Keeping New York On Track: The Importance of the MTA Transit Network in a Changing World

February 11, 2015

Prepared by HR&A Advisors on behalf of and in coordination with:
The Permanent Citizens Advisory Committee to the MTA
Urban Land Institute – New York

with assistance from New York University – Schack Institute of Real Estate and Hornick Consulting
The Permanent Citizens Advisory Committee and the Urban Land Institute commissioned HR&A Advisors to examine the MTA Capital Program.
This report is the result of a sustained collaborative effort.

**NYU Schack Analysis**
Students from the NYU Schack Institute of Real Estate analyzed the importance of the MTA to the New York region, including a review of existing literature on transportation investment.

**Expert Roundtables**
The PCAC and ULI-NY organized and hosted 7 roundtables with leaders in transportation, real estate, policy, and business to gain their perspective on the MTA’s regional significance.

**Research & Analysis**
In collaboration with the PCAC and ULI-NY, HR&A Advisors conducted additional research and analysis on the MTA Capital Program, its impact on the region, and the importance of transportation investments in maintaining economic competitiveness.

**Report Development**
This report addresses the MTA’s importance to the regional economy and the importance of sustained capital investment in the system.
The MTA operates the largest transit network in the United States.

6,300 subway cars
2,400 commuter rail cars
5,600 city buses

The MTA values its physical assets at nearly $1 trillion.

Sources: MTA
Photo: Wally Gobetz, Flickr
Radiating from New York City into its suburban regions, MTA transit networks cover 75% of the New York metropolitan population.

- **7 million** workers in MTA service area
- **70%** of metro area wages in MTA service area
- **$1.4 trillion** metro area GDP

Sources: MTA; Bureau of Labor Statistics
The scale and reach of the MTA’s regional transportation network generate broad, sustained benefits for the New York metropolitan area.

- **Regional Economic Strength**
- **Social Equity**
- **Neighborhood Growth**
- **Tourism**
Regional Economic Strength
The benefits of MTA transit service boost the performance of area firms.

Infrastructure 2014: Shaping the Competitive City
➢ 88% of leaders rated infrastructure as an important consideration for real estate investment.
➢ 78% of leaders saw improved transit services as a top or high priority.

Hot Spots: Ranking Global Competitiveness (2012)
➢ New York ranked #1, with emphasis on infrastructure.
➢ 27 Fortune 500 companies are headquartered in the metro area.

Sources: The Economist, “Benchmarking Global City Competitiveness”; “Infrastructure 2014: Shaping the Competitive City”, ULI.
Regional Economic Strength
The access offered by the MTA attracts workers to the New York region.

“Subways are the number one factor in livability.”
-Kathy Wylde, President & CEO, Partnership for New York City
Social Equity
Flat fares allow equitable access to New York City employment centers.

A flat fare structure ensures low transportation costs for residents throughout the five boroughs.

In contrast, a tiered fare structure like that of London imposes costs on longer commutes.

Sources: MTA; Transport for London
Neighborhood Growth
Robust transit access supports neighborhood growth throughout the region.

Williamsburg

New Rochelle

Farmingdale

Source: NYU Schack Institute

Photo: Jacob, Flickr

Photo: Eric Alexander
Tourism

MTA services connect visitors to destinations throughout the metro area.


65% of international tourists use the MTA system. These visitors inject $18 billion into the New York economy.

Source: NYC & Company
What is the MTA Capital Program?

“Every five years, the MTA takes a hard look at its system and its infrastructure to identify and prioritize the investments that will be essential to renew, enhance, and expand the system to meet the changing needs of the region, its economy, and its residents.”

-Thomas Prendergast, Chairman and CEO, MTA

The MTA Capital Program enables the MTA to:

- Identify maintenance needs and strategic goals;
- Prioritize projects to align with rider demand and system needs;
- Propose a means of funding these improvements.
Over 30 years, the MTA Capital Program has invested nearly $150B in the network, revitalizing the system and its ability to serve the region.

MTA Capital Program Funding Commitments (2014 $)

1982-1991: $32.7B
2000-2009: $55.3B
2010-2019: $61.7B

Sources: MTA; PCAC, “The Road Back”
These investments have updated, transformed, and extended the numerous components that make up the MTA system.

