Canada Lines, and the West Coast Express**

## NEW RAPID TRANSIT

- **Light rail transit (LRT) in Surrey and the Langleys** to meet the needs of these rapidly growing communities. LRT service connecting Guildford, Surrey City Centre and Newton. And LRT service connecting Surrey City Centre and Langley Centre along Fraser Highway
- **A Millennium Line extension from VCC-Clark to Arbutus Street, tunnelled along the Broadway corridor** to serve current and future demand along the region's busiest bus corridor

## BUS & SEABUS SERVICE

- **25% increase in bus service across the region:** This increase adds 400 more buses to the existing fleet of 1,830
- **200 more kilometres of B-Line or better routes:** 11 new fast, frequent, reliable limited-stop services across the region
- **More frequent all-day service:** significant expansion of the network of high frequency services, with service every 15 minutes or better, all day, 7 days a week
- **More frequent peak-hour service:** so that commuters spend less time waiting in the morning and afternoon rushes
- **50% more SeaBus service:** every 15 minutes all day and every day, increasing to 10 minutes during the morning and afternoon rushes
- **Service to new and growing lower-density neighbourhoods** across the region 80% more NightBus: Increased service for those who need to get around late at night
- **30% more HandyDART service:** Improved service for those who cannot use transit without assistance and to meet the growing needs of our aging population
- 13 new or expanded transit exchanges across the region to serve growing demand, support new transit service and make the system easier to use

## CYCLING AND WALKING

- **2,700 kilometres of bikeways,** including 300 km of fully traffic-separated routes: Making cycling a safer choice for both cyclists and motorists
- Better connections to transit through **improved walking and waiting facilities** at or near transit stops and stations

## SYSTEM MANAGEMENT

- **Expanded customer service programs** (e.g. information, incentives, and integrated payment systems) to make the system easier to use and more efficient
- **Investment in transit priority** to move more people, faster

# How did we get here?

Since the inception of Metro Vancouver's regional transportation authority, **TransLink**, in 1999, the debate around how to fund public transit expansion has raged and resulted in the implementation of numerous fare increases, proposed taxes, levies and road pricing schemes – and even the restructuring of the transportation authority's board by the governing BC Liberals to make the organization more amenable to direction from the provincial government. *(This synopsis was partly developed from an online feature produced by Black Press.)*[12]

Here is how residents of Metro Vancouver arrived at this juncture:

An initial plan to introduce an annual $75 vehicle levy (and a fare increase) in 2000 to support ongoing expansion of the SkyTrain rapid transit network was approved by TransLink and the **Greater Vancouver Regional District** (now known as **Metro Vancouver**). However, the BC NDP government in power at the time declined to collect the levy ahead of a provincial election in 2001 when the BC Liberals vowed to campaign against the 'car tax'. Additional transit expansion was subsequently shelved in early 2001 due to a lack of funds. Later that year, an additional two cents per litre was added by the province to the existing fuel tax in Metro Vancouver to help complete the SkyTrain expansion already underway. TransLink also hiked fares and property taxes to contribute its matching share. A fare increase went into effect in December 2001.

A new rapid transit line – the Millennium Line – opened in August 2002. At the behest of the previous BC NDP government, the new SkyTrain route ran though eastern Burnaby and New Westminster. Previous pledges to expand rapid transit service to the northeast sector of Metro Vancouver via light rail were ignored.

Vancouver was awarded the 2010 Winter Olympic Games in 2003. Plans to build a new rapid transit line from Downtown to the Vancouver International Airport via Richmond – initially known as the RAV Line and subsequently renamed the Canada Line – were advanced despite the previously stated regional priority of linking Coquitlam in the northeast with a rapid transit line. TransLink approved a $4-billion, three-year plan and 10-year outlook in December 2003 but identified gaps in future expansion funding.

The board of TransLink subsequently voted against building the Canada Line in May 2004 citing high costs, past pledges to connect the northeast with rapid transit, and the provincial government's stated preference for the project to be constructed as a public-private partnership. Under intense pressure from the province, TransLink subsequently voted in December 2004 to proceed with the Canada Line after rejecting it twice. TransLink's operating costs rose significantly and the northeast was bypassed again.

Concerns about TransLink's finances were revived in 2005 as was the suggestion of a vehicle levy. The provincial government struck down the idea. As a result of the delay in approving the Canada Line, the province subsequently announced in January 2006 that a panel would review and propose reforms to TransLink's governance structure. TransLink proposed a parking stall tax in March 2006, which found little traction and was ultimately dismissed by the province.

