

Growing the Bronx for the 21st Century and Beyond

*An Analysis of the MTA Metro-North Expansion
into the East Bronx*



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New York State Senate



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Introduction

In 1984, the American Public Transit Association, conducted an analysis of the employment and business revenue impacts of investment in public transit. This landmark study, for the first time demonstrated that investment in public transit supports significant job creation and increased business revenues at the local level, creating substantial economic benefits in addition to the mobility benefits associated for the local communities where these stations would be located.¹ The whole of the report is based on the hypothesis that the dollars invested in the construction, operation and maintenance of transit services spur job creation and other effects since time and time again dollars are spent in the local economy.² Since 1984 this study has been updated and refreshed numerous times with the most recent publication issued in 2009 titled “Economic Impact of Public Transportation Investment”. As the most cited series and most complete reports of infrastructure investment and its corresponding impact on economic activity, Senator Klein and the Bronx Borough President have used this national study to continue to make the argument that the approval of the capitol plan to expand access of the Metro North to the Bronx is necessary and vital to Bronx residents and communities.

Metro North Expansion in the Bronx

The proposed Metro-North expansion into the East Bronx is part of a larger plan for the MTA called “Penn Station Access”. This proposal will allow Metro-North trains to come into Penn Station. Part of this increased access would be the construction of six new stations, two on the West Side of Manhattan and four in the East Bronx.³ The four stations in the East Bronx would be created along existing Amtrak tracks, therefore lessening the economic burden on New York State. The expansion in the Bronx would pave the way for economic development and job creation along with a quicker commute for Bronx residents.

In the fall of 2012 Metro-North began a series of presentations in the neighborhoods where the four proposed stations would be constructed, Co-Op City, Morris Park, Hunts Point and Parkchester.⁴ These presentations highlighted the growing use of Metro-North Service and that Bronx as the largest rail reverse commuter market in the United States, bringing 5,000 residents to suburban jobs, out of 13,000 Bronx residents who use Metro North every week day⁵. Considering the diversity of the communities surrounding each of the four proposed stations, each would benefit each neighborhood differently. Co-Op City would see greater exposure to the Bay Plaza⁶, while Hunts Point would become a transit hub with connection to the 6 train.⁷ The Morris Park community would be introduced to suburban employment centers in Westchester

¹ <http://www.apta.com/resources/reportsandpublications/Documents/vary.pdf>

² <http://www.apta.com/resources/reportsandpublications/Documents/vary.pdf>

³ <http://www.mta.info/mta/planning/psas/>

⁴ ibid

⁵ <http://www.mta.info/mta/planning/psas/pdf/Parkchester121022.pdf>

⁶ http://www.mta.info/mta/planning/psas/pdf/CoopCity_120924.pdf

⁷ ibid

and Connecticut,⁸ while the Parkchester station would broaden transportation opportunities for residents with the possibility for connections with NYC buses, such as the Bronx 42, 40 and 20.⁹

However we are one borough, one Bronx. In that vein, the economic impact assessments below show the potential ability for these four stations to create jobs, business revenue and property values in the Bronx as a whole.

Estimating Investment Costs of the Metro North Expansion in the Bronx

Using the above referenced American Public Transit Association reports, much of the economic impact analysis flows from a public transportation project's capital investment in a local area and the operating/maintenance cost investment in the same project. In this economic analysis, the capital investments refer to the expansion in the Bronx, with expenditures for the additions of the four new East Bronx Stations. Additionally, operating investments go to the maintaining and function of the rail system. Major components of these costs are the salaries and wages to hire the employees who conduct these operations and generally are hired from the local labor force. Other operating expenses go to payments for insurance, utilities, fuel and fringe benefits.¹⁰

A 2011 Bronx Times article referenced the cost of the Metro North Expansion in the Bronx would cost approximately \$ 350 million dollars.¹¹ In addition, in a press release from 2007, the MTA announced a cost estimate for the construction of the Yankee Stadium Metro-North to be \$91 million. Using that figure, the cost of 4 stops would be \$364 million. Erring on the side of caution, for this analysis, the figure of \$350 million will be used to calculate all economic impact as it flows from capital investments.

In addition, estimates of the total project for the Penn Station Access project, which includes the four stations in the Bronx, have been cited to be anywhere from \$800 million to \$1 billion. Using the \$800 billion number, again using restraint in analyzing economic impact numbers, one could assume that minus the capitol investment calculated in the paragraph above, the operating and maintenance costs for the project would be on the cautious side--\$450 million.

