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The Path to Georgia's 21st Century Knowledge Economy:

Economic Development, Capital and Operating Cost Estimates, Station Area Plans, Market Assessment, and Financing Options for the Macon to Atlanta Passenger Rail Corridor May, 2010

In June of 2008, Governor Sonny Perdue publicly announced his support for a pilot commuter rail line between Atlanta and Griffin. However, before moving forward with a commitment from the State to support this effort, he wanted to see the business plan for sustaining a rail line in this fast-growing part of metro Atlanta, how much of the operations of the line that local governments could reasonably be expected to fund, and what economic impact the State could expect as a return on any investment it may make to cover a shortfall in its capital or operations. Georgians for Passenger Rail, a nonprofit, state-wide group of business and community leaders committed to improving Georgia's competitiveness and quality of life, offered to step forward and fund a study to answer Governor Perdue's questions.

Georgians for Passenger Rail was able to hand pick the best, most expertly-qualified team to conduct this study, without being limited by a lowest-cost bidding process. In securing the Brookings Institution as project lead, supported by RCLCO, HDR, Inc. and Bleakly Advisory Group, we are convinced we found the ideal team. In order to ensure that the scope of work, analysis protocol and conclusions would be beyond reproach, we formed an advisory group for the effort. Members of this advisory group included:

- Kirk Fjelstul, Georgia Regional Transportation Authority;
- Erik Steavens, Georgia Department of Transportation;
- Dave Sjoquist, Georgia State University;
- Tom Weyandt, Atlanta Regional Commission;
- Jannine Miller, office of Governor Sonny Perdue; and
- Jim Durrett, Buckhead Community Improvement District and liaison to the Georgians for Passenger Rail board.

We are pleased to present the attached report.

John Izard
Chairman
Georgians for Passenger Rail

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Executive Summary

The pendulum is swinging back toward rail passenger transportation in America's primary economic competitors, such as the European Union, Japan, China and Australia. Likewise, many American metropolitan areas, such as Dallas-Ft Worth, Phoenix, Denver, Salt Lake City, Washington, DC, and Seattle, among many others, understand this swing back is occurring. With that understanding, these metropolitan areas have invested or will invest billions of locally-generated revenues in heavy and light rail, street cars and commuter rail systems. Over the past six years, 2/3 of all local tax-raising ballot measures for rail transit were successful during an era known for being anti-tax at all levels of government.

Metropolitan Atlanta and Macon need to provide *choice* in surface passenger transportation, not just roads, which in turn will lead to *choice* in how and where current and future residents can live and work. At the moment, these two metropolitan areas predominantly offer only one way of living and working: drivable, low-density development. The knowledge economy demands another option: walkable urban development, which is at least five times as dense and accessible by a variety of transportation modes and is walkable to most daily destinations. Rail transit is a catalyst for walkable urban development, as can be seen in the great walking cities in this country and abroad. Either Atlanta and Macon provide the choice (drivable development *and* walkable urban development) or business and individuals will go to metropolitan areas that do.

As a result of the demand for walkable urban development, investment in rail transit is the *most* important transportation infrastructure for metro Atlanta and Macon in the early 21st century. Not investing in rail transit today would be akin to not investing in the highway system in the 1960s and 1970s. Meeting the market demand for walkable urban development will be a major propellant of economic growth for the next generation, just as the building of drivable suburbs was for the last two. Other metropolitan areas around the world agree with this premise and are investing to create a *portfolio* of transportation options the economy is demanding, focusing on rail as that which needs the most investment now. Metropolitan Atlanta and Macon should recognize the same 21st century reality.

For the development options that the market is demanding to emerge, there is more than rail transit that will be required. It will take a different approach to zoning and place management. There needs to be overlay zoning around the new stations which encourages much higher density development, other infrastructure and management to ensure the development potential is achieved.

The 103-mile passenger rail corridor from downtown Atlanta to Macon was evaluated, reviewing 13 potential stations. The stations proposed for rail stations at this time are:

- Atlanta MMPT
- Hapeville
- Morrow
- Hampton
- Griffin
- Forsyth
- Macon

It is proposed that the entire corridor be opened at once, with construction starting in 2016 and the system opening for revenue service in 2018. During each workday, there would be a total of 12 round trips (24 one-way trips) made by six train sets (consisting of a locomotive and three cars each). Two of the train sets would operate between Macon and Atlanta, with a total of 4 round trips (8 one-way trips). The other four train sets would operate between Griffin and Atlanta, with a total of 8 round trips (16 one-way trips).

In the future, service frequencies may be increased, more trips may be extended to serve Macon, and infill stations may be added, depending upon market demand, financing and other considerations.

The total capital costs, based upon previous studies, is \$400 million (2010 \$) while operating costs were estimated to be \$25 million per year. For the 2016 to 2030 time frame of the study, the total capital and operating costs would be \$725 million.

Based on the macro trends, regional trends, various economic and demographic forecasts, consumer research, existing market conditions, and qualitative factors, the likely demand for residential and commercial development in each of the identified station areas was modeled. “Base Case” (assuming little impact of rail on real estate development) and “Upside Potential” (conservative assumptions about the impacts of rail on real estate development) scenarios of development were modeled. More aggressive assumptions about the impact of rail on real estate development in the corridor were not modeled, so all projections should be considered quite conservative.

The two market scenarios, the Base Case and Upside Potential, are both conservative assumptions about the future local revenues which could be generated to support the capital and O&M costs of the Macon-Atlanta passenger rail corridor. Since there is no one financing source that will pay for either the capital costs or O&M, it is assumed there will be a layer cake of options. This analysis has showed that there are five local revenue options available with over \$100 million of total funding potential between 2016 and 2030. These sources are in order of size:

Source	Base Case	Upside Potential
Incremental Tax Revenue*	\$453	\$802
TAD Bonds*	356	640
Countywide Assessment	177	177
Private Sector Value Capture	135	248
Countywide SPLOST	129	129

*Incremental Tax Revenues and TAD Bonds are mutually exclusive and can not be used together

These sources could be employed to fund capital costs or to offset operating costs, depending on other Federal and state sources of funding. Every funding source, Federal, state and local, must be employed to build the rail corridor, but it is obvious that there is significant local capability. However, only if there is local political will to do so.