The provincial government announced in March 2007 that it would

12. J. Nagel, "Province okays transit tax referendum questions, with some tweaks," *Surrey North Delta Leader,* December 18, 2014. The summary was partly derived from a stand-alone online timeline feature that accompanied the referenced article.


restructure TransLink's board. An appointed professional board would replace the elected mayors and councillors from around the region who previously formed the board. With the defeat of the parking stall tax, the province subsequently approved a 'replacement tax' anyway. New legislation was introduced in December 2007 to enable the changes to TransLink's governance structure. A three cent per litre increase in fuel taxes was also permitted with the condition it be matched by hikes in fares and property taxes. A vehicle levy remained an option, but required provincial consent to be collected. A new unelected TransLink board was appointed in January 2008. The **Mayors' Council on Regional Transportation** (Mayors' Council) was formed, but could only approve or veto significant tax hikes proposed by the new board. The province unveiled a new $14-billion transit and transportation infrastructure investment plan in January 2008.

TransLink's 30-year plan unveiled in June 2008 suggested tolls and other driving charges such as road pricing as the transit authority projected its surpluses would be drained by 2012 and would thereafter run a $150-million annual deficit just to operate the existing system. TransLink acknowledged in July 2008 that the aging Pattullo Bridge needed to be replaced. TransLink warned in August 2008 that more funding was needed to avoid service cuts and that population growth was placing additional strain on the transit system. TransLink officials provided the mayors with a list of possible funding sources in December 2008, including road user fees, a vehicle levy and a local sales tax increase.

The federal government committed to funding its portion of the long-delayed Evergreen Line to the northeast sector in February 2009, but TransLink warned it may not be able to fund its share without new or expanded funding sources. In March 2009, TransLink subsequently proposed fare increases, property taxes, fuel taxes, a parking sales tax, a tax on shipping containers, a portion of the provincial Property Transfer Tax and a vehicle levy as potential sources of funding. The province turned down all the options. The Mayors' Council suggested in April 2009 that TransLink receive a portion of the provincial carbon tax, but that idea was also rebuffed by the province. In response, the province announced a review of TransLink in July 2009 aimed at identifying efficiencies and cutting costs.

TransLink presented two funding options to the Mayors' Council in July 2009, one of which included a vehicle levy and road pricing subject to provincial approval. The province was publicly displeased with the options put forward by TransLink and shortly afterwards stated it would not reconsider its position on road pricing or tolls.

The new Canada Line – the rapid transit line linking downtown to the airport – opened in August 2009. The Mayors' Council agreed to a three cent hike in the fuel tax and a fare increase in October 2009 to avert service cuts. TransLink also started considering new rapid transit options in Vancouver and Surrey despite the lack of any funding for the expansion. The province announced the results of its review in November 2009 and urged more direct oversight of TransLink by the mayors plus the appointment of provincial representatives to the board. The province also found the number of TransLink executives "excessive". TransLink subsequently fired three executives in December 2009 and took other cost-cutting measures.

The Mayors' Council approved a tax hike on pay parking lots in January 2010 to raise additional funds. Metro Vancouver's transit system was celebrated during and after the Winter Olympic Games in February 2010 as it efficiently transported significant numbers of passengers with few problems. The provincial government committed to the Mayors' Council in September 2010 to negotiate and secure new TransLink funding sources. The Mayors' Council approved a two cent fuel tax hike in October 2011 to pay for Evergreen Line construction and pledged it would temporarily hike property taxes if the province failed to deliver other funding sources.

In March 2012, new BC Liberal Premier **Christy Clark** rejected the call by the Mayors' Council for a vehicle levy or other new sources of funding and instead ordered another audit of TransLink. The previously proposed fuel tax hike from October took effect in April 2012, but the revenue generated was becoming less predictable. In May 2012, the province gave TransLink the legal power to enforce collection of fines from fare evaders and offered two seats on the appointed TransLink board to the Mayors' Council. The Mayors' Council voted in May 2012 to rescind the temporary property tax it had previously agreed to enact. In September 2012, TransLink managers cut $100 million from the budget over three years, but continued to shuffle bus routes to reduce costs. The provincial audit ordered in March 2012 found very few avenues to save money and the provincial government acknowledged in October 2012 that new funding sources needed to be found.

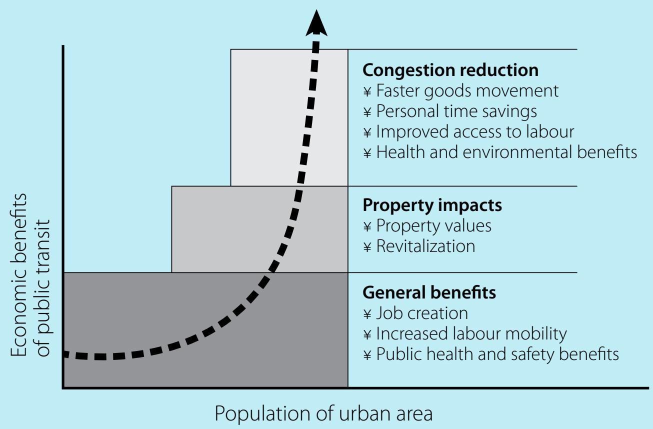
The Mayors' Council renewed calls in January 2013 for a vehicle levy and road pricing, and included a regional sales tax or carbon tax as other funding options. The Mayors' Council also called on the province to honour its 2010 agreement to negotiate new funding sources. In March 2013, the BC Liberals announced as part of its election platform that Metro Vancouver residents would vote in a referendum whether to support any new TransLink tax should they be re-elected. The BC Liberals won the election in May 2013 in an upset victory and indicated they would honour their promise to hold a referendum on new TransLink funding sources. The Mayors' Council voted in June 2013 to oppose the referendum in principle. The promised referendum subsequently became a non-binding plebiscite.