- **Priority Repairs**: Renew or replace assets nearing the end of their useful life.
- **System Improvements**: Enhance the network and the customer experience.
- **Network Expansion**: Extend the reach of the MTA network.
Evolving growth patterns are reshaping the metropolitan area.

<table>
<thead>
<tr>
<th>New Preferences for Urban Living</th>
<th>• For the first time since World War II, more people are moving to NYC than Long Island, New Jersey and SW Connecticut combined.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changing Geography of Employment</td>
<td>• Job growth in neighboring boroughs and counties has outpaced growth in Manhattan.</td>
</tr>
<tr>
<td>Unprecedented Storm Damage</td>
<td>• Superstorm Sandy caused over $25 billion in damage to the region.</td>
</tr>
</tbody>
</table>

These changes pose new questions for policymakers and leaders.

1980 Questions

Can the city’s leaders restore law and order?

What can be done to reinforce the vitality of Midtown / Downtown?

How can the region accommodate suburban growth?

Is it possible to reverse the decline of New York City?

2014 Questions

How to ensure protection from the impacts of climate change?

What can be done to support growth outside of the Manhattan CBD?

How can the suburbs provide options for walkable living?

How will New York City manage new levels of population growth?
Four major regional challenges emerge from these trends.

1. **Destructive Impacts of Climate Change**
   
2. **Changed Geography of Employment**

3. **Crowding from Growing Ridership**

4. **Increased Global Competition**
Destructive Impacts of Climate Change
Destruction from Superstorm Sandy brought New York City to a standstill.

- 43 deaths and $19 billion in damage
- Closure of 7 subway tunnels
- 17% of City land flooded
- Destruction of South Ferry station, Broad Channel viaduct

Sources: “A Stronger, More Resilient New York,” NYC Special Initiative for Rebuilding and Resiliency; MTA
Changed Geography of Employment
Reverse-commute ridership on Metro-North has quadrupled since 1985.

Metro-North supports the nation’s #1 reverse-commute market.

During peak hours, more people commute to Stamford than from Stamford.

At Metro-North’s Fordham station, seven times as many riders travel to points north than commute to New York City.

Source: MTA
Crowding from Growing Ridership
In New York City, record-level ridership has led to systemwide crowding.

65% growth in transit ridership since 1992

1.7 billion subway ridership, highest since 1949

The 4/5/6 carries 1.3 million riders each weekday ... more than the combined transit ridership of San Francisco, Chicago, and Boston.

Source: MTA; New York Metropolitan Transportation Council

Planners estimate that by 2035 the population of the MTA region will grow by 1.6 million.
Increased Global Competition
London and other cities seek to unseat New York as a global leader.

Per a recent PriceWaterhouseCoopers study, New York City’s slow pace of infrastructure investment weakens its global standing.

<table>
<thead>
<tr>
<th></th>
<th>NYC</th>
<th>London</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall ranking</td>
<td>#2</td>
<td>#1</td>
</tr>
<tr>
<td>Transportation &amp; Infrastructure ranking</td>
<td>#16</td>
<td>#6</td>
</tr>
</tbody>
</table>

The 2015-2019 MTA Capital Program
The three themes of the MTA Capital Program are a sustained investment.

**MTA Capital Program 2015-2019**
*Renew. Enhance. Expand.*

**RENEW**
Protect the safety, reliability, and quality of existing MTA services.

**ENHANCE**
Improve the customer experience of the MTA network.

**EXPAND**
Extend the network to ease crowding and support growth.

**SUSTAIN**
Commit to the continued health of regional transit.
The 2015-2019 MTA Capital Program
These themes are aligned with the region’s emerging challenges.

- **Destructive Impacts of Climate Change**
- **Changed Geography of Employment**
- **Crowding from Growing Ridership**
- **Increased Global Competition**

**RENEW**
Protect the safety, reliability, and quality of existing MTA services.

**ENHANCE**
Improve the customer experience of the MTA network.

**EXPAND**
Extend the network to ease crowding and support growth.

**SUSTAIN**
Commit to the continued health of regional transit.
The 2015-2019 MTA Capital Program: New York City Transit
A comprehensive investment program will position the city for growth.

