

NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER: A STREETCAR NOT DESIRED.

BACKGROUND. Once again, Omaha city dreamers envision a streetcar system, this time running from Downtown Omaha west to Saddle Creek Road. Promoters advance the usual arguments for streetcars, that they will promote economic development, attract tourists with their cash, make the area a destination for area residents, and not increase our taxes. All these arguments are demonstrably false and will cost taxpayers dearly if a streetcar system implemented.

THE COST. Proponents state that new private development along the streetcar route will pay for construction and maintenance costs, but such development not guaranteed. The city would use tax increment financing (TIFs) to generate funds for initial costs, but additional property tax dollars would accrue only if redevelopment achieved. According to its original legislation, communities must utilize TIF only for severely blighted areas; these designated areas are not severely blighted. Declaring a long TIF district, including many properties 3 blocks north and south of the streetcar line, would devalue much property definitely not blighted, making these properties less attractive if and when sold. Surmising that TIF would increase valuations for these properties now declared blighted is preposterous. The city must raise \$306 million, which the estimated \$354 million in TIF would cover, but only if redevelopment succeeded. The city will issue \$200 million in revenue and private bonds to fund construction, but only TIF dollars would repay investors. If the TIF development fails, bondholders will lose their investments. It would cost \$6.4 million to operate the system annually, supposedly paid for by parking fees and a new parking garage. It is unlikely that Omahans will pay and park their vehicles in a parking garage merely to ride for a few minutes on a streetcar, especially if they have no commercial establishment(s) to visit along the route. As a city enterprise, it would require the hiring of additional employees with accompanying salaries and benefits. A new city bureaucracy will manage the system. If sufficient revenue does not materialize, this new authority probably will request taxing authority, adding to our wheel tax, tobacco tax, restaurant tax,



local sales tax, etc. The streetcar system will not charge for rides, thereby not funding the functioning of the system. Additional streetcar routes planned in future for North and South Omaha will add pressure to the costs. After streetcar construction, cities often find that operational costs cancel the free rides and require millions in taxpayer financing through our bottomless wallets as ridership drops. The system will not become expensive enough to challenge the competing bus system. After millions spent, city officials find this fad a waste of money.¹ One credible study maintains that streetcars do not save money on energy, despite “greenie” propaganda.² To carry a passenger a mile on a streetcar, the average cost is about \$1.50, compared to \$1.05 for a bus, according to the Federal Transportation Administration. Hundreds of millions of dollars have poured into the Seattle streetcar, which reports show loses money.³ A 6-month *Motor City Muckraker* examination found that the costly, sleek vehicles are slow, unreliable, over-budget, accident-prone, and vulnerable to mechanical failures. In December, 2011, the U.S. Department of Transportation withdrew its offer to subsidize the Seattle streetcar project, saying that bus rapid transit would better serve the population.⁴

COSTS FOR OTHER STREETCAR VENTURES. The City of Atlanta, which operates its streetcar system, admits operating costs are 50% higher than anticipated. Service expected to cost about \$3.2 million annually. Instead, it will cost \$4.8 million.⁵ The St. Louis streetcar mothballed in December, 2019, after county officials refused the trolley operator request for a \$700,000 bailout to keep the system running into 2020.⁶ Proponents point to a successful Kansas City streetcar line, but area residents there now pay a 1% streetcar tax for 25 years, adding to the costs of nearby retail and restaurant businesses. Property values in Kansas City reassessed every 2 years, which means residents paying the special assessment will pay more as their taxes rise during the 25-year period.⁷ In Milwaukee, free streetcar rides offered the first year with TIF, but ridership slowed as the novelty disappeared. The city paid for a downtown streetcar partly by TIFs, taxes that ordinarily would fund schools, libraries, etc. but now subsidize a streetcar service. The city faced a \$3.1

¹ [Streetcar projects across the country struggle, cost taxpayers millions](#), by Joce Sterman and Alex Brauer, 12-5-2019.

² Randal O’Toole, [The Streetcar Scam](#), Cato Institute, 2010 and June 14, 2012.

³ [Streetcar projects across the country struggle, cost taxpayers millions](#), by Joce Sterman and Alex Brauer, 12-5-2019.

⁴ Steve Neavling, [Streetcar Revival Derailed by Host of Shortcomings, Dangers](#), 4-11-2017.

⁵ [Atlanta Streetcar’s Early Ridership Numbers Disappoint](#), by [Angie Schmitt](#), [Feb. 20, 2015](#).