The province instructed the Mayors' Council in February 2014 to produce a 10-year vision by June 2014 that outlined proposed transit expansion in the region and suggested methods to fund it. The Mayors' Council presented a $7.5-billion, 10-year plan for the region in June 2014 and asked for the transfer of a portion of the existing carbon tax or the creation of a new regional carbon tax to fund the plan. The province indicated it would not share any carbon tax revenue. The Mayors' Council then proposed a regional sales tax or vehicle levy. Municipal elections in November 2014 saw the re-election of most mayors who backed the Mayors' Council's 10-year plan. The Mayors' Council voted in December 2014 to put forward a 0.5% increase in the sales tax levied within the region as the preferred funding mechanism. The province approved the referendum question and the proposed sales tax increase was dubbed the Congestion Improvement Tax. TransLink CEO **Ian Jarvis** was removed in February 2015 in an effort to satisfy public criticism of the transit authority's management. In March 2015, well-known BC billionaire businessman **Jim Pattison** was named head of a newly formed accountability committee that would oversee how TransLink would spend the 0.5% transit tax. Plebiscite ballots were mailed out in March 2015 and were to be returned by the end of May 2015.

# Commercial real estate: Economic benefits derived from development

Figure 1

Economic benefits of public transit




*Source: Canadian Urban Transit Association*

Transit and transportation infrastructure investment has been demonstrated to stimulate additional commercial and residential development around existing and new transit nodes and corridors in Canada, the U.S. and Europe. Governments at all levels have reported that such investment produces a number of economic benefits:

- "Economic activity and spending through transit industry supply chains, operations, research and new product development;
- Increased labour mobility for numerous economic sectors, particularly downtown businesses;
- Increased personal mobility for people who choose not to drive or otherwise cannot reach work, shopping, health care or other services by car; and
- Public health and safety benefits including those derived from cleaner air and fewer traffic collisions."[13]

City planners increasingly encourage densification around transit hubs as a way of addressing congestion, environmental and commuting costs. The renewed popularity of an urban lifestyle versus suburban living and shifting demographics that possess dissimilar financial, employment and personal priorities than previous generations are progressively demanding more residential real estate with access to all the amenities available in an urban environment. Transit is considered an integral amenity. That stipulation has translated into increased demand – and subsequently higher property values – for residential developments with transit access, particularly around rapid transit lines and light rail.

"Dozens of studies in the United States have compared the value of properties near rapid transit stations to the value of similar properties in other areas. Almost all of these studies have concluded that proximity to quality transit service leads to an increase in property values," according to the **Canadian Urban Transit Association's** issue paper #5, *Transit Means Business: The Economic Case for Public Transit in Canada*. "Studies in Vancouver, Scarborough and Calgary have also found that properties increase in value when they are close to commuter rail, subway or light rail lines."[14]

Similar impacts have been noted by **Melanie Reuter**, director of research, for **REIN Canada**.

"Increasingly, stakeholders are realizing the value of locating at transit nodes. In recently published research in the U.S. for example, residential properties maintained their values during the latest recession, whereas other properties plummeted in value. Commercial real estate experiences an ever greater premium than residential real estate. As evidenced all over North America, consumers are willing to pay more to live in areas that are walkable, accessible to transit and have a mix of residential and commercial and employment opportunities."[15]

Research by the **American Public Transportation Association (APTA)** found that in addition to the property value premium attributed to being located near rapid transit/light rail stations, the

13. Canadian Urban Transit Association, *Transit Means Business: The Economic Case for Public Transit in Canada*, Issue Paper #5, May 2003, p 1.

14. Ibid, p. 3.

15. M. Reuter, "Empirical Proof that Transit Protects or Enhances Your Property Values", *The Real Estate Insider Blog*, REIN Canada, July 2014.

premium increased if other factors including smaller city blocks, a connective street network, walkability to commercial services and amenities and mixed land uses were also present.[16] Commercial developers often benefit through tax incentives and density bonusing schemes that are used to encourage transit-oriented development. Businesses endeavour to locate in areas that are attractive not only to employees but also potential hires and increasingly those areas feature developments rich in amenities and transit options.

