

Economic Impacts of Caltrain Modernization

DR. JON HAVEMAN
CHIEF ECONOMIST
BAY AREA COUNCIL ECONOMIC INSTITUTE

September 10, 2012



THE SYSTEM

- Launched by Southern Pacific in 1863, Caltrain passes through **17 cities**, spanning **3 counties** and serves over **3 million residents**.
- Today, Caltrain provides over **40,000 daily trips** and is growing rapidly along with the fast-growing technology companies of Silicon Valley, the Peninsula and San Francisco.





THE PROJECT

- Replacement of existing diesel locomotives and train cars with Electric Multiple Unit (EMU) trains.
- Construction of associated power infrastructure, known as the Overhead Contact System (OCS).
- Installation of Positive Train Control (PTC), a modern signaling and train control system.
 - *Federal mandate requires PTC by 2015.*



Image courtesy of Caltrain



COST

Project Component	Estimated Cost (\$ Millions)
Electrification Infrastructure	785
Advanced Signal System	231
EMU Trains	440
Total	1,456

Bay Area Council Economic Institute Calculations based on Caltrain data. Figures in year-of-expenditure dollars.



ECONOMIC BENEFITS

Come in three categories:

- ◆ Local jobs and economic activity during construction,
- ◆ Changes in real property values, and
- ◆ The economic value associated with improved service



CONSTRUCTION IMPACTS

- Of the \$1.456 total project cost, it is estimated that around \$1.11 billion will be spent in the Bay Area.
- The resulting impact of \$1.11 billion in construction expenditure:
 - **4,500 FTE job-years in the construction sector alone.**
 - **Almost 9,600 FTE job-years in total.**
 - **\$951 million in increased economic output (GDP).**



PROPERTY VALUE IMPACTS

- The Caltrain Modernization Program is likely to increase property values and property taxes near Caltrain:
 - Enhanced service in the form of faster trip times and/or more frequent service will affect the desirability of properties near Caltrain stations.
 - Environmental factors such as improved air quality, reduced vibration levels and altered noise patterns will affect properties near the tracks, and new power facilities may aesthetically impact adjacent properties.
 - Increases in property values will also have an effect on overall property tax collections.
- The total value of the Caltrain Modernization Program on property values is a positive **\$904.5 million.**



TOTAL IMPACT

- Overall economic benefits of up to **\$2.5 billion**.
- Almost **9,600 FTE job-years**.
- Property values in locations near Caltrain stations to increase by up to **\$1 billion**, stemming from enhanced service.
- Benefits to riders of up to **\$371 million** in time savings
- Increase in property tax revenues by up to **\$59 million** for local governments.
- Generation of **\$71 million** in state and local taxes.



OTHER BENEFITS

- Reduces greenhouse gas emissions and unhealthy diesel particles by replacing existing diesel trains with electric trains.
- Electrification/Modernization increases ridership capacity of the overall system, allowing Caltrain to keep pace with record, growing ridership.
- Improved service will attract more riders and increase revenue, reducing the annual subsidy required to operate the system.
- Increased demand for Transit Oriented Development.



Transbay Transit Center cross-section. Rendering courtesy of the Transbay Joint Powers Authority

DR. JON HAVEMAN
CHIEF ECONOMIST
BAY AREA COUNCIL ECONOMIC INSTITUTE
BACEI@BAYAREACOUNCIL.ORG
WWW.BAYAREAECONOMY.ORG