⁶ Christian Britschgi, [St. Louis Taxpayers Paid a Lot to Run a Money-Losing Streetcar](#), Jan. 5, 2022.

⁷ Emily Wolf, [New Tracks, New Tax: KC Streetcar Expansion Kicks Off](#), June 30, 2021.

million shortfall, despite private sponsorship and advertising deals. Milwaukee must find a minimum of \$111.5 million to continue running the streetcar system for the duration of its useful life.⁸

WOULD CAUSE STATEWIDE ANGER. As TIF-designated areas proliferate throughout the Omaha metropolitan area, the tax abeyance clauses actually lessen the property tax revenue going to school districts and other local taxing authorities, placing pressure on property owners as taxes rise to fund operating costs. Pertaining to school districts, state aid through income and sales taxes somewhat substitutes for lost property tax revenues, so outstate taxpayers witness a transfer of additional state sales and income tax revenues to urban area schools.

CITIZEN INPUT. Mayor Stothert previously declared that a streetcar plan would require voter approval. Now, she says this voting is unnecessary, because the venture poses no risk to the taxpayer. Omaha taxpayers must insist on and attend public hearings to voice their objections.

BLACKMAIL? Mayor Stothert admitted that building a streetcar line was critical to Mutual of Omaha building its new headquarters downtown. Not surprising that the intended streetcar route will run past this new corporate hq to the current Mutual complex.



NO ECONOMIC BOOST. There is no definitive study proving economic enhancement from streetcars, but studies have shown that streetcar transit rarely encourages economic development. A streetcar only moves around the stimulation, so that some property owners along the line may see value of property increase but also their taxes. Property owners outside downtown will suffer twice, once in higher taxes to subsidize the streetcar and once through a loss of economic attention, because the TIF subsidy attracted new development from their properties. Many cities constructing streetcar lanes, like Portland, OR., did not witness measurable development along the streetcar line, some

land remaining vacant. Researchers repeatedly have demonstrated that the use of government subsidies like TIF to improve one area or neighborhood have zero net benefits for an entire urban area. Some research shows that cities that subsidize economic development grow slower than others. Transportation projects produce economic growth only if they provide transportation less expensive, faster, and more convenient than alternatives previously available.⁹ In St. Louis, neighboring businesses supposedly helped by the streetcar line instead complained that the construction and congestion cost them customers.¹⁰ A basic theory is that, if a streetcar succeeds in bringing more people into specific neighborhoods, the real estate value in those neighborhoods will climb and spur developers to make more efficient use of the land, even though other factors such as bonding, unpaid taxes, and historic preservation tax credits are far more important factors in redevelopment. A 2010 study by the Federal Transit Administration found no reliable evidence that streetcars have a positive impact on economic development. “One of the most notable aspects of survey findings is that few, if any, of the systems were seeking information regarding the impacts of the streetcar on economic activity such as job attraction, change in job mix, retail sales, tax revenues, and so on,” the study declared, surmising that streetcars bring only subsidized development. “There’s no study that shows (streetcars) increase economic development,” found Randal O’Toole, a senior fellow at the Cato Institute, who studies transit issues. “They build the streetcar with subsidies, subsidize the development around them, then say, ‘Look, development.’” St. Louis businesses are honest about their experiences so far. “Foot traffic was definitely negatively affected by the trolley construction,” Adam Tilford, owner of Mission Taco Joint, declared. Tilford said that nearby business increased only 6% in 2015 over 2014. 6 businesses left the Loop shortly before or during construction, directly blaming the trolley. University City has provided \$12,000 to each of 10 sagging businesses through its Loop Forgivable Loan Program, a response to trolley construction. People are avoiding the area because of all the hazards of the complicated driving.¹¹ “Measuring the actual impacts of streetcar investments on the local economy versus other City policies and development incentives is elusive, and debatable,” consultants from Parsons Brinckerhoff wrote in a 2015 study that compared 9 streetcar systems around the country. There is no universally accepted methodology for estimating the economic benefits of streetcars in isolation from other public and private initiatives aimed at creating vibrant and sustainable urban areas.¹²

⁸ [A Sunk Goes Completely Underwater](#), by MacIver Institute, June 11, 2021.

⁹ Cato Institute Study, 2012.

¹⁰ Christian Britschgi, [St. Louis Taxpayers Paid a Lot to Run a Money-Losing Streetcar](#), Jan. 5, 2022.