Workers often seek to have their values reflected in their employer and locating close to transit allows employees to not only save money and time on commuting, but to also demonstrate a willingness to tread lightly from an environmental perspective.[17]

The largest beneficiaries of the property value premium attached to TOD (in the U.S.) have been found to be office and retail users with property values approximately 150% higher than similar properties located outside the reach of light rail transit.[18] It has also been noted in Metro Vancouver that commercial real estate located adjacent or close to transit nodes has lower vacancy and commands higher rents.[19]

The increase in property values near a public transportation station essentially represents a capitalization of the access cost savings and travel time savings associated with those locations.[20]

"Property owners see the multi-faceted benefits of purchasing in these locations for themselves or their tenants: increased access to jobs, a decrease in commuting costs; increased values and rents; and a higher quality of life as measured by connectedness and community," according to Reuter.[21] Quantitative data has demonstrated higher values for residential and commercial real estate around transit nodes, and in the U.S., these properties also demonstrated resiliency during the economic downturn.[22]

"These factors inform policy and planning decisions for municipal and regional governments and the success of real estate around LRT stations makes it easy for planners to focus attention around transit nodes," Reuter concludes. "We will continue to see substantial density and development in these areas and commercial and residential real estate investors can capture the benefits inherent with the strategic locations of these properties."

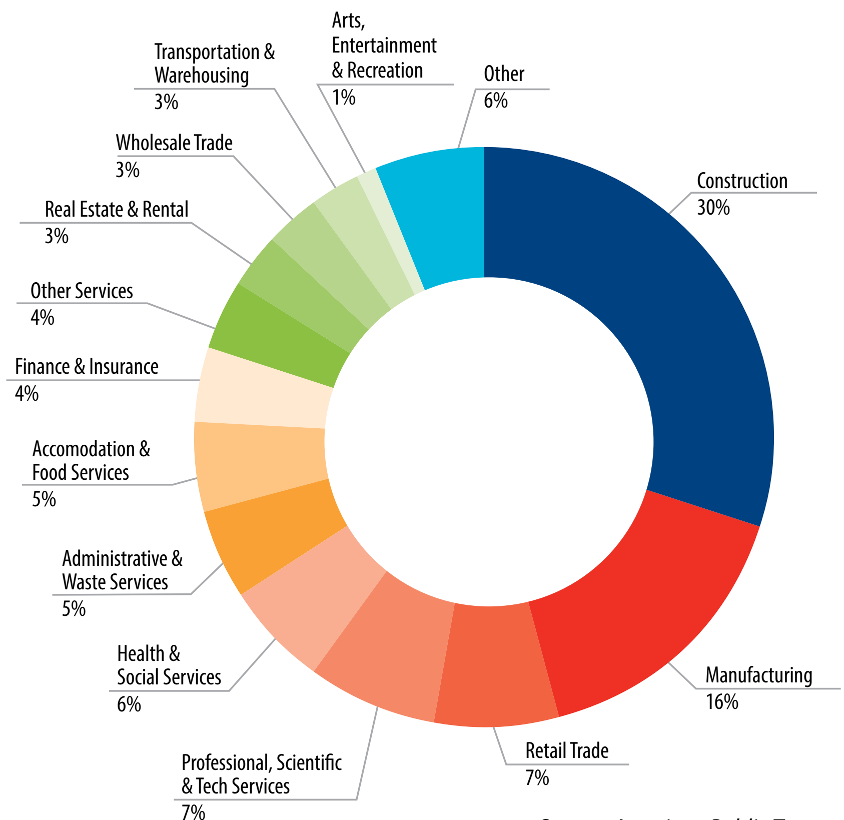
A recent report prepared by the **National Economic Council** and the **President's Council of Economic Advisers** and published by the White House in the U.S. came to similar conclusions.

"Transportation investment affects not only the level of economic output but geographic distribution of economic activity. Declining transportation costs in the past facilitated the growth of cities across the U.S.," according to the report.[23] "Infrastructure investment can

*Continued on page 11*

16. American Public Transportation Association and the National Association of Realtors, *The New Real Estate Mantra: Location Near Public Transportation,* March 2013, p.3.
17. M. Reuter, "Empirical Proof that Transit Protects or Enhances Your Property Values," *The Real Estate Insider Blog*, REIN Canada, July 2014.
18. Ibid.
19. Ibid.
20. American Public Transportation Association, *Economic Impact of Public Transportation Investment: 2014 update*, May 2014, p. 11.
21. M. Reuter, "Empirical Proof that Transit Protects or Enhances Your Property Values," *The Real Estate Insider Blog*, REIN Canada, July 2014.
22. Ibid.
23. National Economic Council and the President's Council of Economic Advisers, *An Economic Analysis of Transportation Infrastructure Investment*, The White House, July 2014, p. 6.