8 http://www.mta.info/mta/planning/psas/pdf/MorrisPark_September2012.pdf

9 <http://www.mta.info/mta/planning/psas/pdf/Parkchester121022.pdf>

10 <http://www.apta.com/resources/reportsandpublications/Documents/vary.pdf>

11 http://www.bxtimes.com/stories/2011/45/45_train_2011_11_10_bx.html

1. Job Creation

While the United State's recovery from the recession of 2008 has been slow and painful for people across the country, New York City has fully recovered all the jobs lost. In fact by October of this past year, New York City has had one of the strongest recoveries of any part in the state, recovering 160.7% of the jobs lost in the recession, gaining **216,200 jobs** after losing **134,500**. While this is welcomed news, Bronx County has not seen this growth. As of March 2013 the county has an unemployment rate of **11.6%** (Figure 3), which is one of the highest in New York State and far above the United State's current rate of 7.5%. When examining the benefits of the Metro-North expansion, the first consideration must be job creation.

According to the 2009 American Public Transit Association Report "Economic Impact of Public Transportation Investment" (herein after referred to as the 2009 APTA Report), the short term transit capital investment is a significant source of job creation. The report indicates that in the year following the investment, 314 jobs are created in the local economy for each \$10 million invested in transit capitol funding. In addition, the report also established that over 570 jobs are created for each \$10 million invested in maintenance and operating costs.

Based on published numbers and independent research by the Offices of Senator Jeff Klein and Borough President Diaz, the capital investment by the MTA in the Bronx with the construction and opening of the four stations could reach \$350 million dollars. Furthermore with reported costs estimated to be from 800 million to 1 billion for the total project, one can assume that the maintenance and operating costs would be approximately \$450 million.

Using these numbers, the potential job creation impact as a result of the Metro North Expansion to the Bronx could potentially be 10,990 just as a result of capital investments. If you add in the additional job creation impact as a result of predicted operating and maintenance cost investments (the total would be 25, 650), there is a potential job creation impact of 36,640.

Finally using numbers published by the United States Census Bureau, the Bronx makes up 15 % of the workforce in New York City. Therefore, one can make the assumption that this same percentage could be the share of the newly created jobs due to the investment in the expansion of the Metro North into the Bronx. **Therefore, the potential impact on job creation in the Bronx could be close to 5400 jobs.**

2. Business Sales

Alongside job creation, Bronx businesses could absolutely use a boost. Looking at Census Bureau statistics for retail sales, it is clear that the outer boroughs of New York City are under-retailed.¹² In 2007, New York City accounted for a total of \$78 billion in retail sales. Manhattan alone made up half of this, with close to \$39 billion in such sales.

The Bronx ranked second to last amongst the five boroughs in sales that year with \$5.5 billion, a mere 7% of the citywide total. Furthermore, the county experienced only a 28% increase from total retail sales in 2002. This level of growth again caused the Bronx to rank second to last among NYC boroughs. Moreover, citywide growth in retail sales over that time period stood at 41%. This data shows that Bronx businesses failed to see the demand present in the other boroughs.

Unfortunately, statistics from the latest census are not yet available. However, the figures above highlight that Bronx businesses need an economic stimulus. Along with creating jobs, the Metro North expansion can help revitalize Bronx retailers. American Public Transit Association found that business would see an increase in sales three times amount of capital invested.¹³ Again assuming a capital investment of \$350 million, this means that Bronx businesses should see an increase in sales of \$1.05 billion.

Businesses should also see an added benefit from operations spending as a result of expansion. Once more we assume that maintenance and operations costs would be approximately \$450 million throughout NYC. APTA found that businesses see a “\$32 million increase in business sales for each \$10 million in transit operations spending”.¹⁴ Using this ratio, New York City businesses will see an increase in retail sales of \$1.44 billion as a result of the \$450 million in operations spending.

In 2007, the Bronx accounted for 7% of NYC retail sales. Applying this percentage to the estimated increased resulting from operations spending would bring \$100.8 million added sales to Bronx businesses. **Therefore the total impact of Metro North expansion from capital and operations spending on Bronx businesses would hit \$1.151 billion.**

¹² For 2007 US Census Bureau Economic Estimates for NYC Boroughs see: State & County QuickFacts at <http://quickfacts.census.gov/qfd/states/36000.html>.

For 2002 US Census Bureau Economic Estimates for NYC Boroughs see: State & County QuickFacts at <http://www.census.gov/econ/census02/data/ny/NY061.HTM>.