¹¹ Jacob Kim, [Loop Trolley Faces Uphill Climb](#), 3-18-2016.

¹² Steve Neavling, [Streetcar Revival Derailed by Host of Shortcomings, Dangers](#), 4-11-2017.

RIDERSHIP. Residents of West, Southwest, and Northwest Omaha will pay for a frill most would never use. This venture would contribute only slightly to the community public transit system, because it would not transport many people to and from their jobs or to commercial destinations like grocery or retail stores. Supposedly, some young Omaha professionals wish to live somewhere “cool” that boasts a streetcar line. We suggest they move to high-tax “cool” destinations like San Francisco or New York City. The only people who the streetcar will attract are individuals who



want a one-time thrill to ride on a streetcar, tourists looking for a novelty, and those who both live and work in the streetcar vicinity. There probably will exist a honeymoon period when Omahans will ride the streetcar as a novelty, pub crawls will book rides, and tourists will use the ride once, but ridership will shrink as the novelty disappears. Except in 2 cities, streetcar ridership has fallen far below expectations, forcing schedule cuts and raising serious questions about the future of streetcars.¹³ Streetcar lines in both Atlanta and Tampa attract fewer riders than anticipated. The Atlanta streetcars attracted 18% fewer riders than expected during its first year of operation, despite being free, according to data released by the city. That is actually worse than it sounds, because passengers will start paying \$1 per trip in future. In its first 6 weeks of operation, the streetcar carried 102,000 people. Project sponsors had predicted 124,000, according to the Atlanta Journal Constitution.¹⁴ Streetcar lines are a glorified sidewalk; they do not efficiently transport people. In several cities, walking is faster than riding the streetcar. Nationwide, streetcars travel an average of 6.8 mph, which is about the

pace of a brisk jog. In the past 2 years, runners in Charlotte, Salt Lake City, and Washington, D.C. have outpaced streetcars to highlight their sluggish speed. In 2013, a reporter walked faster than a Portland streetcar. A Florida State University study of 7 streetcar systems found that all of them “operate at speeds slower than the average bus in the local transit system, with most streetcar speeds less than half the average bus speed. “In a lot of traffic conditions, you walk faster than these streetcars,” Marc Scribner, a fellow at Competitive Enterprise Institute and frequent streetcar critic, told Politico. People and businesses that never use the streetcar will resent paying for its subsidization. “There does seem to be a real disconnect between enthusiasm for the streetcar and its transportation performance,” declared a 2015 study by the Mineta Transportation Institute, a congressionally- funded group that researches transit, continuing, “In most cities, streetcar ridership is very low and compares quite unfavorably with the ridership of a local bus route operating in the same general area.” About 1,100 riders use the Seattle line every weekday, far below the original forecast of 2,400 to 3,200 riders, for an average cost to the system of \$330,000 per rider. In Cincinnati, daily ridership has slipped to 1,100, far below the projected 3,200.¹⁵ Disappointment struck as the Cincinnati project inched closer to full completion. Average daily rider totals hovered much lower than the 5,000-to-8,000 range predicted by HDR. The project is in a state of perpetual deficit, and the deficit will only surge as ticket revenue plunges to zero.¹⁶

TAKE ACTION NOW. Streetcars use antiquated technology and transit mode funded by modern tax dollars. Do not allow streetcar envy shown by Omaha civic leaders to pluck our pocketbooks. This proposed tax-eater may require several public City Council hearings in future and approval votes. Ready yourself to use the above information to lobby your city council member hard against this Streetcar Not Desired, a Streetcar to Nowhere. Email netaxpayers@gmail.com for city council member contact information and join our NTF *City Watch Project*.

Research, documentation, and analysis for this issue paper done by **Nebraska Taxpayers for Freedom**. This material copyrighted by Nebraska Taxpayers for Freedom, with express prior permission granted for its use by other groups in the *NE Conservative Coalition Network*. 2-22. C



¹³ Molly Dill, Who’s Going to Ride the Streetcar, 4-16-2016.

¹⁴ Atlanta Streetcar’s Early Ridership Numbers Disappoint, by [Angie Schmitt](#), 2-20-2015.

¹⁵ C.B. Hall, Why Sound Transit’s Projects are so Costly, July, 2013.

¹⁶ Ross Marchand, The Consultancy Scam in the American Conservative, 9-27-2021.