# Jobs per $1 Billion of Public Transportation Capital Investment: by Industry




*Source: American Public Transportation Association, 2014*

Based on U.S. studies, the mix of industries affected by transit infrastructure investment reflects the combined outcome of four key factors:

1. The direct investment mix for capital and operations – which in this case is primarily construction services; manufacturing of buses, trains, tracks and equipment; and government-owned public transportation services.[24]
2. The locally made portion of those manufactured products and services – which in this case means the U.S.-supplied portion: 100% for ongoing public transportation operations plus 76% for buses, 87% for train rolling stock, and 81% for control equipment.[25]
3. The indirect effect on orders to suppliers; for capital investment, the indirect effects are concentrated in the manufacturing of building materials and equipment, associated transportation and wholesaling, plus administrative, professional and financial services. For operations spending, the indirect effects are concentrated in professional and administrative services, vehicle replacement parts manufacturing, whole trade and petroleum products.[26]
4. The induced effect on worker spending of additional wages; primarily retail trade, restaurants and lodging, personal services, health services and financial services.[27]

---

24. American Public Transportation Association, *Economic Impact of Public Transportation Investment: 2014 update*, May 2014, p. 43.
25. Ibid, p. 43.
26. Ibid, p. 43.
27. Ibid, p. 44.

also raise property values, particularly if these investments bring about improvements in local living standards (including shorter commute times and greater proximity to desirable amenities). For example, research suggests that proximity to public transit raises the value of residential and commercial real estate. **Bernard Weinstein** studied the effect of the Dallas light rail system on property values, and found that a jump in total valuations around light rail stations was about 25 percent greater than in similar neighbourhoods not served by the system. This is consistent with studies conducted in St. Louis, Chicago, Sacramento and San Diego, all of which find that property values experience a premium effect when located near public transit systems."[28]

The APTA notes not only the significant economic impacts of public transportation investment, but the importance it plays when it comes to formulating good public policy. "Overall, investment in public transportation infrastructure and services can be expected to create economic efficiencies and job growth in the U.S. economy, both from the stimulus of transit outlays and the more efficient economic conditions associated with transit use. Moreover, the long-term economic payoffs for public transit investment exceed many other policy areas, including the likely effect of reduced taxation."[29]

The importance of public transportation and transit investment and the related economic benefits they generate have also been recognized by the **European Union**.

"There is a robust argument to be made in favour of placing a strong emphasis on the development of urban infrastructures, in particular urban transport infrastructure within the EU Package for Jobs, Growth and Investment," according to a position paper of the **International Association of Public Transport (UITP)** published in December 2014.

"Public transport generates benefits well beyond the mobility sphere and support a wide range of urban policies. By contributing to the competitiveness of cites, public transport enables saving and creates value, for individuals, businesses, and public authorities – notably through higher tax revenues. Public transport also helps leverage private investment in the city. Overall, investment in public transport generates value that exceeds the initial investment – up to 3 to 4 times.[30]

"The evidence also shows that the economic benefits of public transport for the city are optimized when public transit schemes are adequately integrated into economic development strategies, urban development and housing policies, education and employment strategies, tourism and culture policies, and of course other aspects of urban transport policy.[31]

"Local governments should be empowered so as to be able to carry out successfully such integrated urban strategies. In particular, their ability to generate adequate funding for such strategies should be strengthened. As it creates value at the local level, which can be captured by local government for the funding of infrastructure and services, public transport should be an integral part of any urban development agenda."[32]

28. Ibid, p. 6.
29. American Public Transportation Association, *Economic Impact of Public Transportation Investment: 2014 update*, May 2014, p. 46.
30. UITP Europe, *Investing in Public Transport Infrastructure as Part of the EU Package for Jobs, Growth and Investment, Position Paper of the International Association of Public Transpor*t, European Union, December 2014, p. 3.
31. Ibid, p. 3.
32. Ibid, p. 3.

# Public engagement & financing transit infrastructure: U.S. case studies

Ballot initiatives and referenda involving the financing of transit infrastructure investment have been more typically associated with the American political tradition of 'direct democracy' and, as a result, the majority of case studies involve American cities. Canadians have not typically been asked by provincial governments to approve of such spending measures.

Transportation and transit-related ballot measures have proliferated throughout the U.S. in recent years.[33] Here are some examples of recent successes:

## Los Angeles streetcar capital project

- Funding source: Downtown residential property tax (~US$60/unit for 1,000 square feet)
- Investment: 50% capital costs, or US$62.5 million, for downtown streetcars
- Voting result: 73% Yes (66% supermajority required) on December 2, 2012[34]

## San Francisco transportation improvements

- Funding source: Additional US$10/year fee on vehicle registrations
- Investment: US$5 million/year with 50% for street repairs, 25% for transit reliability and mobility, and 25% for pedestrian safety
- Voting result: 51% Yes on November 2, 2010[35]

