

# Portland Streetcar

## Developer-funded public transport

### Snapshot

**Location:** Portland, Oregon, USA.

**Size:** An eight-mile continuous streetcar loop running through Portland's central city.

**Cost:** US\$103.15 million, including US\$19.4 million collected from surrounding landowners who stood to receive financial benefit from their proximity to the streetcar route.

**Business model:** A government-funded project with an innovative relationship with the commercial property sector whereby surrounding landowners contributed to the overall cost of the project.

**Financing:** Public-private partnership model, involving a levy on surrounding landowners to provide a proportion of capital costs.

**Critical success factors:**

- The City of Portland showed long-term vision and commitment to revitalising inner urban areas through development-oriented transit.
- The long-term value of public transport was used to levy landowners who stood to benefit substantially from its deployment.
- Linking higher development densities to the provision of the streetcar was critical.

### Overview

The Portland Streetcar opened in 2001 and operates on an eight-mile continuous loop through Portland's central city. It is used by 12,000 people daily. Portland Streetcar exemplifies the reinterpretation of public service provision. In this case, public transport in the form of a streetcar or tram route was made possible through a contribution from the private sector, which stood to benefit financially from its deployment.

The City of Portland has instituted a range of measures since the 1960s aimed at containing suburban sprawl and maintaining vitality in the city centre. A key element of this has been development-oriented transit, and the Portland Streetcar is a landmark project adopting this approach. The streetcar enabled higher density development in the city centre, enabling the city to accommodate new residential and business growth, while also helping to enhance Portland's vitality. It also contributed to the State of Oregon's state-wide strategy aimed to reduce total vehicle miles travelled.

The major innovation of the project was the property levy that provided a proportion of the capital cost for the project. This levy was possible because landowners could be convinced of the long-term value of public transport and stood to benefit substantially from its deployment. Landholdings adjacent to the planned route of the streetcar were assessed and levied according to the expected value increase of their land and properties. This was in part due to the subsequent potential to accommodate higher density residential development close to the streetcar network. The streetcar has provided significant environmental benefit through reducing private car use; however, the broader social and economic benefits to the area are arguably the greatest success of the project.

### A shift to higher density living

Since the adoption of the Portland Central City Plan in 1988, the Portland Region has been committed to containing urban growth within existing boundaries. The City of Portland adopted a dual approach to achieving this commitment by establishing minimum housing density requirements for new developments in the inner city and investing in the streetcar to attract residents to the inner city. A streetcar was viewed as a critical mechanism in directing new development to areas within the urban growth boundary, with a particular target to attract 15,000 new housing units to the city centre in 20 years (from 1995) based on the underlying belief that new development would be successfully attracted by providing three key things:

- quality access and walkability
- high-amenity open space
- affordability.



The route of the streetcar was planned to run through large areas of developable ex-industrial land around the city, in particular to connect two major brownfield sites. The Portland Development Authority established development densities on this land and linked these densities to public improvements, including the streetcar.

Developers and property owners indicated that the existence of the streetcar significantly increased their tolerance for the larger capital risks associated with higher density developments. Without the streetcar it would be commercially difficult to justify investment in high-density development in this part of the city.

The streetcar has successfully influenced Portland's development trends. City records indicate that since its opening, development has clustered near the streetcar, with densities increasing as proximity to the streetcar increases.

Prior to 1997, new developments were built to less than half of the target density for a site in the CBD. The presence of the streetcar provided developers with the confidence to shift to a higher density offering and dramatically reduce rates for car parking, in many cases providing apartments and office space with no car parking. Provision of a high-quality public transport option created demand for residential apartments that did not previously exist and increased volumes of pedestrian flow to commercial areas. This justified further investment in higher density development.

### Project financing

The Portland Streetcar exemplifies a reinterpretation of public service provision. Traditionally, public transport infrastructure has been provided entirely through public finance, however, the Portland Streetcar project recognised the benefit landowners and developers would gain from having good, local public transport and so levied them to provide funding for this infrastructure.

The Local Improvement District tool, the mechanism used to levy property owners, enabled the City of Portland to collect contributions from landowners who stood to receive financial benefit from their proximity to the streetcar route. Through this mechanism, land holdings adjacent to the planned route of the streetcar were assessed and levied according to the value they could expect to gain through higher density residential development close to the streetcar route.

Developer contributions collected in this manner were US\$19.4 million, providing close to 20% of the total project cost of US\$103.15 million. The other major source of funding was \$28.6 million, raised via bonds that were backed by revenues from a \$.20/hour increase in short-term parking rates in city-owned car parks. Property owners were enthusiastic about the project and keenly cooperated with the levy assessment process. They recognised the potential for the infrastructure to benefit their private interests.

Private finance totalling US\$3.5 billion has been invested within two blocks of the streetcar route since its construction, highlighting the value the private sector has identified in the streetcar. The cost of operating the system is not covered by ticket revenue. The remainder of the operating costs are covered from a public subsidy generated from regional payroll tax and parking meter revenues.

### Management and ownership

The Portland Streetcar is owned by the City of Portland. The city engaged Portland Streetcar Inc. for professional services related to the design, construction and operation of the streetcar system. Portland Streetcar Inc. is a private, not-for-profit corporation formed to implement the Portland Streetcar as a project that will benefit the liveability and economic vitality of Portland and its central city. Portland Streetcar Inc.'s board of directors report directly to the city's Office of Transportation. TriMet, the Portland public transport operator, is contracted to provide employees to serve as operators and mechanics for the system.

The streetcar required reassessment of what constitutes value in public transport. The City of Portland advocated the project from the beginning, but did not have the direct support of TriMet, the regional transit authority. At a national level, public transport investment analysis tools used by the Federal Transit Administration were strongly biased in favour of buses, which have a far lower capital cost than streetcars. However, Portland Streetcar Inc. believes that the success of the streetcar in changing the urban form of the area is partly due to the increase in ride quality provided by the streetcar. This has significantly increased public transport patronage and moved residents away from private car use.

### Delivering financial benefits

The financial benefits of the streetcar have been demonstrated in property values and occupancy and rental rates for properties within two blocks of the streetcar. The streetcar's convenience, cost savings and amenity translate into consumer willingness to pay higher rents and purchase prices. The major benefits for occupants of premises on the streetcar route are greater volumes of passing consumers with fewer 'dead' areas devoted to car parking. Businesses near the route benefited substantially from the operation of the streetcar. One car tyre company saw customer numbers increase because their customers were able to conveniently transit to and from their premises.

Rick Gustafson, Executive Director of Portland Streetcar Inc. noted that developers were "falling over themselves" to agree to the levy proposed by the City of Portland. They were able to see the direct benefit they would derive from their proximity to a streetcar route, through its provision of high-quality access to the area.

City of Portland residents clearly value proximity to the streetcar. A review of promotional materials for residential and commercial properties located near the streetcar revealed that the vast majority of these materials included a picture of the streetcar.

The housing that has been developed within neighbourhoods served by the streetcar has reduced vehicle travel on Portland's roadways by an estimated 112 million kilometres annually.

#### For further information:

For more information about SV's Sustainable Precincts program, visit [www.resourcesmart.vic.gov.au/precincts](http://www.resourcesmart.vic.gov.au/precincts) [www.portlandstreetcar.org](http://www.portlandstreetcar.org)

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