¹³ Glen Weisbrod and Arlee Reno, “Economic Impact of Public Transportation Investment,” *American Public Transportation Association*, October 2009, ii, http://www.apta.com/resources/reportsandpublications/Documents/economic_impact_of_public_transportation_investment.pdf.

¹⁴ “Public Transportation and the Nation’s Economy: A Quantitative Analysis of Public Transportation’s Economic Impact,” *American Public Transportation Association*, E-1, <http://www.apta.com/resources/reportsandpublications/Documents/vary.pdf>.

3. Increasing the Value of Bronx Real Estate

According to the 2013 report, “The New Real Estate Mantra: Location Near Public Transportation,” also issued by the American Public Transit Association, proximity to high-capacity transit stops has been shown to increase property values, a phenomenon known as the “transit premium.” Citing, the Center for Transit Oriented Development (CTOD), this report further examined a range of studies to determine the impact of transit investments on real estate values and found that transit premiums ranged from a few percentage points to over a 150 percent increase. The increases in property values near transit were most dramatic for office and retail spaces going as high as 167%. For residential properties, singlefamily dwellings had a property value premium range of 2 percent to 32 percent; condominiums from 2 to 18 percent; and commercial spaces saw increases as high as 120%.

Using these percentage ranges, the Offices of Senator Jeff Klein and the Bronx Borough President analyzed the potential boost to real estate in the Bronx with the opening of these four stations, especially for those homes and commercial leases in close proximity to the soon to be erected Hubs. **Using real estate data from a variety of real estate websites, the offices established that residential homeowners in the Bronx could see an average increase in home prices that range from \$8900 to \$142,400 and an average increase in condominium prices from \$7,872 to \$70,848. In addition commercial real estate owners could potentially see a new value of close to \$450.00 in increase cost per square foot and or office space/retail owners could see rental rates skyrocket to almost \$6,675 a month.**

Potential Increase in Residential Bronx Real Estate due to the Metro North Expansion in the Bronx

Property Type	Average Housing Price	Lower Bound increase (2%)	Upper Bound (32%)	Potential New Value
Residential Home	\$445,000	\$8900	\$142,400	\$587, 400

Potential Increase in Condominium Bronx Real Estate due to the Metro North Expansion in the Bronx

Property Type	Average Housing Price	Lower Bound increase (2%)	Upper Bound (18%)	Potential New Value
Residential Condominium	\$393,600	\$7,872	\$70,848	\$464,448

Potential Increase in Bronx Commercial Real Estate due to the Metro North Expansion in the Bronx

Property Type	Average Housing Price	Upper Bound (150%)	Potential New Value
Commercial Lot	\$300/ square feet	\$450	\$750/square feet

Potential Increase in Retail Rental Value due to the Metro North Expansion in the Bronx

Property Type	Average Housing Price[3]	Upper Bound (167%)	Potential New Value
Retail Rental	\$2,500	\$4,175	\$6,675

Conclusion

The Bronx is growing stronger every day. Twenty years ago, the thought of New York State making an investment of close to 800 million dollars in the borough would have been unheard of. While we always knew how special the Bronx is, it is time that New Yorkers in our surrounding communities join us in knowing this. However, these four stations will be a big change for the communities they are going to be placed in as well. As a result, Bronxites must know that the number one priority at all times when considering this project is its benefit to Bronxites. By showing the economic benefits of the Metro North expansion in the Bronx it is the hope of State Senator Jeff Klein and Bronx Borough President Ruben Diaz Jr. that not only the MTA believe in this project but all residents of the Bronx believe in it as well.

Therefore to recap,

- **The potential job creation impact on the Bronx could be close to 5400 jobs.**
- **Therefore the total impact of Metro North expansion from capital and operations spending on Bronx businesses would hit \$1.151 billion.**
- **Average increase in home prices that from \$8900 to \$142,400**
- **Average increase in condominium prices from \$7,872 to \$70,848.**
- **An increase of \$450.00 per square foot for commercial space**
- **Office space/retail owners could see rental rates skyrocket to almost \$6,675 a month.**

Metro-North Economic Benefits to the Bronx

Economic Indicator	Economic Benefit
Potential Job Creation	5400 jobs
Increase in Business Sales	\$1.151 billion
Residential Property Values Potential Increases	Up to \$142,400
Condominium Value Potential Increases	Up to \$70,848
Commercial Property Values Potential Increases	Up to \$450.00 increase per square foot
Retail Rental Increases	An increase of almost \$4, 175 of rental income a month