## Oklahoma City metropolitan area projects

- Funding source: $0.01 sales tax increase (temporary for seven years)
- Investment: US$777 million in funding raised with US$180 million for a new light rail system, commuter lines and a transit hub, new sidewalks, and 92 kilometers of new biking and walking trails
- Voting result: 54% Yes on December 8, 2009[36]

## Seattle mass transit expansion

- Funding source: Sales tax increase
- Investment: US$17.8 billion in new funding for 58 kilometers of new light rail line, 17% expansion of express bus service, and 65% more Tacoma-Seattle commuter rail capacity
- Voting result: 58% Yes on November 4, 2008[37]

## Los Angeles County public transit expansion - Measure R

- Funding source: 0.5% sales tax increase
- Investment: US$40 billion over 30 years for specified transit and roadway projects
- Voting result: 67.22% Yes (66% super majority required) on November 4, 2008[38]

Not all initiatives have been successful, however, as voters in Metro Atlanta rejected a US$7.2-billion transportation plan in August 2012 by voting 63% against the measure.[39]

33. Advocacy Advance, *Success at the Ballot Box: Winning Bicycle-Pedestrian Ballot Measures*, September 2013, p.2.
34. Moving in a Livable Region, "Featured Transportation Referenda," www.movinginalivableregion.ca/library/the-referendum
35. Ibid.
36. Ibid.
37. Ibid.
38. R. Mares and A. Rothman-Shore, *Case Study: 2008 Los Angeles County Ballot Measure to Pass A Transportation Sales Tax (Measure R)*, Conservation Law Foundation, July 2012, p. 1.
39. P. Jonsson, "How tea party and its unlikely allies nixed Atlanta's transit tax," *Christian Science Monitor*, August 1, 2012.

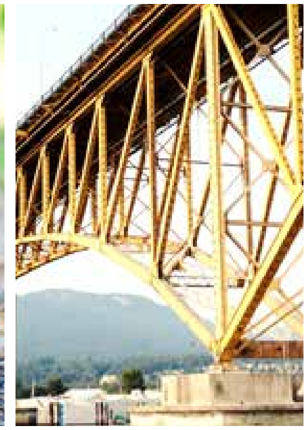
# Most successful transportation infrastructure financing tools

A number of potential financing options were considered by TransLink and the Mayors' Council to fund expansion of the regional transportation and transit system, but the provincial government declined to consider most of the options. The provincial government subsequently approved a proposed 0.5% increase to the provincial sales tax payable within Metro Vancouver. In the U.S. context, an increase in the sales tax rate was the most successful form of transit financing approved by the public from 2000 to 2012.

In 2012, 79% of transportation ballot measures passed in the U.S.[40]

- **Sales tax:** 42% of successful transportation finance measures in the U.S. since 2000 have utilized sales taxes; 33 states have authorized local option sales taxes for use in transportation funding; the broad base of the tax generates significant revenue at a very low marginal rate.[41]
- **Property tax:** 39% of successful transportation finance measures in the U.S. since 2000 have utilized property taxes; as the primary form of taxation administered by municipalities, property taxes are already commonly used to fund public transportation and transit initiatives.[42]
- **Bond measures:** 11% of successful transportation finance measures in the U.S. since 2000 have utilized bond measures; bonds are sold to raise money for the construction of transportation and transit infrastructure; bonds are secured by a revenue stream, such as tolls, fares, etc., that will service the debt and interest incurred.[43]
- **Vehicle fees:** 3% of successful transportation finance measures in the U.S. since 2000 have utilized vehicle fees; most jurisdictions already collect vehicle registration fees in one form or another.[44]
- **Other:** 5% of successful transportation finance measures in the U.S. since 2000 have utilized other tools.[45]

40. Advocacy Advance, *Success at the Ballot Box: Winning Bicycle-Pedestrian Ballot Measures,* September 2013, p. 2.
41. Ibid, p. 4
42. Ibid, p.5.
43. Ibid, p. 5.
44. Ibid, p. 5.
45. Ibid, p. 6.



## Conclusions

Metro Vancouver residents have a generational choice to make in regard to shaping the development and economic growth of the region. An extraordinarily broad coalition of municipal politicians, as well as business, labour, environmental and student organizations, coalesced to encourage residents to back a plan for needed investment in public transit and transportation infrastructure. The level of co-operation is unprecedented and represents a genuine opportunity to advance the public transportation and transit funding file after 15 years of inaction.

The cost of doing nothing in terms of congestion, lost productivity and reduced goods movement has been demonstrated in studies both locally and in several large U.S. cities. Factor in the hidden costs outlined in the C.D. Howe Institute report, *Tackling Traffic: The Economic Cost of Congestion in Metro Vancouver*, which are at least as large as the visible economic costs presented by the studies prepared for the Mayors' Council,[46] and the financial impetus for proceeding is strong. Environmental and health factors are also important considerations that may seem indirect, but have been shown to have a substantial impact on quality of life indicators that promote not only improved human health, but higher levels of productivity and community engagement.