**RENEW**
Replace signals, track, train cars and buses.

**ENHANCE**
Improve accessibility, and the customer experience.

**EXPAND**
Extend the Second Ave Subway and expand SBS.
The 2015-2019 MTA Capital Program: Long Island Rail Road
Expansion and capacity projects further extend the system’s reach.

**RENEW**
New railcars and an overhaul of the Jamaica interlocking.

**ENHANCE**
Renovation of Babylon, Nostrand Avenue, and Hunterspoint Avenue.

**EXPAND**
East Side Access will enable service expansion.
The 2015-2019 MTA Capital Program: Metro-North Railroad
MNR riders will benefit from modern signaling and Penn Station access.

**RENEW**
Renovation of the GCT trainshed and system-wide signal upgrades.

**ENHANCE**
Restored Harlem Line stations and new GCT customer information.

**EXPAND**
Penn Access: new service to Penn Station for the Northeast Bronx.
The 2015-2019 MTA Capital Program: A $32 Billion Investment

This renewed commitment will position New York City for future growth.

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>RENEW</td>
<td>Reliability</td>
<td>$9.2B</td>
</tr>
<tr>
<td></td>
<td>Safety</td>
<td>$13.0B</td>
</tr>
<tr>
<td>ENHANCE</td>
<td>Customer Experience</td>
<td>$0.3B</td>
</tr>
<tr>
<td></td>
<td>System Improvements</td>
<td>$4.0B</td>
</tr>
<tr>
<td>EXPAND</td>
<td>Network Expansion</td>
<td>$5.5B</td>
</tr>
<tr>
<td>SUSTAIN</td>
<td>a sustained public commitment to the future of the MTA and the region</td>
<td>$32.0B</td>
</tr>
</tbody>
</table>

Source: MTA
An initial examination suggests that MTA’s rate of investment is significantly lower than those of comparable private firms.

\[
\frac{\$5.3\text{ B}}{\$485\text{ B}} = 1.1\% \text{ annual reinvestment rate}
\]

Source: HR&A analysis of Annual Reports/10-K for 2009-2013. HR&A estimates MTA’s comparable asset base at approximately $485 billion, which reflects a 35% depreciation rate to total assets of approximately $880 billion, after deducting sunk costs estimated at $134 billion. This analysis is limited to a comparison of non-expansion capital investment to total assets.
The 2015-2019 MTA Capital Program
Why this Capital Program matters

This choice will shape the future of the New York metropolitan area.
The MTA Capital Program expands social equity.

Failure to fully fund this Capital Program puts the region’s future at risk.

Maintaining low fares and a single-zone network can ensure access to education and employment.

Limited ADA accessibility

- Degrading service
- Large fare increases
- Less Opportunity
The MTA Capital Program creates vibrant communities.

**Risks of Underfunding**

Failure to fully fund this Capital Program puts the region’s future at risk.

- **Within NYC**
  - No new SBS routes
  - Longer commutes
  - Under-utilized development sites

- **In the Suburbs**
  - Limited off-peak service
  - Less value from transit
  - Inefficient land use

**Rail investments** to boost capacity and support reverse commuting.

**New Select Bus Service routes** that can support new corridors of mixed-income housing.
The MTA Capital Program sustains expanded tourism. Failure to fully fund this Capital Program puts the region’s future at risk.

65% of international tourists to New York City — a group that contributes $18 billion in annual spending to the city's economy — leverage the MTA network.

- Poor service quality
- Decline of regional image
- Slowdown in tourism
- Fewer Tourism Jobs
The MTA Capital Program supports economic growth.

Failure to fully fund this Capital Program puts the region’s future at risk.

**Crowded trains/buses**

**Longer commutes**

**Lost productivity**

**Stagnant Growth**

**New investments** to support population growth and changing employment patterns.

**Reinforced stations and tunnels** to protect the economy from climate change.
Failing to fund the 2015-2019 MTA Capital Program will risk the future of the New York metropolitan region in the decades to come.
Funding the 2015-2019 MTA Capital Program positions the New York metropolitan region for continued success in the decades to come.
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