The economic benefits of public transit and infrastructure investment have been demonstrated in case studies from the U.S. as well as promoted by the European Union as a key policy to revive economic growth and generate employment. The continuing vitality of the sectors directly associated with this form of public investment – construction, real estate development and associated professional services – strengthen a key pillar and engine of economic growth and employment in BC's diversified economy. The broad coalition supporting the Metro Vancouver plebiscite demonstrates not only the wide appeal and acceptance of the necessity of this type of investment, but the need for a renewed focus on improving transit infrastructure for future generations.

Developers in both Vancouver and Surrey have indicated a significant willingness to further invest in their respective communities should the proposed transit and transportation investment proceed . A recent survey of 20 prospective developers found 72% were ready to invest in Surrey if the light rail component of the proposal proceeds.[47]

An economic benefits report conducted on behalf of the **City of Surrey** suggests light rail lines in Surrey would attract investment in the city centre, generate higher-value jobs and diversify the city's labour force over 30 years.[48] The report also notes that light rail is more feasible than the elevated SkyTrain system because it has more frequent stops, attracts more retail investment at grade level and makes better use of the estimated 41 million square feet of redevelopment capacity around the proposed stations.[49] The study concludes the two lines would attract investment and development from "higher land values, sales and rental demand for residential development as well as result in significantly lower office vacancy and higher lease rates near rapid transit throughout the Lower Mainland."[50]

46. B. Dachis, *Tackling Traffic: The Economic Cost of Congestion in Metro Vancouver*, C.D. Howe Institute, March 2015, p. 1
47. K. Sinoski, "Developers excited about prospect of light rail transit in Surrey," *The Vancouver Sun*, May 15, 2015.
48. Ibid.
49. Ibid.
50. Ibid.


The Mayors' Council's plan for regional transportation investment identifies a SkyTrain extension in a tunnel between the existing VCC-Clark station and a new station at Arbutus and Broadway. A KPMG report produced on the behalf of the City of Vancouver concluded that in order for the full economic and development potential of the Broadway corridor to be achieved that "high-capacity, fast, reliable rapid transit was the long-term solution to its current and growing transportation congestion and transit capacity issues."[51] The addition of this rapid transit option to the Broadway corridor provides additional opportunities for the supply of appropriate and affordable commercial and residential space by "increasing the allowable density for existing commercial areas in the central and western parts of the corridor, and developing new higher-density commercial areas in eastern sections of the corridor, in conjunction with improved rapid transit services."[52]

Investment in public transit and transportation has been demonstrated throughout Canada, the U.S. and the European Union to promote investment, economic growth and improved public health outcomes and integrated communities. National, provincial, state and municipal governments seek to leverage such investment to not only reduce congestion and improve productivity, but to unlock new employment and cultural spaces and spur development in a responsible and reasoned fashion. The opportunity presented to Metro Vancouver residents is one that cities and citizens the world over are seeking from their respective governments even if those same people – like many in Metro Vancouver – are critical of the management of the transit authority in their communities.

A recently published report that reviewed and compared Canada's six largest transit systems and operators rated Metro Vancouver's TransLink-operated system as the second best in the country – a result of rating industry-standard metrics such as revenue kilometres per service hour, passenger trips per service hour, service hours per capita, operating cost per service hour, passenger trips per capita, passenger trip intensity and farebox recovery.[53]

The utilization of a small increase in the sales tax has been identified as the most successful mechanism in the U.S. context for raising funds when residents have been polled as to whether or not they support expanding public transit and transportation infrastructure investment. The Mayors' Council, which selected a 0.5% sales tax increase as the mechanism to raise funds in Metro Vancouver, have also indicated that a small increase in sales tax would have the least financial impact on residents.[54]

Increasing public transit and transportation infrastructure has been found to contribute to the vitality of the commercial and residential real estate industries, an impact that is not only desirable but planned and implemented as a means of spurring economic growth and expansion.

We have demonstrated that this type of public transit investment has economic benefits to the community, including the commercial real estate industry. We have demonstrated that this type of investment is supported and desired in the U.S. and Europe and that the tax measure under consideration in Metro Vancouver – a sales tax increase – has been the most successful in terms of garnering public support for these initiatives. We believe the lesson for Metro Vancouver residents is that such an opportunity to fund public transit infrastructure is rare and having a wide coalition supporting such an endeavour is an exceptional accomplishment.

The direct benefits to our communities and well-being cannot be under estimated or squandered. With the world watching, we have an opportunity to build on the promise of a city and region that turned its back to freeways in the early 1970s and to embrace a generational opportunity to continue to heed that pledge into the 21st century.

51. KPMG, *The UBC-Broadway Corridor - Unlocking the Economic Potential: Executive Summary*, February 2013, p. 4.

52. Ibid, p. 4.

53. N. Pachal, Transit Report Card of Major Canadian Regions, *South Fraser Blog*, May 2015, p. 2-6.

54. Mayors' Council on Regional Transportation, *Fact check: "No" to Transit side is misleading voters with mythical math*, press release, February 6, 2015.

# Bibliography


Abshire, Joanne. "A 'yes' vote in transportation tax referendum could raise home prices: expert." ***News1130***, February 25, 2015.

Advocacy Advance. 2014. ***Success at the Ballot Box: Winning Bicycle-Pedestrian Ballot Measures*** (September 19, 2013).

American Public Transportation Association. 2014. ***Economic Impact of Public Transportation Investment: 2014 Update*** (May 2014).

American Public Transportation Association and National Association of Realtors. 2013**.** ***The New Real Estate Mantra: Location Near Public Transportation*** (March 2013).

Arnold, Jonathan. 2013. ***Congested and Nowhere to Go: Congestion, Road Infrastructure, and Road Pricing in Metro Vancouver***. Vancouver: Business Council of British Columbia, November 2013.

Canadian Urban Transit Association. 2003. ***Transit Means Business: The Economic Case for Public Transit in Canada***. Issue Paper #5. Toronto: Canadian Urban Transit Association, May 2003.

Cayo, Don. "The alternative to a sales tax hike." ***The Vancouver Sun***, March 11, 2015, p. C2.

Center for Transit-Oriented Development. 2011. ***Rails to Real Estate: Development Patterns along Three New Transit Lines*** (March 2011).

Center for Transit-Oriented Development. 2013. ***Downtowns, Greenfields and Places In Between: Promoting Development Near Transit*** (May 2013).

Dachis, Benjamin. 2015. ***Tackling Traffic: The Economic Cost of Congestion in Metro Vancouver***. E-brief. Toronto: C.D. Howe Institute, March 2015.

Dachis, Benjamin. 2013. Cars, Congestion and Costs: A New Approach to Evaluating Government Infrastructure Investment. Commentary 385. Toronto: C.D. Howe Institute, July 2013.

Frontline Real Estate Services. 2014. ***Public transit's impact on business and politics*** (October 2014).

HDR, Inc. 2015. ***TransLink Household Cost Savings From the Metro Vancouver Mayors' Transportation and Transit Plan: Final Report*** (February 2015).

InterVISTAS Consulting Inc. 2015. ***Economic Impact of Mayors' Transportation and Transit Plan 2014-2045*** (February 23, 2015).

Jones, Laura. "Voting No in referendum isn't a vote against transit." ***The Vancouver Sun***, March 5, 2015.

KPMG LLP. 2013. ***The UBC-Broadway Corridor - Unlocking the Economic Potential*** (February 28, 2013).

Ladner, Peter. "Attention, transit-bashers: TransLink is not on referendum ballot." ***Business in Vancouver***, February 24 - March 2, 2015, p. 27.

Mares, Rafael, and Rothman-Shore, Aviva. ***Case study: 2008 Los Angeles County Ballot Measure to Pass a Transportation Sales Tax (Measure R)***. Boston: Conservation Law Foundation, 2012.

Mayors Council on Regional Transportation. 2014. ***Regional Transportation Investments: A Vision for Metro Vancouver*** (June 2014).

Moving in a Livable Region, "Featured Transportation Referenda," www.movinginalivableregion.ca/library/the-referendum

National Economic Council and the President's Council of Economic Advisors. 2014. ***An Economic Analyses of Transportation Infrastructure Investment.*** Washington, D.C.: The White House, July 2014.

Olson, Geoff. "Hold your nose and vote No on plebiscite." ***Vancouver Courier***, March 13, 2015.

Pachal, Nathan. 2015. ***Transit Report Card of Major Canadian Regions***. South Fraser Blog (May 2015).

Regional Mayors' Transportation and Transit Plan. 2015. ***Funding Backgrounder*** (February 2015).

Reuter, Melanie. 2014. ***Empirical Proof that Transit Protects or Enhances Your Property Values***. Langley: Real Estate Investment Network Canada, July 2014.

UITP Europe. 2014. ***Position Paper of the International Association of Public Transport: Investing in Public Transport Infrastructure as Part of the EU Package for Jobs, Growth and Investment*** (December 2014).

## About Avison Young

Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 1,800 real estate professionals in 66 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-family properties.

AVISON YOUNG | CANADA'S BEST MANAGED COMPANIES

avisonyoung.com



For more information, please contact:

**Michael Keenan,**
Principal and Managing Director, Vancouver
604.647.5081
michael.keenan@avisonyoung.com

**Andrew Petrozzi,**
Vice-President, Research (BC)
604.646.8392
andrew.petrozzi@avisonyoung.com

Avison Young
#2900-1055 West Georgia Street
Box 11109 Royal Centre
Vancouver, BC V6E 3P3, Canada